

Lenovo Group Limited worth it? YES!

Share value calculated on January 25, 2026. FREE VALUATION FOR EVERYONE.



VIAVALENS
JAN 27, 2026

Lenovo Group Limited

Lenovo Group Limited is a Hong Kong-listed global technology company that designs, manufactures and markets a broad portfolio of PCs, workstations, tablets, smartphones, servers, storage systems and related software and services, operating through its Intelligent Devices Group, Infrastructure Solutions Group and Solutions & Services Group across more than 180 markets worldwide. Based on the last four quarters, the group generated annual sales of USD 75,062 million and an operating result of USD 2,290 million, corresponding to an operating margin of 3.1%. The business model combines high-volume hardware manufacturing with increasingly recurring service and solutions revenues, positioning Lenovo as a key player in the transition toward AI-enabled, hybrid-cloud computing.

Current developments

Lenovo is currently reshaping its earnings profile by shifting from a PC-centric hardware vendor toward a balanced mix of AI PCs, data-center infrastructure and high-margin services, using its scale in devices as an entry point for hybrid-AI solutions that span edge, cloud and managed services. The company is capitalizing on an AI-driven PC refresh cycle and premiumization in notebooks and workstations, while its infrastructure unit benefits from strong demand for AI servers, liquid-cooled data centers and turnkey AI stacks that help enterprises

deploy training and inference workloads without building everything in-house. In the wider industry, device vendors and infrastructure providers are converging around full-stack AI offerings, with competition focusing less on pure hardware specifications and more on integrated solutions, software ecosystems and lifecycle services, a shift that favors players able to orchestrate devices, infrastructure and services under one brand.

The stock is undervalued. We are modelling the value per share with consistently conservative EBIT margins and still identify undervaluation; we will initiate a position once the negative share price trend has come to an end.

Intrinsic Valuation		
Lenovo Group Limited	Date:	25.01.26
ISIN	HK0992009065	
Internet	www.lenovo.com	
Incorporation	Hong Kong	
Primary Industry: Technology Hardware, Storage and Peripherals		
Value per Share in USD		1,28
Stock Market Share Price in USD		1,13
Price / Value	89%	
52 Week Low in USD		0,84
52 Week High in USD		1,74
Number of Shares Outstanding in million		12.404,7
thereof Freefloat		70,0%
Key numbers at Date of Valuation in USD million		
Market Capitalization		14.062
Total revenue of last four quarters		75.062
EBIT of last four quarters		2.290
EBIT-Margin of last four quarters		3,1%

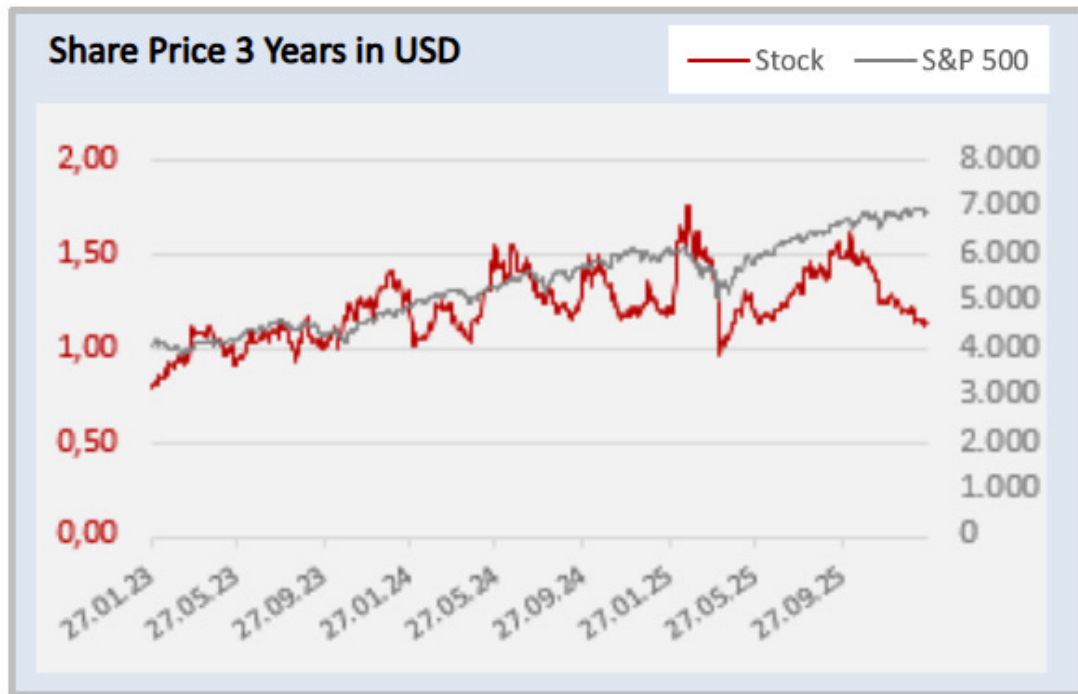
Value drivers

- Global scale in PCs and smart devices, giving strong purchasing power, distribution reach and brand visibility across consumer and commercial markets.
- Fast-growing AI PC portfolio, positioning Lenovo at the forefront of the Windows AI upgrade cycle with differentiated hardware - software integration rather than pure price competition.
- Expanding Infrastructure Solutions Group focused on AI-optimized servers, storage and liquid-cooled data centers, capturing structural demand for AI and hybrid-cloud workloads.

- High-margin Solutions & Services Group that layers managed services, lifecycle offerings and AI solutions on top of the hardware base, lifting earnings quality and recurrence.
- Deep strategic partnerships with leading chipmakers and cloud providers, enabling full-stack hybrid-AI solutions that are hard for smaller hardware vendors to replicate.
- Diversified geographic footprint with strong presence in Asia and emerging markets, balancing mature-market PC cyclicalities with faster growth regions in infrastructure and services.

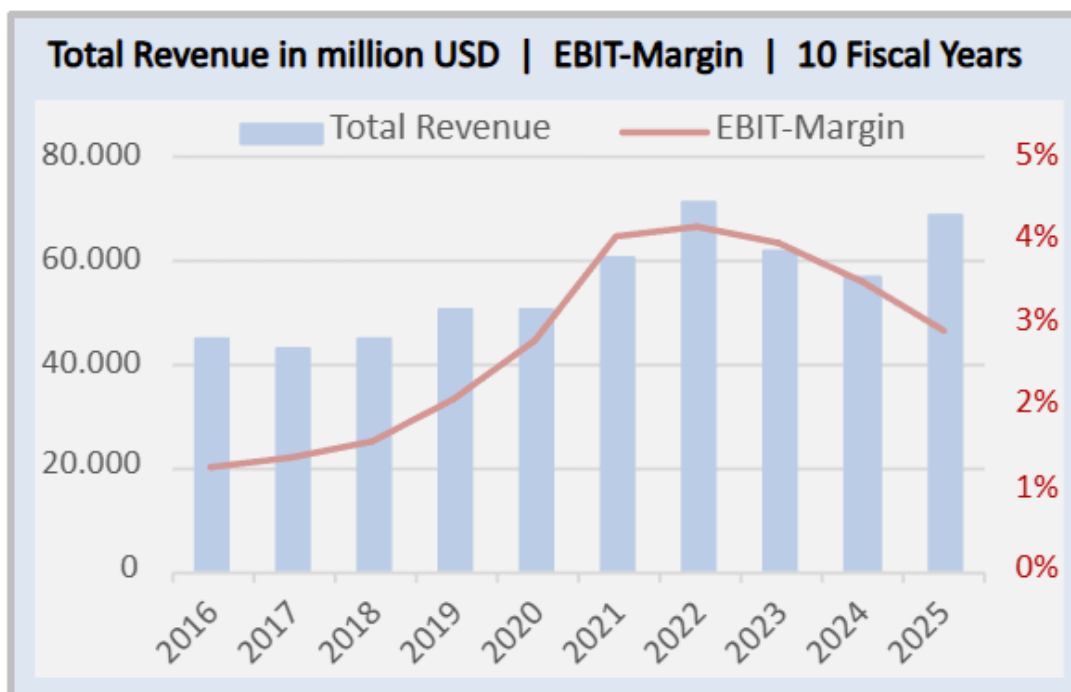
Stock price performance

The share price has eased back to around USD 1.13 after a strong rally, as investors reassess how much of the AI-driven upside in PCs and infrastructure is already reflected in expectations. The pullback from the 52-week high of USD 1.74 signals a shift from momentum-driven optimism toward a more cautious stance on execution risk, margins in infrastructure and macro sensitivity of China-related tech stocks. At this level, the market values Lenovo closer to a cyclical hardware player with optionality from AI and services, leaving room for re-rating if the company demonstrates that higher-margin hybrid-AI and services revenues can grow faster than its traditional PC volumes.



Business development

In the last three fiscal years, revenue changed by -13.5%, -8.2% and most recently by 21.5%. Over the last 10 years, revenue growth averaged 4.1% per year (CAGR). In the last three fiscal years, EBIT-Margins amounted to 3.9%, 3.5% and most recently 2.9%. The mean EBIT margin during the last 10 years was 2.8%; over the last five years, however, it was 3.9% (Median). Over the last four quarters the EBIT-Margin amounted to 3.1%.



Analyst forecasts

Based on the most recent annual financial statements as of 31.03.25, analysts expect revenue growth of about 13.9%; 7.9% and 5.1% (Median Consensus). The EBIT margin for the next three fiscal years is forecasted (Median) at 3.5%; 3.5% and 3.8%. Accordingly, earnings before interest and taxes (EBIT) in fiscal year 2028e would amount to USD 3,402 million (EBIT). Financial industry analysts see target prices for the share between USD 1.22 and USD 2.57; the Median is USD 1.54.

Key Ratios

Market Enterprise Value / EBITDA	4,3
Market Enterprise Value / EBIT	6,5
Price / Diluted EPS Before Extra	9,4
Price / Normalized EPS	16,1
Price / Book Value	2,2
Net Debt / EBITDA	-0,1
Dividends per Share in USD	0,05
Expected Dividends per Share in USD	0,05
Expected Dividend Yield	4,3%

Peergroup Multiples			
	Enterprise Value / EBITDA _{LTM}	PE	Price/Book
Lenovo Group Limited	4,3	16,1	2,2
Quanta Computer	12,4	21,1	5,1
Wistron Corporation	9,8	25,5	2,7
Pegatron Corporation	5,7	19,1	1,0
Xiaomi Corporation	17,6	37,6	3,2
Wiiwynn Corporation	12,2	19,9	6,4
ASUSTeK Computer	9,6	15,5	1,5
Compal Electronics	8,2	28,1	1,1
Advantech Co.	18,5	32,6	4,9
Acer Incorporated	14,1	23,8	1,1
Inventec Corporation	12,3	26,4	2,5

Read further if you are interested to learn how we calculate the intrinsic value per share.

Explanation of our company valuation

Our opinion on the value of the share is based on a company valuation using a discounted cash flow (DCF) model. This methodology, which is widely accepted in theory and practice, discounts the company's expected free cash flows over a period of ten years using discount

rates that reflect the current interest rate environment and the company's specific risk. The key determinants of the company-specific risk are the systematic risk of the industries in which the company operates and the regional risk of its sales markets (country risk, measured using current credit default swaps). In this way, the prevailing risk is priced individually for each company at every valuation date. In the following, **we explain our methodology and provide full transparency.**

Key inputs

Sales volume

The starting point for our forecast for the DCF model is the quoted annual sales of USD 75,062 million (LTM). LTM stands for "Last Twelve Months" and adds together the last four quarterly reports to provide a current annual view. We estimate sales growth for the first three planning periods (LTM+1 to LTM+3) at 3.5%, 3.3% and 1.6%.

Accordingly, we did not adopt the analysts' growth rates but instead adjusted them in light of the company's expected quarterly performance. For the subsequent planning periods (LTM+3 to LTM+10) up to steady state, we assume annual sales changes between a minimum of 0.8% und a maximum of 4.2%.

EBIT

For the first three forecasted periods (LTM+1 to LTM+3), we consider EBIT margins of 2.5%, 2.6% and 2.6%. In steady state, we advocate an EBIT margin of 3.2%; EBIT would therefore amount to USD 3,107 million. Given repeated historical positions below the operational EBIT line item, we adjust EBIT over the 10 planning periods with in total USD -4,147 million for special effects.

Key assumptions in USD million

Expected Revenue next 4 quarters (LTM+1)	77.712
Expected Revenue LTM+2	+3,3% 80.252
Expected Revenue LTM+3	+1,6% 81.564
Possible Revenue in 10 years	93.911
Expected EBIT-Margin next four quarters	2,5%
Expected EBIT-Margin LTM+2	2,6%
Expected EBIT-Margin LTM+3	2,6%
Possible EBIT-Margin in 10 years	3,2%
Expected Tax / EBIT	18,5%
Expected Reinvestment / EBIT-T	26,4%

Tax

We take future tax payments into account using percentages on the resulting EBIT line, i.e. the result before financing interest. It is part of the valuation mechanism to disregard tax-deductible interest in the assessment basis (EBIT), as this is reflected in the discount rate ("tax shield"). Taking into account the history and any loss carryforwards, we consider effective tax rates of 27.4%; 18.2% and 19.2% appropriate for the three planning periods (LTM+1 to LTM+3). In line with our conservative approach, we assume a linear development of the tax rate from LTM+4 up to the marginal tax rate at the company's Hong Kong headquarters of 16.5% until LTM+10.

Investments

A dedicated investment plan (Capex) from management is not available, and a forecast of depreciation and amortization would not be

meaningfully possible. Rather, we calculate future necessary Reinvestment in line with the expected company development. Reinvestment include investments in fixed and current assets, net of depreciation and amortization. We omit the forecast of EBITDA and depreciation, as well as any interim calculations regarding the development of working capital, since this would create a false sense of precision.

Derivation of Reinvestment

In this case, we calculate future Reinvestment by using the Sales / Capital - Ratio: Company revenue is related to tied-up capital (ratio: revenue/capital). Tied-up capital (Capital Employed) is calculated using the following formula: Capital Employed = Interest-bearing liabilities + Equity - Liquid assets - Goodwill. This ratio expresses how much capital must be tied up/invested for a given revenue. Since the DCF model includes revenue forecasts, the (implicitly) Capital Employed can be calculated. The change of Capital Employed from one period to the next results in annual reinvestment. Typically, the Sales to Capital - Ratio ranges somewhere between 0.5 und 5.0 (depending on the capital intensity of the respective industry.). The lower the ratio, the more must be invested for a given revenue. For example, if the ratio is 3.0 (revenue/capital), €30 must be invested for €100 in revenue.

Calculated Reinvestment

In this case, the future necessary Reinvestment were calculated as follows: The DCF model forecasts a change in sales over 10 years by 25.1% (Revenue LTM+10 / Revenue LTM). We assume that business volume will grow over time and take into account necessary Reinvestment. The Sales/Capital-Ratio (LTM+10) that is chosen amounts to 3.98. The selection is based on an analysis of the company's history (statistical relevance) in comparison to industry benchmarks. For the forecasting, sales growth is divided by the Sales/Capital-Ratio. The calculation is: (USD 97,893 - USD 77,712 million.) / 3.98. For the 10 Years forecast, the total amounts to USD 5,070 million for plausible Reinvestment. The Reinvestment-Rate is therefore 24.9% (Reinvestment

/ EBIT-T). In the following, we examined statements from analysts about upcoming investments and checked plausibility. After evaluating the estimates and plausibility, the final judgement call is adopted to USD: 5,372 Mio. for total Reinvestment over 10 years, equaling a 3.8 Sales/Capital-Ratio. The final Reinvestment-Rate amounts to 26%. The percentage expresses how much of the operating result after tax (EBIT-T) is used for Reinvestment. We distribute the justified necessary Reinvestment over the 10 planning periods, taking into account the assumed annual development of sales.

Terminal Value

The DCF model calculates the free cash flows before financing (FCFF) for each of the 10 planning periods and then takes into account a so called Terminal Value. In accordance with standard valuation methodology, we assume the eternal existence of the company and point out that a cash flow far in the future hardly affects the present value. We calculate the Terminal Value using the methodically recognized formula: $\text{Terminal Value} = \text{Terminal Cash Flow} / (\text{WACC} - \text{growth rate } g)$. In this case, the calculation is: $\text{Terminal Value} = \text{USD } 1,716 \text{ Mio.} / (10.3\% - 4.2\%) = \text{USD } 28,459 \text{ million}$ (Enterprise Value in 10 years from the date of valuation). The growth rate "g" is based on the risk-free interest rate, in our and academic opinion the best indicator for long-term economic growth in the respective currency. The present value of the Terminal Value included in the valuation result amounts to (only) USD 10,694 million.

Discount rates

Introduction

We use the DCF model based on the entity approach, which is the most widely used in theory and practice. Accordingly, cash flows before debt service are discounted using weighted cost of capital. In this case we use a discount rate of 10.3% (LTM), the mathematical derivation of which we explain and justify below. Taking into account expected

leverage ratios, we adjust the discount rate over time until 10.3% for the cash flow in steady state.

Derivation and justification

As a risk-free interest rate, we use the daily traded yield of a safe 10-year government bond, as of the valuation date in the amount of 4.2% (USD). For taking stock market equity risk into account, we consider a risk premium of 6.0% in a first step. One important feature of our methodology is to price in the regional risk of the company and in this case we change the risk premium to 7.5%. The regional adjustment of the risk premium takes into account the location of the company and its regional sales markets, which Lenovo Group regularly publishes. As a risk measure, we use the current prices traded on the capital market for country default risk (credit default swaps) and calculate weights based on the regional sales distribution. In this case we calculate the cost of equity as follows: $\text{Cost of Equity} = \text{risk-free rate} + \text{Beta} * \text{regional adjusted risk premium} = 4.2\% + 1.07 * 7.5\% = 12.3\%$. The formula is the recognized derivation along the so-called Capital Asset Pricing Model, whereas the "Beta" as a relative measure adjusts the risk premium individually (relative risk).

Calculation of Discount Rate	
Risk-free Rate (10Y Government Bond) USD	4,2%
Equity Risk Premium based on sales regions	7,5%
Relative Risk (relevered Beta of Industries)	1,07
Adjustment in case of specific Country Risk	0,0%
Cost of Equity	12,3%
Cost of Debt at Date of valuation	5,8%
Marginal Tax Rate of Country	16,5%
Cost of Debt after Tax	4,9%
Market Capitalization in USD million	14.062
Value of Debt in USD million	5.097
Weighted Average Cost of Capital (WACC)	10,3%
WACC at steady state	10,3%

Explanations

“Beta” represents the systematic risk of the company; a Beta of less than 1.0 implies a lower risk than the market and vice versa. Our models always use specially derived bottom-up Betas, never the regression Beta of the individual stock, which we consider an unsuitable risk measure. Our Beta therefore takes into account the systematic risk of the industries in which Lenovo Group operates. Many companies operate in different industries; we calculate weights based on industrial revenue distribution and consider premiums or discounts depending on the stability of the EBIT margin (CAPM plus). In accordance with our methodology, we adjust Beta to the specific leverage ratio (“levered

Beta”) and each company is assigned an individually justified risk that must be priced in.

Cost of debt

We estimate Cost of Debt as of the valuation date at 5.8%. This is the interest rate at which the company can currently borrow long-term funds. We determine the aforementioned interest rate based on a company rating and the currently traded yields of 10-year corporate bonds of the same rating class. Necessarily, in accordance with correct practise, we reduce the Cost of Debt by the Marginal Tax Rate (tax-shield), in this case in the amount of 16.5%. The Cost of Debt taken into account is therefore 4.9%.

Weighted Average Cost of Capital (WACC)

Taking into account current market capitalization and debt, we weigh the Cost of Equity in this case with 73.4% and the Cost of Debt with 26.6%. All this results in the quoted Weighted Average Cost of Capital:
$$WACC = 12.3\% \cdot 73.4\% + 4.9\% \cdot 26.6\% = 10.3\%.$$

Valuation Results and Equity Bridge in USD million	
Present Value of free cash flows over 10 Year:	6.383
Present value of Terminal Value	10.694
Enterprise Value	17.078
Total Cash & ST Investments	5.244
Long Term Marketable Securities	0
(Market Value of) Debt	-5.097
Financial Receivables	0
Minority Interest	-1.194
Unearned Revenue, Non-Current, Other	-1.917
Debt Equivalent of Unfunded Benefit Obligations	-192
Cashout legal disputes	0
Value of Stock Options	0
Value of cross holdings & LT Investments	1.926
Equity Value	15.847
Intrinsic Value per Share in USD	1,28

Remarks

The present value of the terminal value and the present value of all 10 discounted cash flows add up to the debt & cash free Enterprise Value. The Enterprise Value in this case amounts to USD 17,078 million = USD 10,694 million (Present Value of Terminal Value) plus USD 6,383 million (Present Value of forecasted cash flows). In accordance with correct

methodology, cash including tradable securities (USD 5,244 million) are added and interest bearing liabilities (USD 5,097 million) are subtracted.

In addition, we analyze the liabilities of the balance sheets to consider additional items in the so-called “equity bridge” if necessary. These may include, in particular, accrued advance payments, consolidated minority shares or uncovered pension provisions, as well as other items. In special cases, interest-bearing liabilities may include financial liabilities from trading activities, e.g. in the case of consolidation of banking or leasing businesses. In the aforementioned cases, we pay attention to any offsetting items on the asset side of the balance sheet (financial receivables) and balance the amounts in the Equity Bridge under the item Other. After deducting or adding the items listed individually in the equity bridge of the DCF model, the Equity Value as of the valuation date is USD 15,847 million.

The Intrinsic Value per Share is calculated when dividing the Equity Value by the number of outstanding shares (12,405 million). **Value per Share as of the valuation date therefore amounts to USD 1.28.** The Intrinsic Value per Share can be compared with the current stock market price (USD 1.13) and can be used for investment decisions. **Based on this company valuation, the ratio of Share Price to Share Value as of the valuation date is: 88.7%.**

Buy or sell it or not, your decision.

Thanks for reading,

your VIAVALENS team

Subscribe for more stock valuations:

✓ Subscribed