

Technology

Lenovo Tech World 2024: AI PC product launches set to accelerate

Lenovo hosted the “AI Tech World” event with the theme “AI for All” in Shanghai yesterday. During the event, CEO Mr. Yang highlighted 1) Lenovo’s vision of bringing AI to every household and industry, 2) its emphasis on the industry trend of hybrid AI, 3) building personal AI agents on AI PC/smartphone/pad products and 4) deploying enterprise AI agents on Lenovo’s smart infrastructure, solutions and services. Lenovo also launched six new models of AI PC products. We believe AI PC product launches are set to accelerate in 2024, and major beneficiaries include Lenovo (992 HK), Dell (Dell US), FIT Hon Teng (6088 HK), Chunqiu Electronics (603890 CH), Huaqin Tech (603296 CH), Bromake (301387 CH) and Luxshare (002475 CH).

- Lenovo pursues full-stack AI strategy with built-in enterprise/personal AI agent; six new AI PC models launched.** Lenovo is committed to full-stack AI, including providing smart devices (AI PC, AI smartphone, pad and watch), smart infrastructure (cloud/enterprise servers, storage and HPCs) and smart solutions & services. It introduced six new AI PC models with selling prices ranging from RMB5,999 to RMB17,999. Each AI PC model is pre-equipped with personal AI agent Lenovo Xiaotian with functions of AI PPT, notes summary, AI drawing and picture recognition at the edge device. We think Lenovo will benefit from the AI trend with its full-stack AI product offerings from AI edge devices to AI infrastructure. Hybrid AI should also unlock new opportunities for related solutions and services, including IT services and GenAI applications.
- AI PC product launches to accelerate in 2H24E.** Following releases of AI-enabled processors from Intel (Core Ultra) and AMD (Ryzen), major PC brands (e.g., Lenovo, Asus, Dell, HP) have showcased their latest AI PC line-ups in the past few months. We believe AI PC product launches are set to accelerate in 2H24E, and Lenovo’s first batch of AI PC products will gain market feedback, boosting initial market penetration. AI PC shipments are expected to reach 167mn units by 2027 (vs 50mn in 2024), implying 60% penetration, based on IDC. Lenovo’s CEO Mr. Yang projected 2024E global AI PC market penetration may reach 10%.
- Positive on AI PC penetration; focus on Apple’s WWDC in June with more AI edge devices to be launched.** We believe AI PC product launches are poised to accelerate in 2024, and beneficiaries include Lenovo (992 HK), Dell (Dell US), FIT Hon Teng (6088 HK), Chunqiu Electronics (603890 CH), Huaqin Tech (603296 CH), Bromake (301387 CH) and Luxshare (002475 CH).

Valuation Table

Name	Ticker	Rating	Mkt Cap Price		P/E (x)		P/B (x)		ROE (%)	
			(US\$ mn)	(LC)	FY23	FY24E	FY23	FY24E	FY23	FY24E
Xiaomi	1810 HK	BUY	49,899	15.66	18.2	20.1	2.1	2.0	11.7	9.8
Apple	AAPL US	NR	2,579,412	167.04	27.5	25.5	44.5	34.9	169.4	149.2
Dell	DELL US	NR	84,491	118.37	15.8	17.8	-	-	(179.3)	(156.9)
Lenovo	992 HK	NR	12,910	8.15	7.6	13.7	2.1	2.1	30.6	16.1
Huaqin	603296 CH	NR	6,782	67.64	18.4	16.4	2.3	2.1	14.6	13.6
FIT Hon Teng	6088 HK	BUY	1,778	1.91	13.5	8.7	0.7	0.7	5.1	7.6

Source: Company data, CMBIGM estimates

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Figure 1: Lenovo’s emphasis on industry trend of hybrid AI



Source: Lenovo, CMBIGM

Figure 2: Lenovo has one of the widest portfolios of AI-ready devices



Source: Lenovo, CMBIGM

Figure 3: Personal AI agent Lenovo Xiaotian on AI PCs



Source: Lenovo, CMBIGM

Figure 4: Six AI PC new models launched



Source: Lenovo, CMBIGM

Figure 5: Lenovo’s AI-oriented infrastructure with Wanquan intelligent management platform



Source: Lenovo, CMBIGM

Figure 6: Improved Optimus 3.0 with LM/enterprise agents



Source: Lenovo, CMBIGM

Figure 7: Peers' valuation

Company	Ticker	Rating	Market Cap (US\$ mn)	Price (LC)	P/E (x)		P/B (x)		ROE (%)		Perf. YTD
					FY23	FY24E	FY23	FY24E	FY23	FY24E	
Brand											
Apple	AAPL US	NR	2,579,412	167.04	27.5	25.5	44.5	34.9	169.4	149.2	(13.2)
Xiaomi	1810 HK	BUY	49,899	15.66	18.2	20.1	2.1	2.0	11.7	9.8	0.4
Transsion	688036 CH	NR	19,286	173.09	26.1	22.0	7.2	5.8	28.5	27.0	25.1
Samsung	005930 KS	NR	335,711	77,700	46.8	16.2	1.5	1.4	3.1	8.6	(1.0)
LG	066570 KS	NR	10,778	91,000	10.9	7.8	0.8	0.7	7.2	9.5	(10.6)
			Average		25.9	18.3	11.2	9.0	44.0	40.8	0.1
ODM/EMS											
BYDE	285 HK	BUY	6,747	23.45	11.8	8.6	1.6	2.5	13.7	29.0	(35.9)
Luxshare	002475 CH	BUY	26,070	26.29	17.0	13.4	1.9	1.6	10.9	12.3	(23.7)
Hon Hai Precision	2317 TT	NR	61,427	144.50	15.1	12.7	1.3	1.2	8.8	9.5	37.8
			Average		14.6	11.5	1.6	1.8	11.2	16.9	(7.3)
Optics											
Sunny Optical	2382 HK	HOLD	5,000	35.70	31.7	25.8	1.5	1.5	4.8	5.7	(49.6)
Q Tech	1478 HK	BUY	473	3.13	11.2	8.5	0.7	0.6	6.1	7.6	(29.5)
Cowell	1415 HK	NR	1,726	15.84	26.3	16.9	4.0	3.4	14.4	21.9	(31.3)
Largan	3008 TT	NR	8,789	2,140	15.4	13.0	1.7	1.6	11.5	12.5	(25.4)
Genius	3406 TT	NR	1,480	426.50	16.3	13.5	2.2	2.1	14.2	15.5	1.4
O-Film	002456 CH	NR	4,096	9.10	-	47.4	-	-	(9.9)	9.9	4.5
Lg Innotek	011070 KS	NR	3,119	182,000	7.5	6.7	0.9	0.8	12.5	12.9	(24.0)
			Average		18.1	18.8	1.9	1.7	7.7	12.3	(19.5)
Acoustics/Haptics											
AAC Tech	2018 HK	HOLD	3,597	23.50	33.5	18.3	1.1	1.1	3.3	5.8	1.3
Goertek	002241 CH	BUY	6,996	14.82	46.3	20.9	1.6	1.5	3.5	7.1	(29.5)
Luxshare	002475 CH	BUY	26,070	26.29	17.0	13.4	1.9	1.6	10.9	12.3	(23.7)
Merry	2439 TT	NR	773	114.50	18.4	15.9	1.9	1.8	10.0	11.6	4.6
Nidec	6594 JP	NR	25,499	6,597	47.5	26.1	2.9	2.5	7.0	10.2	15.9
			Average		29.9	18.0	1.9	1.7	6.9	9.4	(7.7)
Connector											
FIT Hon Teng	6088 HK	BUY	1,778	1.91	13.5	8.7	0.7	0.7	5.1	7.6	61.9
Luxshare	002475 CH	BUY	26,070	26.29	17.0	13.4	1.9	1.6	10.9	12.3	(23.7)
TE	TEL US	NR	43,380	140.48	20.9	18.5	3.9	3.2	19.1	18.5	(0.0)
Amphenol	APH US	NR	66,702	110.88	37.4	33.4	8.3	7.0	24.4	22.9	11.9
			Average		22.2	18.5	3.7	3.1	14.9	15.3	12.5
Casing											
BYDE	285 HK	BUY	6,747	23.45	11.8	8.6	1.6	2.5	13.7	29.0	(35.9)
Tongda	698 HK	BUY	88	0.07	(0.6)	3.0	0.1	0.1	(15.9)	2.9	(31.1)
TK Group	2283 HK	BUY	157	1.48	5.9	4.4	0.7	0.7	12.3	15.3	5.0
Everwin	300115 CH	NR	1,620	9.74	68.1	18.0	2.0	1.8	2.2	10.3	(26.5)
Lens Tech	300433 CH	NR	9,273	13.47	21.7	16.7	1.5	1.4	6.8	8.3	2.0
Chunqiu Electronics	603890 CH	NR	480	7.92	62.4	16.3	1.3	1.2	2.1	7.5	(30.8)
Bromake	301387 CH	NR	428	40.73	23.0	14.3	1.7	1.6	7.8	11.2	(39.8)
Catcher	2474 TT	NR	4,386	209.50	11.9	15.8	0.9	0.9	7.2	5.7	8.0
Jabil	JBL US	NR	15,628	129.59	15.2	15.5	6.1	8.1	43.5	43.6	1.7
			Average		24.4	12.5	1.8	2.0	8.9	14.9	(15.3)
Hinge											
AAC Tech	2018 HK	HOLD	3,597	23.50	33.5	18.3	1.1	1.1	3.3	5.8	1.3
Jiangsu Gian	300709 CH	NR	723	28.13	25.1	18.5	2.5	2.2	11.1	13.2	(9.8)
KH Vatec	060720 KS	NR	243	14,200	8.3	9.2	1.3	1.2	15.4	13.3	(3.3)
Foseltek	6805 TT	NR	1,620	768.00	74.2	31.8	12.0	10.5	15.5	31.3	100.8
Jarlytec	3548 TT	NR	487	239.50	28.6	17.2	2.9	-	11.6	16.3	26.4
NBTM	600114 CH	NR	1,148	13.48	40.5	22.0	3.2	3.0	7.9	13.8	(13.0)
			Average		35.0	19.5	3.8	3.6	10.8	15.6	9.9

Source: Bloomberg, CMBIGM

Figure 8: Peers' valuation

Company	Ticker	Rating	Market Cap (US\$ mn)	Price (LC)	P/E (x)		P/B (x)		ROE (%)		Perf YTD
					FY23	FY24E	FY23	FY24E	FY23	FY24E	
PC/Server											
Lenovo	992 HK	NR	12,910	8.15	7.6	13.7	2.1	2.1	30.6	16.1	(25.4)
Dell	DELL US	NR	84,491	118.37	15.8	17.8	-	-	(179.3)	(156.9)	54.7
HP Enterprise	HPE US	NR	22,152	17.04	8.0	9.1	1.1	1.0	13.7	11.4	0.4
HP Inc	HPQ US	NR	27,026	27.62	8.4	8.1	-	-	(139.1)	(247.6)	(8.2)
ASUSTeK	2357 TT	NR	9,497	415.50	18.3	14.6	1.4	1.3	7.1	9.0	(15.1)
Inspur	000977 CH	NR	7,325	36.02	30.3	22.6	2.9	2.6	8.6	10.6	8.5
Dawning	603019 CH	NR	9,052	44.77	34.3	27.3	3.5	3.1	10.3	11.6	13.4
Average					17.5	16.2	2.2	2.0	(35.4)	(49.4)	4.0
ODM/OEM											
Foxconn Industrial	601138 CH	NR	59,658	21.74	18.4	16.3	3.0	2.7	16.6	16.9	43.8
Super Micro	SMCI US	NR	54,363	928.48	82.1	42.4	25.2	12.8	36.3	41.6	226.6
Huaqin	603296 CH	NR	6,782	67.64	18.4	16.4	2.3	2.1	14.6	13.6	(15.3)
Quanta	2382 TT	NR	28,883	243.50	23.9	19.0	5.1	4.7	21.9	24.3	8.2
Wistron	3231 TT	NR	10,306	115.50	27.9	17.6	3.1	2.7	11.4	16.1	17.1
Wiwynn	6669 TT	NR	12,509	2,325.00	35.2	21.7	9.6	7.5	28.7	38.6	27.4
Inventec	2356 TT	NR	5,928	53.60	33.4	22.1	3.3	3.0	9.6	13.9	1.7
GigaByte	2376 TT	NR	5,800	296.50	36.0	22.1	5.1	4.4	14.2	20.3	11.5
Average					34.4	22.2	7.1	5.0	19.2	23.2	40.1
Switch/Storage											
Cisco	CSCO US	NR	194,806	48.11	12.6	13.1	4.5	4.1	35.1	31.5	(4.8)
Arista	ANET US	NR	80,406	257.19	39.2	34.5	11.6	8.9	33.0	27.5	9.2
Juniper	JNPR US	NR	11,730	36.16	15.8	16.2	2.7	2.5	16.8	15.4	22.7
Keysight	KEYS US	NR	25,641	146.89	17.9	23.8	5.2	5.1	30.6	20.1	(7.7)
Seagate	STX US	NR	17,482	83.44	738.4	108.4	-	-	(2.6)	(1.2)	(2.3)
Western Digital	WDC US	NR	22,284	68.32	-	-	1.9	2.1	(11.2)	(5.7)	30.5
Average					122.3	32.8	4.6	4.1	17.8	15.6	5.7
EMS/Distributor											
Flextronics	FLEX US	NR	11,637	27.63	12.0	11.4	3.1	2.0	26.3	18.1	24.7
Jabil	JBL US	NR	15,628	129.59	15.2	15.5	6.1	8.1	43.5	43.6	1.7
Arrow	ARW US	NR	6,567	122.04	7.2	10.0	1.2	1.1	16.1	12.8	(0.2)
Avnet	AVT US	NR	4,206	46.54	6.1	8.8	0.9	0.8	14.8	9.1	(7.7)
Average					10.1	11.4	2.8	3.0	25.2	20.9	4.6
Substrate											
Unimicron	3037 TT	NR	8,096	172.50	22.9	19.9	2.9	2.6	12.8	14.6	(2.0)
Ibiden	4062 JP	NR	5,413	5,930.00	17.2	24.4	2.1	1.8	12.2	8.1	(24.1)
NYPCCB	8046 TT	NR	3,430	172.50	19.3	26.3	2.2	2.3	11.4	8.2	(31.4)
Average					19.8	23.5	2.4	2.3	12.1	10.3	(19.2)
PCB											
WUS Printed	002463 CH	NR	7,829	29.64	38.4	26.0	5.9	4.9	15.9	19.2	34.0
Victory Giant	300476 CH	NR	3,053	25.62	25.8	18.5	2.9	2.6	11.1	14.4	38.9
Gold Circuit	2368 TT	NR	3,012	199.00	27.2	15.6	6.0	4.9	23.7	32.6	(8.7)
Average					30.7	21.4	4.5	3.8	15.3	19.5	21.1
Power Supply											
Delta	2308 TT	NR	23,860	298.50	23.2	22.0	4.0	3.6	16.6	15.8	(4.8)
Lite-on	2301 TT	NR	7,031	97.10	14.7	14.5	2.6	2.5	18.3	16.7	(17.0)
Average					19.0	18.3	3.3	3.0	17.4	16.3	(10.9)
Thermal											
Foxconn Industrial	601138 CH	NR	59,658	21.74	18.4	16.3	3.0	2.7	16.6	16.9	43.8
Sunowhealth	2412 TT	NR	29,242	122.50	25.4	25.0	2.5	2.4	9.8	10.0	2.1
AVC	3017 TT	NR	7,573	642.00	46.5	34.3	11.9	9.5	28.7	29.5	90.8
Average					30.1	25.2	5.8	4.9	18.4	18.8	45.6

Source: Bloomberg, CMBIGM

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