

Q1 FY20 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.

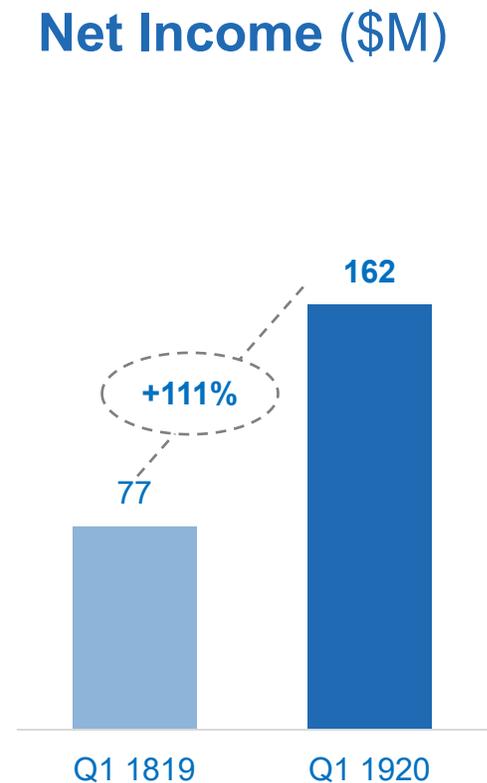
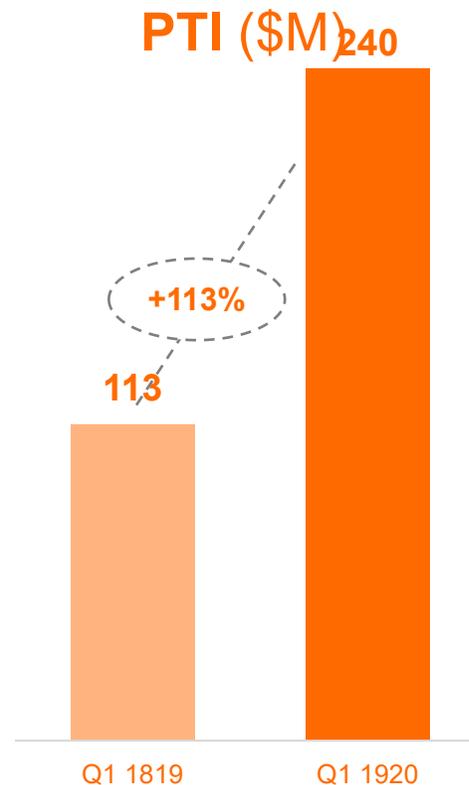
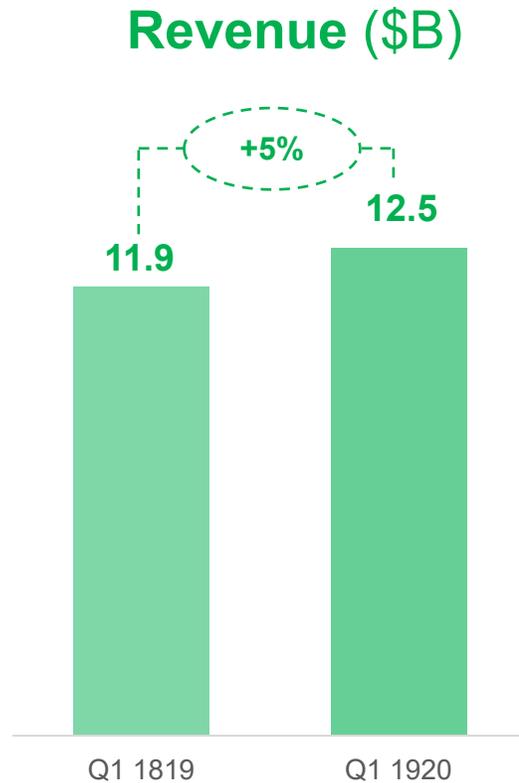
Yuanqing Yang

Chairman & CEO



Solid Group Performance – Revenue & Profit Growth

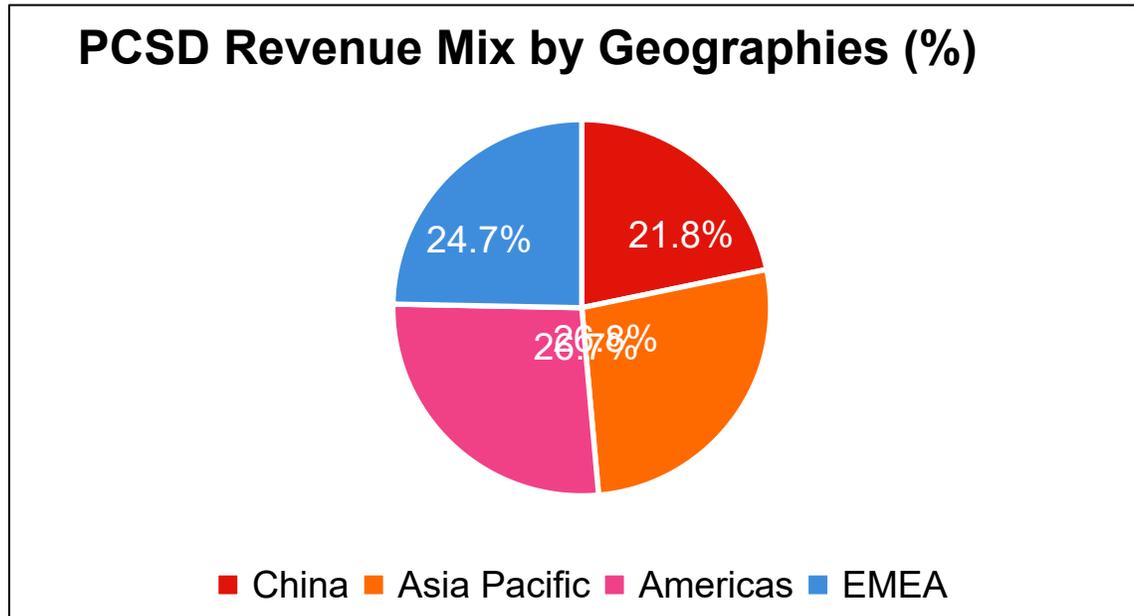
- Revenue: **\$12.5B**, up YOY for 8th consecutive quarter
- PTI*: **\$240M**, up 113% YOY
- Net income: **\$162M**, up 111% YOY



* PTI: Pre-tax Income

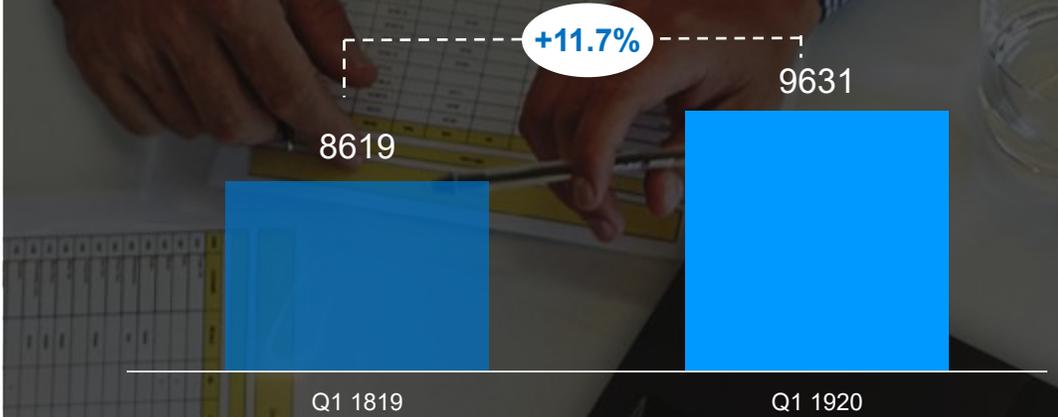
IDG PCSD* – Exceptional Results

- PCSD revenue: **\$9.6B**, **+11.7%** YOY
- Geographical balance: 4 geos all delivered over **\$2B** revenue
- Highest fiscal 1st quarter PTI with industry leading margin at **5.4%**

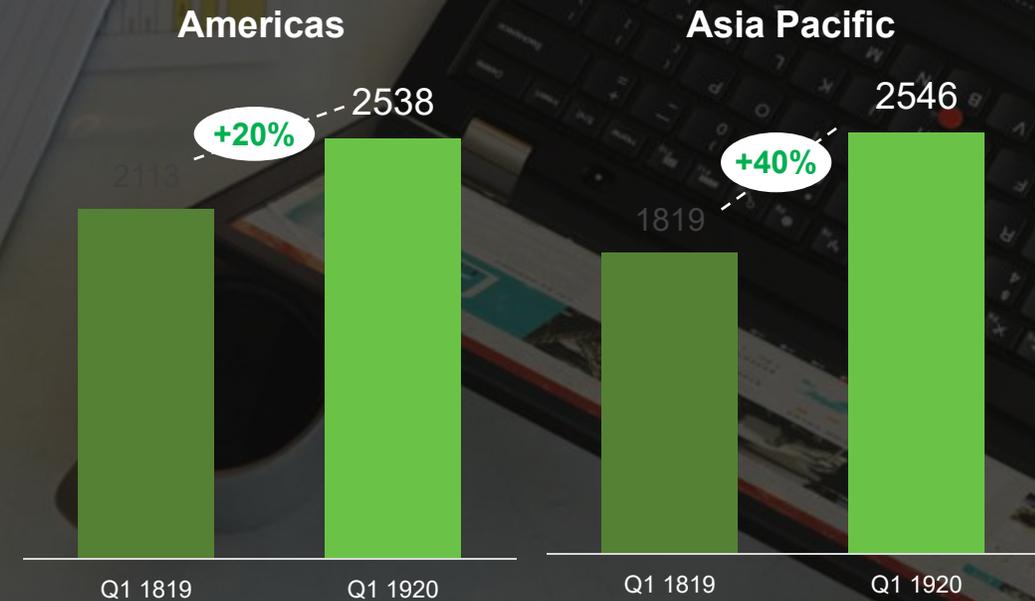


* IDG: Intelligent Devices Group; PCSD: PC, Tablet & Smart Devices

PCSD Revenue (\$M)

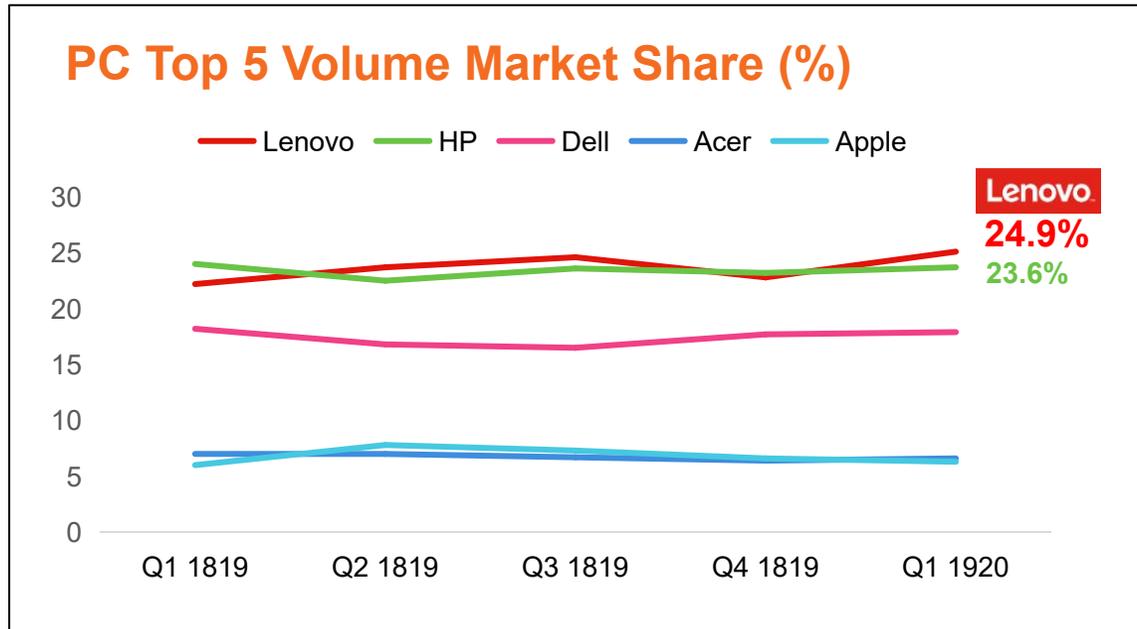


Strong Revenue Growth in AG & AP (\$M)

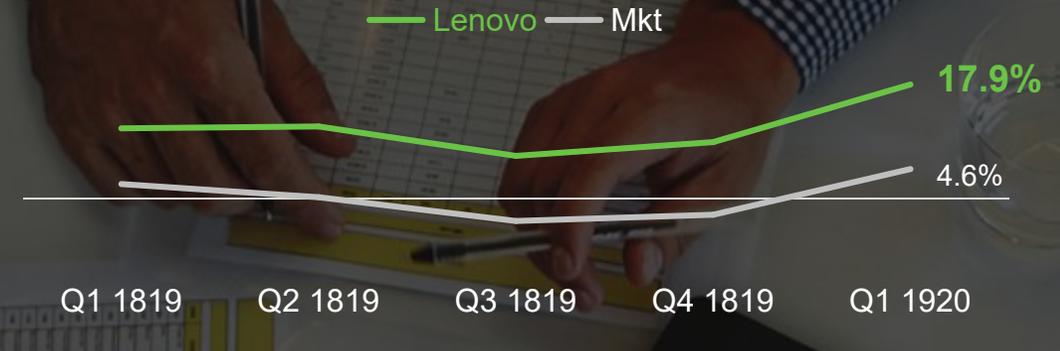


IDG PC – Exceptional Results

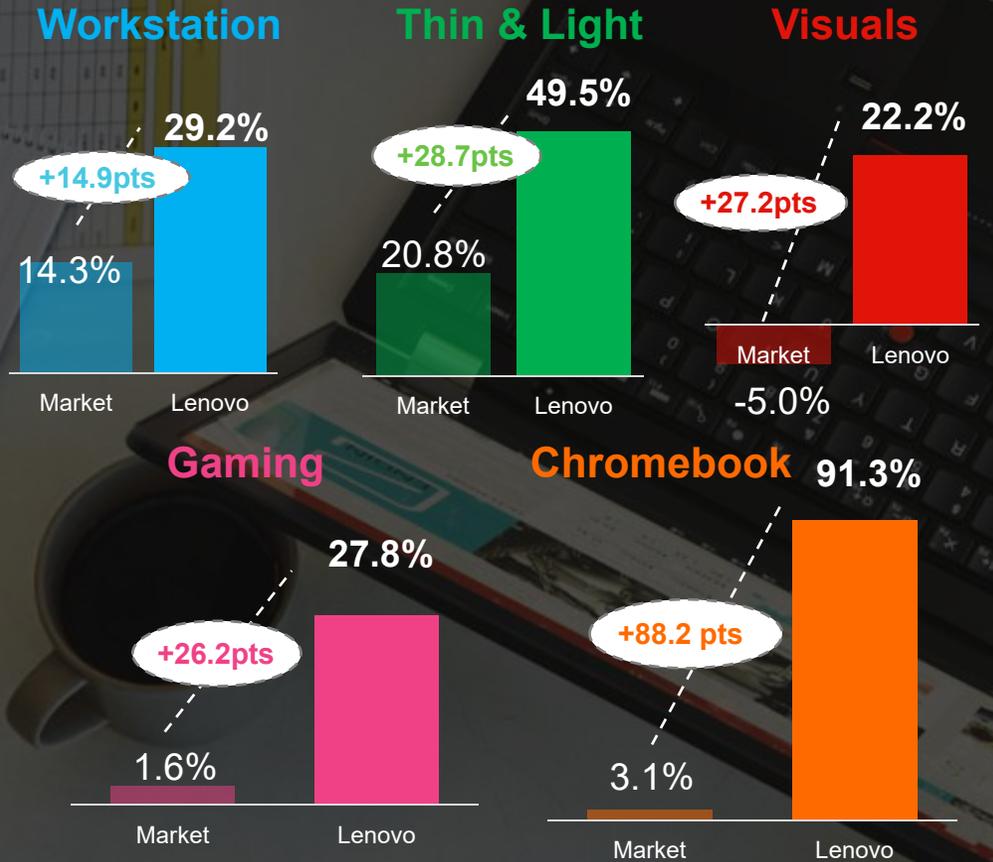
- Volume grew **18%** YOY (**13.2** points PtM), revenue grew **14.3%** YOY
- Record PC market share **24.9%**, clear **#1**
- Outgrew markets across high-growth, premium segments



Global PC Volume YOY Growth (%)



Segment Volume YOY Growth vs Market(%)



IDG PCSD - Outlook

- Focus on high-growth and premium categories
- Focus on Smart IoT innovation
 - Smartify current devices
 - New smart devices
 - Commercial devices



World's 1st Foldable PC



ThinkSmart Hub



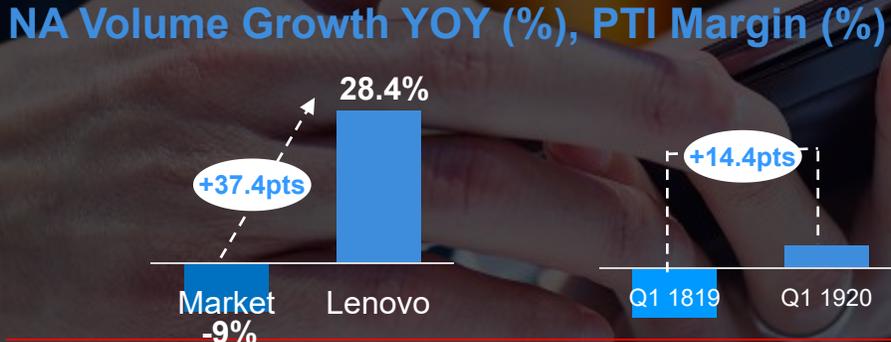
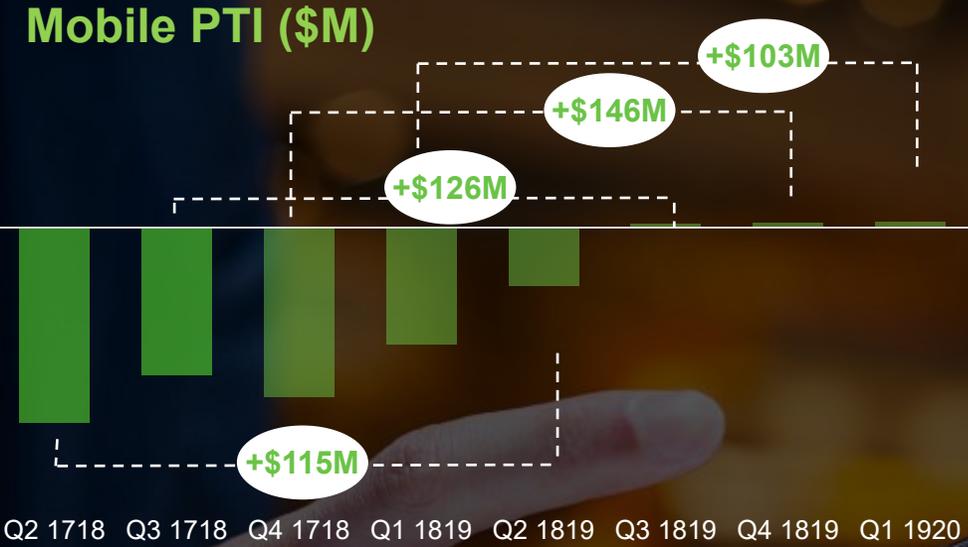
Smart Clock



IoT 510C
Smart Camera

IDG Mobile - Maintained Profitability

- Profitability continued improvement: PTI improved by **\$100M** YOY for the **4th straight** quarter
- Solid execution of the focused strategy:
 - North America: volume grew **37.4 points** PtM; PTI margin improved by **14.4 points** YOY
 - Latin America: growing with or above market for **11** straight quarters



Moto One Vision



IDG Mobile - Outlook

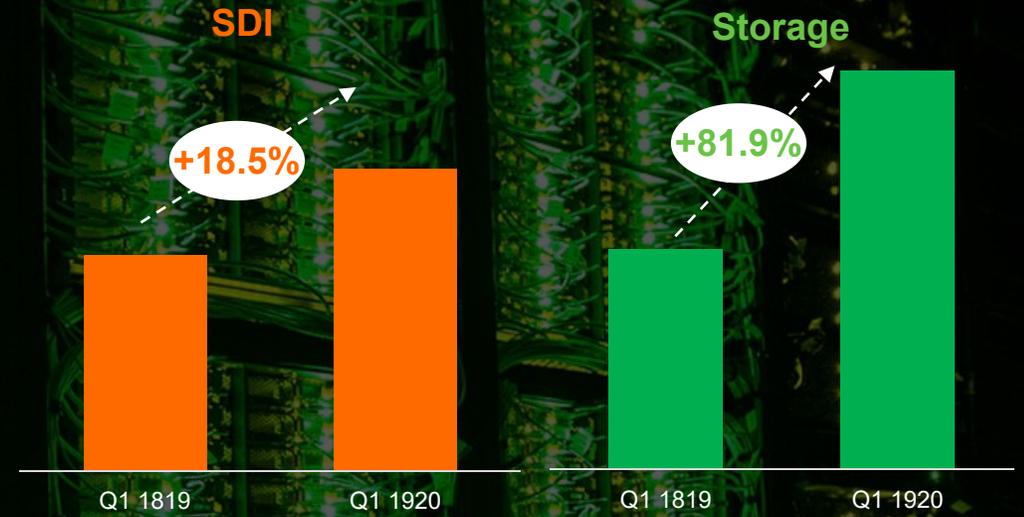
- Maintain profitability
- Seek opportunities to drive profitable growth

Data Center – Continued profitability improvement

- Profit and server volume share improved.
- Revenue declined due to selected customer hyperscale overbuilds and lower commodity pricing.
- Correct strategy to extend full stack Data Center portfolio breath
 - SDI* grew **double digit**
 - Storage grew over **80%**
- Extended leadership in HPC*

* SDI: Software Defined Infrastructure; HPC: High Performance Computing

DCG Segments Revenue Growth YOY(%)



Top 5 HPC Manufacturers in TOP 500

HPC* Manufacturer	# of Systems	# of Markets
Lenovo	173	20
Inspur	71	1
Sugon	63	1
HPE	40	8
Cray	39	11

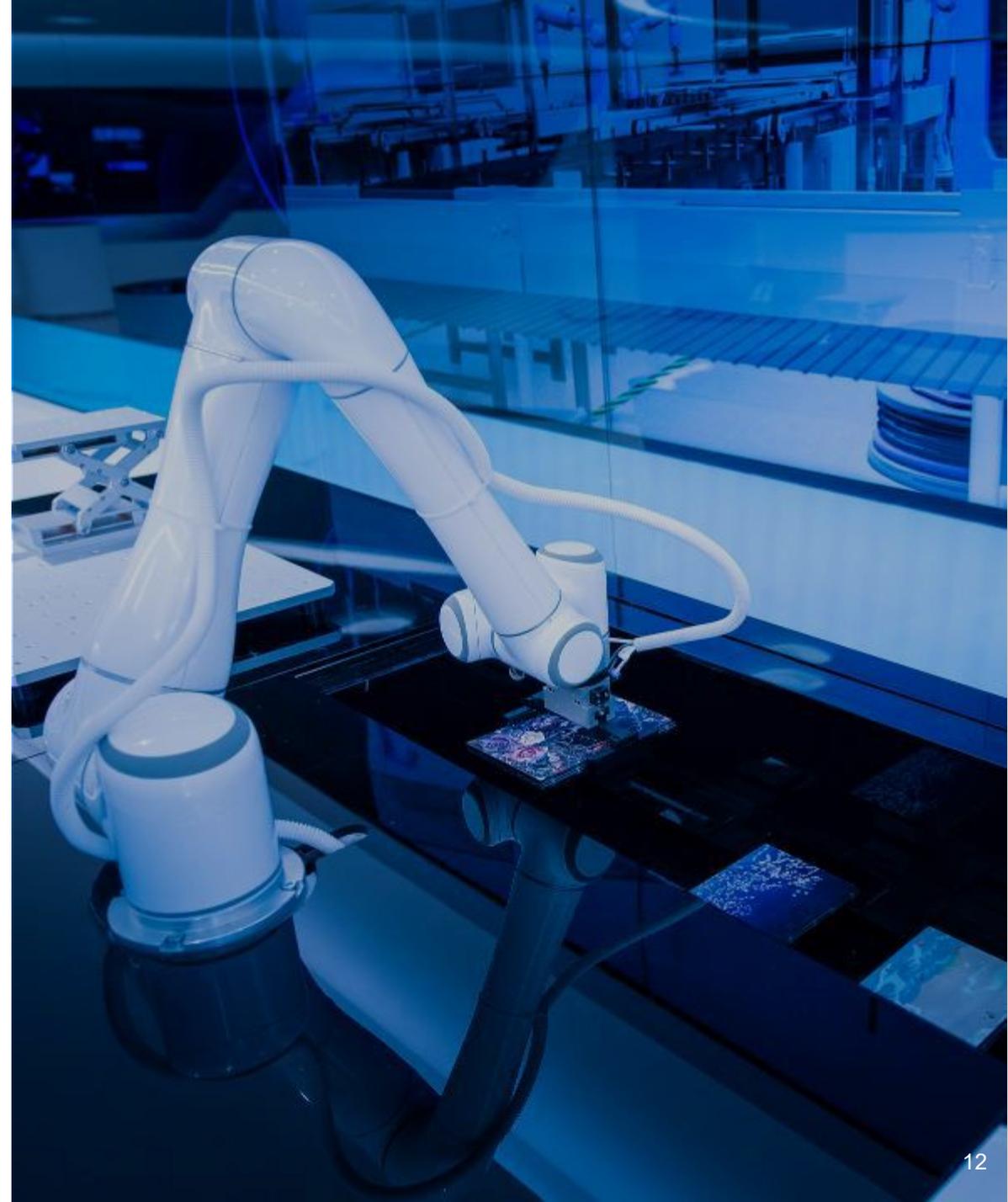


Data Center - Outlook

- Drive SDI, storage, networking, service & solution led sales
- Strengthen in-house design & manufacturing for hyperscale
- Refine route-to-market
- Improve operation excellence

Intelligent Transformation – Well on Track

- Established dashboard to track progress
- Established Data Intelligence Business Group (DIBG); Smart Vertical revenue quadrupled
- Software & Services revenue **+23% YOY**, reaching **\$732M**



On our way to Reaching New Heights.



Wong Wai Ming

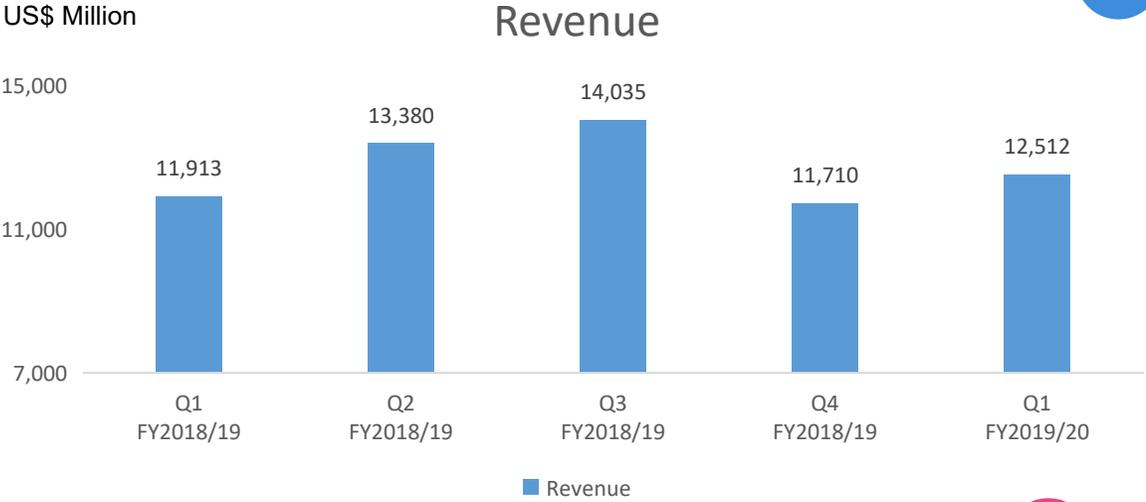
Chief Financial Officer



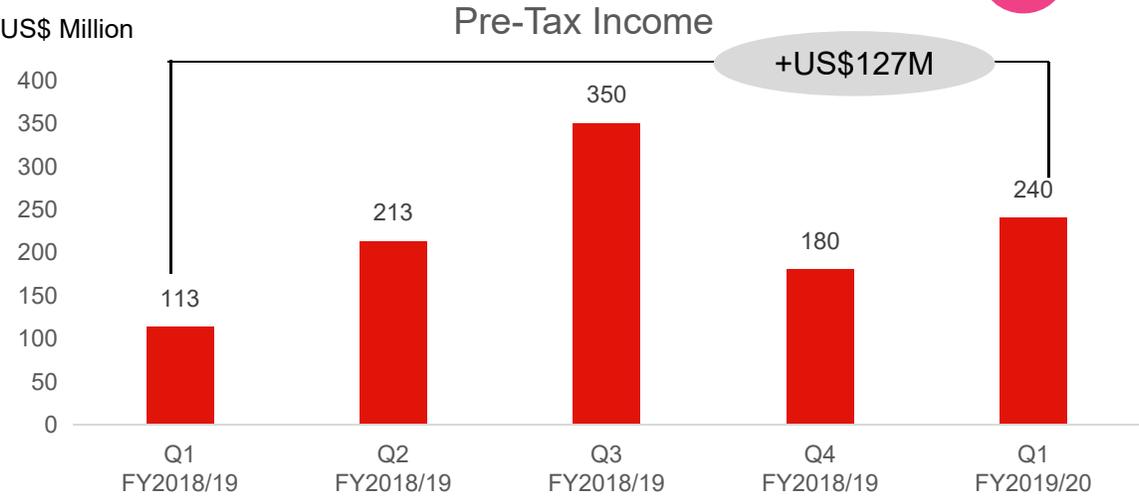
Financial Highlights

Q1 Highlights

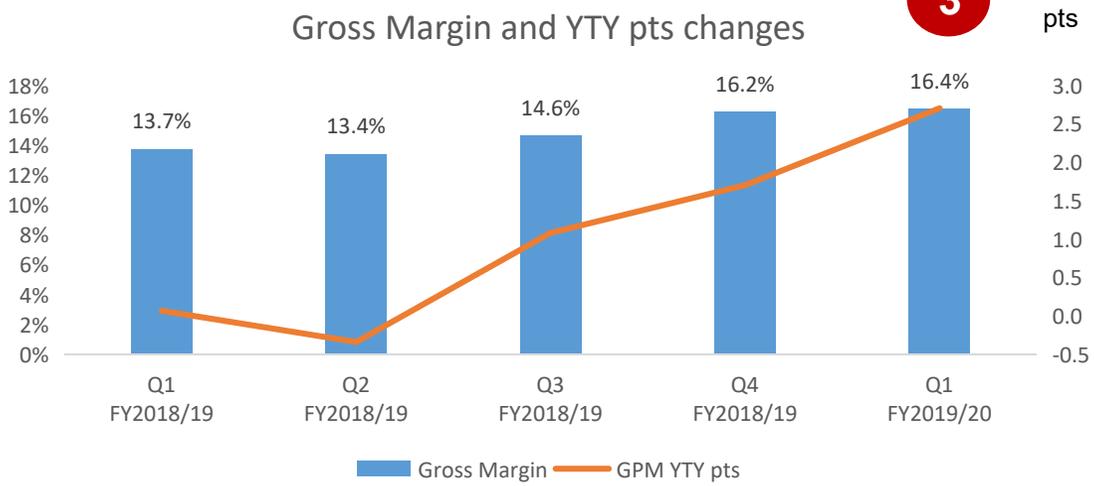
- 1 Delivered another quarter of revenue YTY growth despite global uncertainty (8th consecutive quarter of growth)
- 2 Pretax profit more than doubled YTY
- 3 Gross profit margin expanded to 16.4%, up 2.7pts YTY



1



2

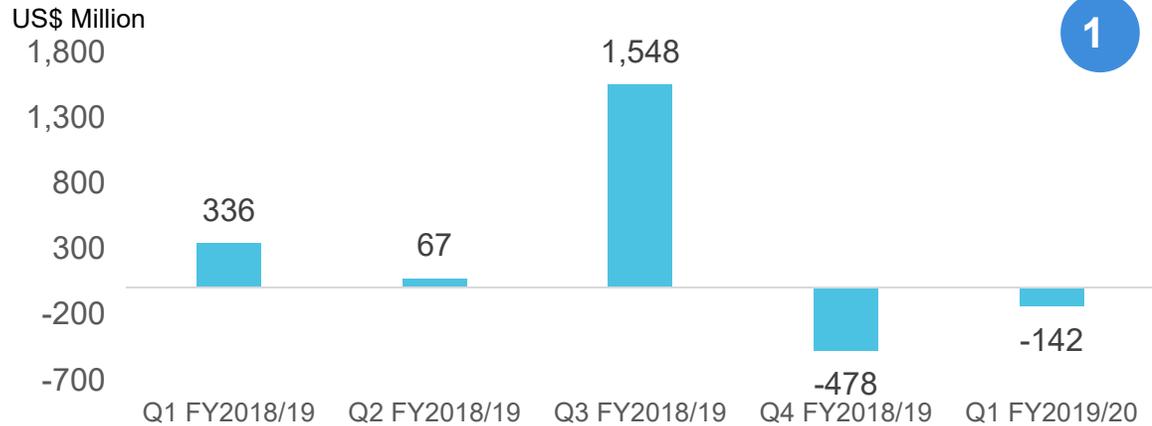


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Cash and Working Capital

Q1 Highlights

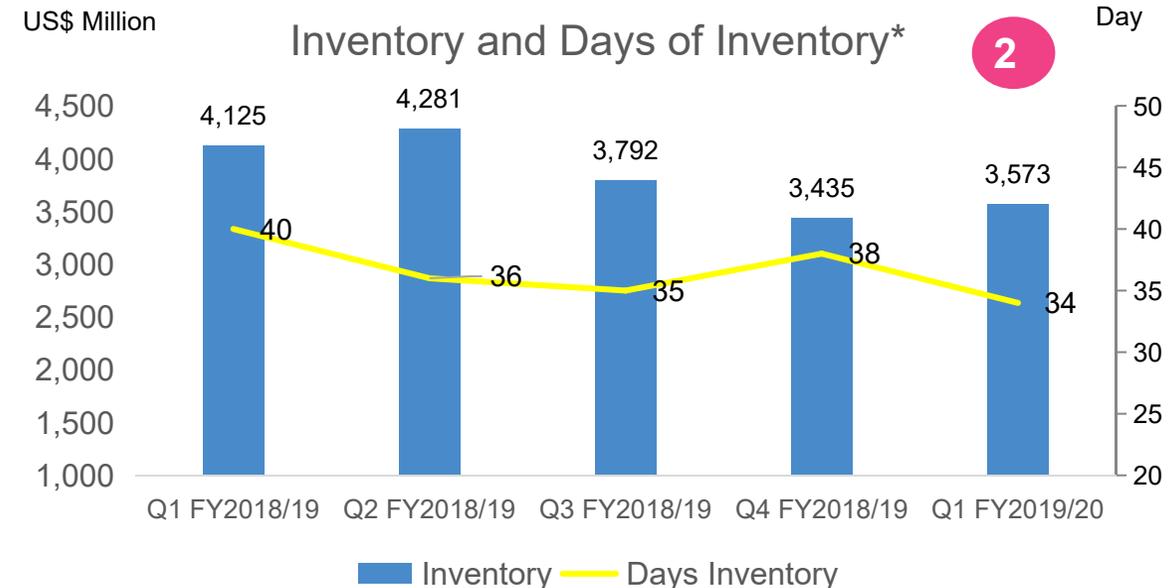
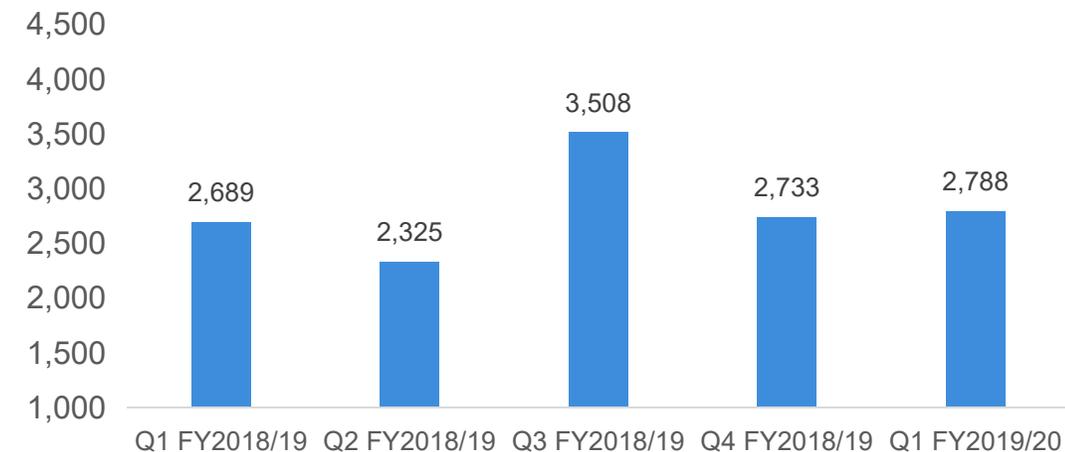
Net cash (used in)/generated from operating activities



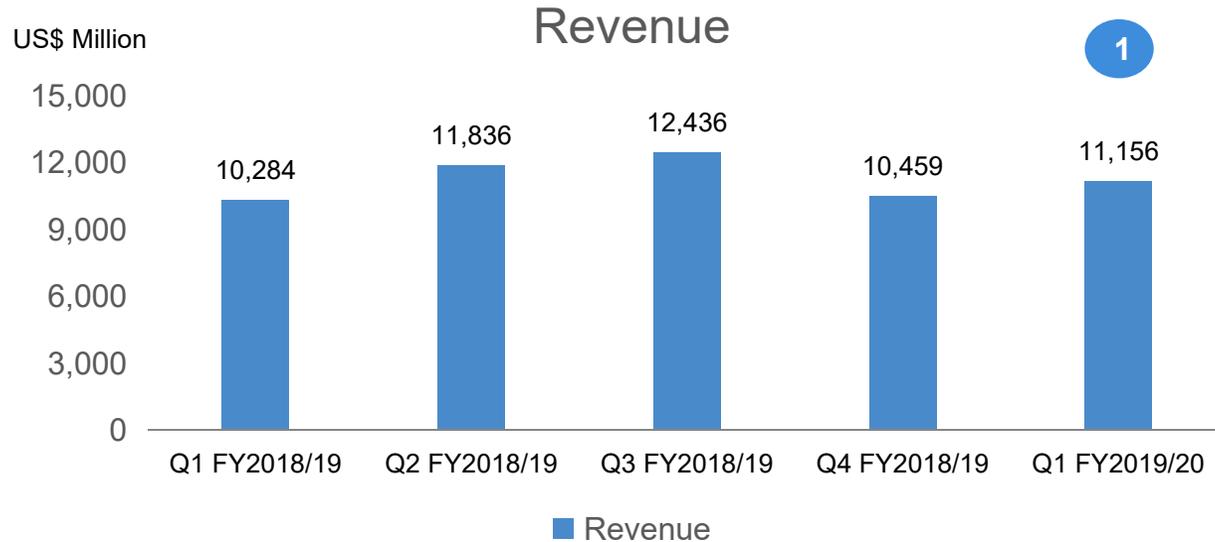
1 Despite the significant improvement in PTI and continued to improve inventory and accounts payable management, operating cash flow was temporary impact by the transition program of AR factoring. Expect AR will be back to normal and further improve once the transition program completed.

2 Inventory reduction reflecting disciplined execution

US\$ Million Bank Deposits and Cash



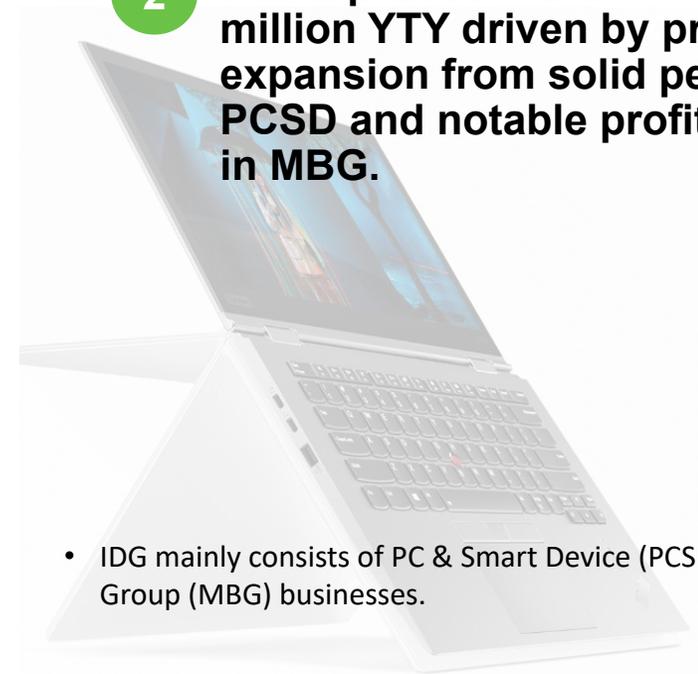
Intelligent Devices Business Group (IDG)*



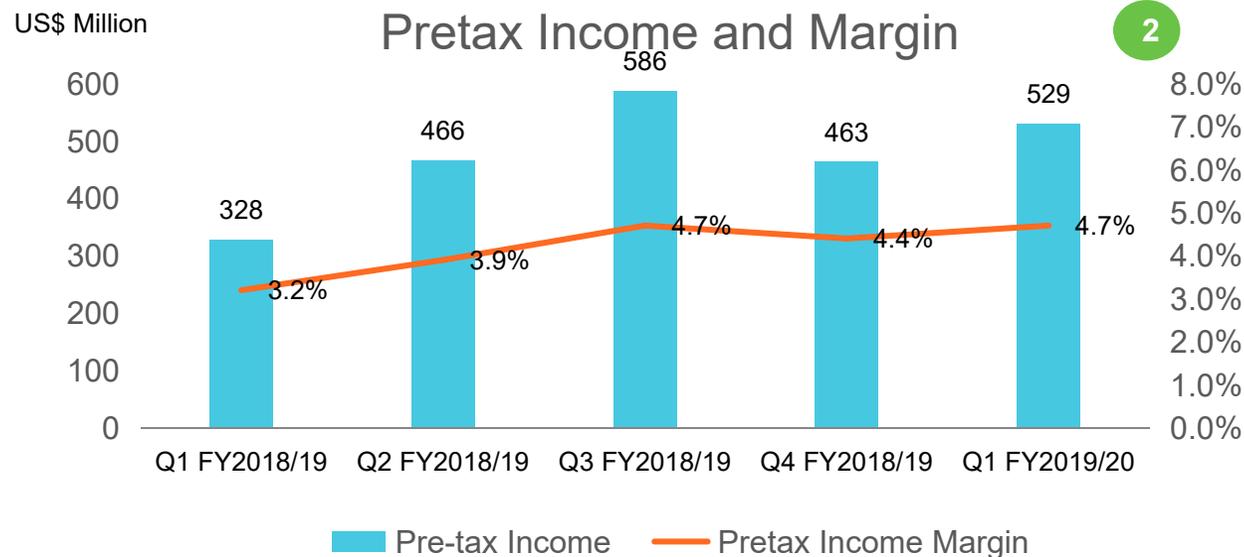
Q1 Highlights

1 Strong PC sales and continued share gain in Mobile's core markets supported the robust revenue YTY growth of 8% for IDG

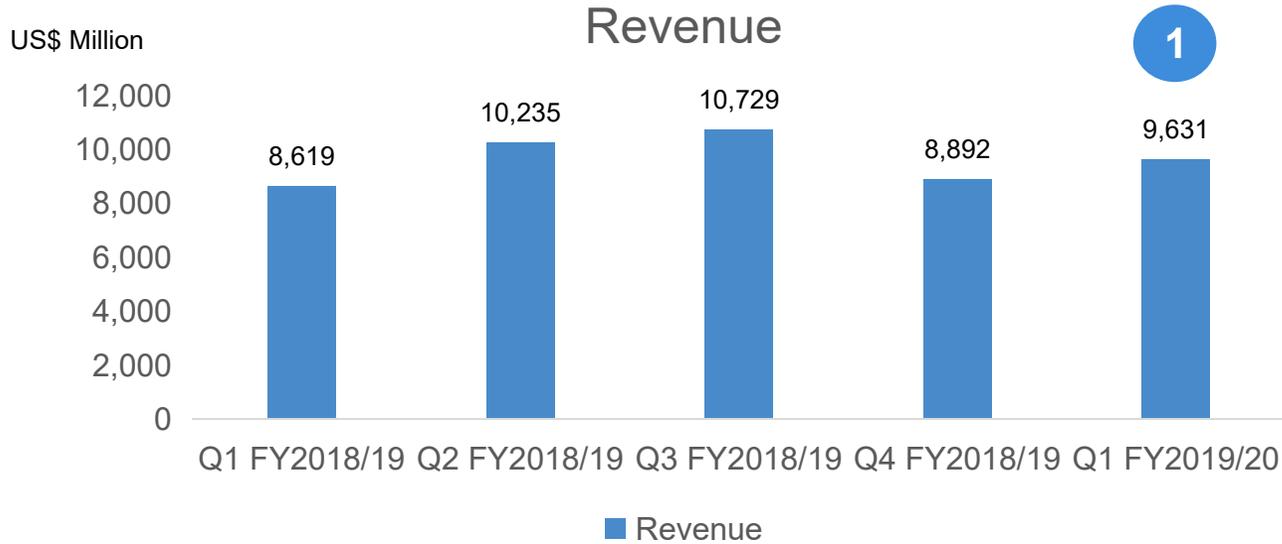
2 PTI improved more than US\$200 million YTY driven by profitability expansion from solid performance in PCSD and notable profit improvement in MBG.



- IDG mainly consists of PC & Smart Device (PCSD) and Mobile Business Group (MBG) businesses.

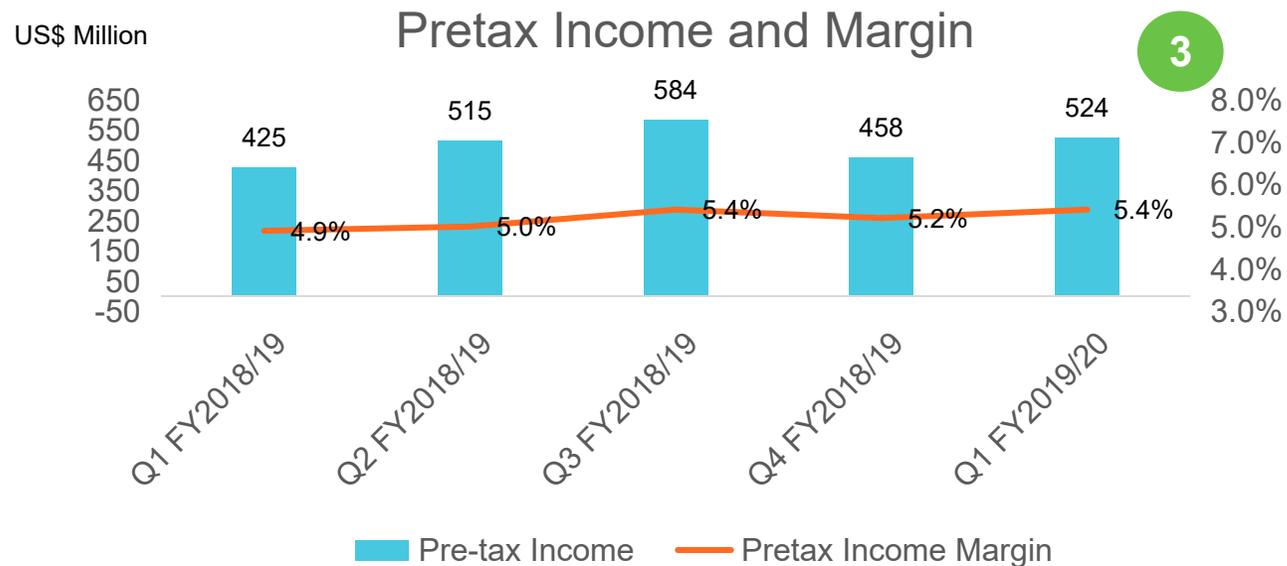


IDG - PC & Smart Device Business Group (PCSD)

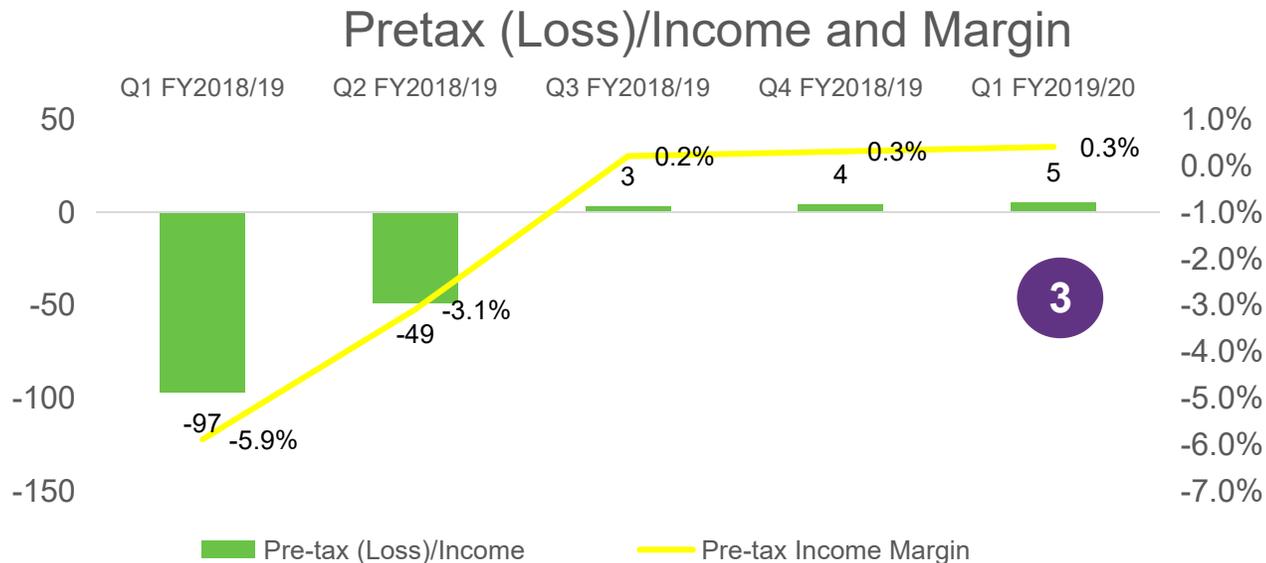
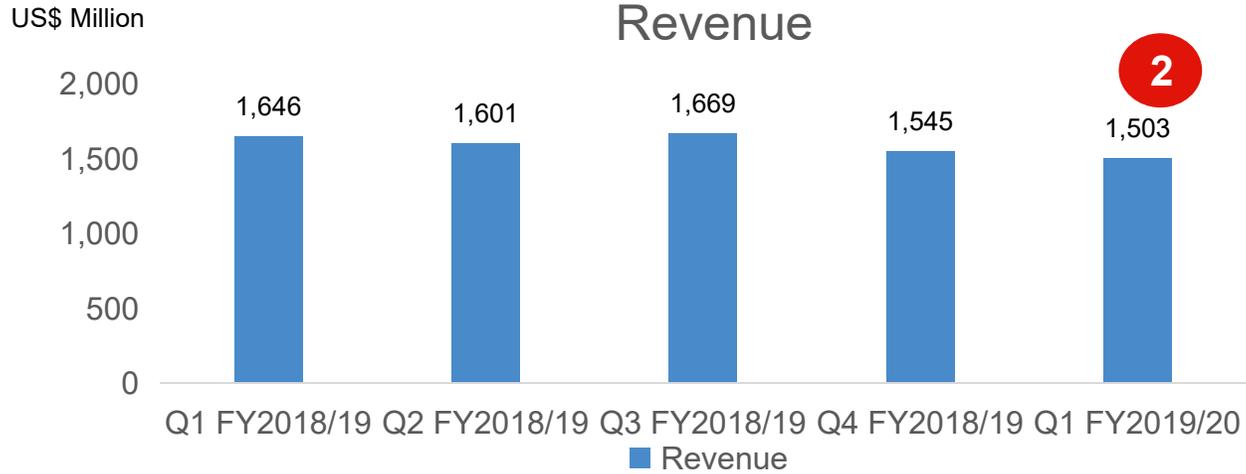


Q1 Highlights

- 1 Double-digit revenue growth driven by strength in commercial orders and investments to grow premium & high-growth segments
- 2 Premium to market revenue growth of 13 pts YTY, representing the highest premium growth in last 5+ years
- 3 PTI margin expansion to 5.4% due to favorable mix shift and higher services attach rate
- 4 Services and Solutions business continued to gain traction while Device as a Service emerged to become a long-term catalyst



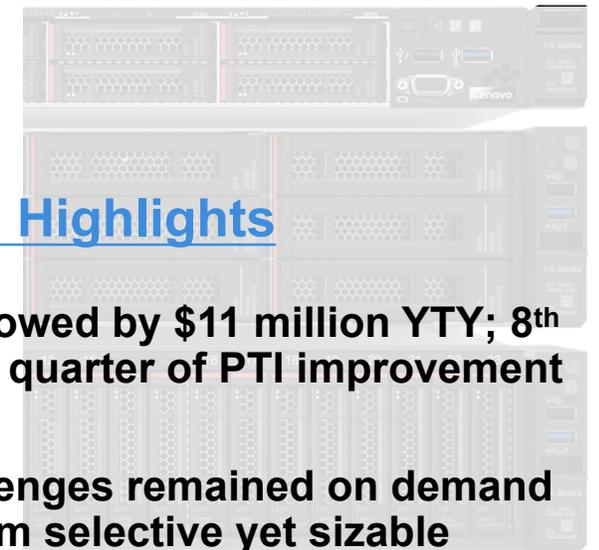
IDG - Mobile Business Group (MBG)



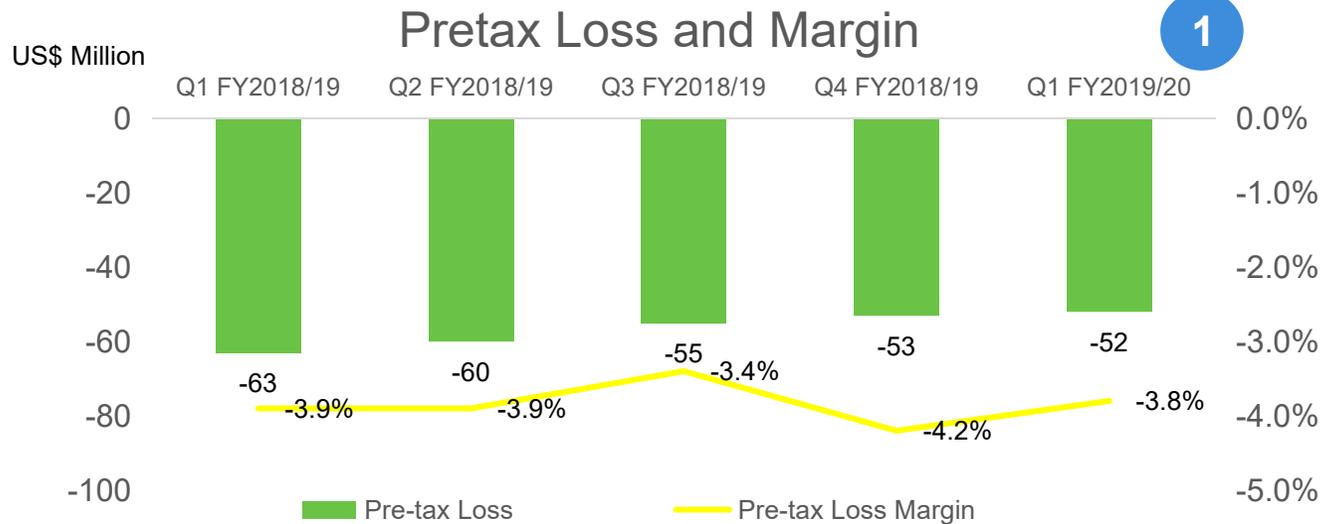
Q1 Highlights

- 1 Another PTI profitable quarter; 4th consecutive quarter of \$100m+ YTY PTI improvement
- 2 Continued strength in core markets; NA sales benefited from strong execution on carrier/retail expansion, while in LA, the solid market position bode well to profit expansion
- 3 Continued to execute its localized strategy, with a streamlined portfolio & investment in innovations including 5G technology

Data Center Business Group (DCG)



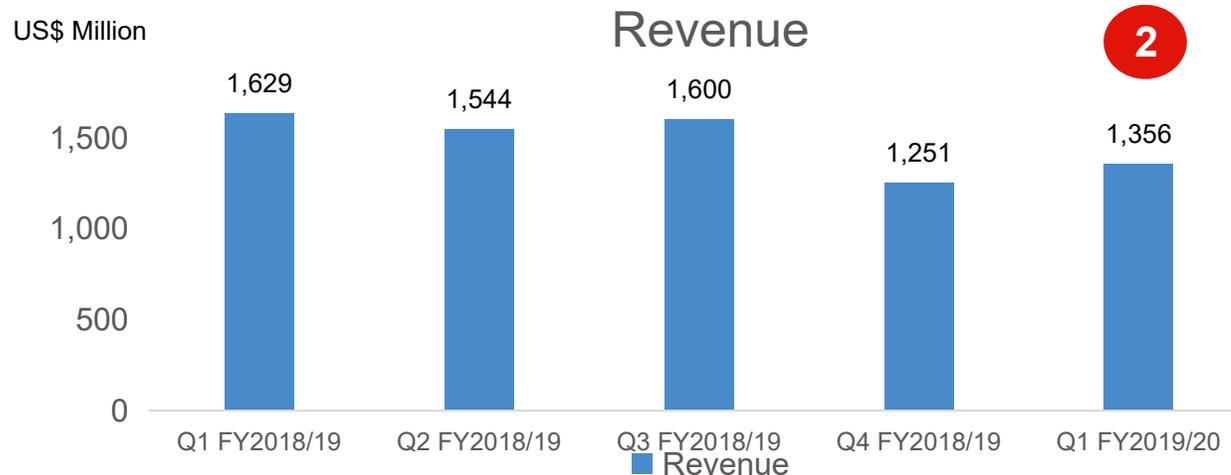
Q1 Highlights



1 Losses narrowed by \$11 million YTY; 8th consecutive quarter of PTI improvement

2 Sector challenges remained on demand softness from selective yet sizable hyperscale customers and sharply lowered commodity price

3 Bright spots in Storage, Services, SDI, and High Performance Computing; taking opportunity to further beef up total solution capabilities





Outlook Statement

- **Group Mission is to be the Leader and Enabler of Intelligent Transformation**

- **IDG: Deliver premium-to-market growth with strong profitability; build Smart IoT business**
 - **PCSD:** target to maintain premium to market growth with industry-leading profitability; drive growth in high-growth and premium segments
 - **Mobile:** to sustain growth in core markets and improve profitability
 - **Smart IoT:** to drive intelligence in our Smart PC products and build new Smart Devices; to accelerate growth in Embedded IOTs

- **DCG: Drive premium-to-market growth while improving profitability**
 - Lenovo to grow at premium to market; DCG well positioned as a full stack industry leader and will continue to drive SDI, storage and networking, service and solution led sales
 - Further strengthen in-house design and manufacturing capabilities; building to a profitable business model for Hyperscale
 - Smart Infrastructure: strengthen foundation through strategic partnerships with key industry players and telecom partners
 - Enhance capabilities on professional services and solution based expertise; solidify and operationalize Strategic Partnerships

- **3S Strategy: Accelerate Intelligent Transformation by bringing Smarter technology for all in the connected world; continue to drive Smart IoT, Smart Infrastructure and Smart Vertical while leading customer-centric transformation**
 - **Data Intelligence Business Group (DIBG) established to focus on end-to-end solutions**

Appendix

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

+ Financial Summary

US\$ Million

Revenue

Gross Profit

Operating Expenses

Operating Profit

Other Non-Operating Expenses

Pre-tax Income

Taxation

Profit for the period

Non-controlling interests

Profit attributable to Equity Holders

EPS (US cents)

- Basic

- Diluted

	Q1 FY2019/20	Q1 FY2018/19	Y/Y%	Q4 FY2018/19
	12,512	11,913	5%	11,710
	2,048	1,632	26%	1,895
	(1,705)	(1,452)	18%	(1,622)
	343	180	90%	273
	(103)	(67)	52%	(93)
	240	113	113%	180
	(48)	(28)	75%	(46)
	192	85	125%	134
	(30)	(8)	259%	(16)
	162	77	111%	118
	1.37	0.65	0.72	1.00
	1.32	0.65	0.67	0.96

Gross margin

E/R ratio

Operating margin

PTI margin

Net margin attributable to Equity Holders

	Q1 FY2019/20	Q1 FY2018/19	Q4 FY2018/19
	16.4%	13.7%	16.2%
	13.6%	12.2%	13.9%
	2.7%	1.5%	2.3%
	1.9%	0.9%	1.5%
	1.3%	0.6%	1.0%

Condensed Consolidated Income Statement

<i>US\$ Million</i>	Q1 FY2019/20	Q1 FY2018/19
Revenue	12,512	11,913
Cost of sales	(10,464)	(10,281)
Gross profit	2,048	1,632
Selling and distribution expenses	(763)	(654)
Administrative expenses	(611)	(485)
Research and development expenses	(329)	(310)
Other operating expense	(2)	(3)
Operating profit	343	180
Finance income	13	6
Finance costs	(115)	(72)
Share of loss of associated companies and joint ventures	(1)	(1)
Profit before taxation	240	113
Taxation	(48)	(28)
Profit for the period	192	85
Profit attributable to:		
Equity holders of the company	162	77
Perpetual securities holders	13	13
Other non-controlling interests	17	(5)
Earnings per share (US cents)		
- Basic	1.37	0.65
- Diluted	1.32	0.65

Condensed Consolidated Balance Sheet

US\$ Million

	As at 30-Jun-19	As at Mar 31, 2019
Non-current assets	13,404	13,102
Property, plant and equipment	1,684	1,431
Intangible assets	8,391	8,325
Others	3,329	3,346
Current assets	19,008	16,886
Bank deposits and cash	2,788	2,733
Trade, notes and other receivables	12,422	10,462
Inventories	3,573	3,435
Others	225	256
Current liabilities	22,845	20,490
Borrowings	2,769	1,953
Trade, notes, other payables, accruals and provisions	19,019	17,384
Others	1,057	1,153
Net current liabilities	(3,837)	(3,604)
Non-current liabilities	5,310	5,401
Total equity	4,257	4,097

Condensed Consolidated Cash Flow Statement

US\$ Million	Q1 FY2019/20	Q1 FY2018/19	Q4 FY2018/19
Net cash (used in)/generated from operating activities	(142)	336	(478)
Net cash used in investing activities	(303)	(197)	(181)
Net cash generated from/(used in) financing activities	512	692	(86)
Increase/(decrease) in cash and cash equivalents	67	831	(745)
Effect of foreign exchange rate changes	(13)	(66)	8
Cash and cash equivalents at the beginning of the period	2,663	1,848	3,400
Cash and cash equivalents at the end of the period	2,717	2,613	2,663

thanks.

Different is better

