

DESK NOTE

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Lenovo (LVDGY) – Leading integrator of AI-driven innovation at a reasonable price.

Conclusive Summary: Lenovo strong market leadership in PCs (nearly 24% market share), rapid growth in smartphones (43% YoY), and momentum in IT infrastructure (65% YoY growth) demonstrate solid prospects. Its diversification across Intelligent Devices, Infrastructure Solutions, and Services segments, combined with a focus on AI-driven innovation, enables resilience and alignment with emerging tech trends. The company's investments in hybrid AI, cloud solutions, and high-performance computing, along with its global supply chain, reinforce its competitive advantages over competitors like DELL and HP. However, risks such as margin pressure, market saturation in mature regions, and execution challenges in ISG require careful monitoring. With robust 2Q FY24/25 results, increased R&D spending, and strong profitability in the Solutions and Services Group, Lenovo offers compelling growth prospects. **We recommend adding LNDGY at a price of around \$23.00 with a price target of \$33.50.**

Competitive Position: Leads the global PC market with nearly 24% share, driven by AI integration and economies of scale, though it faces margin pressures and competition from premium brands like Apple. In IT infrastructure, Lenovo's sees strong growth in AI-ready servers and hybrid cloud solutions, though it faces stiff competition from HPE and Dell. The Solutions and Services Group (SSG) provides high-margin, recurring revenue with strong growth, but competes with large IT services providers like IBM and Accenture. Lenovo's key differentiators are its AI-driven innovation, diverse revenue streams, and global supply chain, positioning it well to capitalize on emerging tech trends.

Valuation: Based on a combination of FCFF valuation and multiple valuation calculations we reach a blended target price (TP) of \$33.50, around 34% above current levels. The stock is currently trading around 1 standard deviation above its historic multiple averages and has room for upside given the latest earnings report guidance. At a price of around \$23.00, LNVGY is a buy.

Ticker: LNVGY US

Previous day close price: \$25.41

Price range (52w.): \$ 19.79 - \$31.82


Target price: \$33.50 (+46% upside)

Recommendation:

Buy@ \$23.00

Description: Lenovo Group Limited is a global technology leader specializing in innovative computing, infrastructure, and services. Operating through its Intelligent Devices Group (IDG), Infrastructure Solutions Group (ISG), and Solutions and Services Group (SSG), Lenovo leads the global PC market with cutting-edge products like PCs, laptops, tablets, smartphones, and AI-powered devices. The ISG segment delivers advanced data center solutions, servers, storage, and hybrid cloud offerings, focusing on AI-driven and sustainable technologies. The SSG segment drives recurring revenue through managed IT services and AI-powered digital transformation solutions, achieving consistent double-digit growth and high profitability.

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Multiple next 12 months		Factor	Target EV	Net Debt	Target MCap	Shares	Target Price
EV/Sales	0.30	71,651	21,495	3,345	18,150	620.2	\$29.26
EV/EBITDA	5.00	4,012	24,075	3,345	16,717	620.2	\$26.95
EV/EBIT	7.50	2,732	24,593	3,345	17,149	620.2	\$34.26
P/E	11.00	2.02	17,127	3,345	13,782	620.2	\$22.22
Avg. Multiple Price							\$28.17
DCF Price							\$38.82
Avg. Multiple & DCF Price							\$33.49

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