



Data

Price (13/10/2011)	HK\$5.39
Issued shares	10,320.27mn
Market cap	HKmn\$55,626
52week high/low	HK\$5.72/3.9
3m ave.daily vol	37.525mn
Major shareholders:	
Legend Holdings Ltd (41.35%)	
Yuanqing Yang-CEO (9.18%)	

Source: Bloomberg, ABCI Securities estimates

Stock performance



Source: Bloomberg, ABCI Securities estimates

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Lenovo Group Limited(992)

Maintain Buy (12 month target HK\$6.00)

Catalyst

Shipment growth outperformed the market in 3Q 2011

According to IDC research data, Lenovo overtook Dell to become the No. 2 PC vendor in the world, as we expected. IDC reported Lenovo shipped 12.579million units in 3Q 2011 that account for 13.7%market share compared with 12.2% in 2Q 2011. Its shipment grew by 36.1%yoy or 22.4%qoq in 3Q, which largely outpaced the market average. We believe the strong shipment growth of Lenovo is due to Lenovo's well positioned in both emerging and mature markets. We expect China and other emerging markets to maintain strong growth in coming two years and Lenovo will benefit most as its business is concentrated on emerging markets (Lenovo ranked No.1 in emerging market and gained 16.6% market share in 2Q2011). Lenovo's partnership with NEC and the acquisition of Medion will help Lenovo to expand its business in Japan and West Europe.

HP exit touchpad tablet business that may benefit Lenovo

HP announced to cut off 500 employees as HP killed off its TouchPad tablet as well as its webOS smartphone line. Lenovo also launched its tablets and smartphones in the China market. We found its A1 Lepad tablet and A60 smartphone are priced around Rmb1,000 that are much cheaper compared with the similar types of products of its international competitors. The market segmentation strategy will help Lenovo to grab mass market share. We believe these market segmentation and price differentiation strategies will be successful to build up the edges of Lenovo in the China market as well as in other emerging markets.

Estimate revision

We raise our FY2012 revenue and EPS forecast by 2.2% and 3.6% to US\$26,780 million and US cents 4.27 respectively based on strong-than-expected shipment data in 3Q2011. We raise our 12month target price to HK\$ 6.00, which represent 18x FY 11PE and 14.2x FY 12PE.

Figure1: Stock performance

	Price(13/10/2011)	Change-5D	Change-1M	Change-3M	Change-YTD
992 HK Equity	5.39	12.06%	8.02%	13.00%	8.23%
HSI Index	18,757.81	9.23%	-1.43%	-14.45%	-18.57%
Hang Seng Inform Tech Index	2,131.05	9.26%	-0.26%	-16.85%	-14.18%

Source: Bloomberg, ABCI Securities estimates

**Figure2: Q3/2011 Worldwide PC shipments(Thousands)**

Rank	Vendor	3Q/2011shipment	2Q/2011shipment	Market share	yoy growth(%)	qoq growth(%)
1	HP	16,652	15,263	18.1%	5.3%	9.1%
2	Lenovo	12,579	10,276	13.7%	36.1%	22.4%
3	Dell	11,007	10,927	12.0%	-1.6%	0.7%
4	Acer	9,207	9,160	10.0%	-20.6%	0.5%
5	Asus	6,002	4,468	6.5%	30.2%	34.3%
	All vendor	91,879	84,413	100.0%	3.6%	8.8%

Source: IDC, ABCI Securities estimates

**Figure3: Estimates revisions**

(US\$ mn)	Revised 2012F	Original 2012F	Difference	Revised 2013F	Original 2013F	Difference	Revised 2014F	Original 2014F	Difference
Revenues	26,780	26,201	2.2%	31,708	31,040	2.2%	36,753	35,996	2.1%
Gross profits	3,242	3,172	2.2%	3,805	3,725	2.1%	4,410	4,320	2.1%
Operating profits	583	562	3.7%	761	745	2.1%	882	864	2.1%
Pretax profit	566	545	3.8%	747	731	2.2%	905	887	2.0%
Net profit	440	425	3.6%	560	548	2.3%	679	665	2.1%
Basic EPS(US cents)	4.27	4.12	3.6%	5.43	5.31	2.3%	6.58	6.44	2.1%

Source: ABCI Securities estimates



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## Disclosures

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