

# FY18/19 Earnings Announcement



# Forward Looking Statement

This presentation contains “forward-looking statements” which are statements that refer to expectations and plans for the future and include, without limitation, statements regarding Lenovo’s future results of operations, financial condition or business prospects as well as other statements based on projections, estimates and assumptions. In some cases, these statements can be identified by terms such as "expect," "intend," "plan," "believe," "estimate," "may," "will," "should" and comparable words (including the negative of such words). These forward-looking statements, reflect the current expectations and plans of the directors and management of Lenovo, which may not materialize or may change. Many risks, uncertainties and other factors, some of which are unpredictable and beyond Lenovo’s control, could affect the matters discussed in these forward-looking statements. These factors include, without limitation, economic and business conditions globally and in the countries where we operate, Lenovo’s ability to predict and respond quickly to market developments, consumer demand, pricing trends and competition; changes in applicable laws and regulations (including applicable tax and tariff rates). Any variance from the expectations or plans on which these forward-looking statements are based could cause Lenovo’s actual results or actions to differ materially from those expressed or implied in these statements. These forward-looking statements are not guarantees of future performance and you are cautioned not to place undue reliance on these statements. Lenovo undertakes no obligation to update any forward-looking statements in this presentation, whether as a result of new information or any subsequent change, development or event. All forward-looking statements in this presentation are qualified by reference to this paragraph.

# Yuanqing Yang

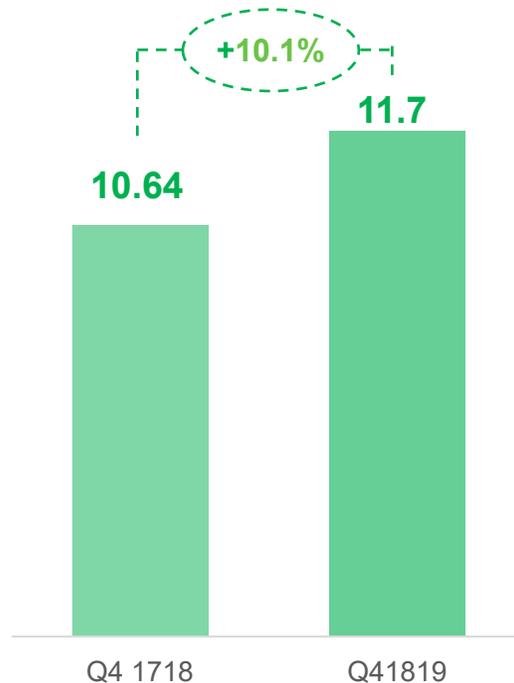
Chairman & CEO



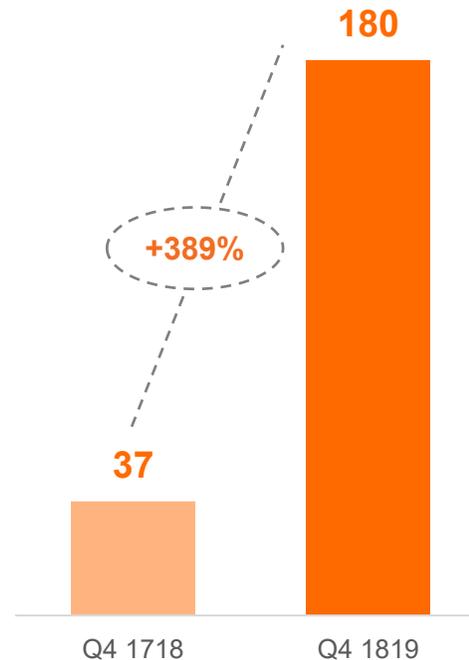
# Strong Q4 Performance

- Revenue and profit improved across all businesses
- Group revenue reached **\$11.7B**, up **10.1%** YOY
- Pre-tax Income: **\$180M**, up **389%** YOY.
- Net income: **\$118M**, up **261%** YOY

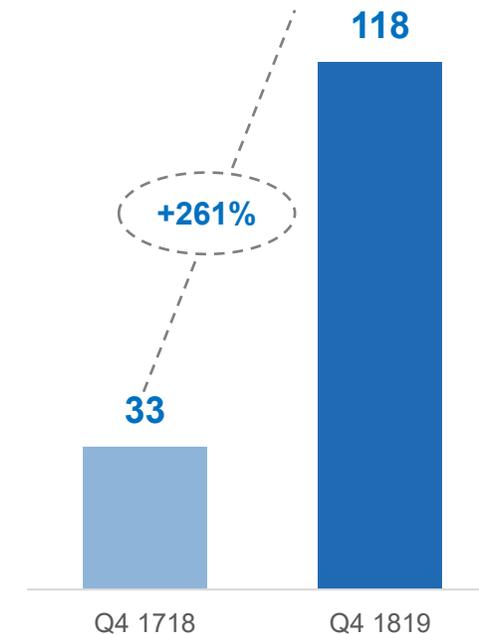
Revenue (\$B)



PTI (\$M)



Net Income (\$M)

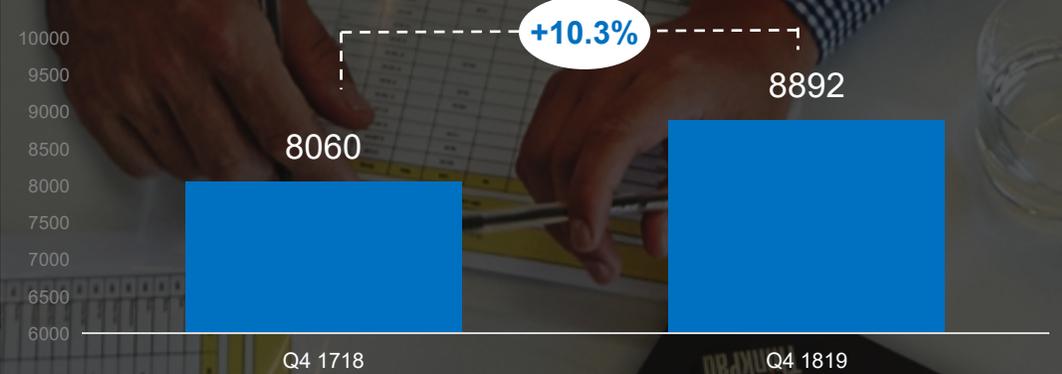


# Q4 IDG - PCSD\*

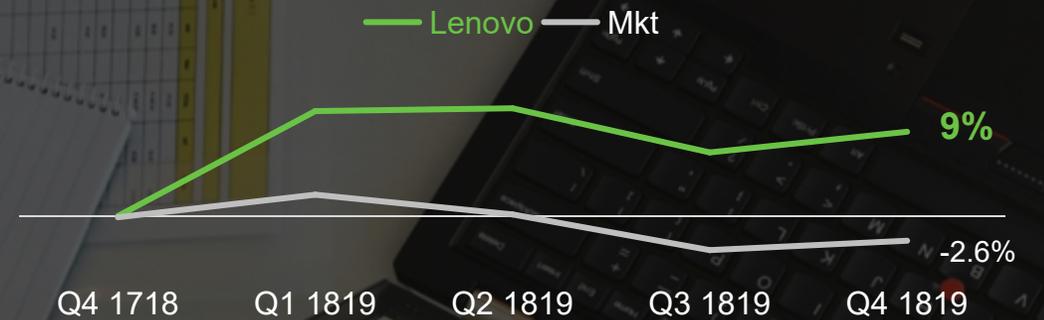
- PCSD revenue grew **10.3%** YOY
- PC volume grew **9%** YOY, **11.6 points** PtM.
  - **Fastest** growing PC company among top 5.
  - Returned to **#1** in Consumer
  - Strengthened **#1** in \$800+ Commercial notebook, 33.8% YOY growth, 4.4 points share gain.

\* IDG: Intelligent Devices Group  
PCSD: PC, Tablet & Smart Devices

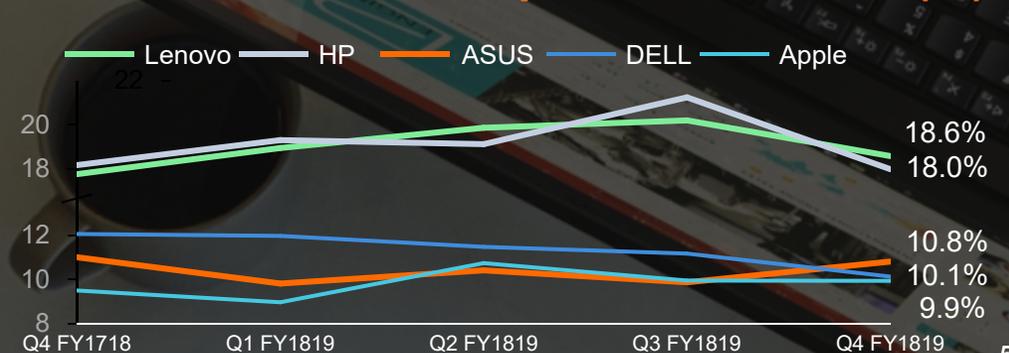
## PCSD Q4 Revenue (\$M)



## Global PC Volume YTY Growth (%)



## Global Consumer PC Top 5 Market Share (%)



# Q4 IDG - Mobile

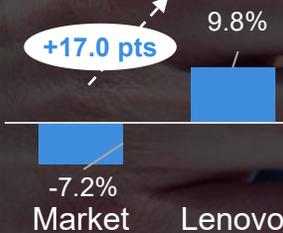
- **Profitable for second straight quarter**
- Pre-tax income up **\$146M** YOY
- Revenue resumed growth after 5 quarters, at **15.1% YOY**, outgrew market by **26.8 points**
  - Latin America grew **17 points** PtM
  - North America grew **57.3 points** PtM;
  - Europe grew **230.7points** PtM;
  - China grew **604.6 points** PtM
- World's first 5G mobile product now in stores

## Mobile Q4 Revenue (\$M)

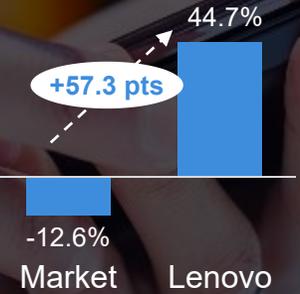


## Mobile Q4 Revenue Growth YOY by Geo (%)

### Latin America



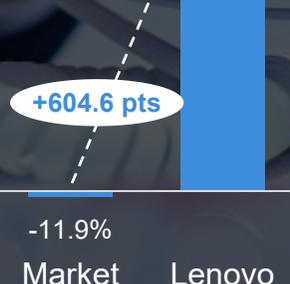
### North America



### Europe



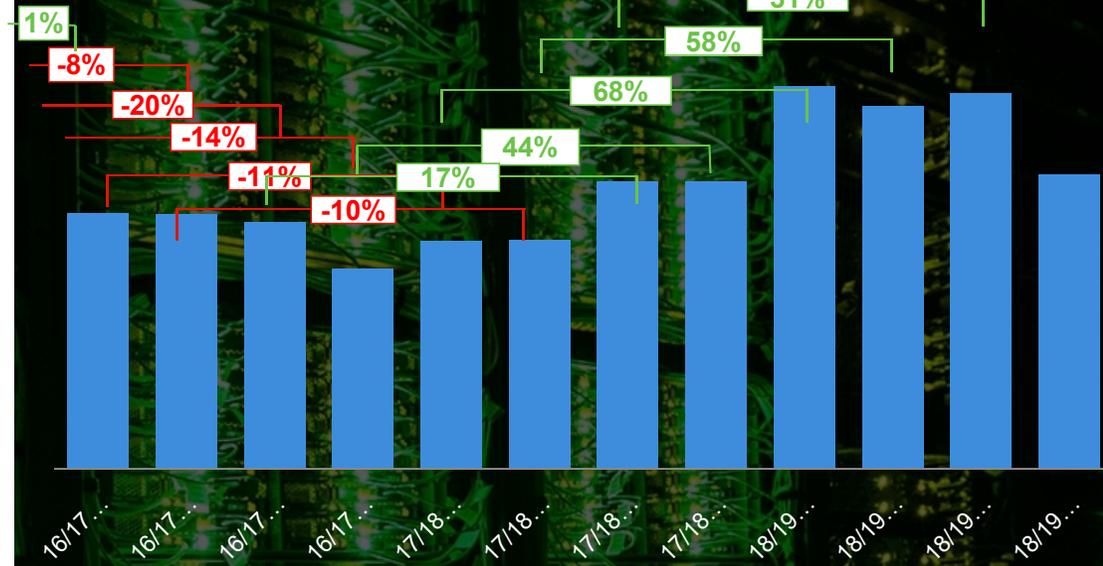
### China



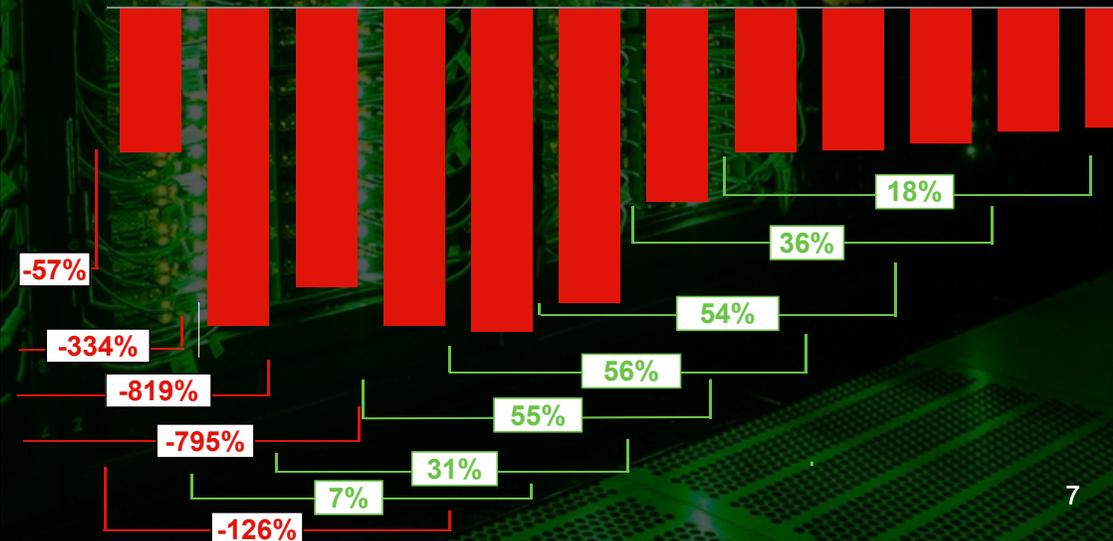
# Q4 Data Center

- Revenue and Profitability continued to improve YOY
- Joint venture with NetApp in China now operational

## DCG Revenue YOY Growth



## DCG Pre-Tax Income YOY Improvement

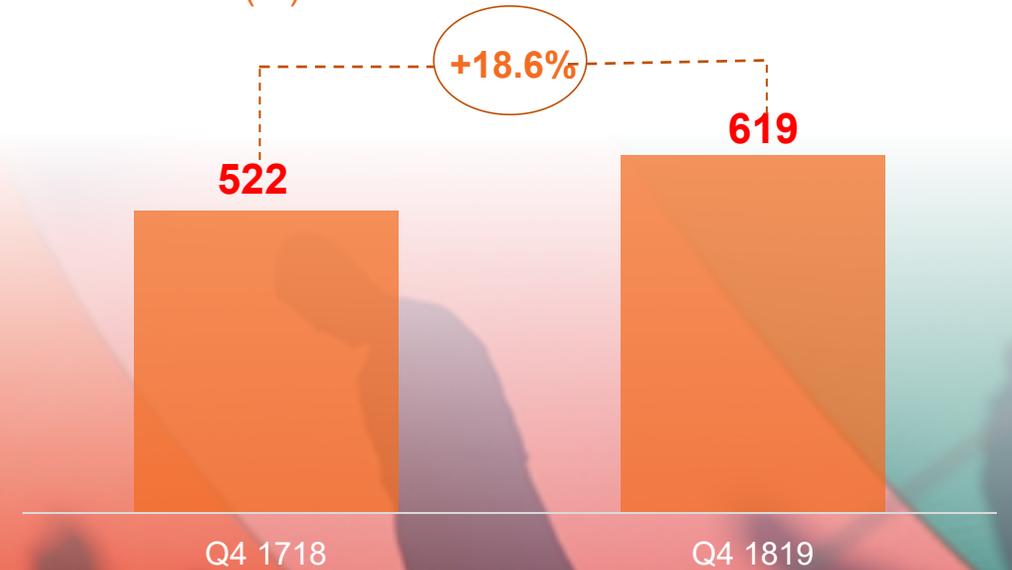


# Q4 Transformation

- Software and Services revenue improved **18.6%** YOY

## Software & Services Revenue(\$M)

YOY Growth(%)



ThinkIoT

ThinkReality

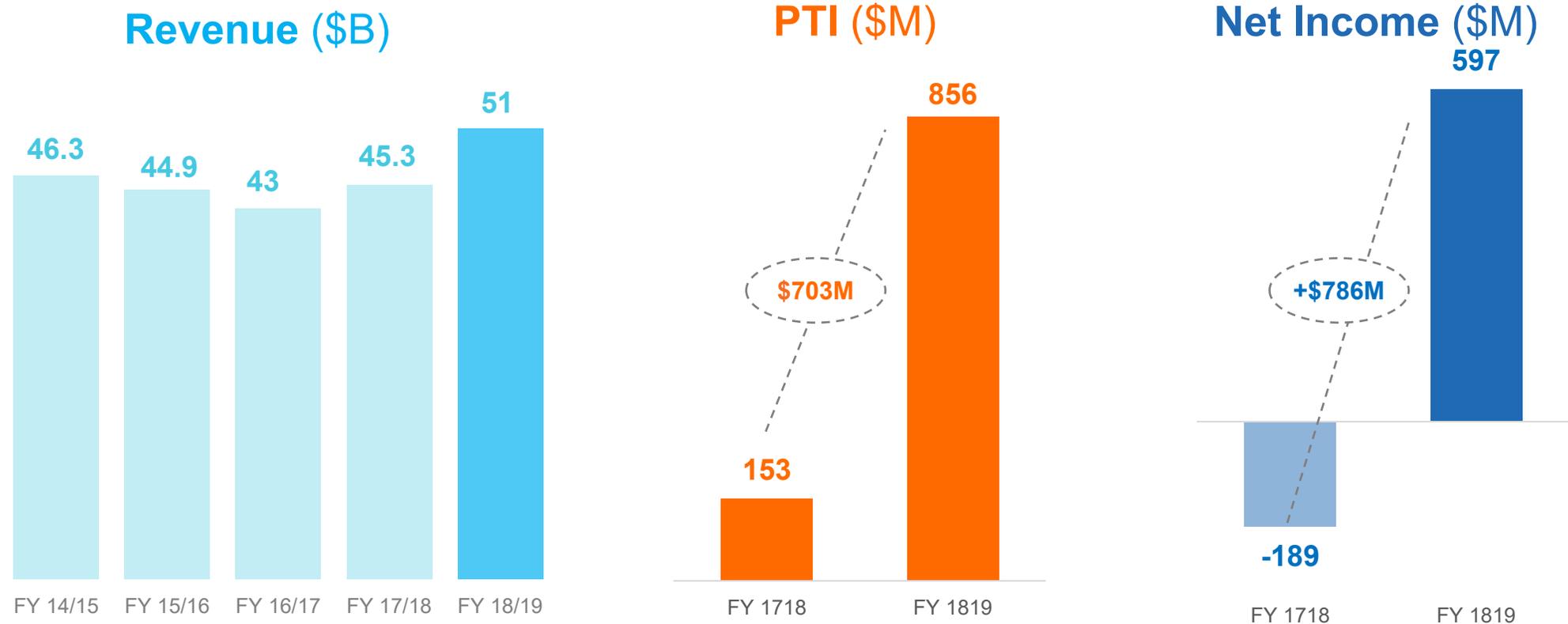


Lenovo Vantage

ThinkShield

# FY 2018/19: Record Fiscal Year

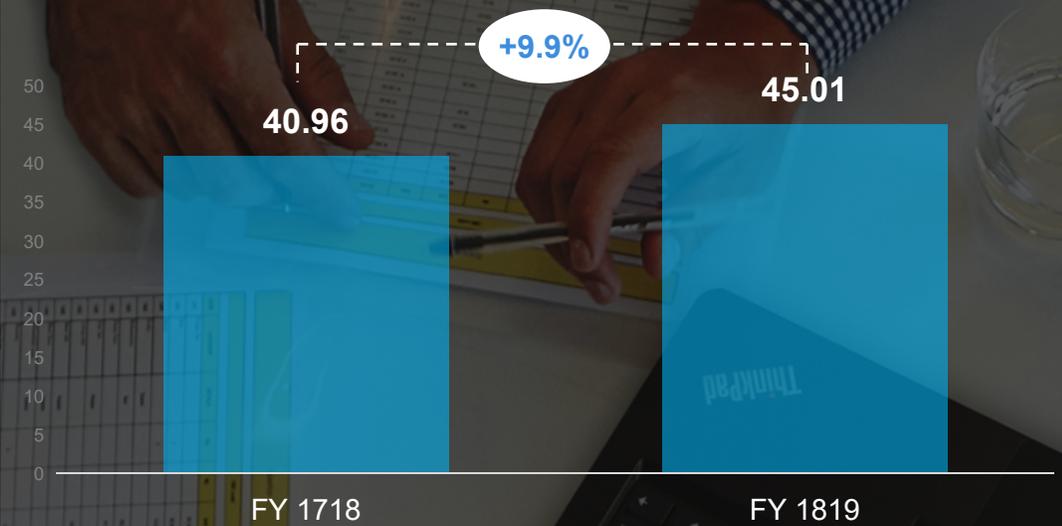
- Group Revenue exceeded **\$50B** for the first time, up **12.5%** YOY
- Pre-Tax Income: **\$856M**, up **459%** YOY
- Net Income: **\$597M**, up **\$786M** YOY



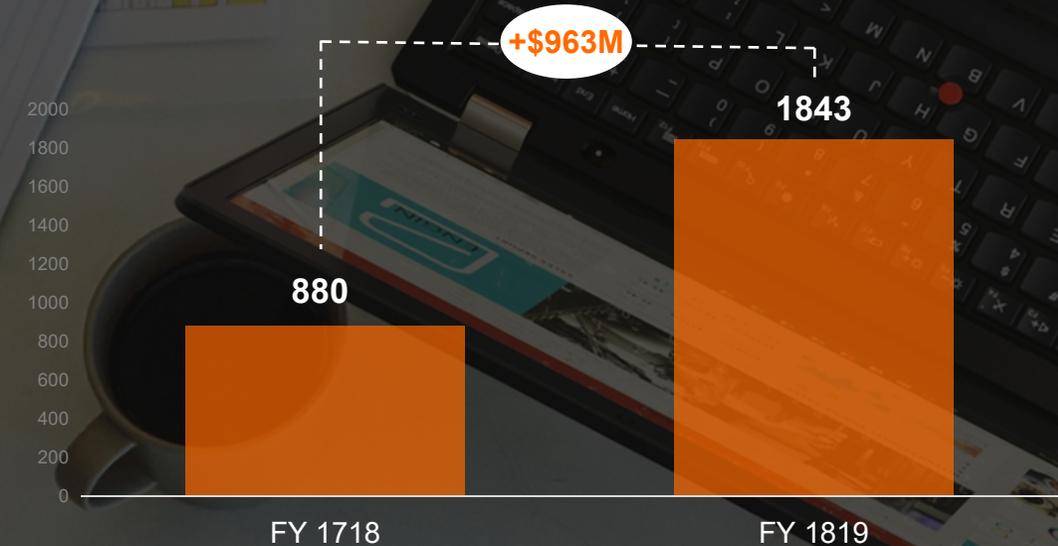
# Full Year: IDG

- Revenue grew by **9.9%** YOY
- Pre-tax income grew by **\$963M, 109%** YOY

## IDG FY Revenue (\$B)



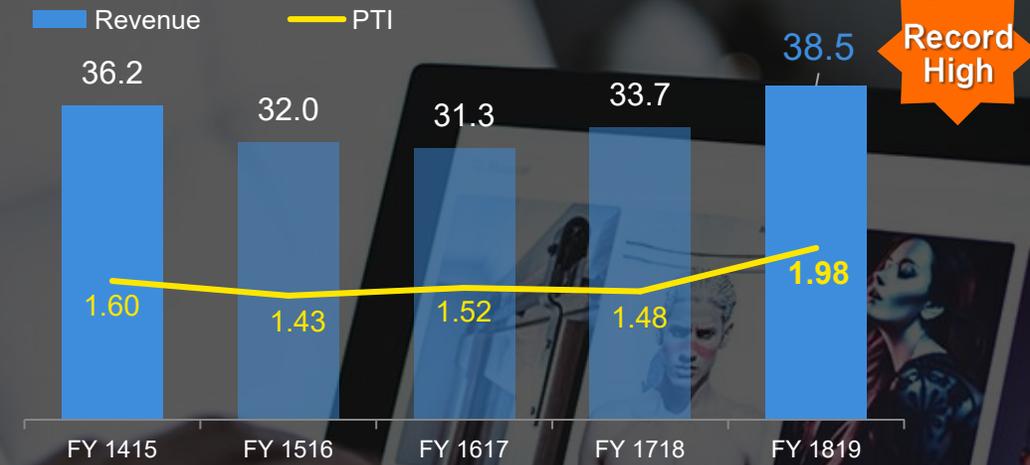
## IDG FY Pre-Tax Income (\$M)



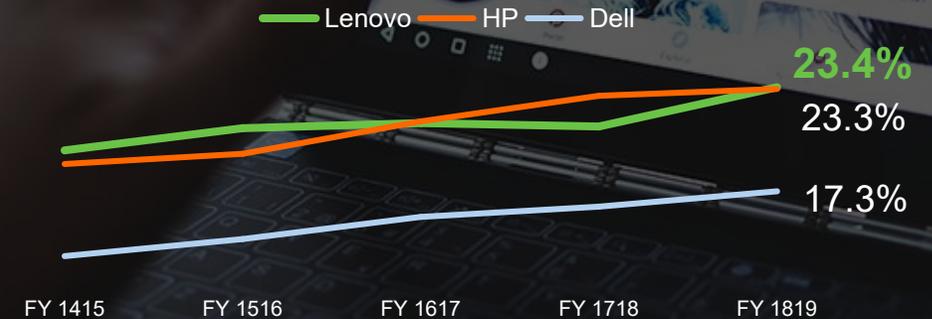
# Full Year: IDG - PCSD

- Record PCSD revenue **\$38.5B** and pre-tax income **\$1.98B**,
- PC returned to **#1** with record share **23.4%**;
- Fastest growing PC vendor out of Top 5

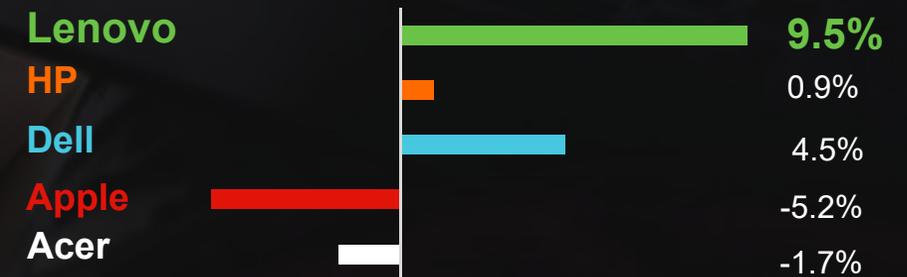
## PCSD FY Revenue, Pre-Tax Income (\$B)



## Global PC FY Top 3 Market Share (% YOY)



## Global PC FY Top 5 Growth (% YOY)



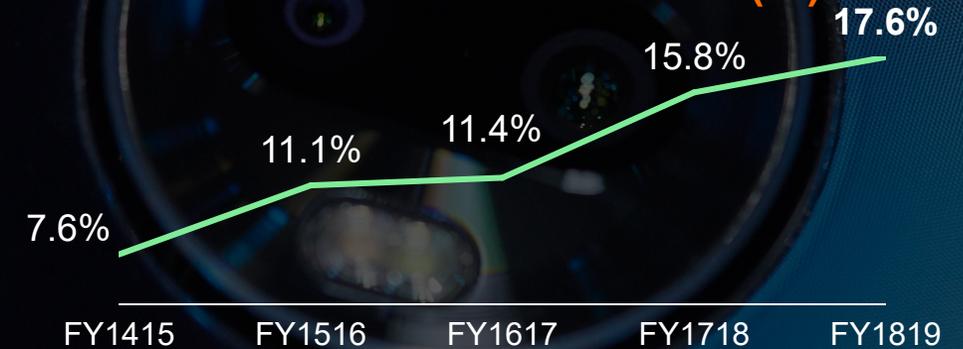
# Full Year: IDG - Mobile

- Clear priority:
  - Focus on selected markets
  - Competitive products
  - Expense control
- Improved pre-tax income by **\$464M** YOY; profitable for second half
- Rapid growth in focused regions:
  - Latin America reached record share of **17.6%**
  - North America volume grew **59.2 points** PtM
  - China volume grew **185.8 points** PtM
  - Rest of the world cleared inventory and improved profit

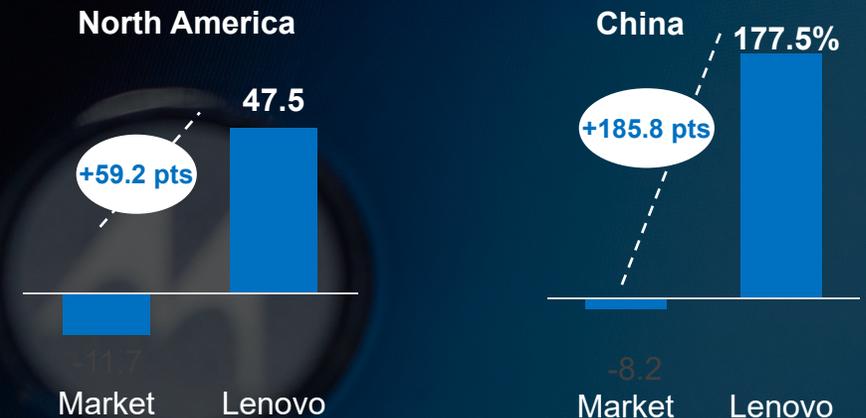
## Mobile FY Pre-Tax Income (\$M)



## Latin America FY Market Share (%)



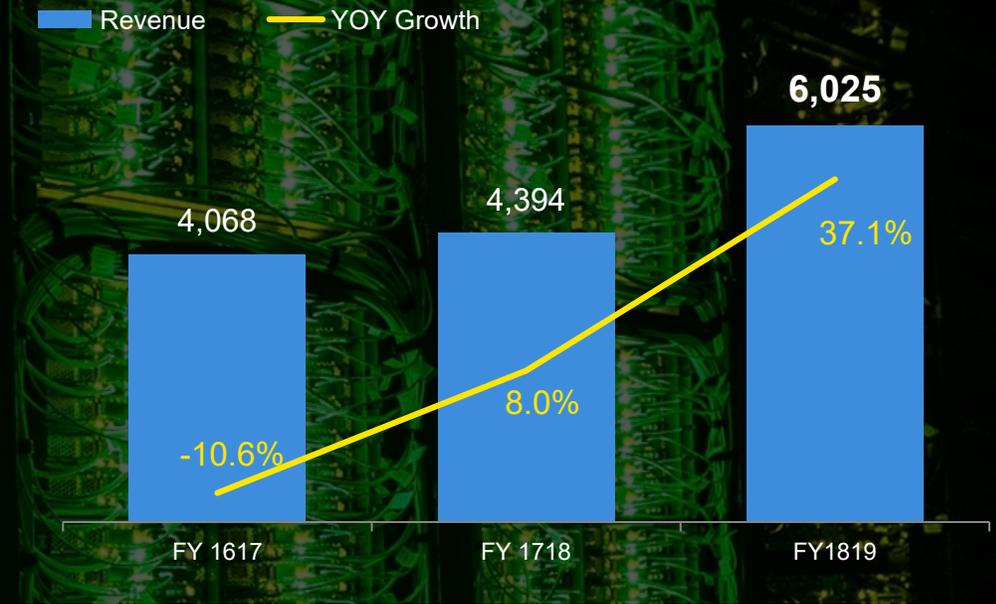
## NA/China Mobile FY Volume Growth (%)



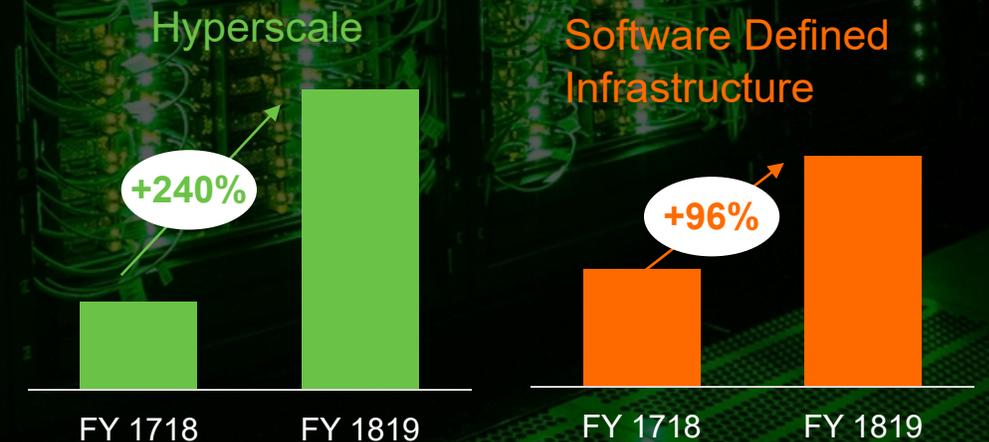
# Full Year: Data Center

- Revenue grew **37.1% YOY** to reach record level of **\$6.02B**
  - Every Geo had **double-digit** revenue growth with profitability improvement
  - Hyperscale grew 240% and Software Defined Infrastructure grew **96%** YoY
- **#1** in the world:
  - In performance with **139** world records
  - In reliability and customer satisfaction in x86
  - In supercomputer TOP500 list

## DCG FY Revenue(\$M), YOY Growth(%)



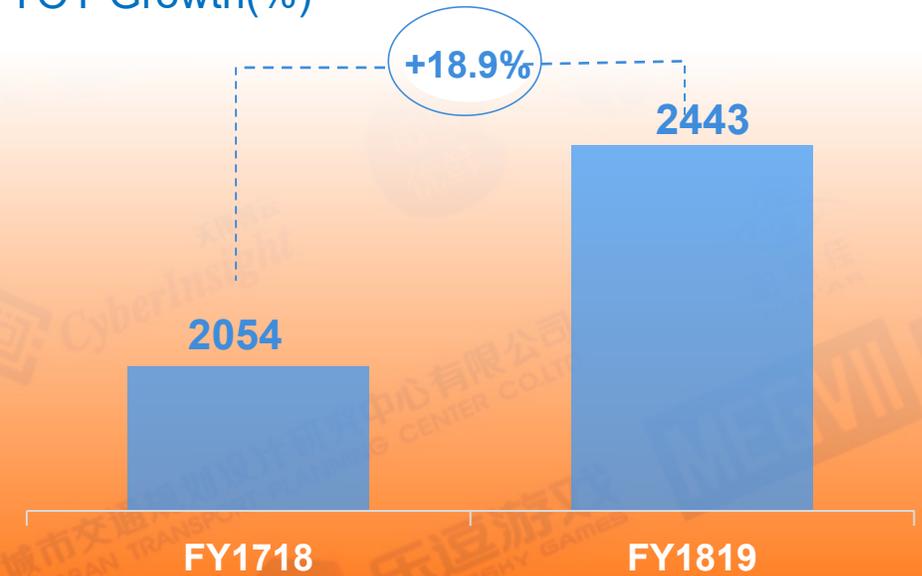
## DCG Segments FY Revenue Growth YOY(%)



# Full Year: LCIG & Transformation

- LCIG contributed **\$107M** pre-tax income
- Software & Services revenue reached **\$2.4B**, up **18.9%** YOY

**Software & Services FY Revenue(\$M)**  
YOY Growth(%)



# **FY18/19** Objectives

**PC Back to #1**

**Mobile Break-even**

**DCG Fast Growth**

**Build Edge in A.I.**

Our Mission:  
Be the **Leader & Enabler**  
of the **Intelligent Transformation**



## Smart Vertical



**SloT  
Data**



**Smart Infrastructure  
Computing Power**



**Big Data  
Algorithm**

# Fiscal Year 19/20 Objectives



**Double digit topline growth**

**4x Smart Devices**

**2x Software Defined**

**2x Smart Vertical Solutions**

**2x Software & Services grow  
the speed of group growth**

# Wong Wai Ming

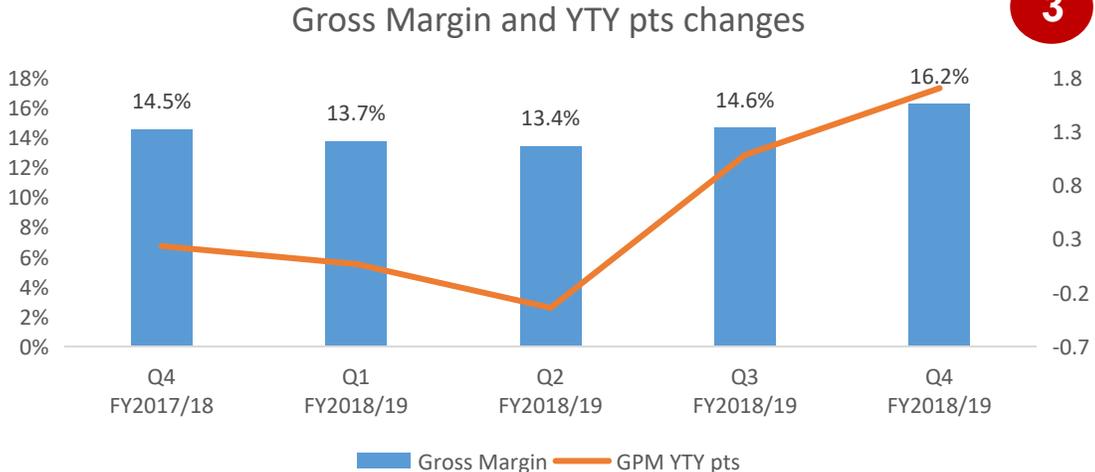
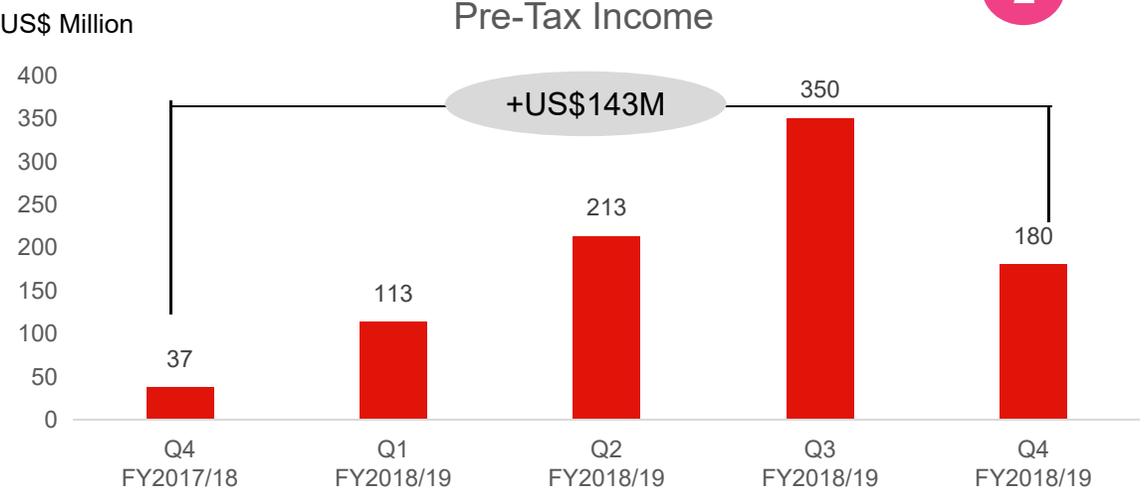
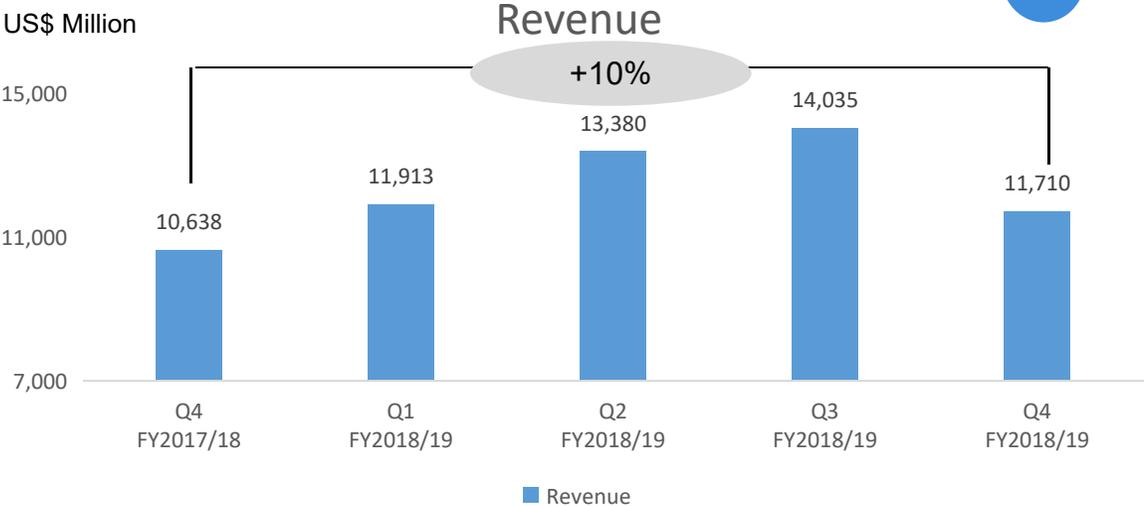
Chief Financial Officer



# Financial Highlights

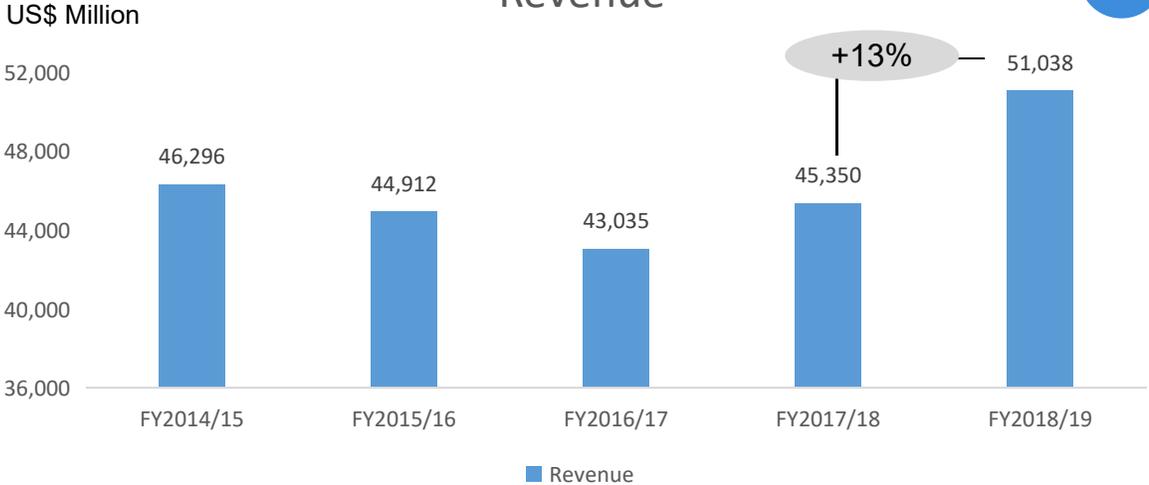
## Q4 Highlights

- 1 Double-digit revenue growth driven by solid PCSD and resumption of growth in MBG
- 2 Consistent YTY improvement in reported group PTI for 6th consecutive quarter
- 3 Gross profit margin improved to 16.2%, up 1.7pts YTY



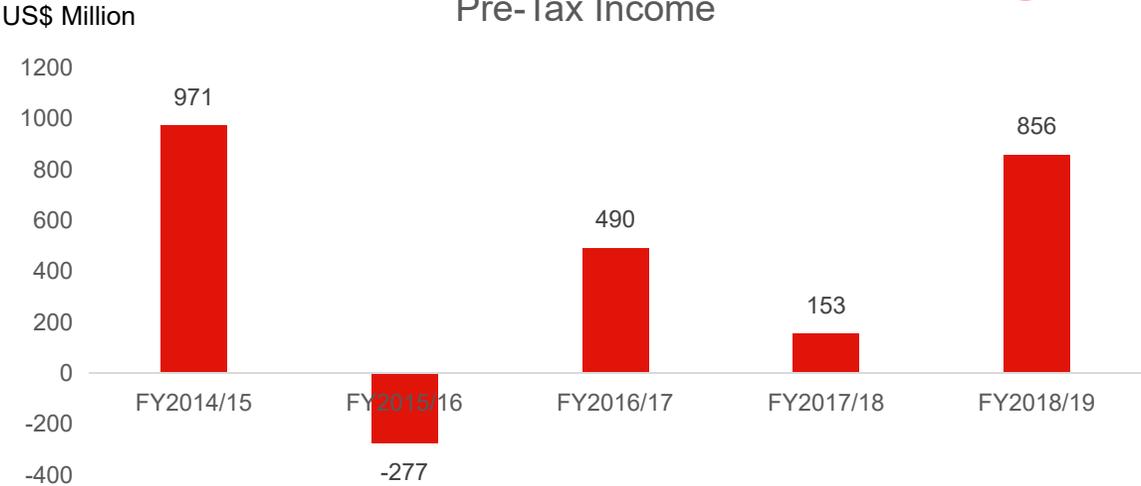
# Financial Highlights

## Revenue



1

## Pre-Tax Income

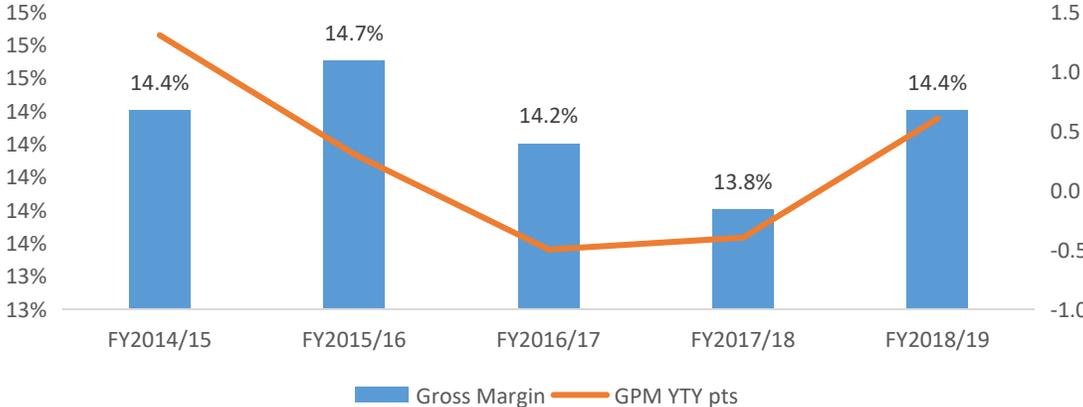


2

## FY19 Highlights

- 1 Group revenue surpassed \$50B for the first time, setting a new record at \$51B (up 13% YTY)
- 2 PTI improved 459% YTY thanks to record level of PCSD PTI while losses narrowed significantly at MBG and DCG
- 3 Gross profit margin improved to 14.4%, up 0.6pts YTY

## Gross Margin and YTY pts changes



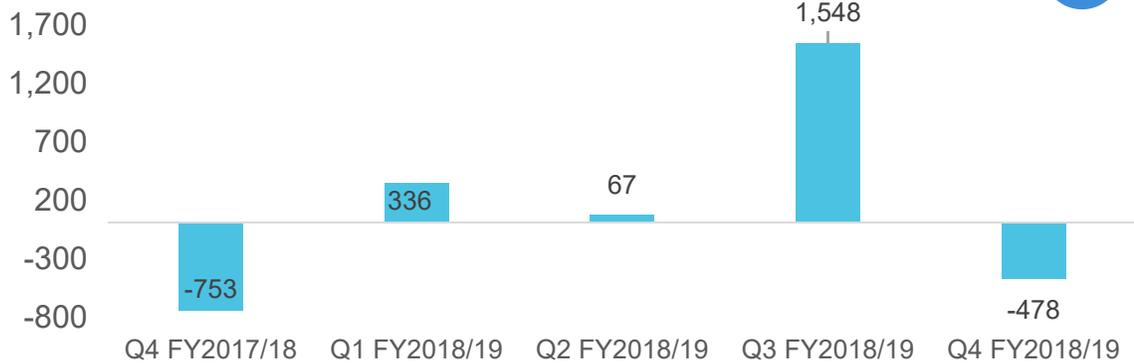
3

# Cash and Working Capital

## Q4 Highlights

Net cash generated from/(used in) operating activities

US\$ Million

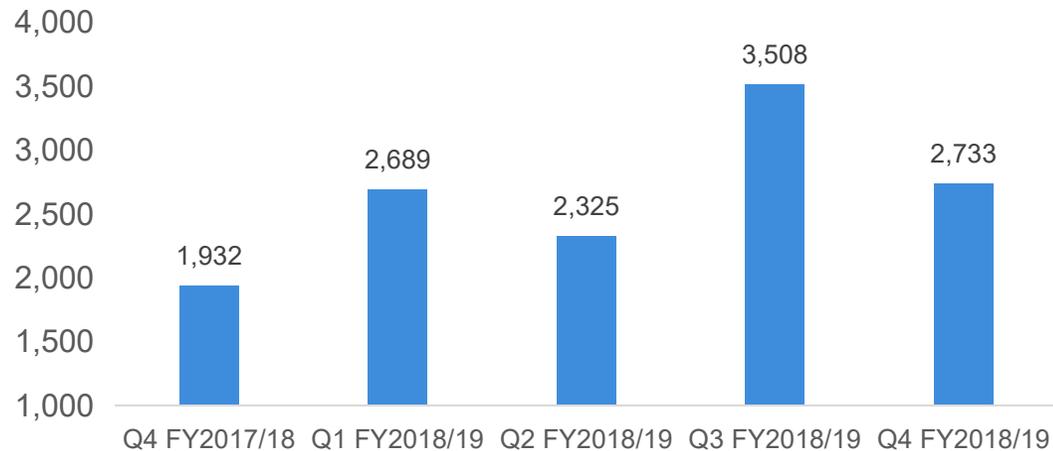


**1** Larger amount of accounts payable skew to Q4

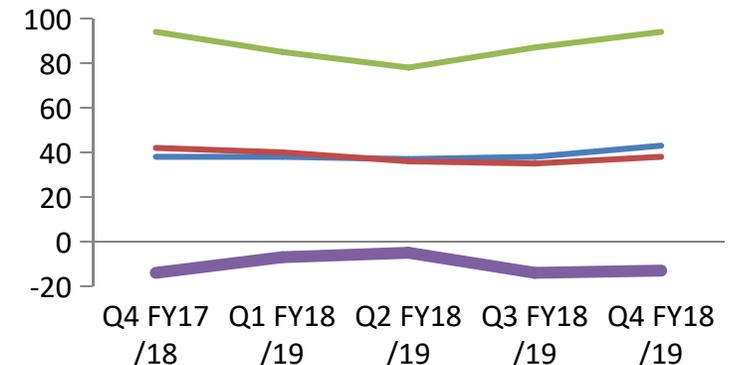
**2** Inventory days improved 4 days YTY, while receivable day worsen 5 days mainly due to timing difference in receivable collection. Overall cash position improved as reflected in lowered net debt.

US\$ Million

### Bank Deposits and Cash



Days



Days receivable

Days inventory

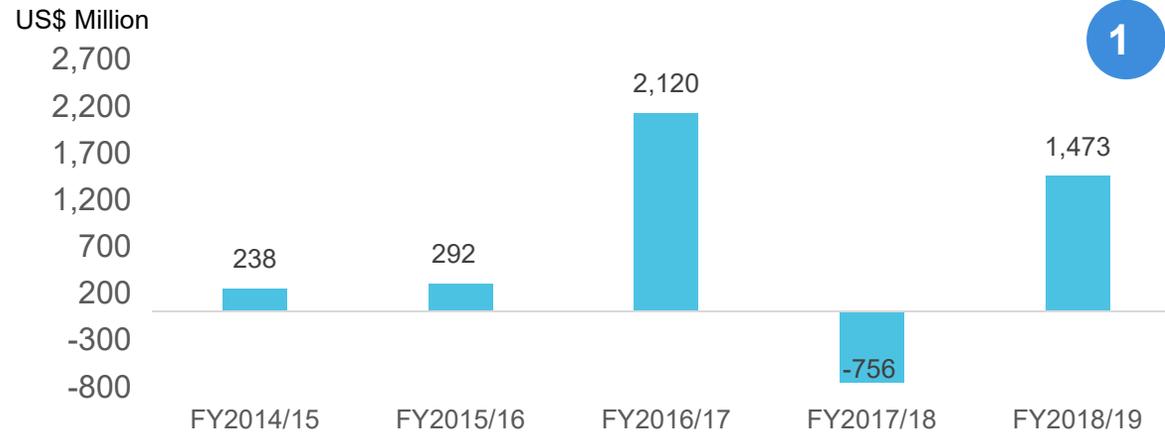
Days payable

Cash conversion cycle

# Cash and Working Capital

## FY19 Highlights

Net cash generated from/(used in) operating activities



1

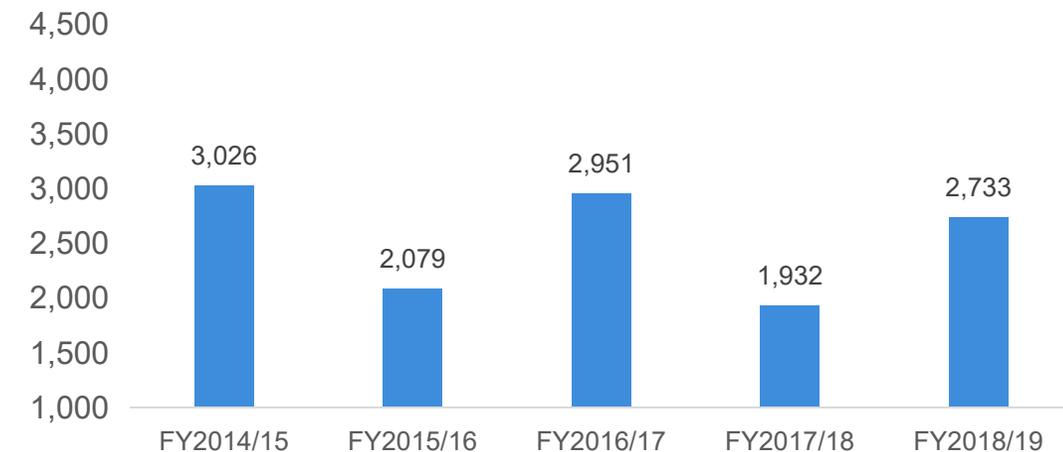
**Improvement in working capital management**

2

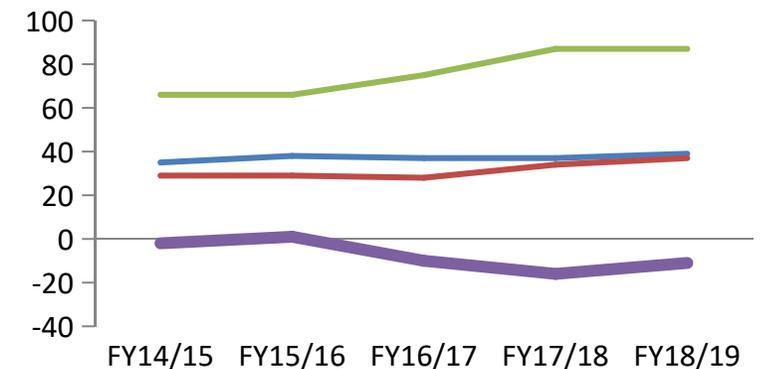
**CCC worsened YTY due to the component buy ahead actions in the year**

US\$ Million

Bank Deposits and Cash



Days



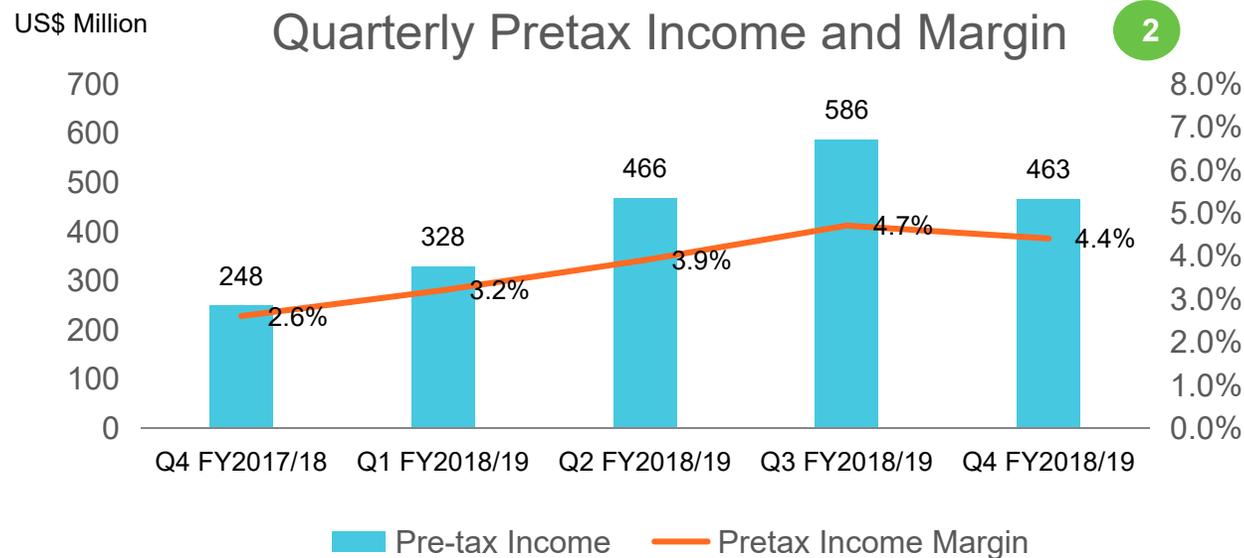
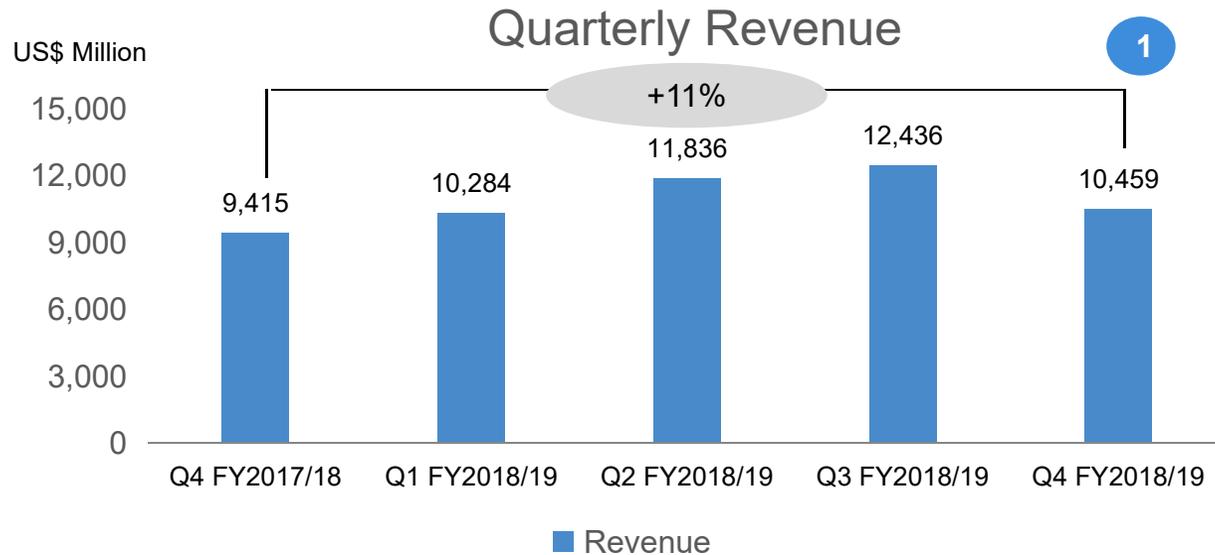
Days receivable

Days inventory

Days payable

Cash conversion cycle

# Intelligent Devices Business Group (IDG)



## Q4 & FY19 Highlights

### Q4FY19:

1 Strong growth in revenue (+11%) & profit contribution

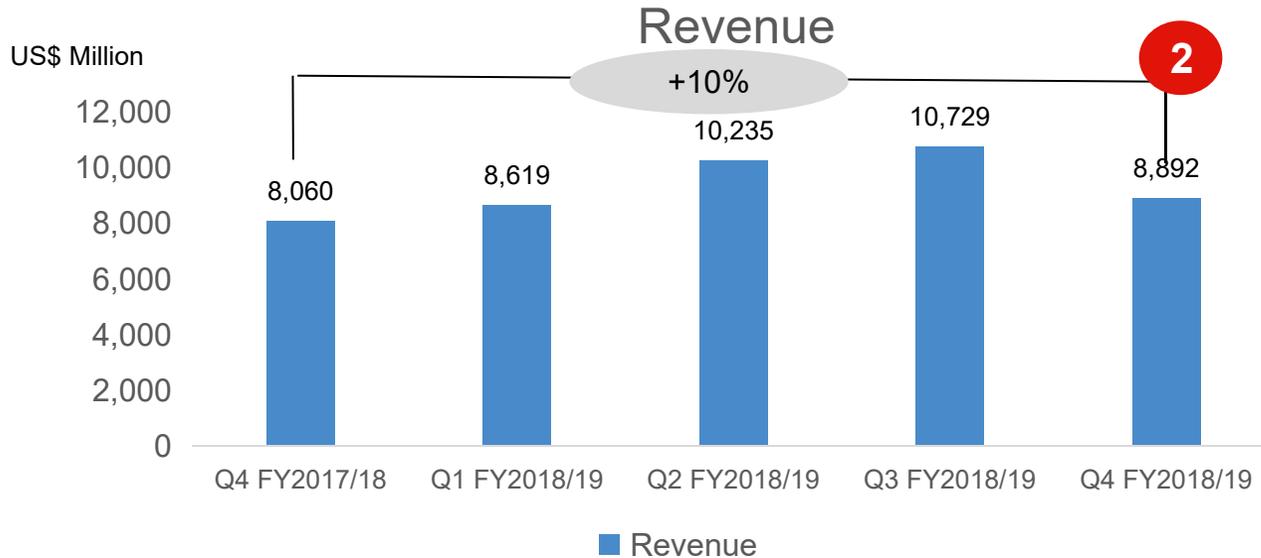
2 Significant PTI improvement with margin expansion, driven by both PCSD and MBG.

### FY19:

1. Revenue up almost 10% YTY with solid margin expansion from 2.1% to 4.1%.

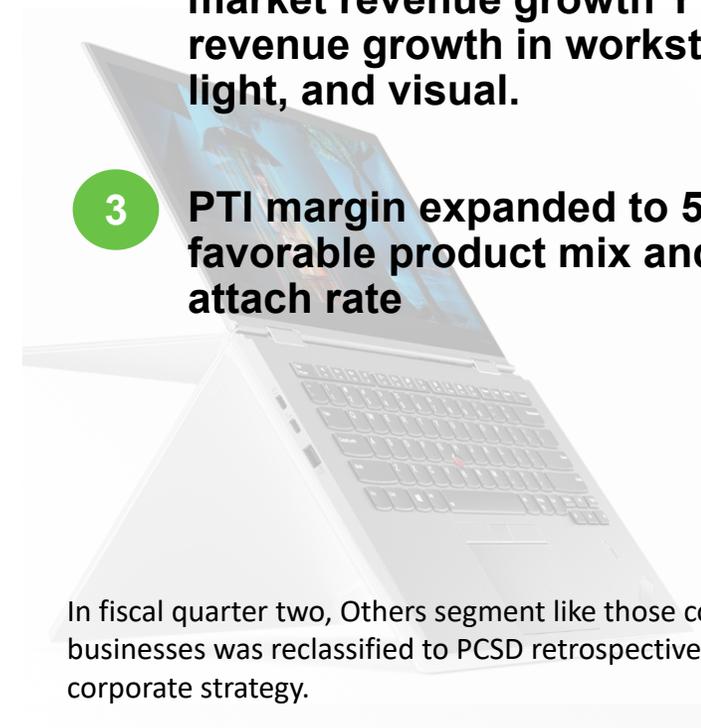
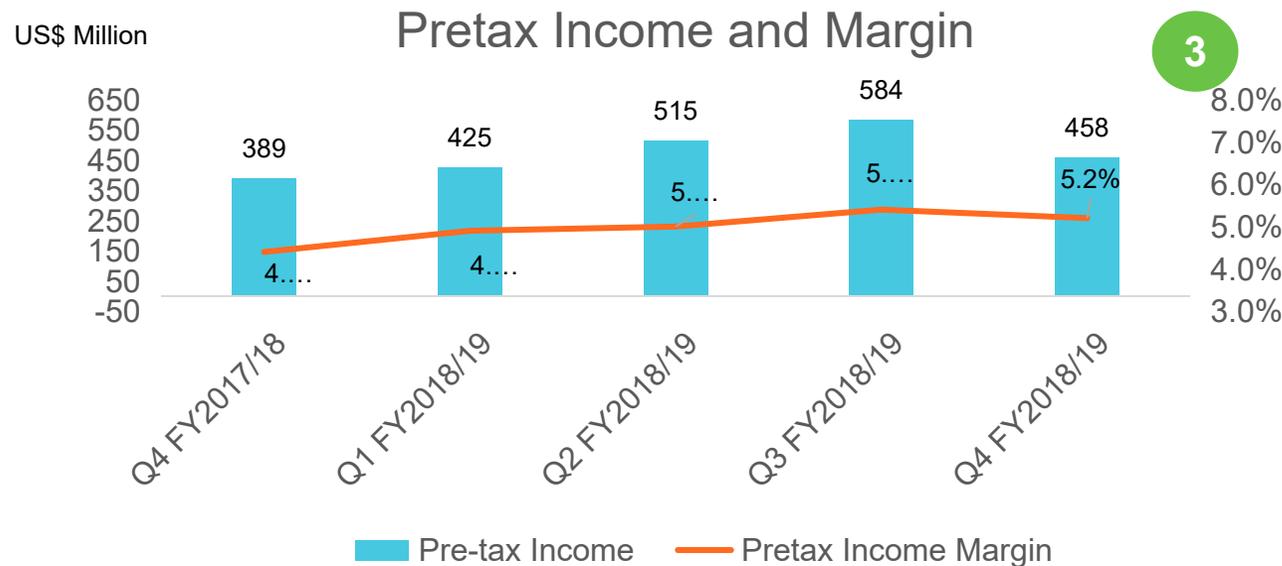
- IDG mainly consists of PC & Smart Device (PCSD) and Mobile Business Group (MBG) businesses since Q1FY19.
- In fiscal quarter two, Others segment including consumer electronic related businesses was reclassified to PCSD retrospectively to align with the corporate strategy.

# IDG - PC & Smart Device Business Group (PCSD)



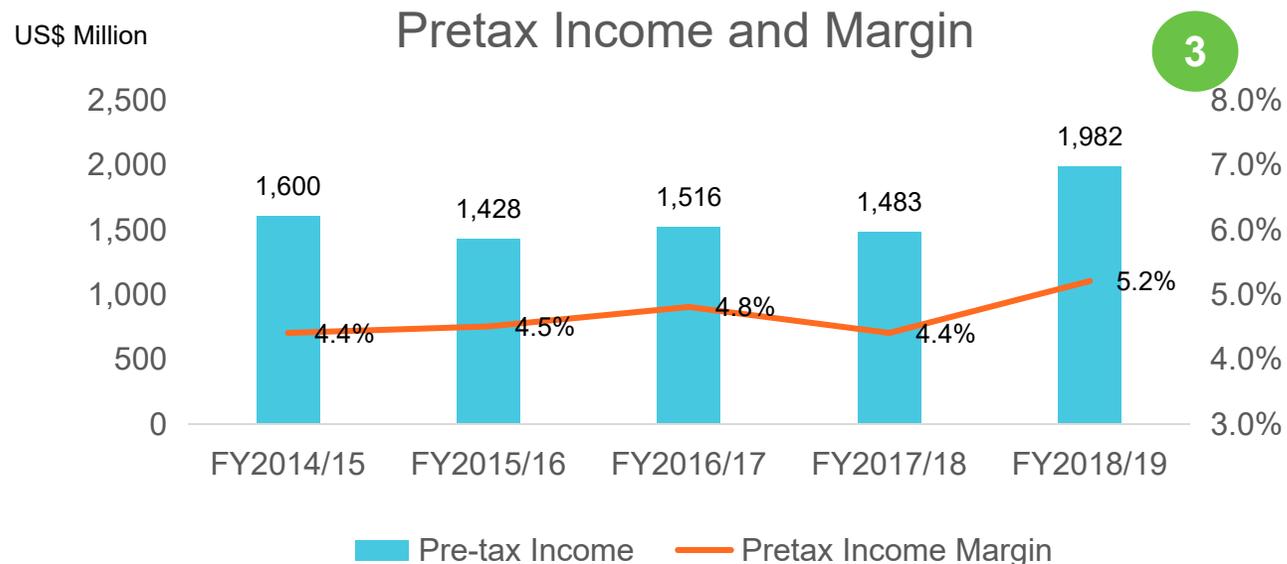
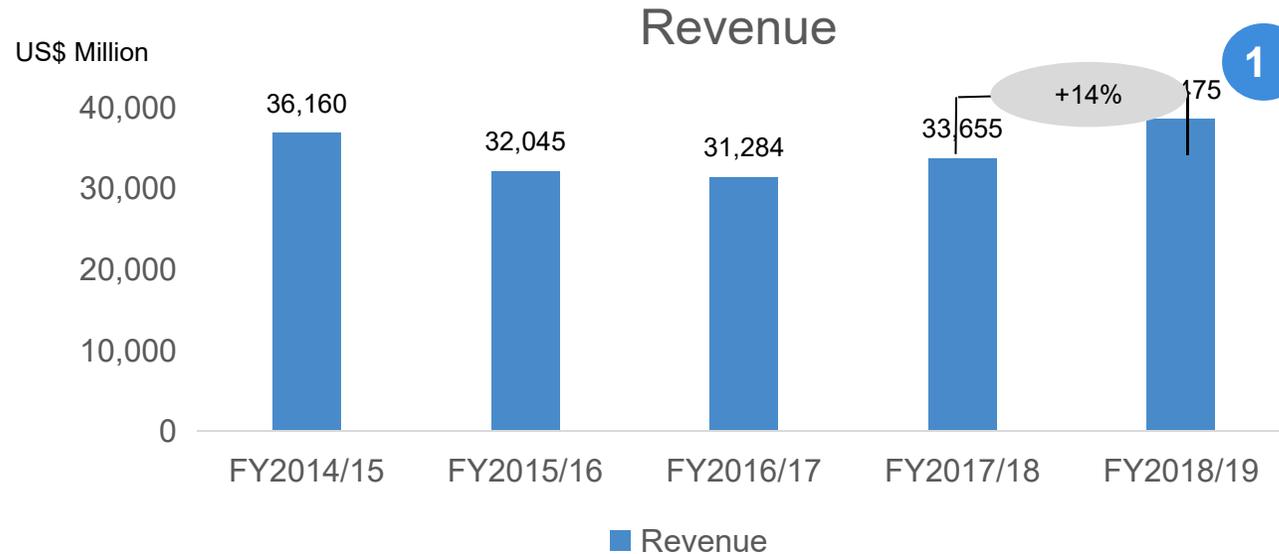
## Q4 Highlights

- 1 Strong revenue growth, reinforced market leadership in premium & high-growth segments**
- 2 Double-digit revenue growth for 5<sup>th</sup> consecutive quarter; 13 pts premium to market revenue growth YTY; Double-digit revenue growth in workstation, thin-and-light, and visual.**
- 3 PTI margin expanded to 5.2%, boosted by favorable product mix and higher services attach rate**



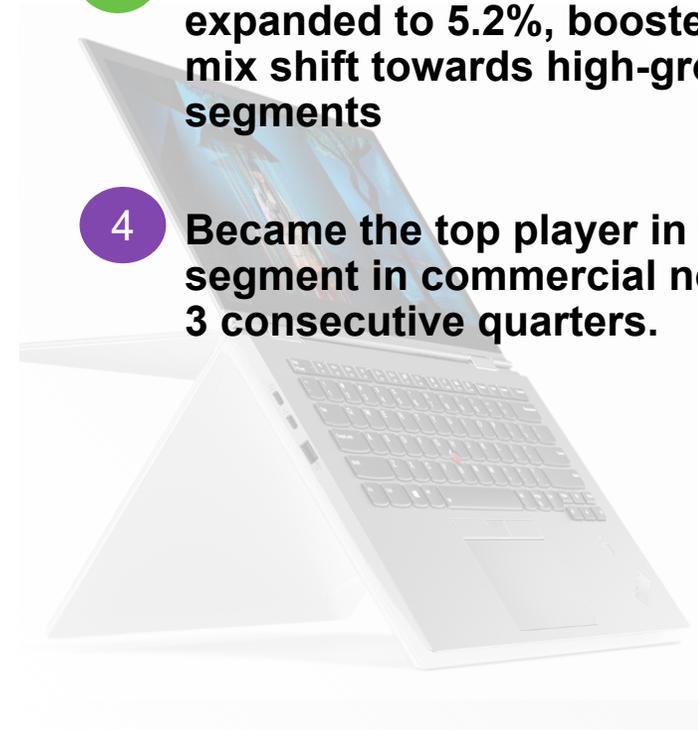
In fiscal quarter two, Others segment like those consumer electronic related businesses was reclassified to PCSD retrospectively to align with the corporate strategy.

# IDG - PC & Smart Device Business Group (PCSD)

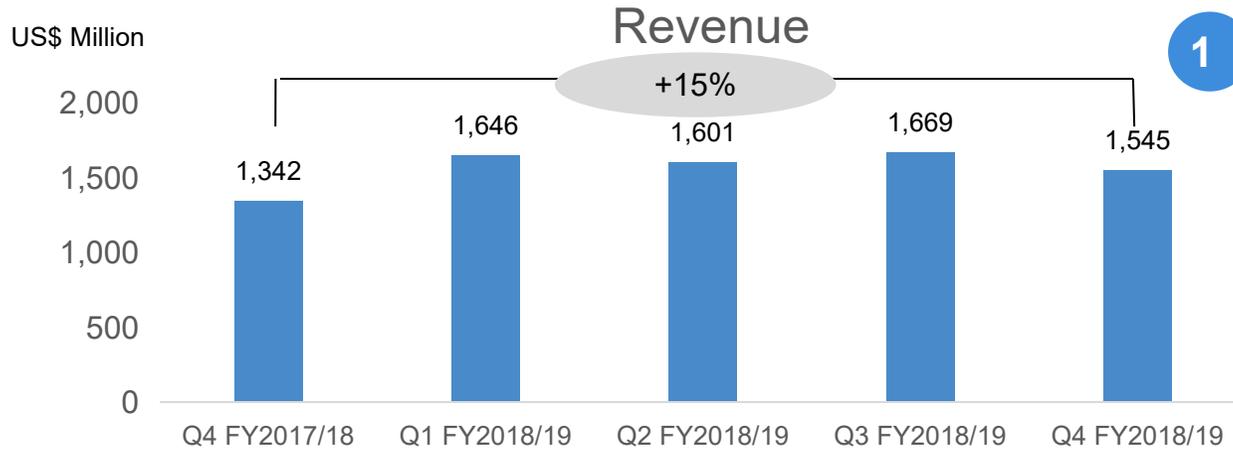


## FY19 Highlights

- 1** Record-breaking revenue and PTI; Record high shipments in PC
- 2** Fastest growing PC OEM in global top-5
- 3** PTI increased 34% YTY with margin expanded to 5.2%, boosted by favorable mix shift towards high-growth/premium segments
- 4** Became the top player in the \$800+ price segment in commercial notebook PCs for 3 consecutive quarters.

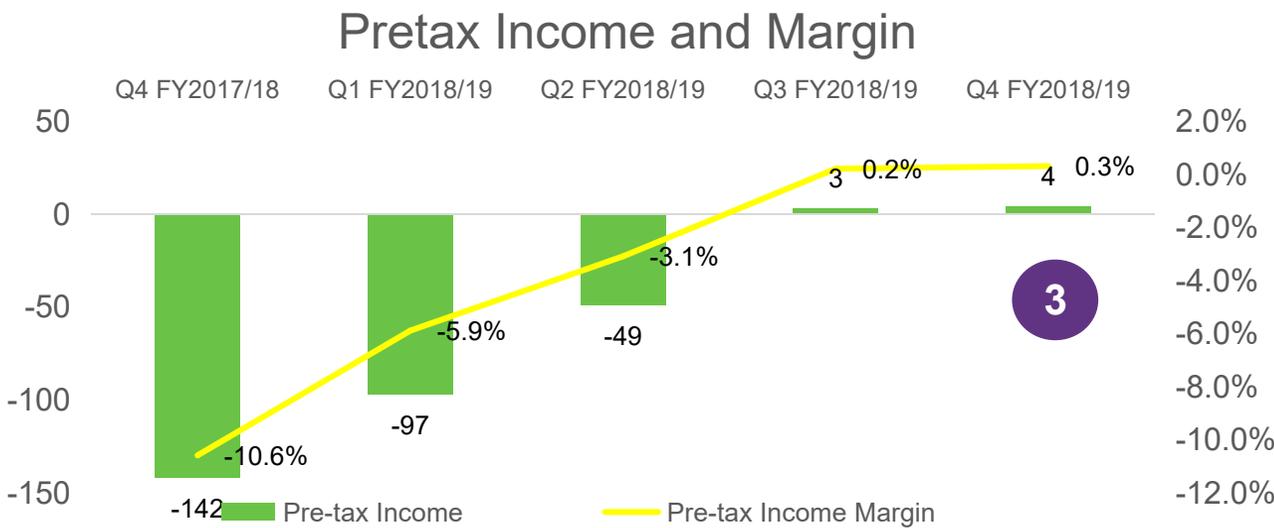


# IDG - Mobile Business Group (MBG)

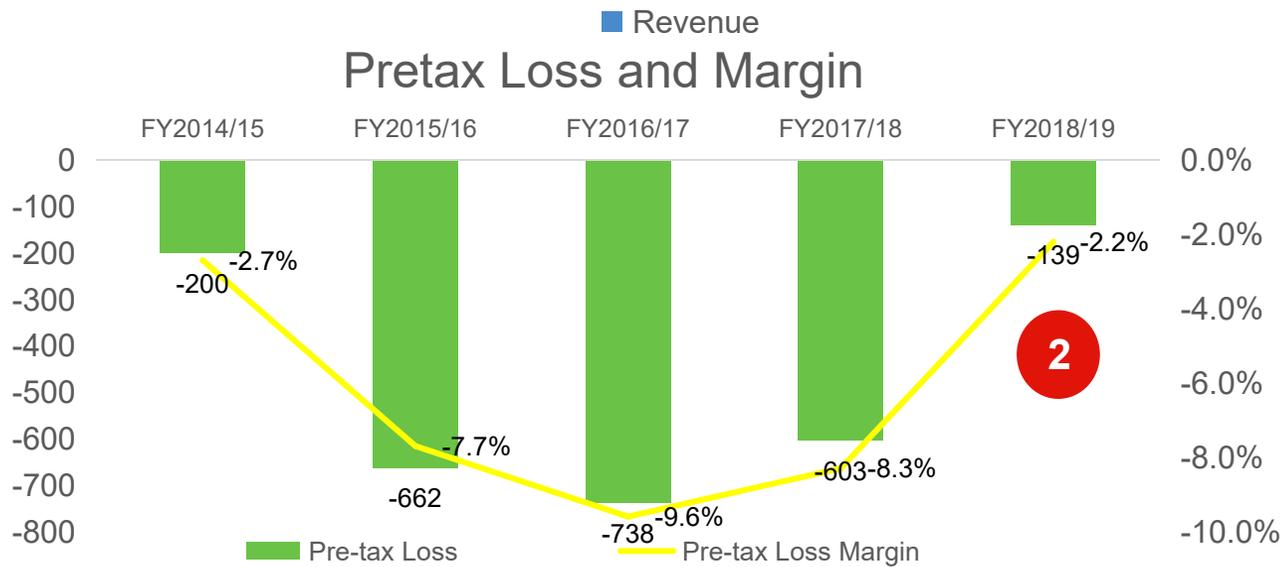
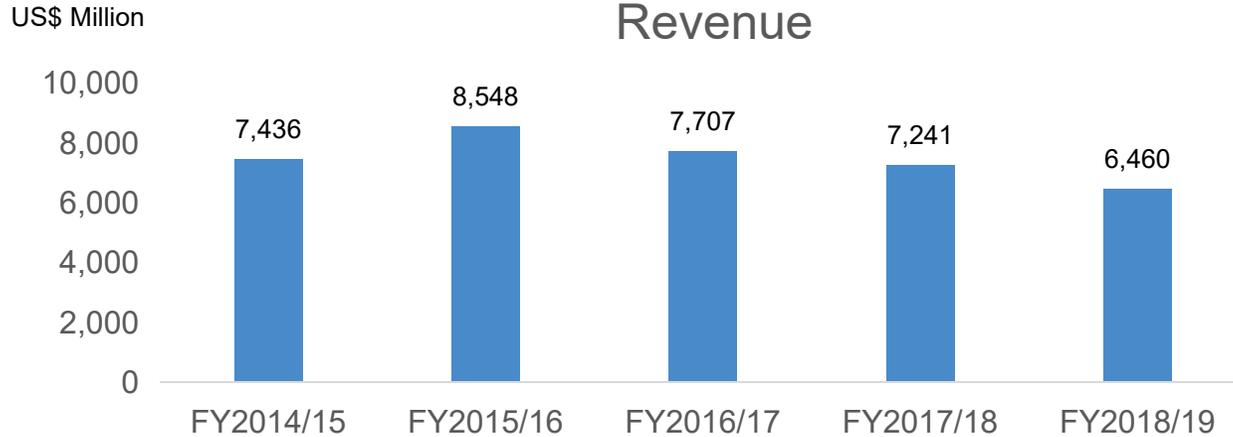


## Q4 Highlights

- 1 Revenue and shipments grew at premium to market YTY, thanks to higher activation rate on the 7th Gen Moto G and Motorola One Franchise launches
- 2 Revenue grew YTY in Core/Focus markets (NA, LA, and Europe) and PRC
- 3 Remained profitable even in a low season Q4
- 4 Focused strategy and enhanced product portfolio reduced complexity and improved efficiency



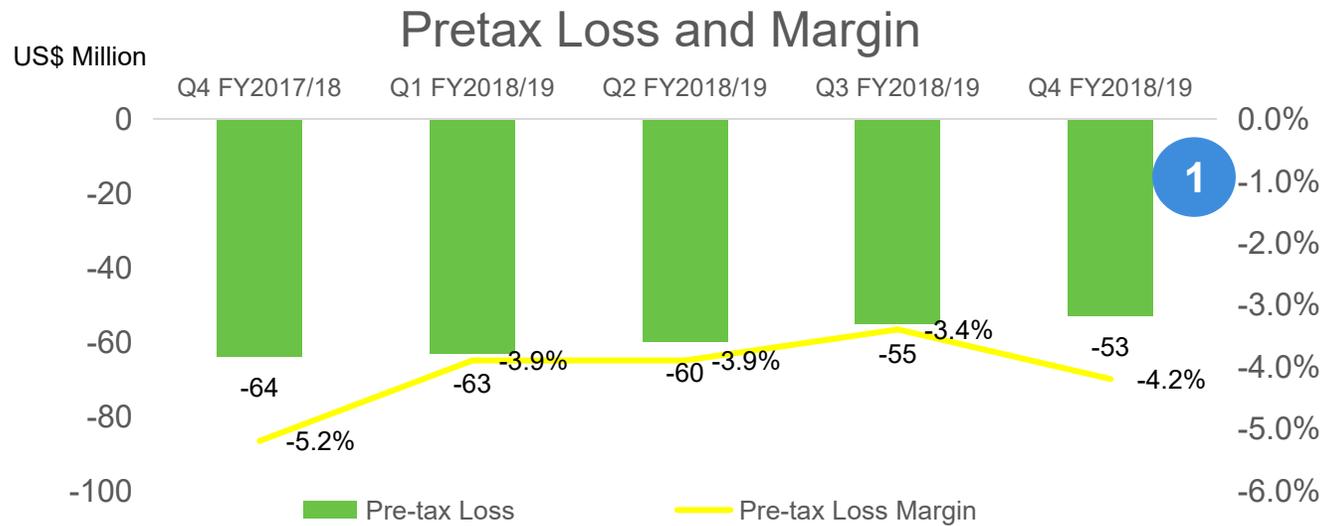
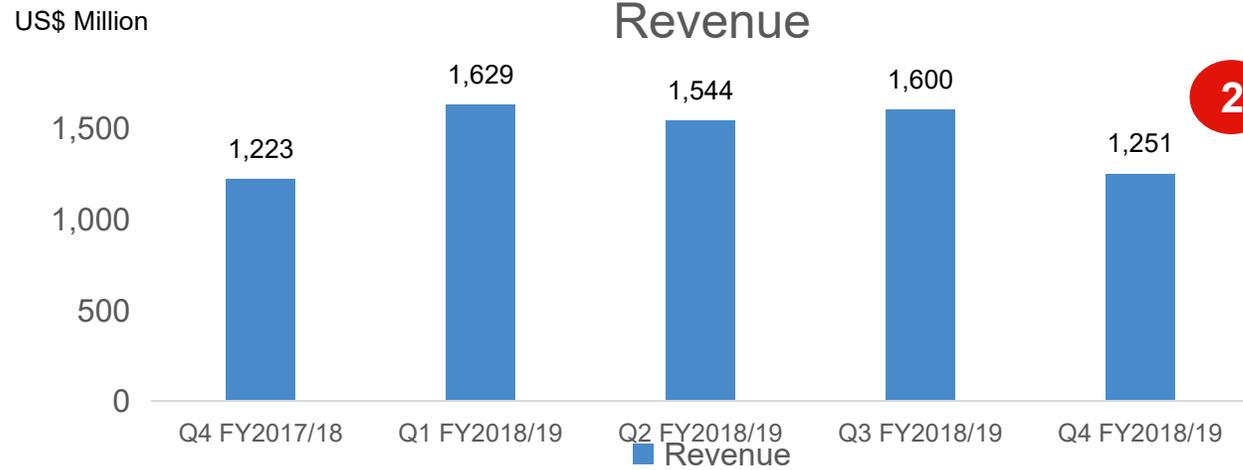
# IDG - Mobile Business Group (MBG)



## FY19 Highlights

- 1 Successful turned profitable on pre-tax profit level in the 2H
- 2 PTI loss narrowed by \$464M YTY thanks to focused strategy, product portfolio enhancement, & expense reduction
- 3 Full-year expenses savings of \$433M driven by portfolio simplification and complexity reduction
- 4 Market share gain in NA, LA and PRC YTY

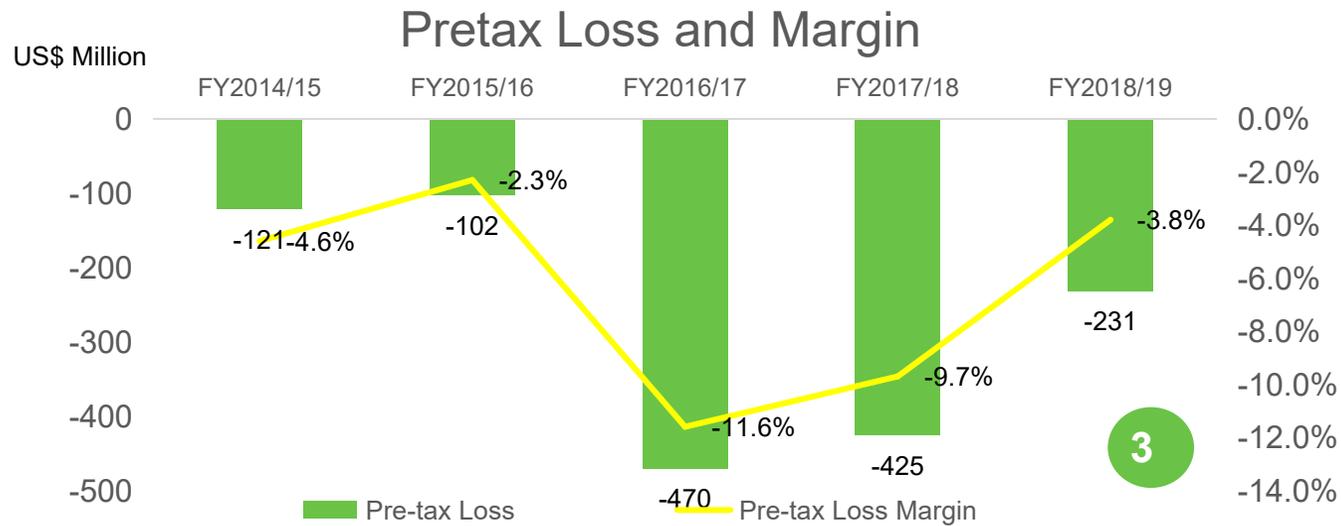
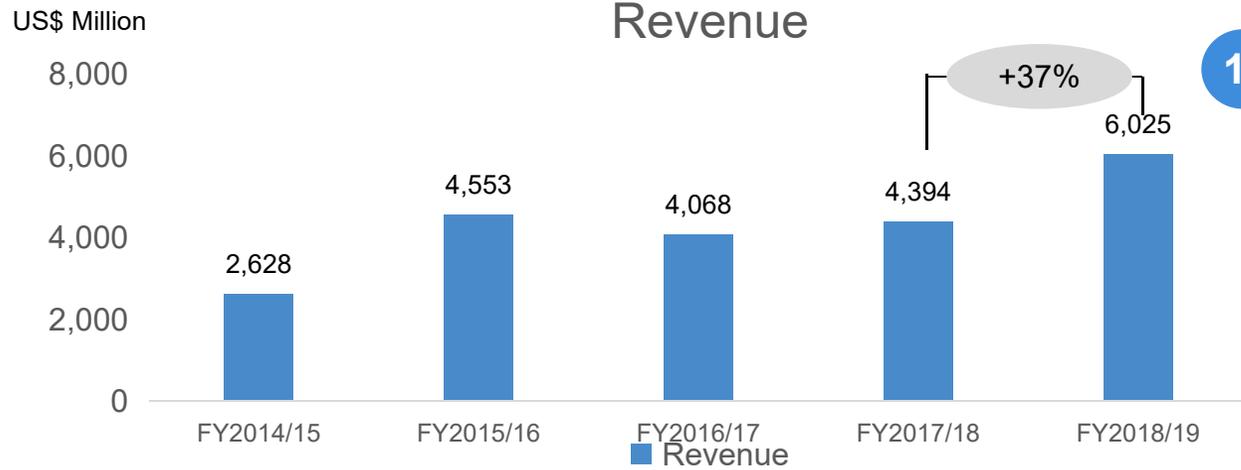
# Data Center Business Group (DCG)



## Q4 Highlights

- 1 Continued margin expansion YTY for 1 pts
- 2 Mild topline growth as customers await release of new x86 Intel platform
- 3 Strong growth in fast-growing segments:
  - Double-digit revenue growth in Hyperscale, Software Defined Infrastructure

# Data Center Business Group (DCG)



## FY19 Highlights

- 1 Accelerated topline growth of 37%, highest in 3 years; Revenue surpassed \$6B 1<sup>st</sup> time since IBM x86 acquisition**
- 2 Record-high revenue driven by triple-digit growth in Hyperscale and almost double in Software Defined Infrastructure**
- 3 Significant PTI improvement of \$194M YTY thanks to margin expansion across segments and Geos**



# Outlook Statement

## ❖ Group Mission:

- ❖ **To become the leader and enabler in the Intelligent Transformation era while driving customer centricity and leveraging Smart IoT/Smart Infrastructure/Smart Vertical to bring Lenovo to a new height**

## ❖ IDG: Deliver premium-to-market growth with strong profitability; build smart device capabilities

- ❖ **PCSD:** maintain premium to market growth with industry-leading profitability; drive further penetration in high-growth segments; continue to grow revenue faster than shipments
- ❖ **Mobile:** drive growth in selected markets while improving profitability; sustain profitable growth globally
- ❖ Enable intelligent features on Smart PC products; build new Smart Devices & Embedded IOTs

## ❖ DCG: Drive double the market growth while improving profitability

- ❖ Strengthen in-house design and manufacturing capabilities; build a profitable business model for Hyperscale
- ❖ Enhance capabilities on professional services and solution based expertise; solidify and operationalize Strategic Partnerships
- ❖ **Market anticipates next generation Intel platform led to softness in enterprise and hyperscale markets, expects to recover in 2HFY20;** Lenovo will continue to grow even if market does not; continue to accelerate market share gain in high-growth segments – Hyperscale, SDI, AI/HPC, and IoT solutions



# Outlook Statement

## ❖ 3S strategy:

- ❖ **Accelerate Intelligent Transformation by bringing Smarter technology to all in the connected world; continue to drive growth in Smart IoT, Smart Infrastructure and Smart Vertical while leading customer centric transformation**
- ❖ **Smart IoT: Accelerate growth and drive intelligence in our PC and Smart Devices**
  - ❖ Improve profitability by driving higher average user selling price in high growth and premium categories (Workstation, Gaming PC, Thin & Light, Visuals)
  - ❖ Drive intelligence in our Smart PC products, build new Smart Devices and Embedded IOTs
  - ❖ Mobile biz will continue to execute selected regions strategy, enhance product portfolio and invest in technology
- ❖ **Smart Infrastructure: Strengthen capabilities in solutions and professional services**
- ❖ **Smart Vertical: Accelerate growth in Software, Services, verticals and solutions businesses**
  - ❖ Build capabilities and leverage our building blocks to capture opportunities in focused industry verticals

# Appendix

- Financial Summary
- Condensed Consolidated Income Statement
- Condensed Consolidated Balance Sheet
- Condensed Consolidated Cash Flow Statement

# + Financial Summary

<i>US\$ Million</i>	<b>FY2018/19</b>	Y/Y%	<b>Q4 FY2018/19</b>	<b>Q4 FY2017/18</b>	Y/Y%	<b>Q/Q%</b>
Revenue	<b>51,038</b>	13%	<b>11,710</b>	10,638	10%	(17%)
Cost of sales	<b>(43,667)</b>	12%	<b>(9,815)</b>	(9,094)	8%	(18%)
Gross profit	<b>7,371</b>	18%	<b>1,895</b>	1,544	23%	(8%)
Selling and distribution expenses	<b>(2,658)</b>	(6%)	<b>(647)</b>	(631)	2%	(8%)
Administrative expenses	<b>(2,210)</b>	26%	<b>(594)</b>	(457)	30%	(4%)
Research and development expenses	<b>(1,266)</b>	(1%)	<b>(371)</b>	(327)	14%	36%
Other operating income/ (expense) - net	<b>(59)</b>	176%	<b>(10)</b>	(28)	(65%)	(60%)
Operating profit	<b>1,178</b>	205%	<b>273</b>	101	172%	(37%)
Finance income	<b>27</b>	(15%)	<b>10</b>	8	31%	65%
Finance costs	<b>(337)</b>	28%	<b>(98)</b>	(72)	36%	14%
Share of loss of associated companies and joint ventures	<b>(12)</b>	360%	<b>(5)</b>	-	NA	35%
Profit before taxation	<b>856</b>	459%	<b>180</b>	37	389%	(49%)
Taxation	<b>(199)</b>	(29%)	<b>(46)</b>	12	NA	(45%)
Profit for the period	<b>657</b>	NA	<b>134</b>	49	176%	(50%)
Profit attributable to:						
Equity holders of the company	<b>597</b>	NA	<b>118</b>	33	261%	(49%)
Perpetual securities holders	<b>54</b>	2%	<b>14</b>	14	0%	0%
Other non-controlling interests	<b>6</b>	(20%)	<b>2</b>	2	(13%)	(89%)
Dividend per share (HK cents)	<b>28</b>		<b>22</b>	21		
Earnings per share (US cents)						
- Basic	<b>5.01</b>		<b>1.00</b>	0.28		
- Diluted	<b>4.96</b>		<b>0.96</b>	0.28		

	<b>FY2018/19</b>	<b>Q4 FY2018/19</b>	<b>Q4 FY2017/18</b>
Gross margin	<b>14.4%</b>	<b>16.2%</b>	14.5%
E/R ratio	<b>12.1%</b>	<b>13.9%</b>	13.6%
Operating margin	<b>2.3%</b>	<b>2.3%</b>	0.9%
PTI margin	<b>1.7%</b>	<b>1.5%</b>	0.3%
Net margin attributable to Equity Holders	<b>1.2%</b>	<b>1.0%</b>	0.3%

# Condensed Consolidated Income Statement

<i>US\$ Million</i>	<b>Q4 FY2018/19</b>	<b>Q4 FY2017/18</b>	<b>FY2018/19</b>	<b>FY2017/18</b>
Revenue	<b>11,710</b>	10,638	<b>51,038</b>	45,350
Cost of sales	<b>(9,815)</b>	(9,094)	<b>(43,667)</b>	(39,078)
Gross profit	<b>1,895</b>	1,544	<b>7,371</b>	6,272
Selling and distribution expenses	<b>(647)</b>	(631)	<b>(2,658)</b>	(2,833)
Administrative expenses	<b>(594)</b>	(457)	<b>(2,210)</b>	(1,757)
Research and development expenses	<b>(371)</b>	(327)	<b>(1,266)</b>	(1,274)
Other operating (expense) - net	<b>(10)</b>	(28)	<b>(59)</b>	(22)
Operating profit	<b>273</b>	<b>101</b>	<b>1,178</b>	<b>387</b>
Finance income	<b>10</b>	8	<b>27</b>	32
Finance costs	<b>(98)</b>	(72)	<b>(337)</b>	(264)
Share of (loss) of associated companies and joint ventures	<b>(5)</b>	-	<b>(12)</b>	(2)
Profit before taxation	<b>180</b>	<b>37</b>	<b>856</b>	<b>153</b>
Taxation	<b>(46)</b>	12	<b>(199)</b>	(280)
Profit/(loss) for the period	<b>134</b>	<b>49</b>	<b>657</b>	<b>(127)</b>
Profit attributable to:				
Equity holders of the company	<b>118</b>	<b>33</b>	<b>597</b>	<b>(189)</b>
Perpetual securities holders	<b>14</b>	<b>14</b>	<b>54</b>	<b>53</b>
Other non-controlling interests	<b>2</b>	2	<b>6</b>	9
Dividend per share (HK cents)	<b>22</b>	21	<b>28</b>	27
Earnings/(Loss) per share (US cents)				
- Basic	<b>1.00</b>	0.28	<b>5.01</b>	(1.67)
- Diluted	<b>0.96</b>	0.28	<b>4.96</b>	(1.67)

# Condensed Consolidated Balance Sheet

*US\$ Million*

	As at Mar 31, 2019	As at Mar 31, 2018
Non-current assets	<b>13,102</b>	12,831
Property, plant and equipment	<b>1,431</b>	1,305
Intangible assets	<b>8,325</b>	8,514
Others	<b>3,346</b>	3,012
Current assets	<b>16,886</b>	15,663
Bank deposits and cash	<b>2,733</b>	1,932
Trade, notes and other receivables	<b>10,462</b>	9,687
Inventories	<b>3,435</b>	3,792
Others	<b>256</b>	252
Current liabilities	<b>20,490</b>	19,460
Borrowings	<b>1,953</b>	1,167
Trade, notes, other payables, accruals and provisions	<b>17,384</b>	17,329
Others	<b>1,154</b>	964
Net current liabilities	<b>3,604</b>	3,797
Non-current liabilities	<b>5,401</b>	4,488
Total equity	<b>4,097</b>	4,546

# Condensed Consolidated Cash Flow Statement

US\$ Million	FY2018/19	FY2017/18	Q4 FY2018/19	Q4 FY2017/18
Net cash generated from/(used in) operating activities	1,473	(756)	(478)	(753)
Net cash used in investing activities	(700)	(1,113)	(181)	(173)
Net cash generated from/(used in) financing activities	123	874	(86)	1,071
Increase/(Decrease) in cash and cash equivalents	896	(995)	(745)	145
Effect of foreign exchange rate changes	(81)	88	8	43
Cash and cash equivalents at the beginning of the period	1,848	2,755	3,400	1,660
Cash and cash equivalents at the end of the period	2,663	1,848	2,663	1,848

**thanks.**

**Different is better**

