

## Lenovo Group (992 HK)

### PC Shipments Miss Expectations In 3Q26

#### Highlights

- Lenovo's PC shipments declined 22.6% yoy and 10.2% qoq to 14.9m units, 7.5% below our estimates and around 4% below consensus estimates.
- The miss can be attributable to a stronger-than-expected front-loading effect from 1H26.
- We trim our PC shipment assumptions for Lenovo, although the negative impact to revenue and earnings should be mostly offset by price hikes and premiumisation. Maintain BUY. Target price: HK\$49.00.

#### Analysis

- According to IDC's 3Q26 preliminary PC shipment data, global PC shipments declined 20.1% yoy and 9.1% qoq to 62.7m units**, which is 5% above our expectations. However, Lenovo's shipments were a 7.5% miss vs our estimates, as shipments declined 22.6% yoy and 10.2% qoq to 14.9m units and Lenovo's market share declined 0.8ppt yoy and 0.6ppt qoq to 23.8%.
- Shipment miss was due to front-loaded demand in 1H26.** We had expected PC shipments to weaken significantly starting from 3Q26 as the memory cost hikes are starting to significantly impact consumer device shipments and ASPs, especially with the cheaper memory inventory being depleted. However, Lenovo's share loss was a surprise to us and the market. Nevertheless, the mismatch in expectations was primarily due to front-loaded demand in 1H26 which led to a stronger-than-expected shipment growth. Once the destocking is done, we expect Lenovo's market share to expand again. The expectations of premiumisation also remain unchanged, and we expect ASP hikes and product mix improvements to offset shipment declines during FY27-29.
- We trim our FY27-29 Lenovo PC shipment estimates by 5.8%/1.7%/1.0% to 61.1m/63.8m/64.9m respectively** to factor in our cautious view on consumer electronic devices due to elevated component prices during 2027-28. This is, however, largely offset by a higher ASP assumption, as we expect the ongoing premiumisation trend and cost pass-through to support ASP growth.

#### Key Financials

| Year to 31 Mar (US\$m) | 2025   | 2026   | 2027F   | 2028F   | 2029F   |
|------------------------|--------|--------|---------|---------|---------|
| Net turnover           | 69,077 | 83,075 | 100,129 | 113,349 | 125,912 |
| EBITDA                 | 3,583  | 4,680  | 5,902   | 9,057   | 9,974   |
| Operating profit       | 2,164  | 3,262  | 4,328   | 7,381   | 8,210   |
| Net profit             | 1,384  | 1,912  | 2,216   | 4,856   | 5,484   |
| Net profit (adj.)      | 1,441  | 2,049  | 3,976   | 4,936   | 5,564   |
| EPS (US cents)         | 11.8   | 16.7   | 32.4    | 40.2    | 45.3    |
| P/E (x)                | 33.9   | 23.9   | 12.3    | 9.9     | 8.8     |
| P/BV (x)               | 8.8    | 8.8    | 8.1     | 6.4     | 4.5     |
| EV/EBITDA (x)          | 14.8   | 11.4   | 9.0     | 5.9     | 5.3     |
| Dividend yield (%)     | 1.3    | 1.3    | 1.3     | 1.3     | 1.3     |
| Net margin (%)         | 2.0    | 2.3    | 2.2     | 4.3     | 4.4     |
| Net debt to equity (%) | 9.1    | (3.2)  | 17.8    | (36.4)  | (26.8)  |
| Interest cover (x)     | 3.3    | 5.7    | 7.5     | 12.5    | 15.0    |
| ROE (%)                | 24.7   | 29.9   | 42.7    | 37.5    | 31.3    |
| Consensus net profit   | -      | -      | 3,761   | 5,518   | 6,739   |
| UOBKH/Consensus (x)    | -      | -      | 1.06    | 0.89    | 0.83    |

Source: Lenovo, Bloomberg, UOB Kay Hian

#### Analyst(s)

Johnny Yum

johnny.yum@uobkh.com  
+852 2235 6760

Murphy Li

murphy.li@uobkh.com  
+852 2826 4867

#### BUY (Maintained)

|              |           |
|--------------|-----------|
| Share Price  | HK\$31.10 |
| Target Price | HK\$49.00 |
| Upside       | +57.6%    |

#### Stock Data

|                                |                             |
|--------------------------------|-----------------------------|
| Sector                         | Computer Hardware & Storage |
| Bloomberg ticker               | 992 HK                      |
| Shares issued (m)              | 12,826                      |
| Market cap (HK\$m)             | 398,890                     |
| Market cap (US\$m)             | 51,140                      |
| 3-mth avg daily t'over (US\$m) | 369                         |

#### Price Performance (%)

|                  |      |       |                    |       |
|------------------|------|-------|--------------------|-------|
| 52-week high/low |      |       | HK\$37.88/HK\$8.52 |       |
| 1mth             | 3mth | 6mth  | 1yr                | YTD   |
| (0.6)            | 33.5 | 208.8 | 164.2              | 235.9 |

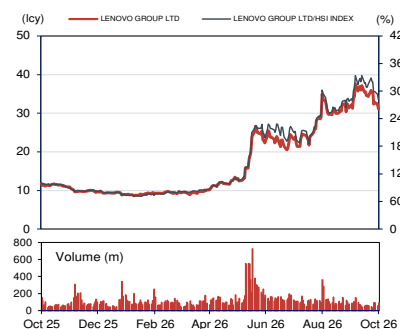
#### Major Shareholders (%)

|                      |       |
|----------------------|-------|
| Legend Holdings Corp | 31.28 |
|----------------------|-------|

#### Balance Sheet Metrics

|                            |      |
|----------------------------|------|
| FY27 NAV/Share (HK\$)      | 2.69 |
| FY27 Net Debt/Share (HK\$) | 1.24 |

#### Price Chart



Source: Bloomberg

#### Company Description

Lenovo Group develops, manufactures and distributes intelligent devices. The company provides laptops, desktops, table PCs, accessories, and data centre equipment such as servers and storage devices, as well as infrastructure solutions and software services. Lenovo Group serves customers worldwide.

**Valuation/Recommendation**

- **Maintain BUY with target price unchanged at HK\$49.00**, based on 19.4x FY27F PE. We expect Lenovo to deliver resilient IDG results with premium-to-market growth, ASP hikes and mix improvements, while registering strong growth from the ISG business on the back of robust server-related demand.

**Earnings Revision/Risk**

- We fine-tuned our estimates and our FY27-29 adjusted net profit is revised by -1.4%/+0.5%/+0.4% to US\$3,976m/US\$4,936m/US\$5,564m respectively, as we adjust our shipment and ASP assumptions.

**Share Price Catalyst**

- Further AI server order wins; sustained upside surprises in sales/profitability, particularly in ISG business.

**Changes to FY27-29 Estimates**

| Year to 31 Mar              | Old estimates |         |         | New estimates |         |         | Differences (%) |       |       |
|-----------------------------|---------------|---------|---------|---------------|---------|---------|-----------------|-------|-------|
| (US\$m)                     | FY27F         | FY28F   | FY29F   | FY27F         | FY28F   | FY29F   | FY27F           | FY28F | FY29F |
| Revenue                     | 101,395       | 113,151 | 125,490 | 100,129       | 113,349 | 125,912 | (1.2)           | 0.2   | 0.3   |
| IDG                         | 60,199        | 61,962  | 63,715  | 59,007        | 62,148  | 64,112  | (2.0)           | 0.3   | 0.6   |
| ISG                         | 34,492        | 43,085  | 52,090  | 34,492        | 43,085  | 52,090  | -               | -     | -     |
| SSG                         | 12,304        | 13,904  | 15,685  | 12,230        | 13,916  | 15,709  | (0.6)           | 0.1   | 0.2   |
| OPM (%)                     | 4.3           | 6.5     | 6.5     | 4.3           | 6.5     | 6.5     | (0.0)           | 0.0   | 0.0   |
| IDG                         | 7.0           | 6.9     | 7.1     | 7.0           | 6.9     | 7.1     | -               | (0.0) | -     |
| ISG                         | 9.0           | 9.5     | 9.3     | 9.0           | 9.5     | 9.3     | -               | -     | -     |
| SSG                         | 22.5          | 22.5    | 22.5    | 22.5          | 22.5    | 22.5    | -               | -     | -     |
| EBIT (US\$m)                | 4,405         | 7,368   | 8,182   | 4,328         | 7,381   | 8,210   | (1.8)           | 0.2   | 0.3   |
| Adjusted Net Profit (US\$m) | 4,032         | 4,914   | 5,540   | 3,976         | 4,936   | 5,564   | (1.4)           | 0.5   | 0.4   |

Source: Lenovo, UOB Kay Hian

## Profit &amp; Loss

| Year to 31 Mar (US\$m)           | 2026    | 2027F   | 2028F   | 2029F   |
|----------------------------------|---------|---------|---------|---------|
| Net turnover                     | 83,075  | 100,129 | 113,349 | 125,912 |
| EBITDA                           | 4,680   | 5,902   | 9,057   | 9,974   |
| Depreciation & amortization      | (1,418) | (1,574) | (1,676) | (1,764) |
| EBIT                             | 3,262   | 4,328   | 7,381   | 8,210   |
| Total other non-operating income | 0       | -       | -       | -       |
| Associate contributions          | (15)    | (20)    | (20)    | (20)    |
| Net interest income/(expense)    | (577)   | (576)   | (592)   | (548)   |
| Pre-tax profit                   | 2,670   | 3,732   | 6,769   | 7,642   |
| Tax                              | (510)   | (1,082) | (1,374) | (1,548) |
| Minorities                       | (248)   | (433)   | (540)   | (609)   |
| Net profit                       | 1,912   | 2,216   | 4,856   | 5,484   |
| Net profit (recurrent)           | 2,049   | 3,976   | 4,936   | 5,564   |

## Cash Flow

| Year to 31 Mar (US\$m)           | 2026     | 2027F    | 2028F    | 2029F    |
|----------------------------------|----------|----------|----------|----------|
| Operating                        | 4,609    | 233      | 9,988    | 2,271    |
| Pre-tax profit                   | 2,670    | 3,732    | 6,769    | 7,642    |
| Tax                              | (695)    | (1,082)  | (1,374)  | (1,548)  |
| Depreciation/amortization        | 1,418    | 1,574    | 1,676    | 1,764    |
| Associates                       | 15       | 20       | 20       | 20       |
| Working capital changes          | (1,795)  | (6,488)  | 2,245    | (6,215)  |
| Non-cash items                   | 2,996    | 2,478    | 652      | 608      |
| Other operating cashflows        | -        | -        | -        | -        |
| Investing                        | (1,909)  | (1,138)  | (1,176)  | (1,114)  |
| Capex (growth)                   | (654)    | (420)    | (420)    | (420)    |
| Investments                      | (7)      | -        | -        | -        |
| Proceeds from sale of assets     | 168      | -        | -        | -        |
| Others                           | (1,416)  | (718)    | (756)    | (694)    |
| Financing                        | (2,583)  | (1,292)  | (1,287)  | (1,297)  |
| Dividend payments                | (613)    | (619)    | (619)    | (619)    |
| Issue of shares                  | -        | -        | -        | -        |
| Proceeds from borrowings         | 13,194   | 15,104   | 14,149   | 14,626   |
| Loan repayment                   | (12,985) | (15,104) | (14,149) | (14,626) |
| Others/interest paid             | (2,179)  | (673)    | (668)    | (678)    |
| Net cash inflow (outflow)        | 117      | (2,197)  | 7,525    | (140)    |
| Beginning cash & cash equivalent | 4,728    | 4,887    | 2,691    | 10,215   |
| Changes due to forex impact      | 42       | -        | -        | -        |
| Ending cash & cash equivalent    | 4,887    | 2,691    | 10,215   | 10,076   |

## Balance Sheet

| Year to 31 Mar (US\$m)     | 2026   | 2027F  | 2028F  | 2029F  |
|----------------------------|--------|--------|--------|--------|
| Fixed assets               | 2,324  | 2,596  | 2,757  | 2,860  |
| Other LT assets            | 15,603 | 14,829 | 14,245 | 13,622 |
| Cash/ST investment         | 4,887  | 2,691  | 10,215 | 10,076 |
| Other current assets       | 34,315 | 39,340 | 43,345 | 48,110 |
| Total assets               | 57,129 | 59,456 | 70,562 | 74,667 |
| ST debt                    | 878    | 878    | 878    | 878    |
| Other current liabilities  | 40,479 | 39,015 | 45,265 | 43,815 |
| LT debt                    | 3,863  | 3,863  | 3,863  | 3,863  |
| Other LT liabilities       | 3,239  | 3,465  | 3,465  | 3,465  |
| Shareholders' equity       | 5,583  | 6,069  | 7,635  | 10,993 |
| Minority interest          | 809    | 1,241  | 1,781  | 2,390  |
| Total liabilities & equity | 57,129 | 59,456 | 70,562 | 74,667 |

## Key Metric

| Year to 31 Mar (%)    | 2026  | 2027F | 2028F  | 2029F  |
|-----------------------|-------|-------|--------|--------|
| Profitability         |       |       |        |        |
| EBITDA margin         | 5.6   | 5.9   | 8.0    | 7.9    |
| Pretax margin         | 3.2   | 3.7   | 6.0    | 6.1    |
| Net margin            | 2.5   | 4.0   | 4.4    | 4.4    |
| ROA                   | 4.0   | 6.8   | 7.6    | 7.7    |
| ROE                   | 29.9  | 42.7  | 37.5   | 31.3   |
| Growth                |       |       |        |        |
| Turnover              | 20.3  | 20.5  | 13.2   | 11.1   |
| Gross profit          | 15.4  | 31.3  | 14.6   | 9.1    |
| Pre-tax profit        | 80.3  | 39.8  | 81.4   | 12.9   |
| Net profit            | 38.1  | 15.9  | 119.1  | 12.9   |
| Net profit (adj)      | 42.1  | 94.1  | 24.1   | 12.7   |
| EPS (adj.)            | 41.8  | 94.1  | 24.1   | 12.7   |
| Leverage              |       |       |        |        |
| Debt to total capital | 8.3   | 8.0   | 6.7    | 6.3    |
| Debt to equity        | 62.1  | 43.1  | 31.0   | 23.4   |
| Net debt to equity    | (3.2) | 17.8  | (36.4) | (26.8) |
| Interest cover (x)    | 5.7   | 7.5   | 12.5   | 15.0   |

**IMPORTANT NOTICE - DISCLOSURES AND DISCLAIMERS**

This report is provided subject to various disclosures and disclaimers (the "Disclosures / Disclaimers") which form an integral part of this report and are available at [this link](#) or by scanning the QR code below:



The Disclosures / Disclaimers contain important information, including without limitation, (a) exclusions of liability, (b) confidentiality obligations, (c) restrictions on publication, circulation, reproduction, distribution and use of the report, (d) potential conflicts of interest, and (e) disclosures and requirements specific to recipients in the United States and other applicable jurisdictions.

Specifically, this report is intended for general circulation and informational purposes only and does not take into account the specific investment objectives, financial situation, or particular needs of any individual person. It is not intended to constitute personal investment advice or a recommendation to buy or sell any investment product or security. You should independently evaluate the information and, where necessary, seek advice from a qualified financial adviser regarding the suitability of any investment, taking into account your specific objectives, financial situation and needs, before making any investment decision. Analyst certifications required under applicable regulations, including SEC Regulation AC (where relevant), are included in this report.

Recipients of this report must carefully read, review and understand the full Disclosures / Disclaimers before using or relying on any information in this report. By accessing, receiving or using this report, you acknowledge and confirm that you have read, understood, accepted and agreed to be bound by the Disclosures / Disclaimers (as may be amended or updated from time to time) in full."