

Smarter technology for all

4Q & FY20/21 Earnings Announcement

May 27, 2021



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.

Smarter technology for all

Yuanqing Yang

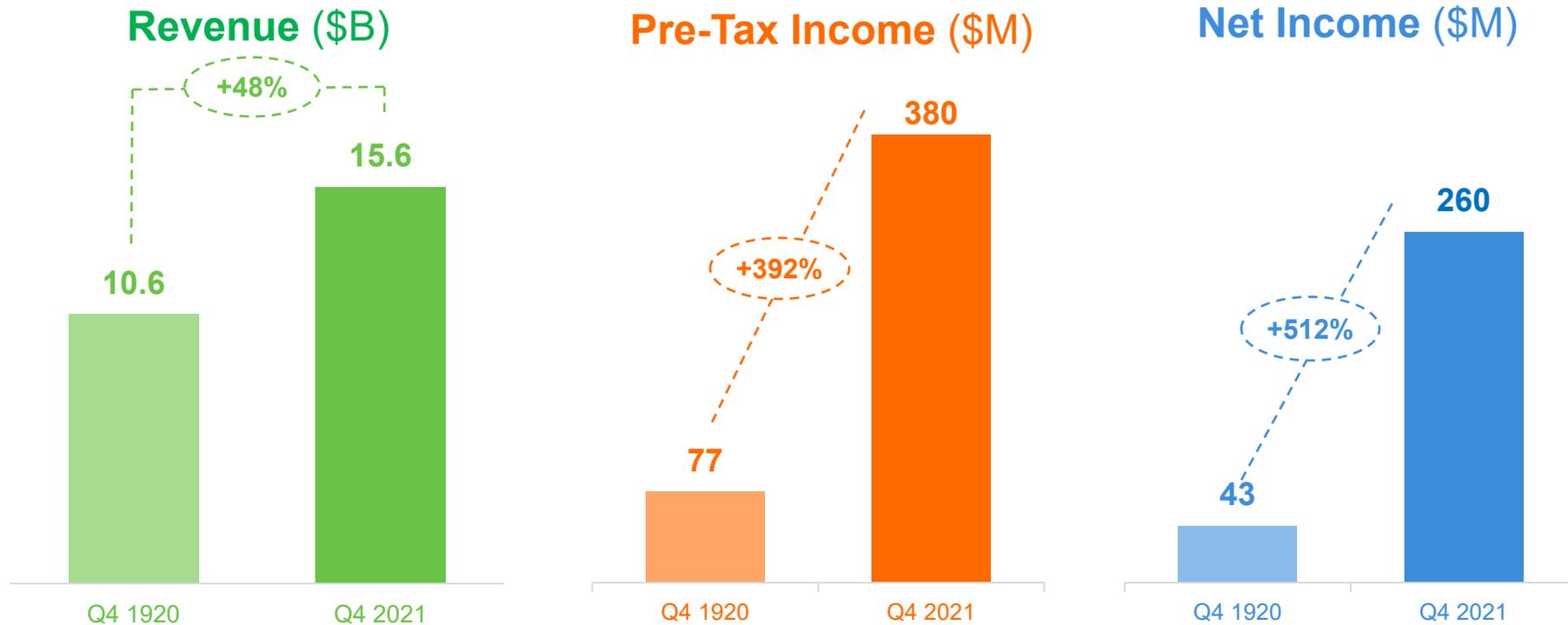
Chairman & CEO

May 27, 2021



Q4 Group: Record Q4 Results

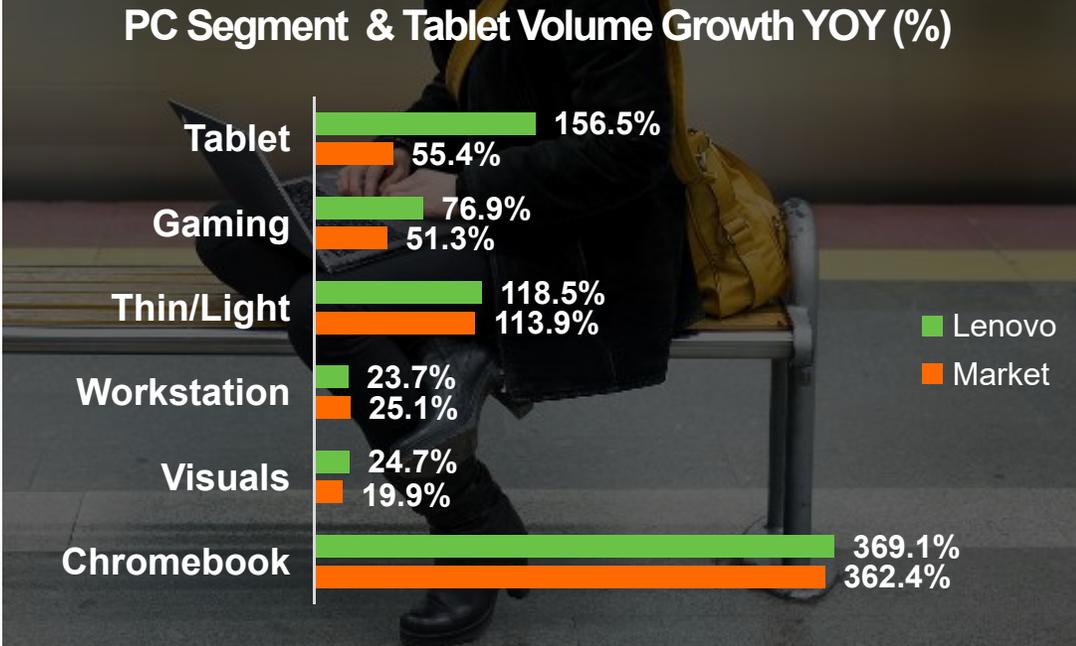
- Revenue: **\$15.6B**, up **48%** YOY, fastest growth in almost a decade
- Pre-Tax Income: **\$380M**, up **392%** YOY
- Net Income: **\$260M**, up **512%** YOY
- All core businesses achieved high double-digit growth at same time



Q4 IDG PCSD¹: Phenomenal Performance

- Record Q4 Revenue **\$12.4B**, up **46%** YOY
- All-time record profit margin of **6.7%**
- High double-digit growth in all geographies

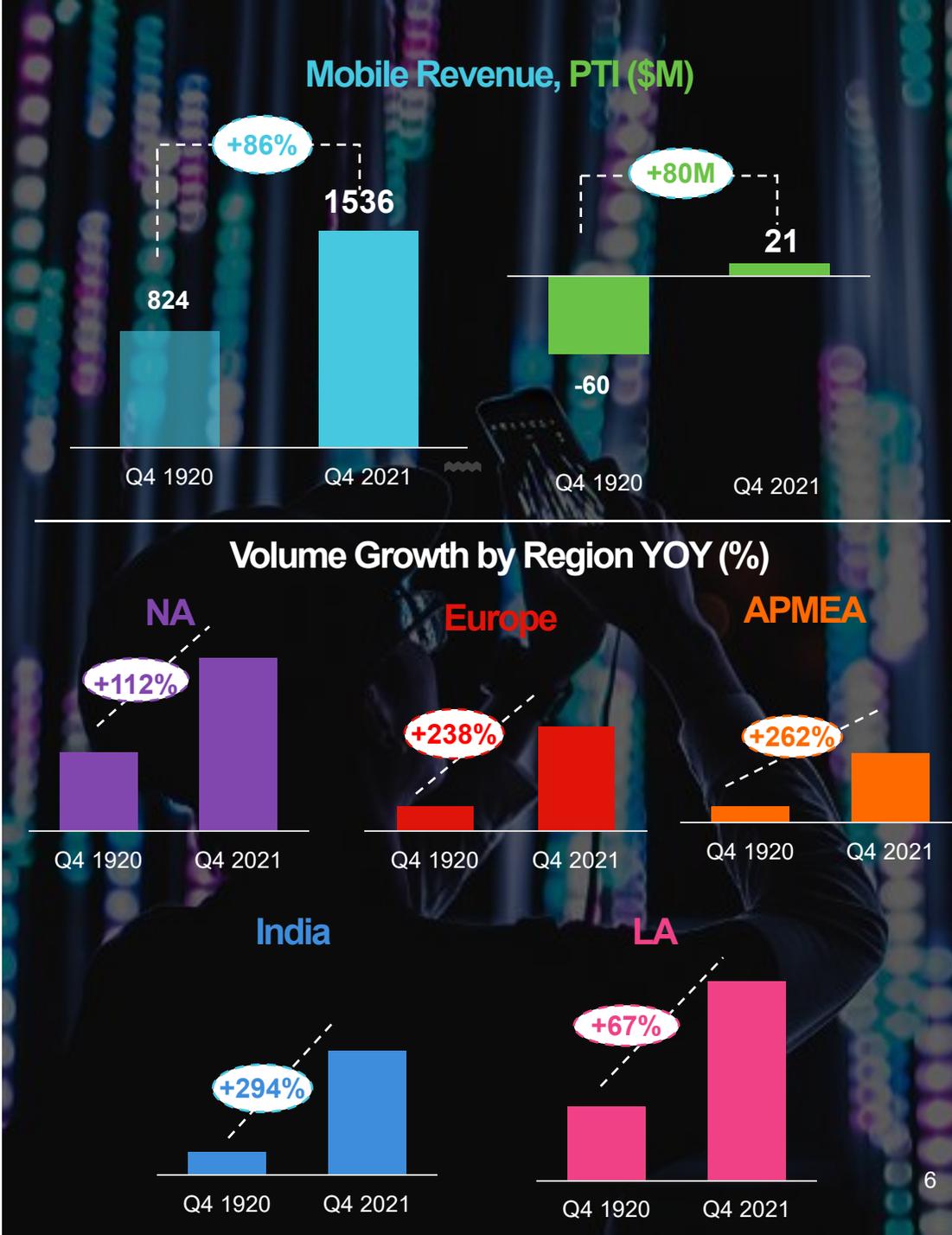
- **PC** extended **#1** market share
- **Tablet** volume up **157%** YOY, near 3x of market growth
- High growth & premium segments outgrew the market



1, IDG: Intelligent Devices Group; PCSD: PC & Smart Devices

Q4 IDG MBG: Hypergrowth, Record Profit

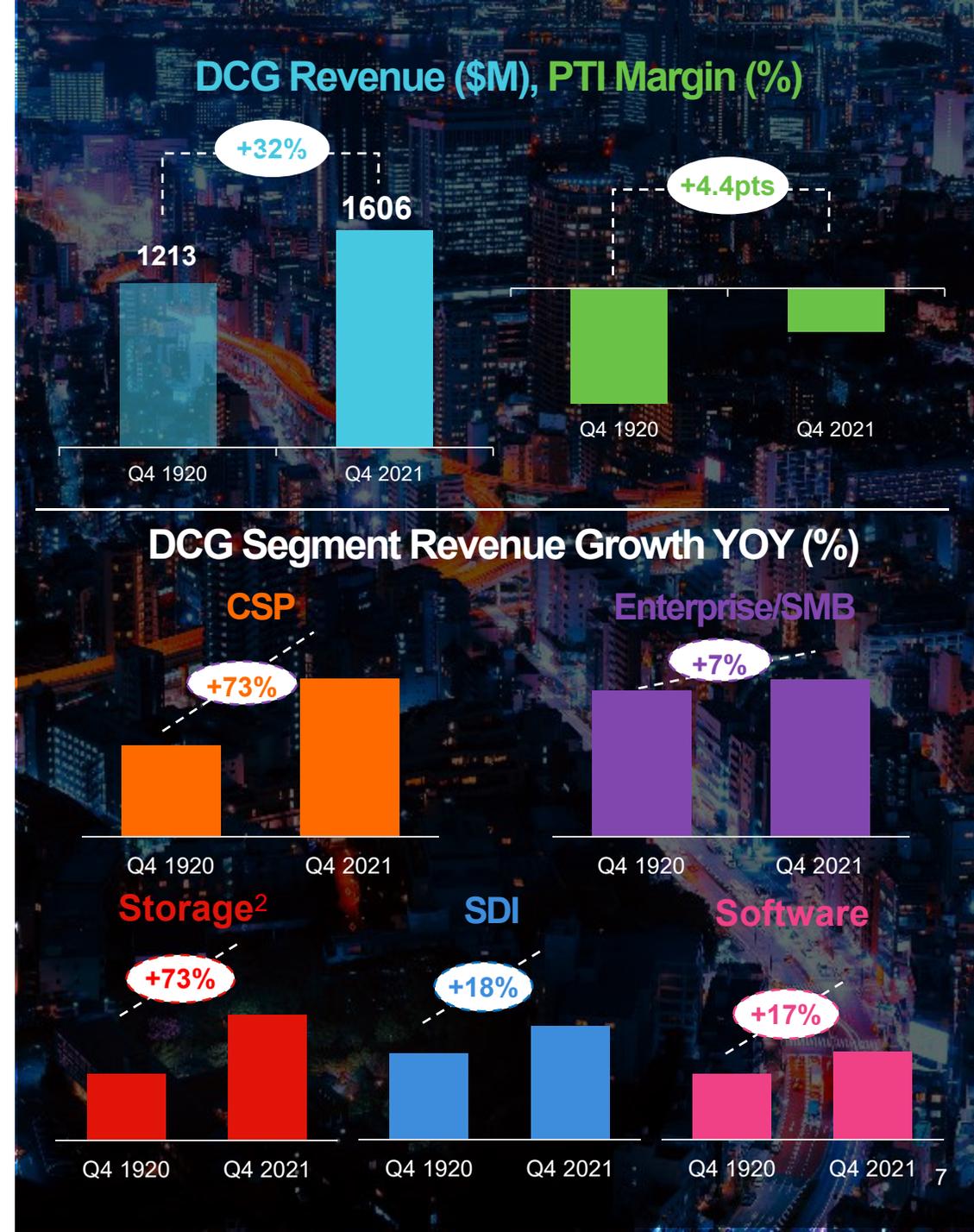
- Revenue up **86%** YOY
- Record pre-tax income of **\$21M**
- Carrier expansion, strong products portfolio drove volume growth
 - North America up **112%** YOY
 - Europe up **238%** YOY
 - AP/MEA up **262%** YOY
 - India up **294%** YOY
 - Latin America up **67%** YOY, record **20.9%** share



Q4 DCG: Premium-to-Market Growth, Improved Profitability

- Revenue Up **32%** YOY, 5 quarters of PtM growth
- Profitability up **4.4pts** YOY
- Cloud Service Provider: Revenue up **73%** YOY
- Record Q4 revenue in Storage, SDI¹, and Software

1. Software Defined Infrastructure
2. Traditional storage



Q4 Intelligent Transformation: Record growth

- Software & Services revenue¹ grew **44%** YOY
 - Attached Services grew **31%** YOY
 - Managed Services, including DaaS & TruScale, grew **91%** YOY
 - Solutions grew **65%** YOY

1. Invoiced Revenue



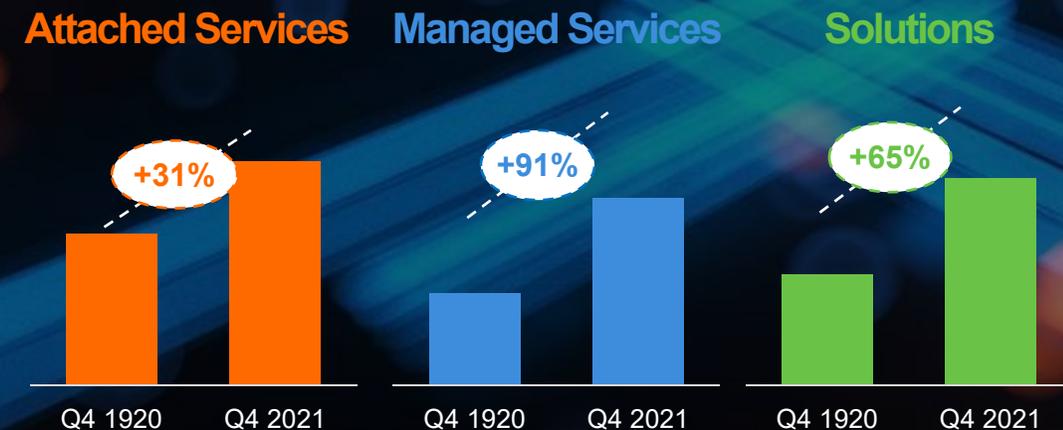
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Source: Internal Data

Software & Services Revenue¹ (\$M), YOY Growth (%)



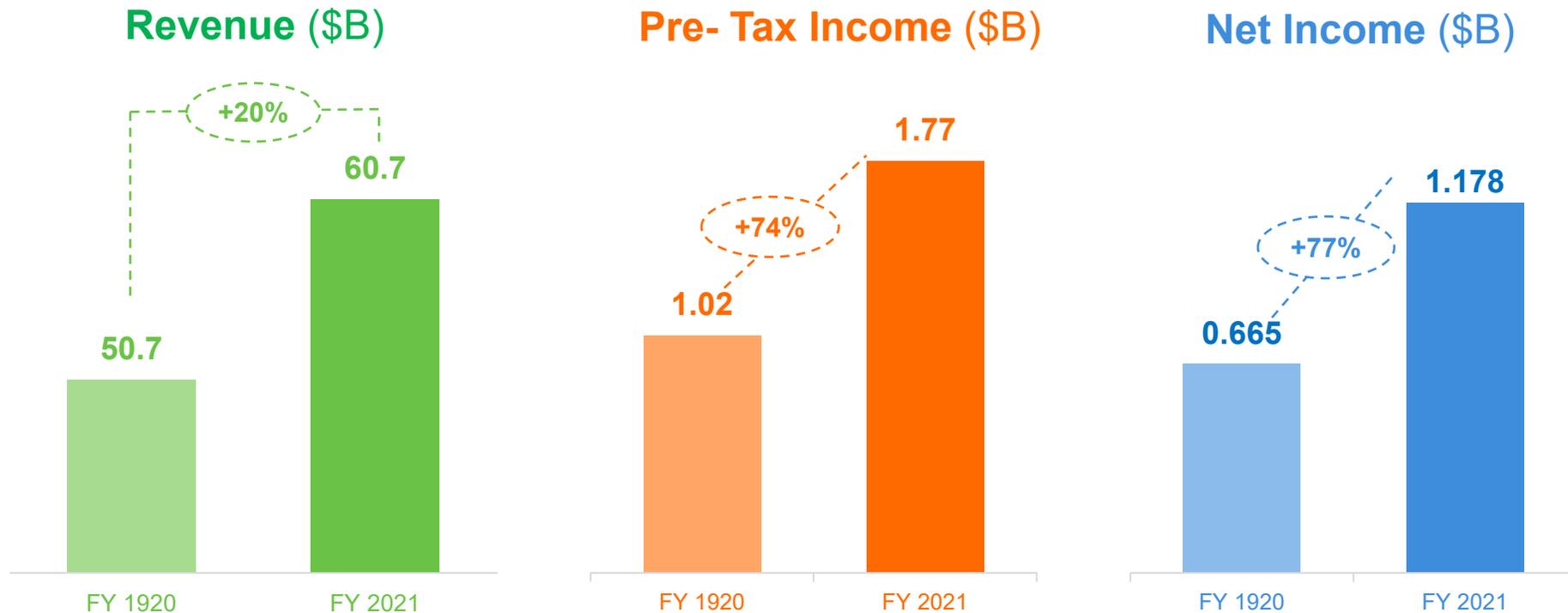
Service Segment Revenue¹ Growth YOY (%)



Fiscal Year Group: Achieved Historic Milestones

- **Historic Revenue, Pre-Tax Income, Net Income**

- Revenue: **\$60.7B**, up **20%** YOY, adding **\$10B** in one year
- Pre-Tax Income: **\$1.77B**, up **74%** YOY
- Net Income: **\$1.18B**, up **77%** YOY

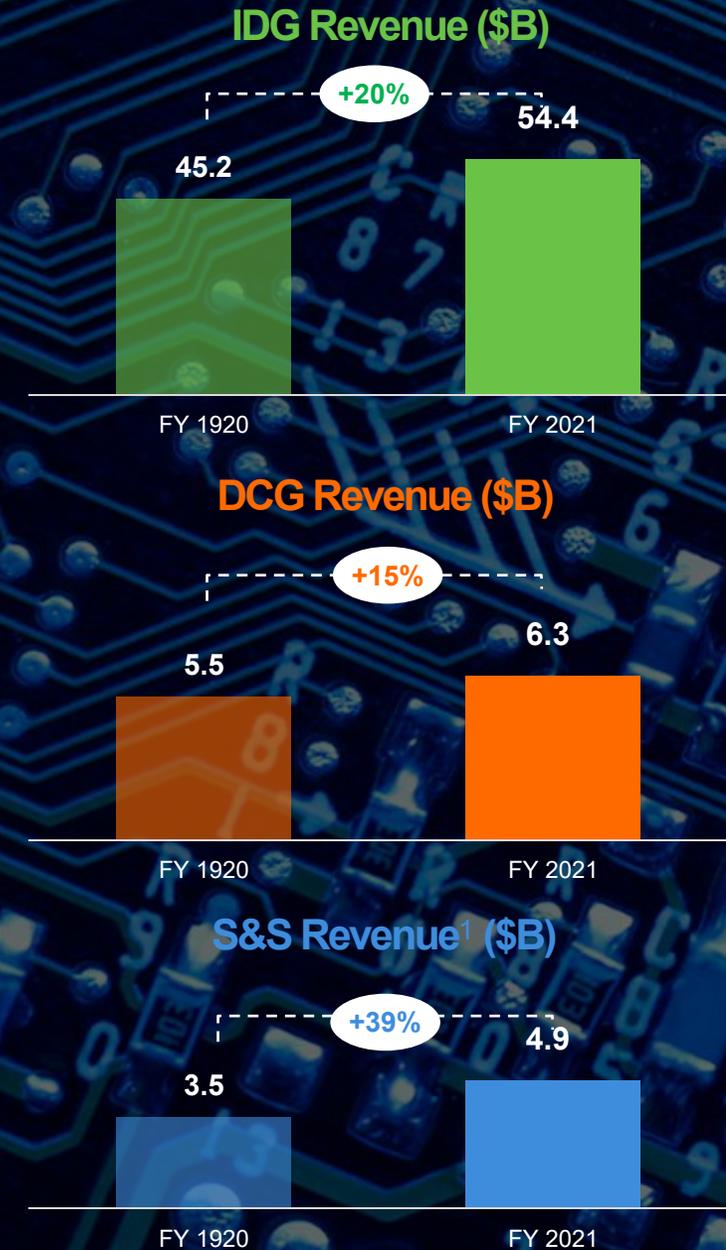


Fiscal Year: Historic Results Across All Business Groups

Driven by Strategy, Innovation, Operational excellence, Global/local

- IDG: Revenue up **20%** YOY, new record
- DCG: Revenue up **15%** YOY, new record
- Software & Services¹: Revenue up **39%** YOY, new record

1. Invoiced Revenue





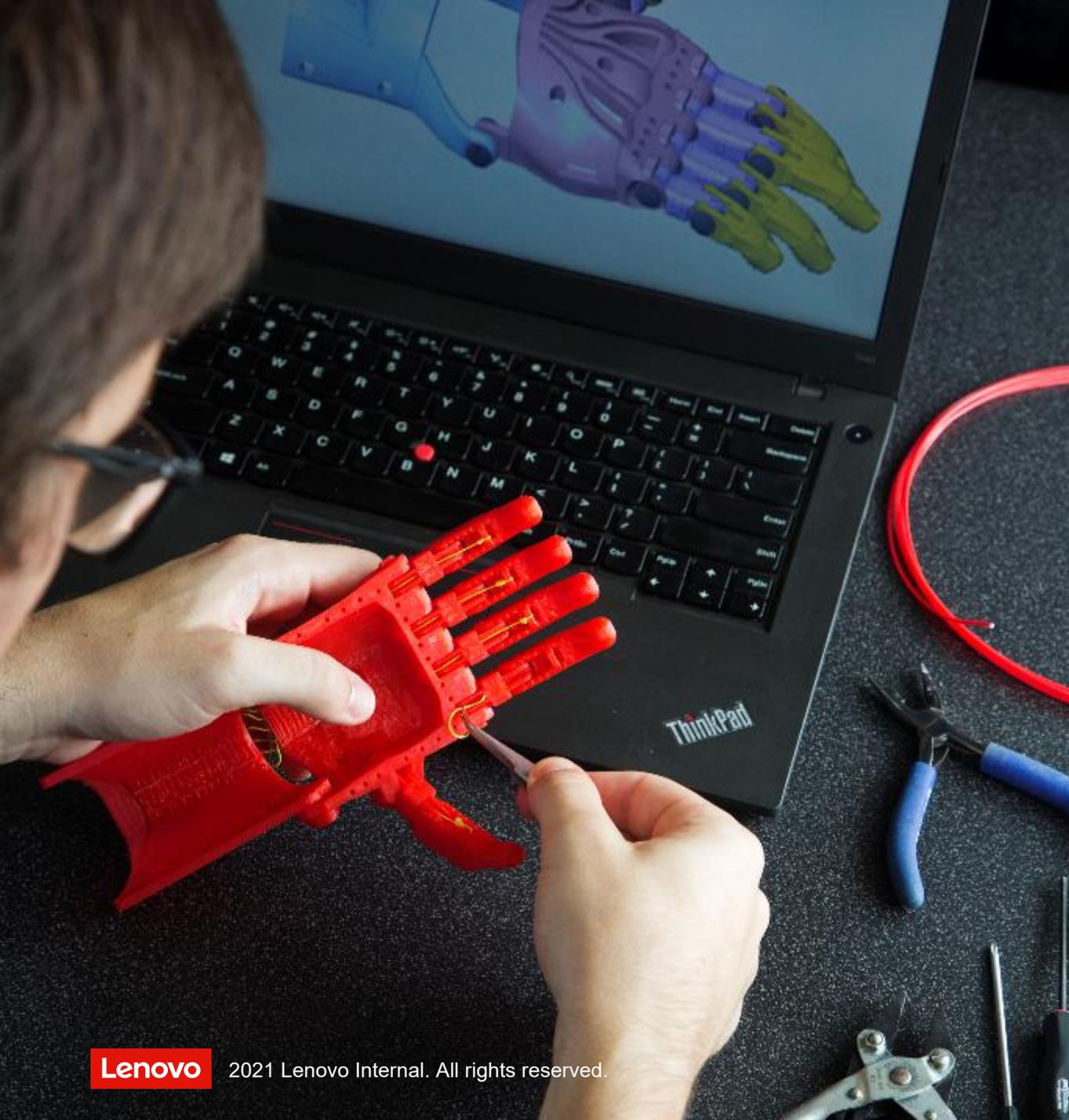
**Consumption
upgrade**



**Infrastructure
upgrade**



**Application
upgrade**



IDG Outlook

- PC and Tablet drive leadership with innovation, operational excellence
- Grow in new areas
 - Embedded Computing
 - Smart Office
 - Smart Edge
 - AR/VR
- Mobile profitable growth
 - Keep strong momentum in North America, Europe, Asia Pacific
 - Maintain stronghold in Latin America

ISG Outlook

- Continue Premium-to-Market growth
- Expand CSP customer base
- Strengthen Channel through integrated sales platform
- Improve profitability by driving Storage, SDI, Software & Service
- Ramp up TruScale Infra-as-a-Service



SSG Outlook

- Increase Services attach rate
- Expand Managed Services, as-a-Service
- Develop repeatable vertical solutions



ESG

Environmental | Social | Governance



Ready for **MORE**

Smarter technology for all

Wong Wai Ming

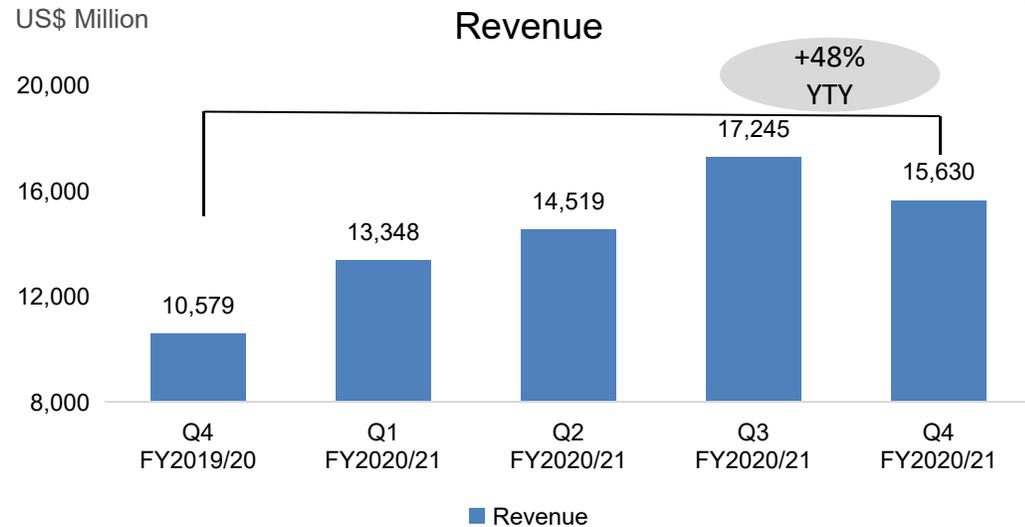
Chief Financial Officer

May 27, 2021



Financial Highlights

4Q HIGHLIGHTS



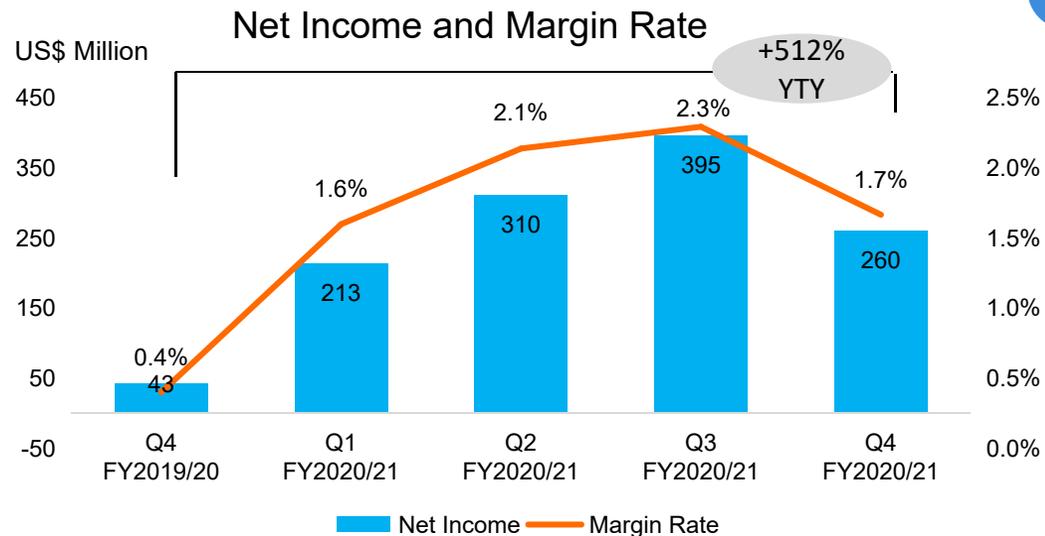
1

1 Fastest revenue growth in almost a decade; net income* up 5x-plus YTY with a 48% sales increase

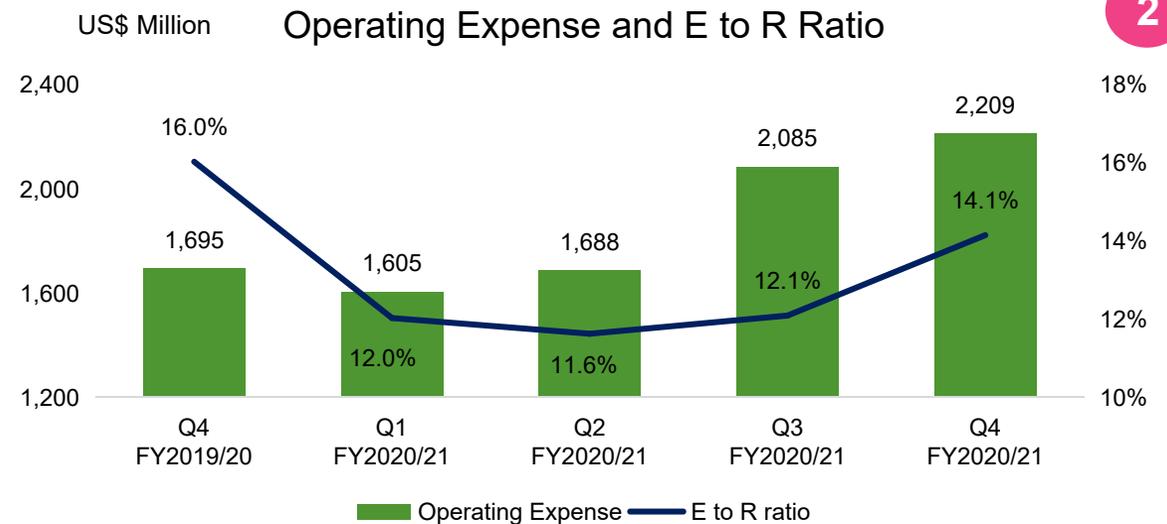
1 High double-digit revenue growth across all three Business Groups since acquisitions**, underscoring our success in diversification

1 Highest-ever growth*** in Software & Services revenue growing, setting new Transformation milestone

2 E to R ratio reduced by 1.9 percentage points YTY to 14.1% on disciplined control and scale benefit



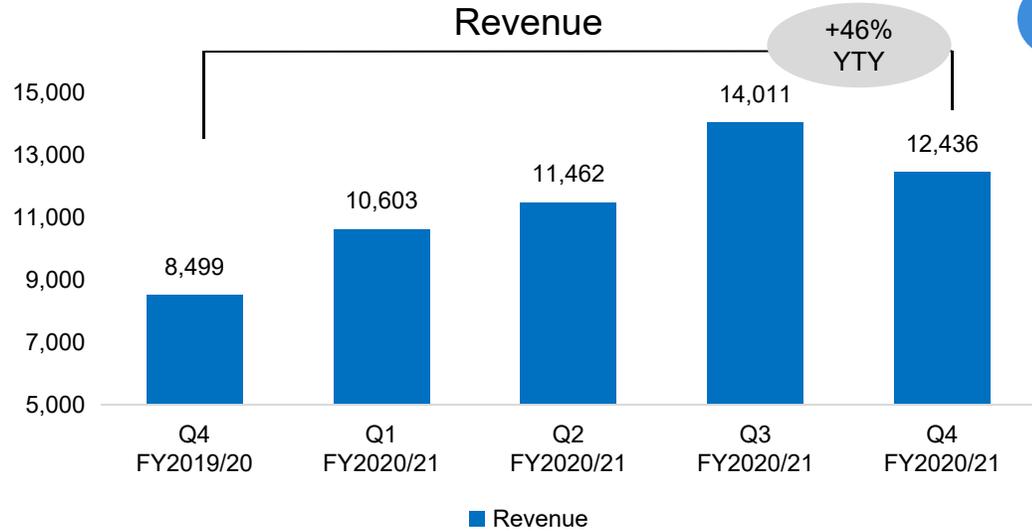
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2

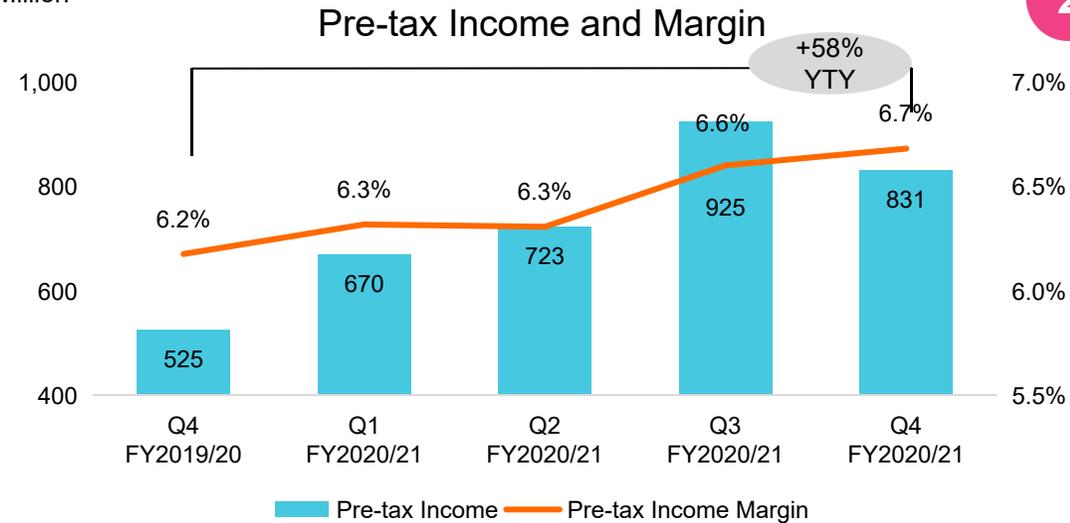
PC & Smart Device Business Group (PCSD)

US\$ Million



1

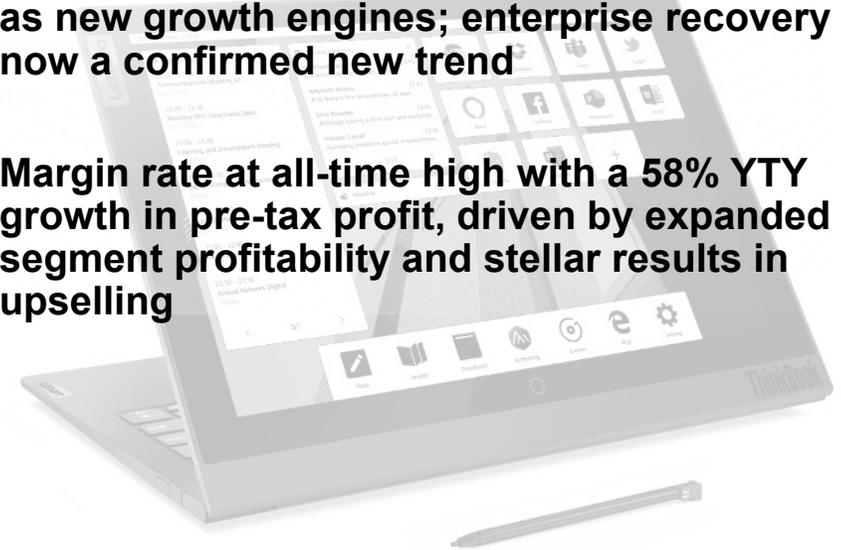
US\$ Million



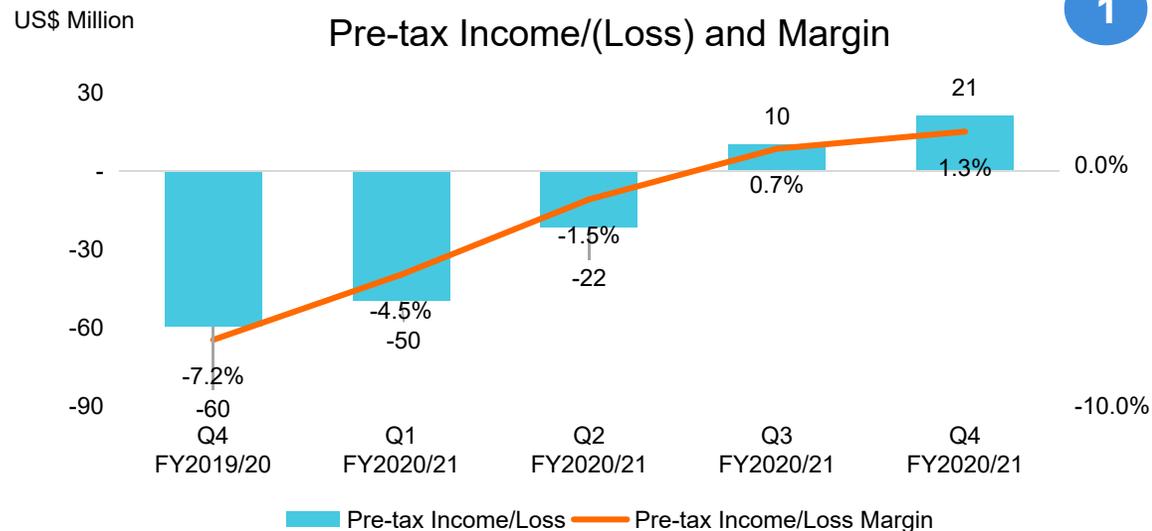
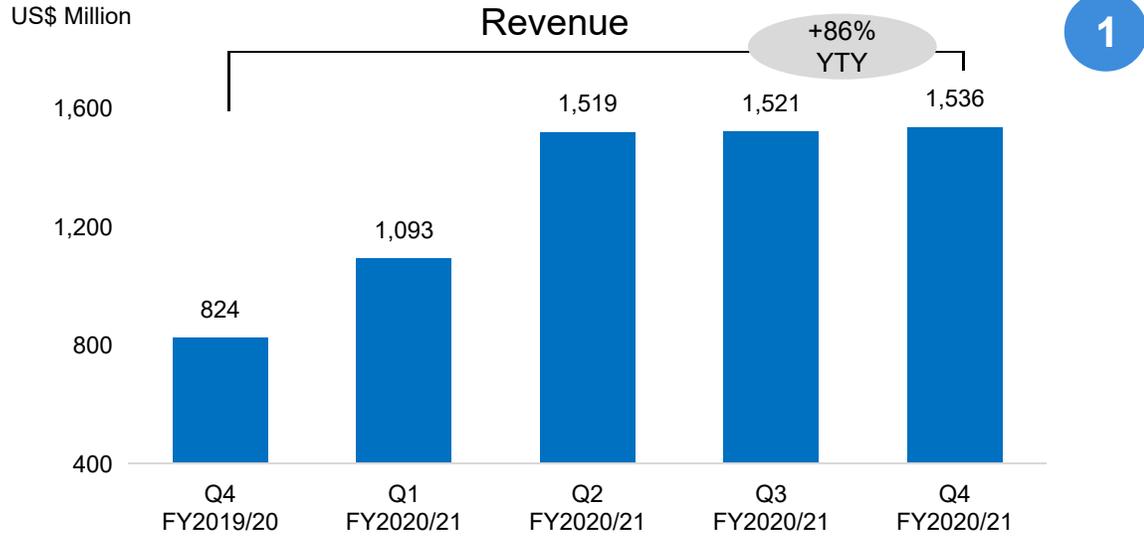
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4Q HIGHLIGHTS

- 1 Revenue up 46% YTY to set a new fiscal Q4 record on clear strategic initiatives, operational excellence, innovation, and global/local franchise*
- 1 Phenomenal progress in regional markets, with double-digit sales growth of 29-80% YTY across geographies
- 1 E-Commerce, services and tablets emerging as new growth engines; enterprise recovery now a confirmed new trend
- 2 Margin rate at all-time high with a 58% YTY growth in pre-tax profit, driven by expanded segment profitability and stellar results in upselling



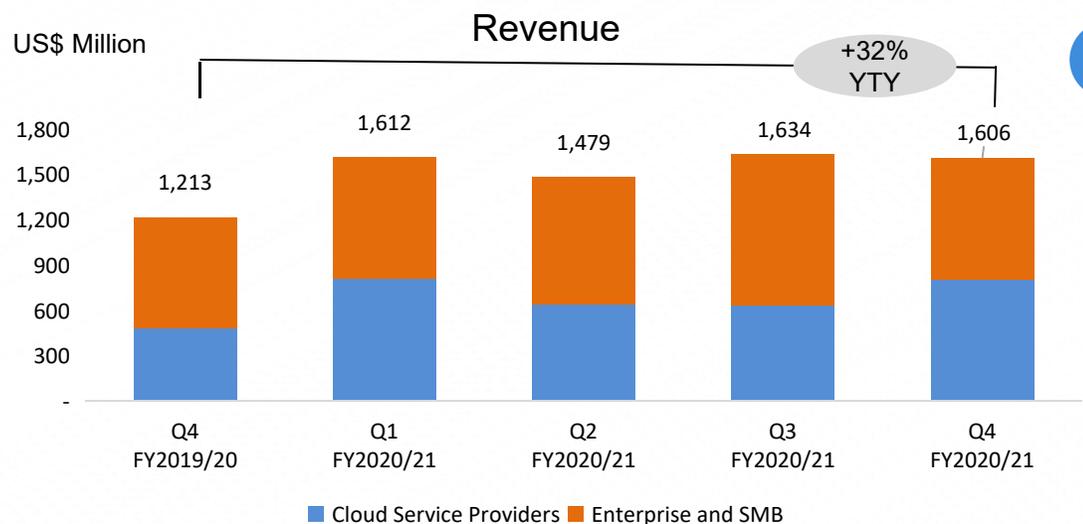
Mobile Business Group (MBG)



4Q HIGHLIGHTS

- 1 Record pre-tax profit since Moto acquisition, thanks to surging revenue at 86% YTY
- 2 Broad-geo based market share gains supported by triple-digit shipments growth in NA, Europe and Asia Pacific; significant recovery in LA, a stronghold market
- 3 Positive catalysts including growing product portfolio and broader carrier ranging
- 4 Execution of “5G for all” strategy to accelerate; many competitive new models in pipeline

Data Center Business Group (DCG)



1

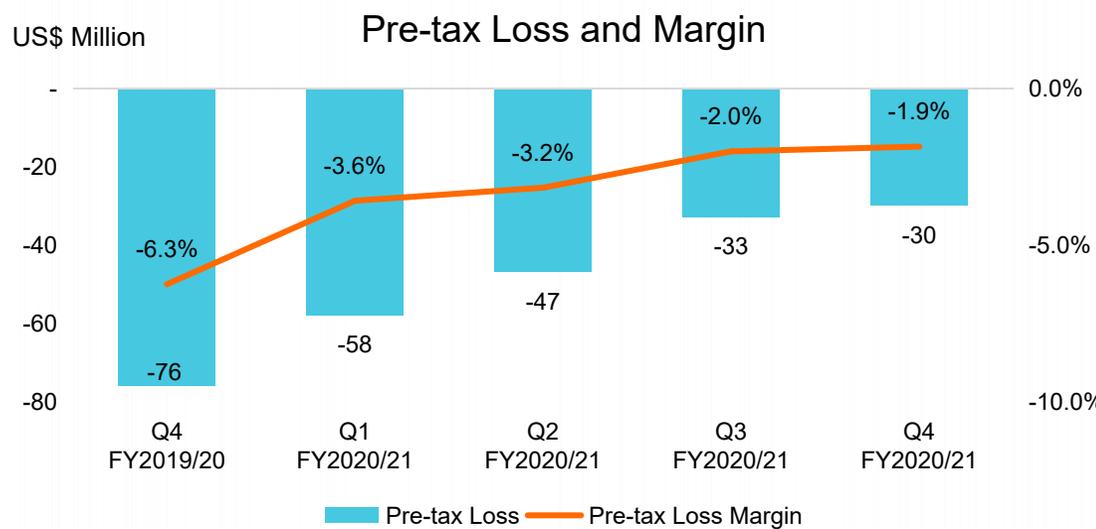
4Q HIGHLIGHTS

- 1 Highest-ever revenue in fiscal 4Q; CSP* grew more than 70% YTY, driven by hyperscale order recovery and acquisition of new accounts
- 1 Record sales on HPC/AI**, Software, Storage, and SDI** within ESMB**,
- 1 China remained the bright spot in ESMB with strong double-digit growth thanks to stellar performance in localize storage solutions; CSP also grew robustly, contributed by cloud demand and new customer acquisitions

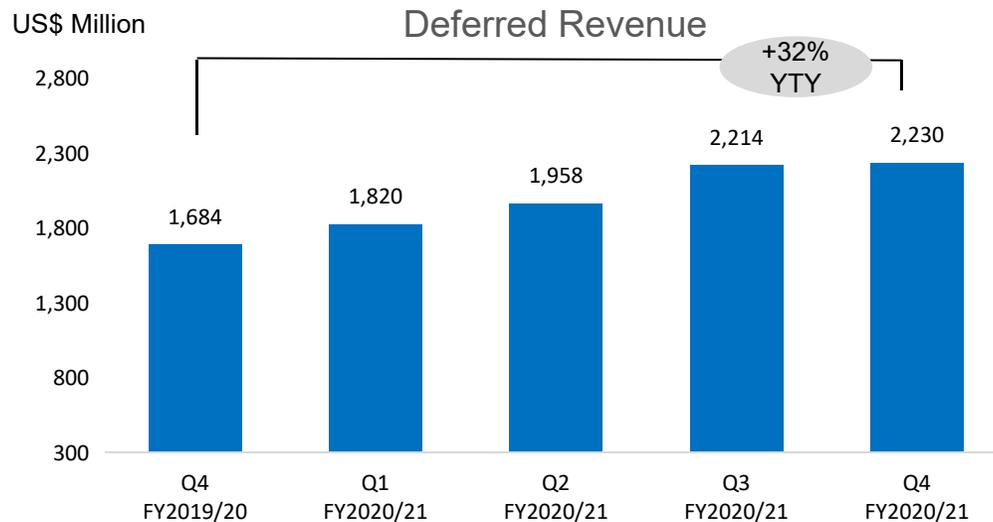
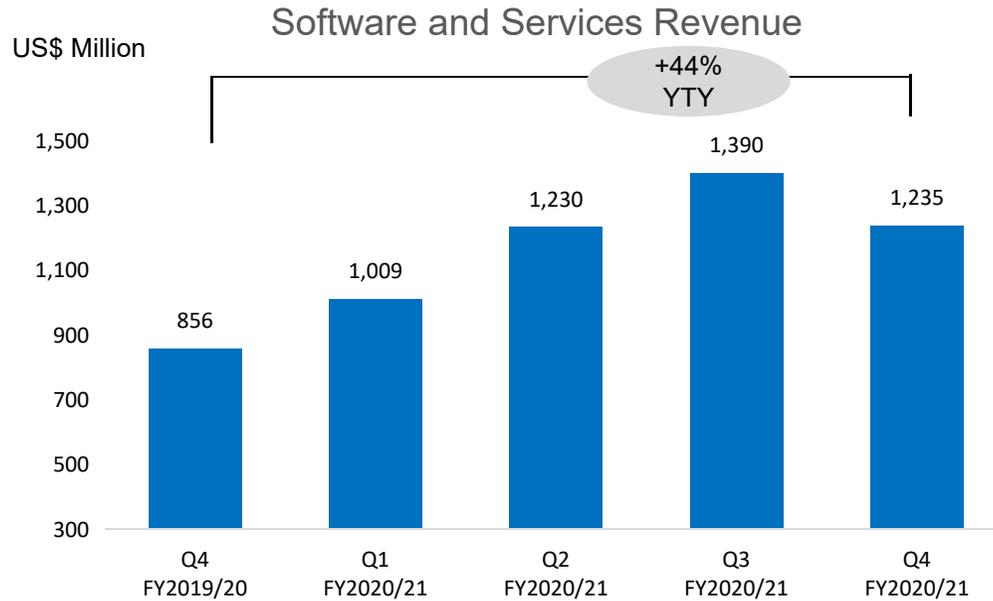


- 2 Strongest YTY improvement in pretax profit by US\$45 million in last 10 quarters, driven by higher-margin CSP projects and favorable ESMB sales mix

2



Software and Services



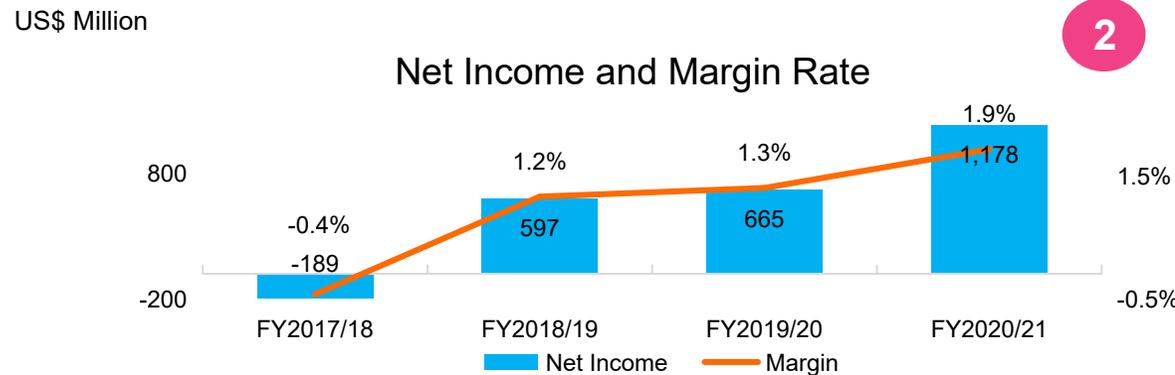
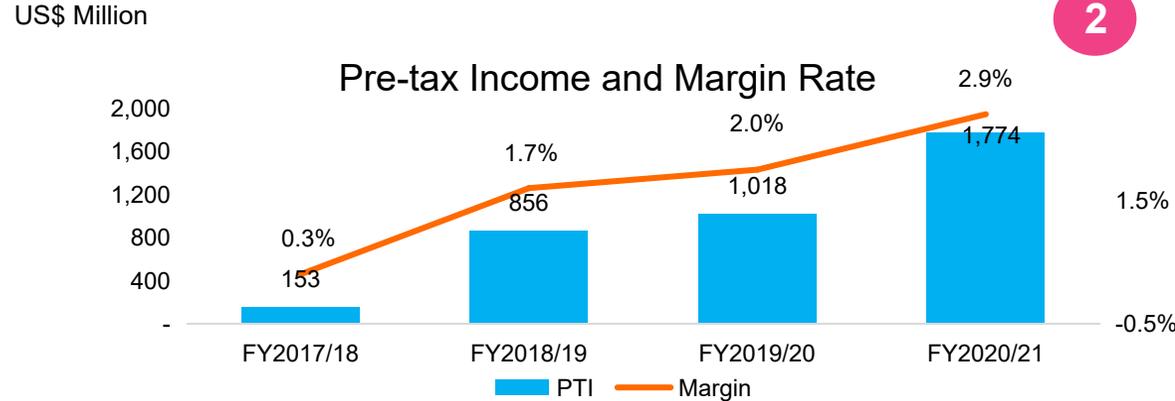
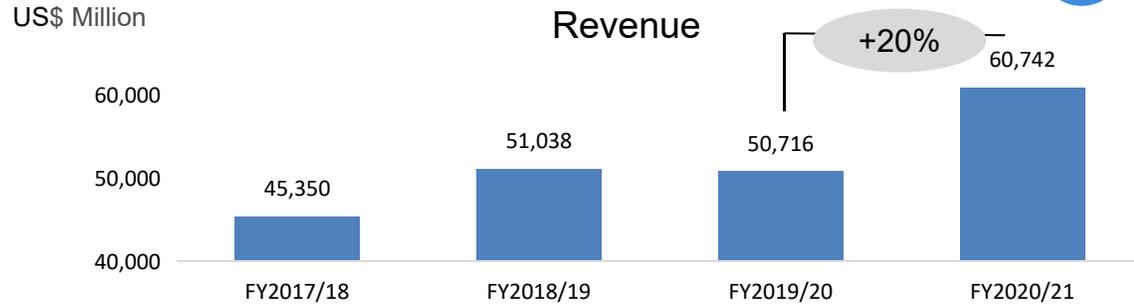
4Q HIGHLIGHTS

✓ **Software and Services revenue* up 44% at its highest rate ever** to US\$1.2 billion; contributing 7.9% of Group Revenue**

- ✓ **Attached Services up 31% YTY**
- ✓ **Managed Services including As-a-Service up 91% YTY**
- ✓ **Complex Solutions up 65% YTY**

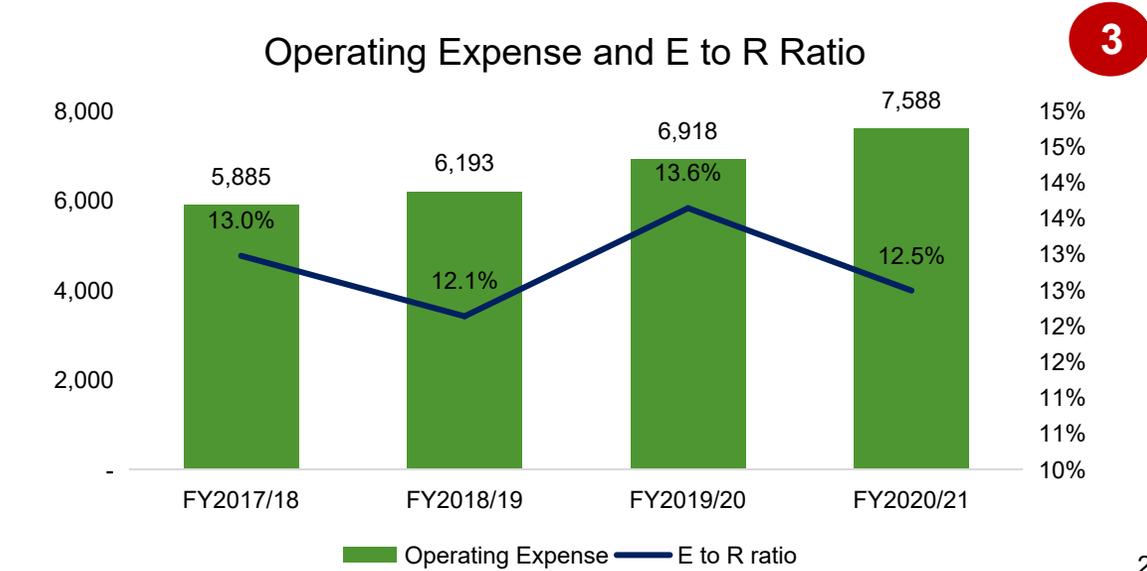
✓ **Deferred revenue up 32% YTY, adding to revenue and cash flow stability and predictability**

Financial Highlights



FY21 HIGHLIGHTS

- 1** US\$10bn revenue added in a record-breaking year after a 20% YTY increase, the highest growth rate in last 9 years
- 2** Strong earnings trajectory with 77% net profit growth and the highest pre-tax margin in 13 years, thanks to margin expansion across three businesses and success in Intelligent Transformation strategy
- 3** E to R ratio down 110 basis points YTY to 12.5% on disciplined expense control

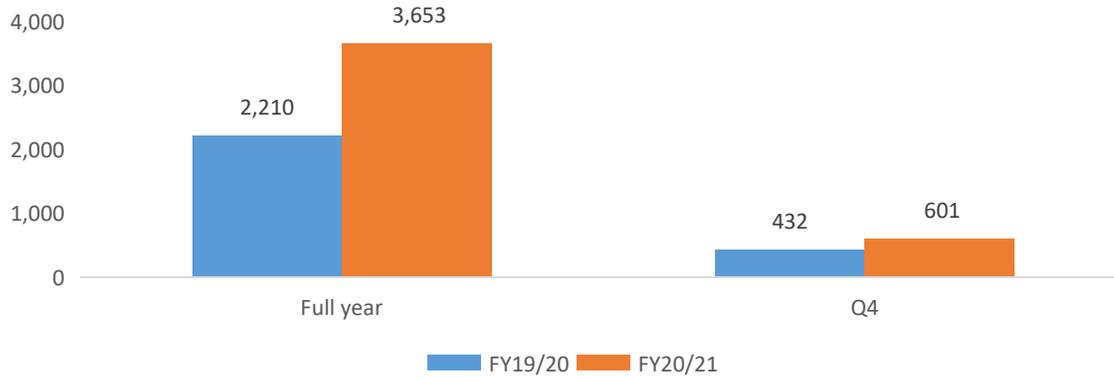


Cash and Working Capital

US\$ Million

Operating Cashflow

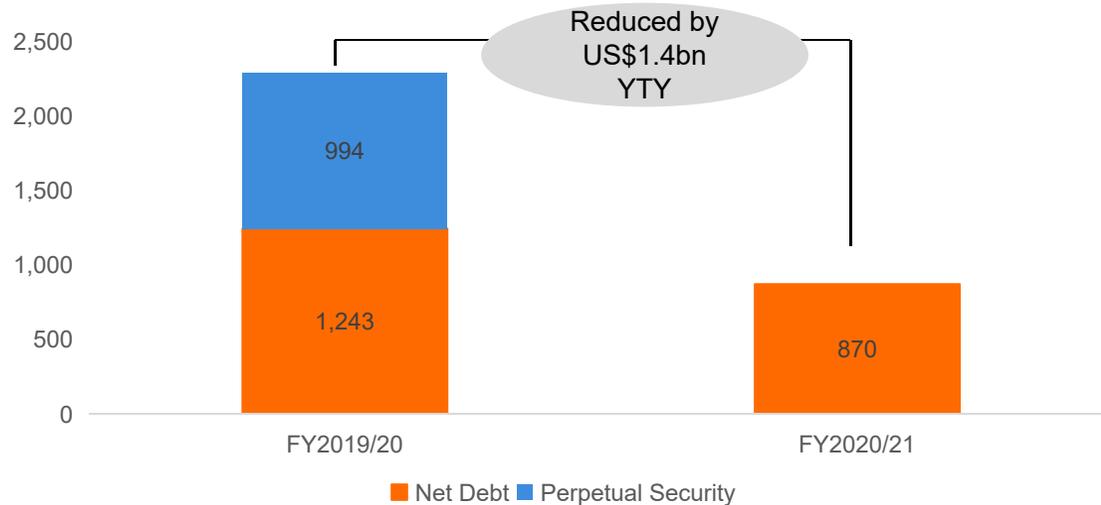
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US\$ Million

Net Debt & Perpetual Securities

2



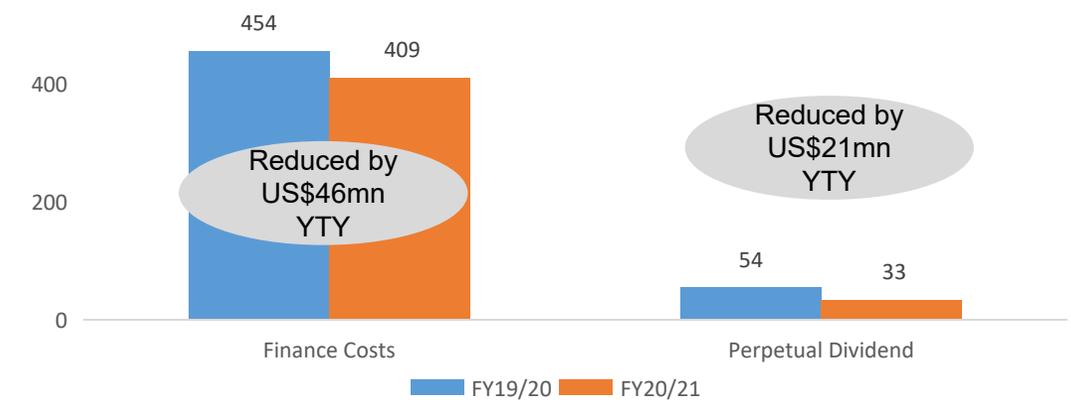
FY21 HIGHLIGHTS

- 1 Operating cashflow increased US\$1.4bn YTY to US\$3.7bn on strong earnings and robust working capital management
- 2 Reduced net debt by US\$372mn YTY and repurchased US\$1bn* of perpetual securities, resulting in a year-on-year saving of 13% in financing costs and perpetual security dividends
- 3 Investment Grade credit rating obtained in 3QFY20/21; long-term debt structure optimized to reduce finance costs

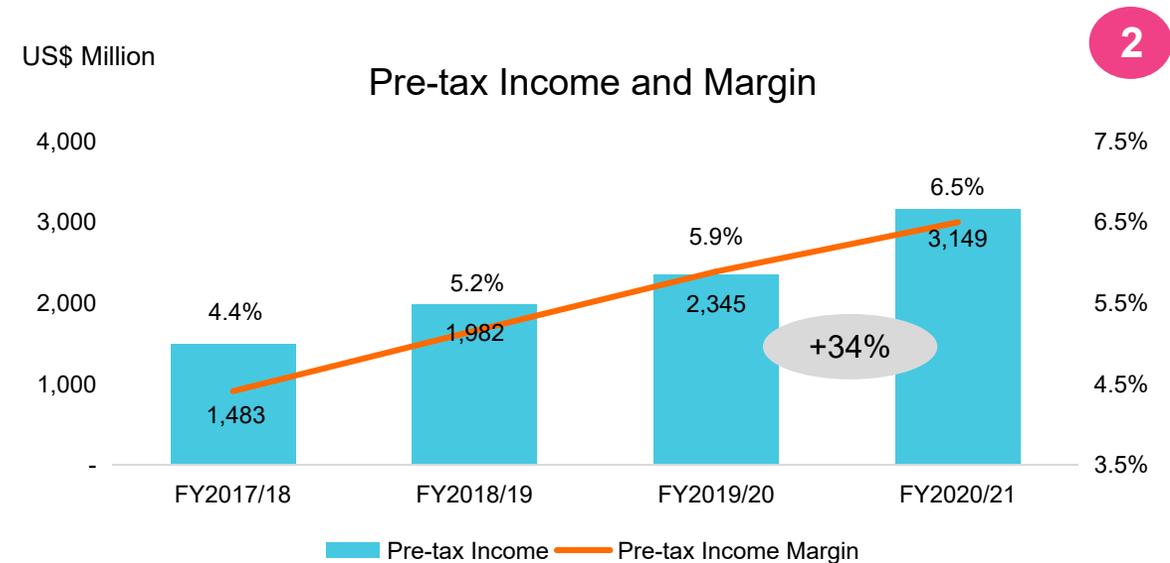
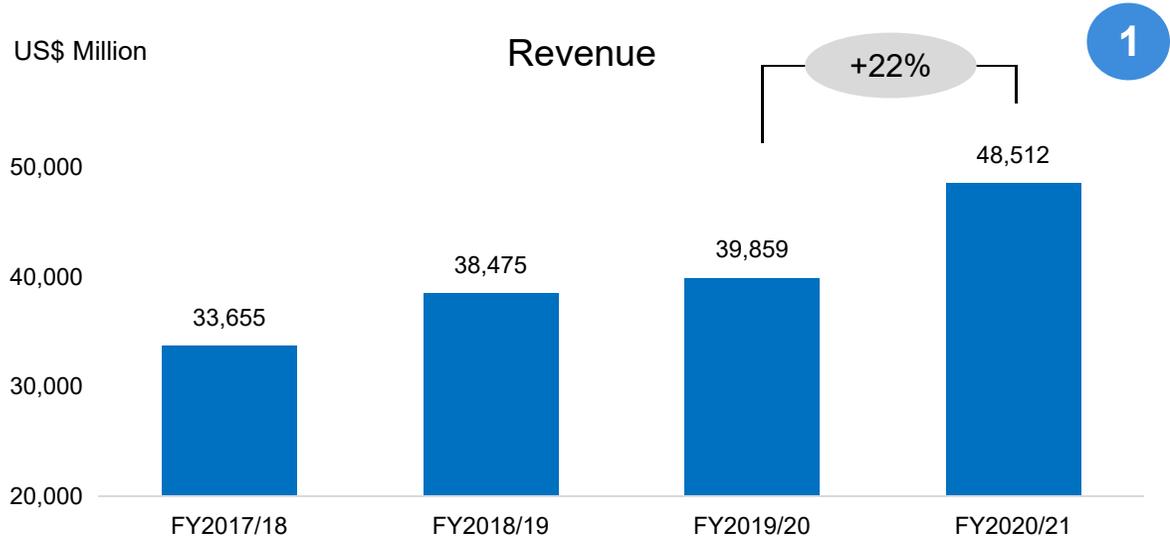
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US\$ Million

Finance cost & Perpetual Securities Dividend

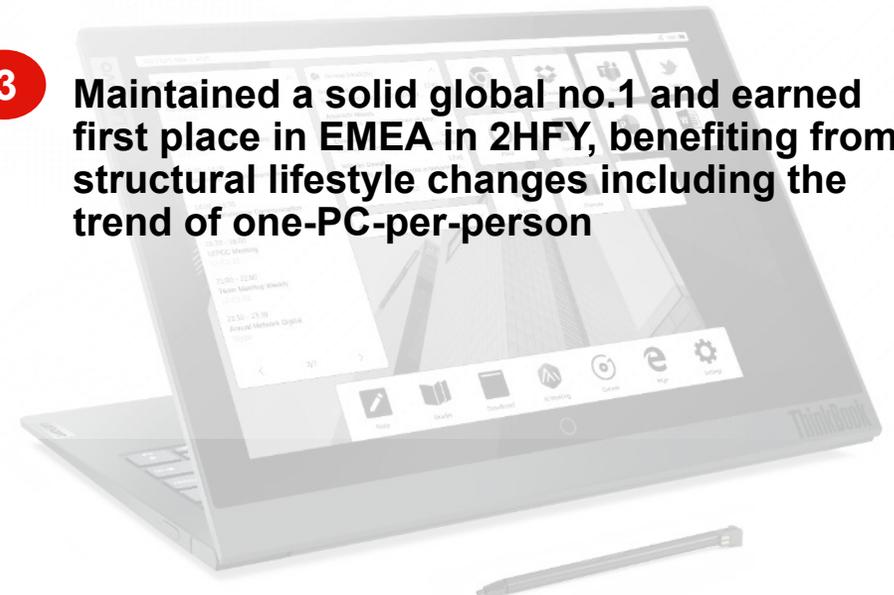


IDG - PC & Smart Device Business Group (PCSD)



FY21 HIGHLIGHTS

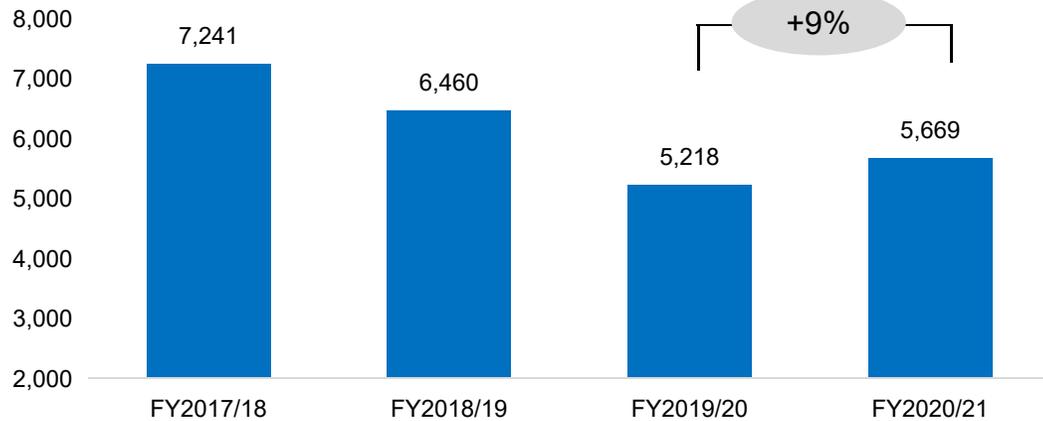
- 1 Strong double-digit increase in sales and profit to set new operational records; sector-leading profitability surged to a new level
- 2 PTI margin saw a new milestone at 6.5%, driven by mix shift to premium & high-growth segments and high-margin Software and Services business
- 3 Maintained a solid global no.1 and earned first place in EMEA in 2HFY, benefiting from structural lifestyle changes including the trend of one-PC-per-person



IDG - Mobile Business Group (MBG)

US\$ Million

Revenue



1

FY21 HIGHLIGHTS

1

Cross-geographies recovery in 2H from a weak yearly start on COVID-led challenges; strong sales growth of 39% in 2H and 9% for full-year

2

Profitability improved for fourth consecutive year to a pre-tax loss of US\$41mn; 2H pre-tax profit reached a record US\$31mn

3

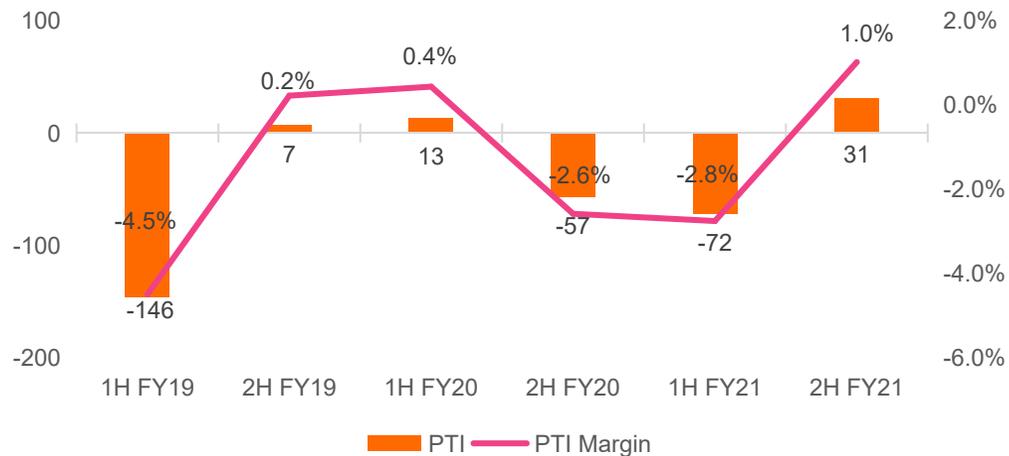
Market share at all-time high in LA and NA with revenue base nearly double in Europe

4

Strategic pillars for profitable growth: product portfolio enhancement, “5G for all” strategy, and broader carrier ranging

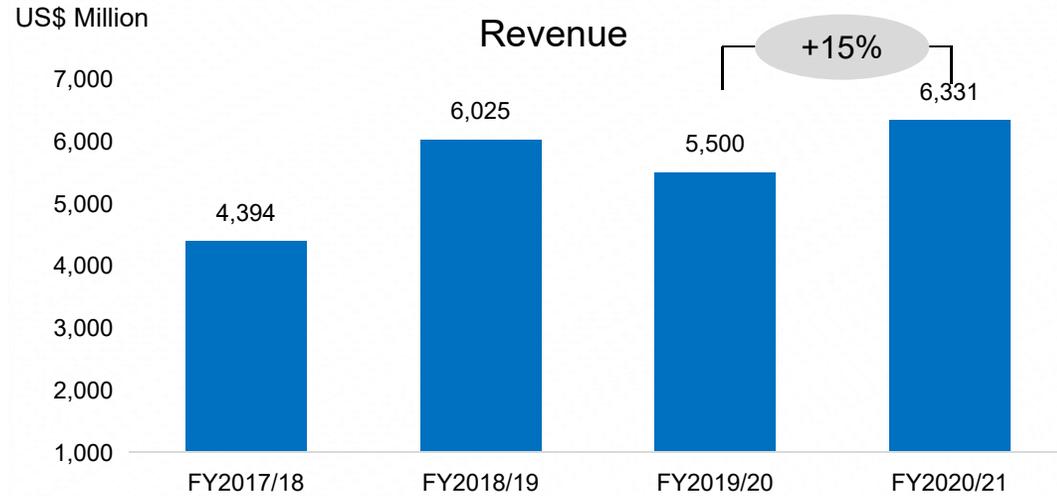
US\$ Million

Pre-tax Loss/Income and Margin

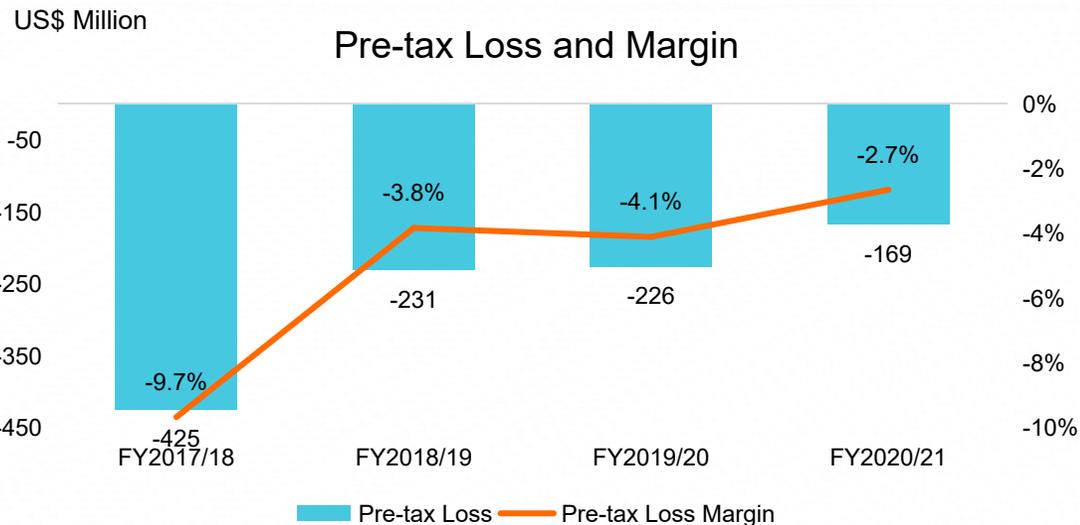


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Data Center Business Group (DCG)



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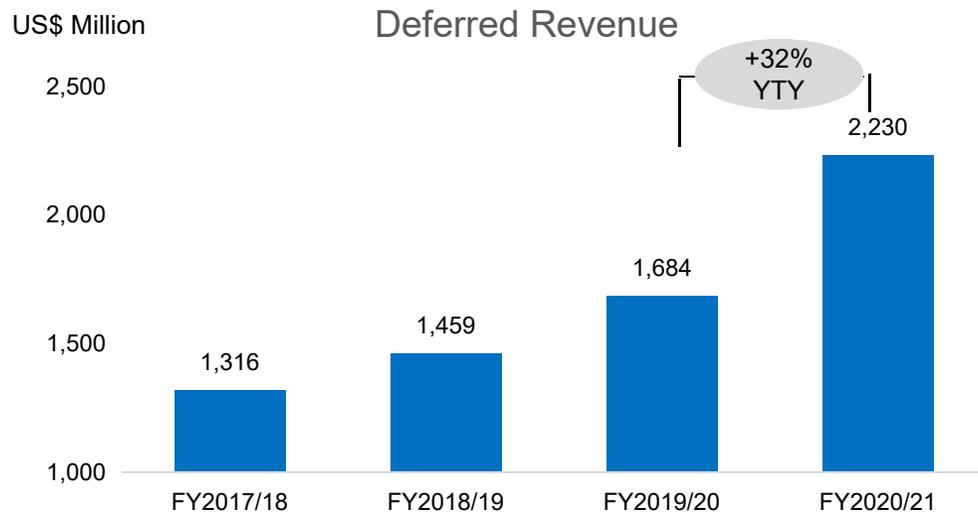
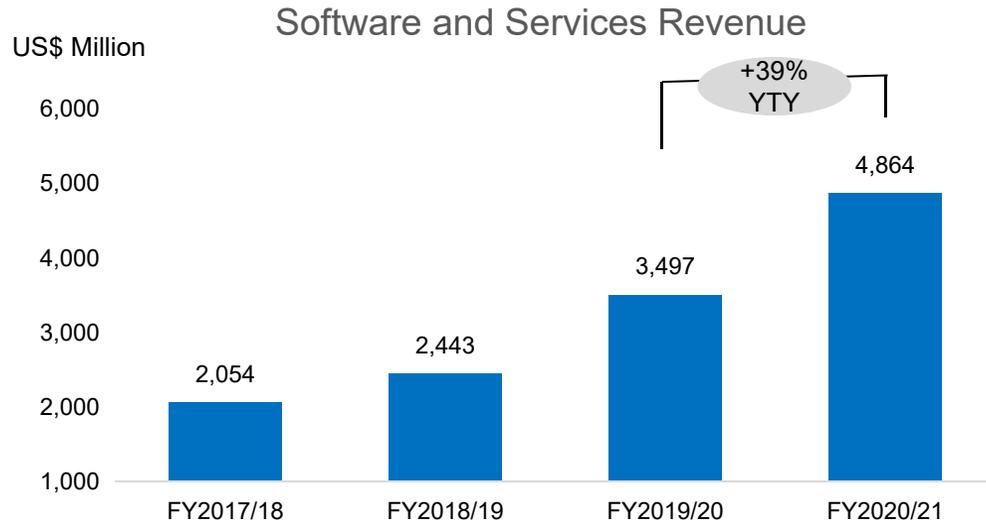


2

FY21 HIGHLIGHTS

- 1 Highest-ever revenue driven by strong cloud demand and product strengths across segments
- 2 Bottom line improved by US\$57mn for the fourth consecutive quarter to pre-tax loss of US\$169mn, driven by enhanced profitability across CSP and ESMB
- 3 Strong double-digit sales growth and profit expansion in CSP; robust demand and new customer acquisitions, in addition to higher-end designs, and profitable storage and HPC/AI orders
- 4 ESMB revenue at its highest level in 3-years with strong performance in China, thanks to upselling in storage, SDI, Software & Services, and HPC/AI; no.2 in global entry-storage market and no.1 lead in HPC/AI; strategic partnership with DreamWorks and SAP

Software and Services



FY21 HIGHLIGHTS

✓ **Software and Services revenue* up 39% YTY, nearly 2x of Group average, to US\$4.9 billion; contributing to 8.0% of Group Revenue**

- ✓ **Attached Services up 28% YTY**
- ✓ **Managed Services incl. as-a-Service up 78% YTY**
- ✓ **Complex Solutions up 58% YTY**

✓ **Deferred revenue up 32% YTY, adding to revenue and cash flow stability and predictability**

Outlook Statement to Reflect New Org Structure

Consumption
upgrade

Infrastructure
upgrade

Application
upgrade

Margin
expansion

IDG: Drive growth with strong profitability and penetration of new smart devices

- **PCSD:** Maintain the undisputed No. 1 position in all customer segments while maintaining industry-leading profitability. Drive innovations and solution capabilities while further improving operation and supply chain to take advantage of demand strength including commercial recovery.
- **Mobile:** Sustain strong momentum in NA, Europe, and APMEA, while maintaining leadership in LA. Stay on the profitable growth journey and score wins in more markets with innovative 5G products to drive 30% 5G penetration in portfolio.

ISG: Drive premium to market growth and improve profitability

- **Enterprise and SMB:** Grow channel business with One Lenovo. Drive high-margin services attach rate, upsell premier services and expand SDI and software solutions for higher profit. Continue to ramp up Truscale business. Drive a paradigm shift with its edge-to-cloud solutions.
- **Cloud Service Provider:** Expand customer base by leveraging its unique strengths in global supply chain, in-house custom design, manufacturing capabilities, and worldwide reach. Portfolio broaden to include new platforms and products.

SSG: Expand our capabilities to supercharge growth momentum

- **Attached Service** to grow with refined portfolio, increase attach rate and leverage One Lenovo platform.
- **Managed Service and As-a-Service** to drive hyper growth with enhanced delivery footprint, differentiation and core foundation platforms.
- **Solutions** to facilitate vertical growth in manufacturing, education, retail, and smart cities; build Lenovo IP and landmark deals; expand recurring revenue streams

Appendix

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

Financial Summary

US\$ Million	Q4 FY2020/21	Q4 FY2019/20	Y/Y%	FY2020/21	Y/Y%
Revenue	15,630	10,579	48%	60,742	20%
Gross profit	2,688	1,861	44%	9,768	17%
Operation expense	(2,209)	(1,695)	30%	(7,588)	10%
Operating profit	479	166	188%	2,180	52%
Other non-operating expenses	(99)	(89)	11%	(406)	(3%)
Pre-tax income	380	77	392%	1,774	74%
Taxation	(95)	(14)	585%	(461)	116%
Profit for the period	285	63	350%	1,313	63%
Non-controlling interests	(25)	(21)	20%	(135)	(3%)
Profit attributable to equity holders	260	42	512%	1,178	77%
EPS (US cents)					
-Basic	2.19	0.36	1.83	9.54	3.96
-Diluted	1.94	0.35	1.59	8.91	3.48

	Q4 FY2020/21	Q4 FY2019/20	FY2020/21
Gross margin	17.2%	17.6%	16.1%
E/R ratio	14.1%	16.0%	12.5%
Operating margin	3.1%	1.6%	3.6%
PTI margin	2.4%	0.7%	2.9%
Net margin	1.7%	0.4%	1.9%

Condensed Consolidated Income Statement

US\$ Million	Q4 FY2020/21	FY2020/21	Q4 FY2019/20	FY2019/20
Revenue	15,630	60,742	10,579	50,716
Cost of sales	(12,942)	(50,974)	(8,718)	(42,359)
Gross profit	2,688	9,768	1,861	8,357
Selling and distribution expenses	(824)	(3,045)	(615)	(2,972)
Administrative expenses	(821)	(2,984)	(720)	(2,525)
Research and development expenses	(417)	(1,455)	(347)	(1,334)
Other operating expense – net	(147)	(104)	(13)	(87)
Operating profit	479	2,180	166	1,439
Finance income	9	35	10	48
Finance costs	(100)	(409)	(96)	(454)
Share of loss of associated companies and joint ventures	(8)	(32)	(3)	(15)
Profit before taxation	380	1,774	77	1,018
Taxation	(95)	(461)	(14)	(213)
Profit for the period	285	1,313	63	805
Profit attributable to equity holders of the Company	260	1,178	42	665
Perpetual securities holders	-	33	14	54
Other non-controlling interests	25	102	7	86
Per share data				
Dividend per share (HK cents)	24.0	30.6	21.5	27.8
Earnings per share (US cents) – Basic	2.19	9.54	0.36	5.58
Earnings per share (US cents) – Diluted	1.94	8.91	0.35	5.43

Condensed Consolidated Balance Sheet

<i>US\$ Million</i>	As at Mar 31, 2021	As at Mar 31, 2020
Non-current assets	14,655	13,395
Property, plant and equipment	1,574	1,398
Intangible assets	8,405	7,985
Others	4,676	4,012
Current assets	23,335	18,733
Bank deposits and cash	3,127	3,617
Trade, notes and other receivables	13,455	9,834
Inventories	6,381	4,947
Others	372	335
Current liabilities	27,371	23,258
Borrowings	698	3,295
Trade, notes, other payables, accruals and provisions	25,195	18,713
Others	1,478	1,250
Net current (liabilities)	(4,036)	(4,525)
Non-current liabilities	7,008	4,811
Total equity	3,611	4,059

Condensed Consolidated Cash Flow Statement

US\$ Million	Q4 FY2020/21	Q4 FY2019/20	FY2020/21	FY2019/20
Net cash generated from operating activities	601	432	3,653	2,210
Net cash used in investing activities	(280)	(238)	(976)	(957)
Net cash used in financing activities	(1,225)	(69)	(3,228)	(238)
(Decrease)/Increase in cash and cash equivalents	(904)	125	(551)	1,015
Effect of foreign exchange rate changes	(68)	(95)	68	(127)
Cash and cash equivalents at the beginning of the period	4,040	3,521	3,551	2,663
Cash and cash equivalents at the end of the period	3,068	3,551	3,068	3,551

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Lenovo

thanks.