

Smarter technology for all

Q4FY22 Earnings Announcement

May 26, 2022



Forward-Looking Statement

This presentation contains “forward-looking statements”, which are statements that refer to the 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 negative variants 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 26, 2022



**Sustainable
Profitable Growth**

OPPORTUNITIES

PERFORMANCE

SUSTAINABLE GROWTH

Group: New IT, New Milestones

OPPORTUNITIES



Accelerated digital/intelligent transformations:

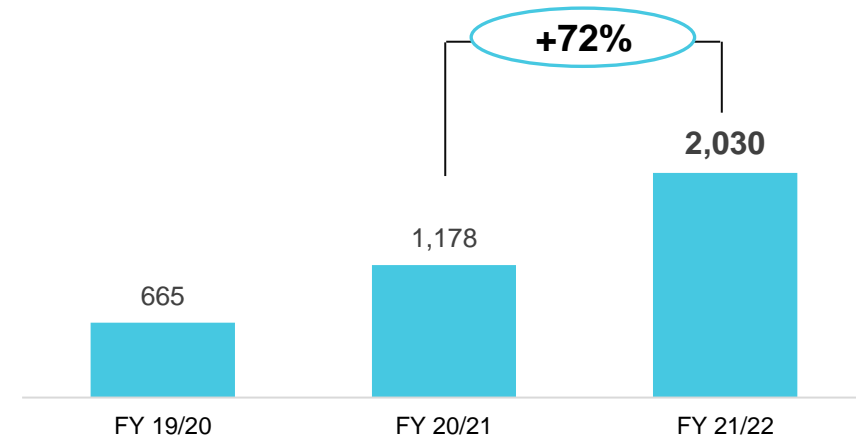
- 50%+ companies developing digitalization strategy
- Hybrid work model driving demand
 - Smart devices
 - Data center infrastructure
 - Scenario-driven solutions

Group: New IT, New Milestones

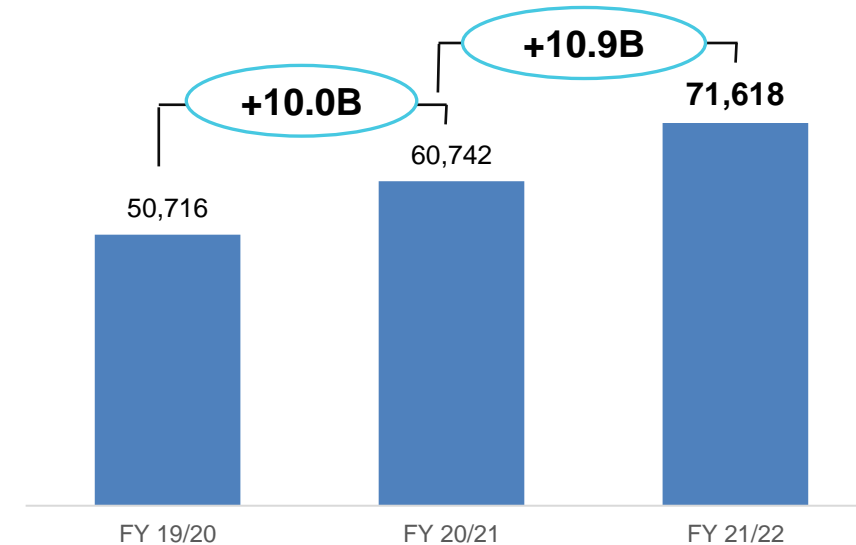
- Record net income \$2 billion, up 72% YTY
- Record revenue \$71.6 billion, up 18% YTY
- All main businesses profitable: first time since the acquisitions
- New growth engines showing strong growth

PERFORMANCE of FY2021/2022

Group Net Income (\$M)



Group Revenue (\$M)



Group: New IT, New Milestones

SUSTAINABLE GROWTH

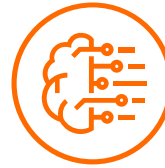
- Strengthen competitiveness to drive sustainable profitable growth
- On track to double R&D investment in 3 years from FY2021/2022
- Realize ESG goals

SSG

Solutions & Services Group:

High Margin, Strong Growth

OPPORTUNITIES



Trillion-dollar IT services market keeps expanding

- Hybrid work model drives growth for workplace services
- Digital workplace services market: \$93 billion by 2025
- 90% of CIOs welcomes as-a-Service

Lenovo's strategic intent:



Drive high growth in 3 high margin service segments:

- Support Services
- Managed Services
- Project & Solution Services

SSG

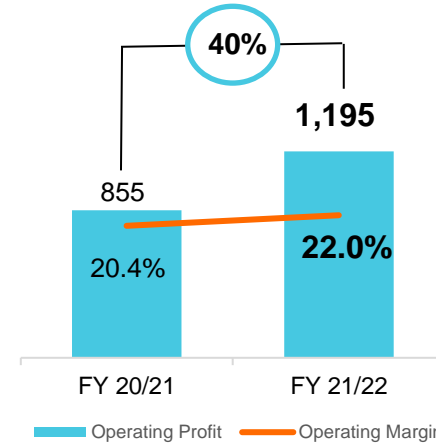
Solutions & Services Group:

High Margin, Strong Growth

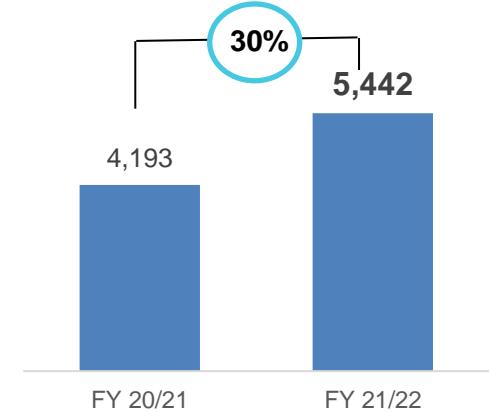
- Operating margin 22%, operating profit up 40% YTY
- Record revenue \$5.4 billion, up 30% YTY
- Support Services: revenue up 23% YTY
- Managed Services: revenue up 63% YTY
- Project & Solution Services: revenue up 28% YTY

PERFORMANCE of FY2021/2022

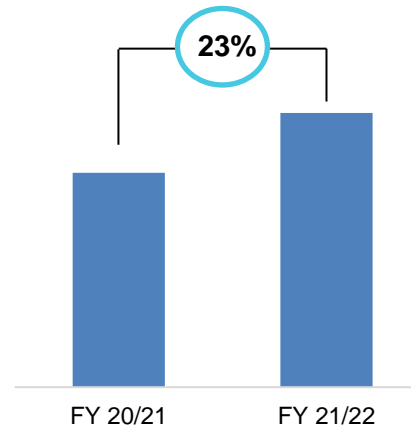
SSG Operating Profit (\$M) & Margin (%)



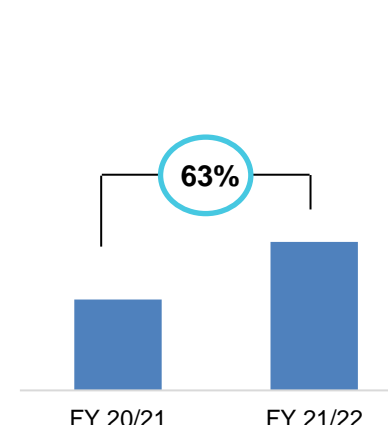
SSG Revenue (\$M)



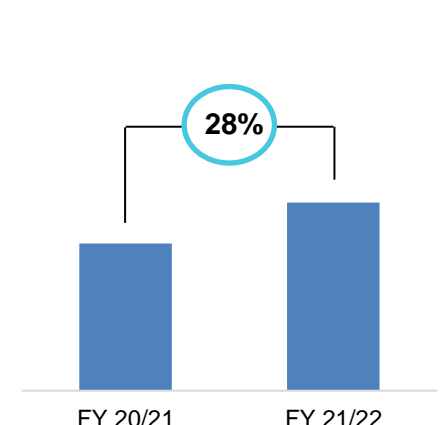
Support Services Revenue YTY Growth



Managed Services Revenue YTY Growth



Project & Solution Services Revenue YTY Growth



SSG

Solutions & Services Group:

High Margin, Strong Growth

SUSTAINABLE GROWTH

- Invest in software tools, platforms and repeatable vertical solutions with own IP
- Drive deeper in vertical solutions:
 - Manufacturing
 - Healthcare
 - Education
 - Smart City
 - Retail
- Expand TruScale portfolio to include Digital Workplace solutions
- Develop Hybrid Cloud solutions
- Explore Metaverse solutions

ISG

Infrastructure Solutions Group:

Profitable with Record Revenue

OPPORTUNITIES



ICT Infrastructure upgrade continues

By 2025:

- Data center market to reach \$183 billion
- Edge infrastructure to exceed \$41 billion
- Hybrid Cloud to exceed \$120 billion
- Data creation to double

Lenovo's strategic intent:



- Full-stack infrastructure provider from edge to cloud including hardware, software & services



Infrastructure Solutions Group:

Profitable with Record Revenue

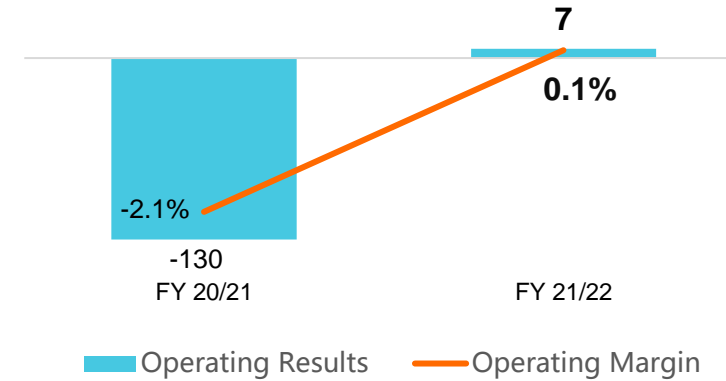
- Milestone: full year profitability
- Record revenue \$7.1 billion, up 13% YTY
- High-value segments deliver record revenue: storage, software, services and HPC

¹ Cloud Service Provider

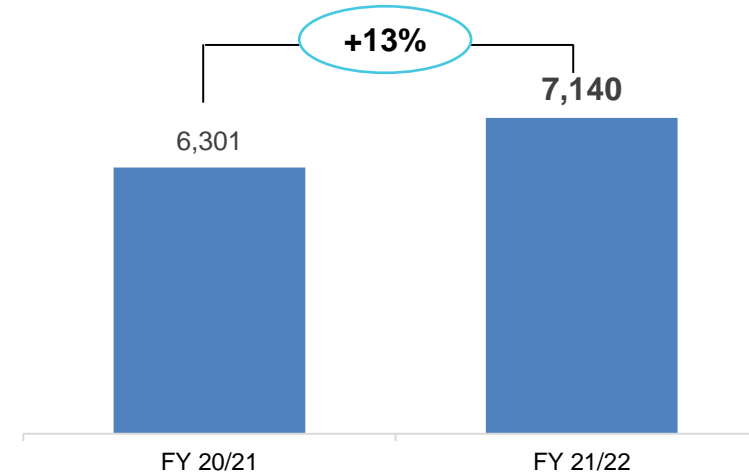


PERFORMANCE of FY2021/2022

ISG Operating Results (\$M) & Margin(%)



ISG Revenue (\$M)



ISG

Infrastructure Solutions Group:

Profitable with Record Revenue

SUSTAINABLE GROWTH

- Enhance full stack capabilities supporting both CSP & E/SMB*
- Invest in in-house design/manufacturing
- Expand Edge and Cloud Services
- Differentiate with green technology

IDG

Intelligent Devices Group:

Record Revenue, Profitability Growth

OPPORTUNITIES



Hybrid work model brings growth opportunities

- **PC:** commercial demand remains strong
- **Smart Collaboration:** \$80 billion in 2025

Lenovo's strategic intent:



- Invest in innovation & premium segments
- Expand business beyond PCs

IDG

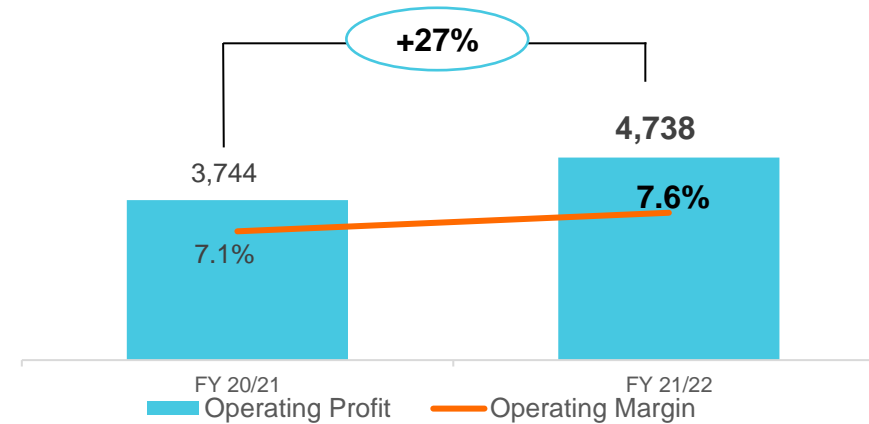
Intelligent Devices Group:

Record Revenue, Profitability Growth

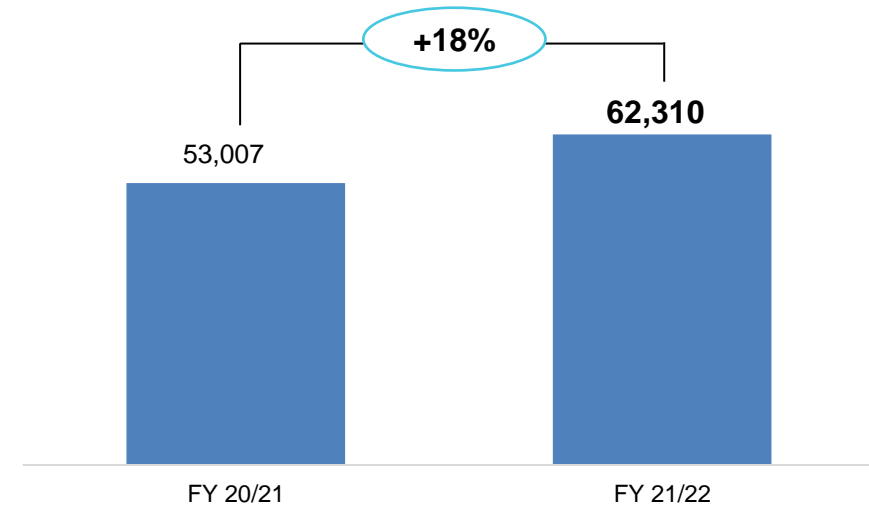
- Overcame challenges while capturing opportunities
- Record revenue \$62 billion, up 18% YTY
- Record operating profit, improved almost \$1 billion YTY

PERFORMANCE of FY2021/2022

IDG Operating Profit (\$M) & Margin(%)



IDG Revenue (\$M)



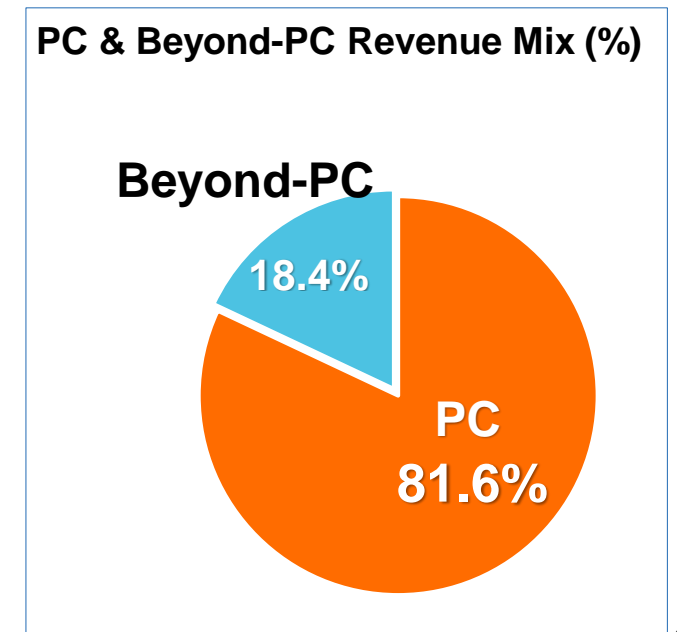
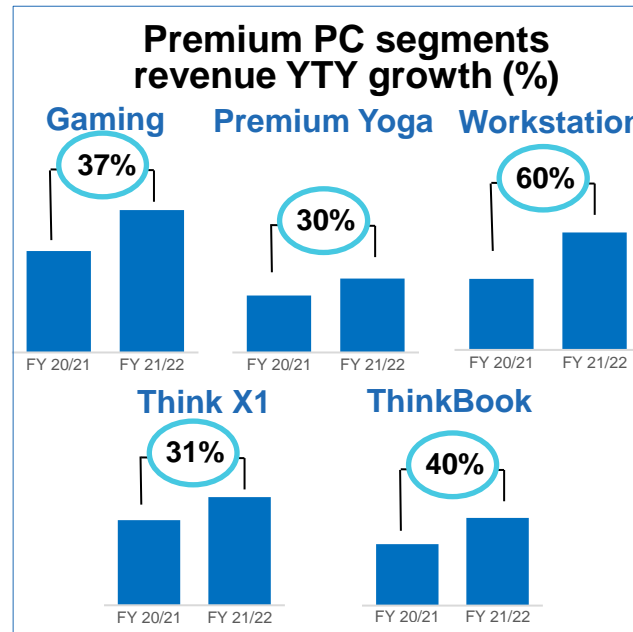
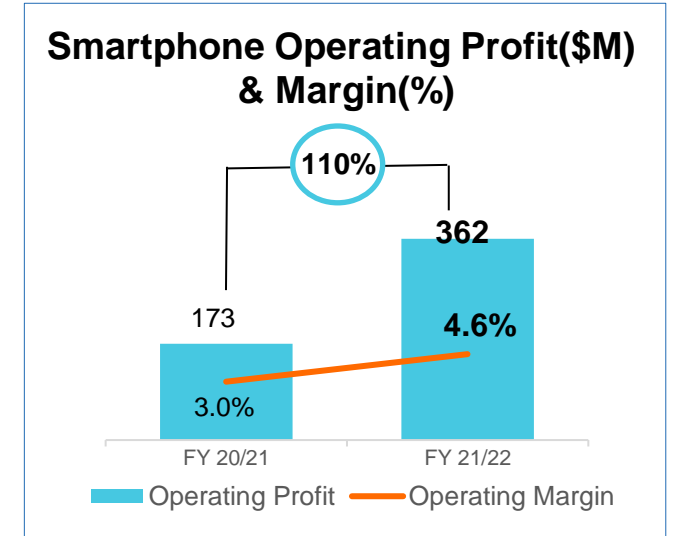
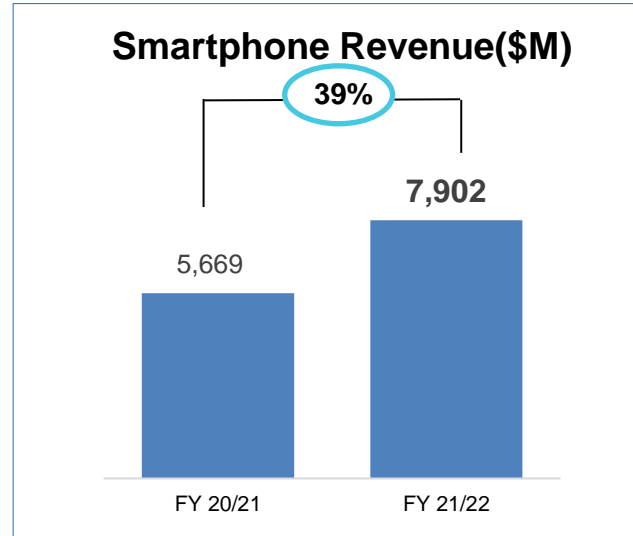
IDG

Intelligent Devices Group:

Record Revenue, Profitability Growth

- PC: maintained #1 position, strong 30%+ premium segments growth
- Mobile: record operating profit \$362 million, revenue outgrew the market by 30 points
- Other smart devices, Embedded Computing/IoT, scenario-based solutions mix 18%

PERFORMANCE of FY2021/2022



IDG

Intelligent Devices Group:

Record Revenue, Profitability Growth

SUSTAINABLE GROWTH

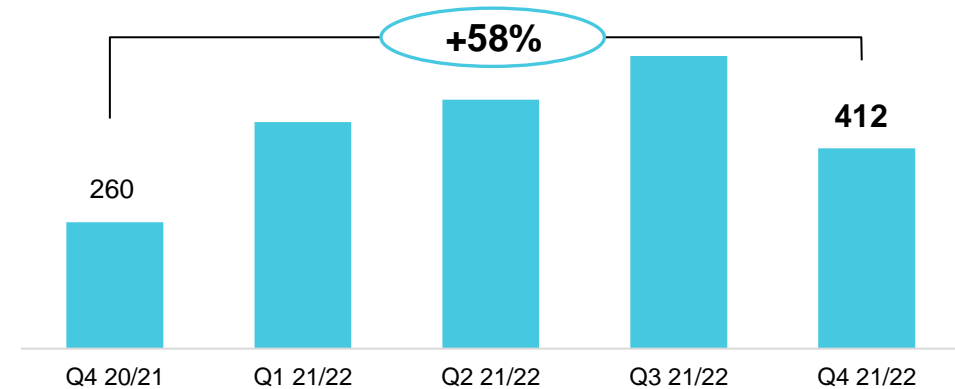
- Extend leadership in PC while maintaining industry leading profitability through innovation
- Expand in smartphones, tablets, Embedded Computing/IoT
- Expand in scenario-based solutions: Smart Collaboration, Smart Office, Smart Home, etc.

Strong Q4 Performance, Sustained Momentum

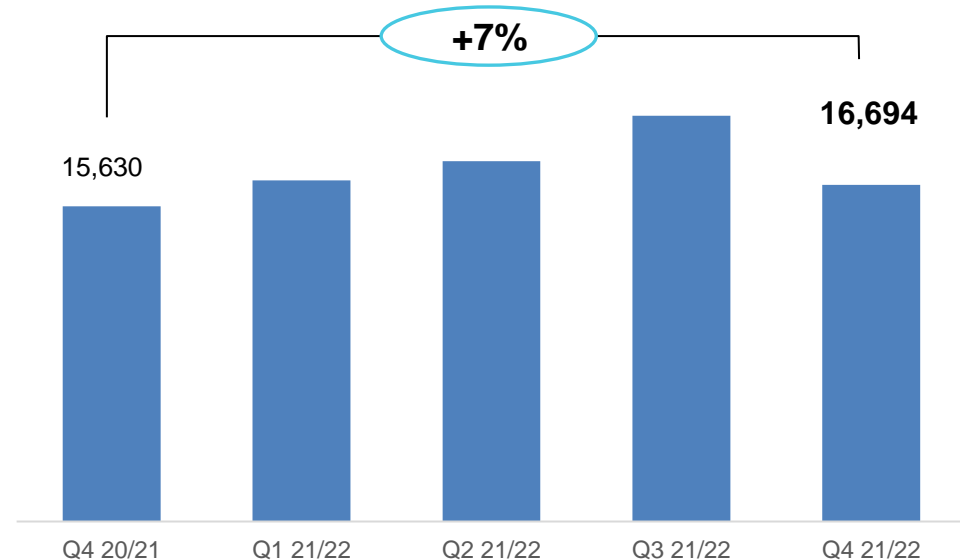
- Managed the challenges, closed the year with strong momentum
- Net income up 58% YTY, 7th consecutive quarter improved 50%+
- Revenue up 7% YTY
- All main businesses contributed:
 - SSG: Revenue up 28% YTY
 - ISG: Profitable 2nd straight quarter
 - IDG: Operating margin YTY improved 18th straight quarter

PERFORMANCE

Group Net Income (\$M)



Group Revenue (\$M)





Investment Pay- off

ISG & MBG profit contribution
New growth engines in place



Stay Flexible & Resilient

Clear strategy & strong execution
Global-local model
Balance of innovation & efficiency



Pillars of the Future

Innovation
Service-led transformation
ESG

Smarter technology for all

Wong Wai Ming

Chief Financial Officer

May 26, 2022



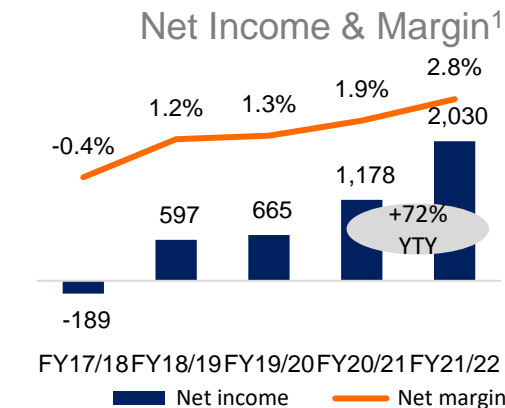
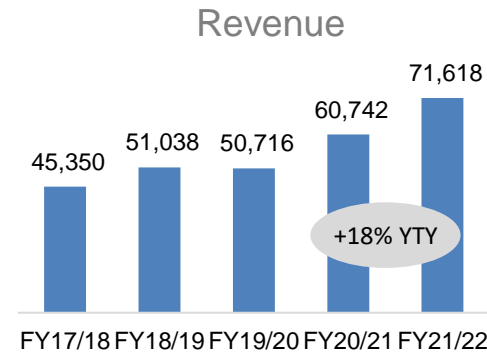
A Record-Breaking Transformational Year

- Another record year with over \$10 billion added to revenue for the 2nd consecutive year; double-digit growth in nearly all geographical markets
- On pace to double net margin, which rose 0.9 points YTY to the highest level in more than a decade; net income¹ surged by 72%
- All business groups (BG) saw positive profit contribution
 - ISG turned profitable for the first time²
 - SSG and IDG delivered strong double-digit sales and earnings growth

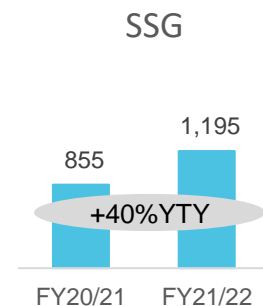
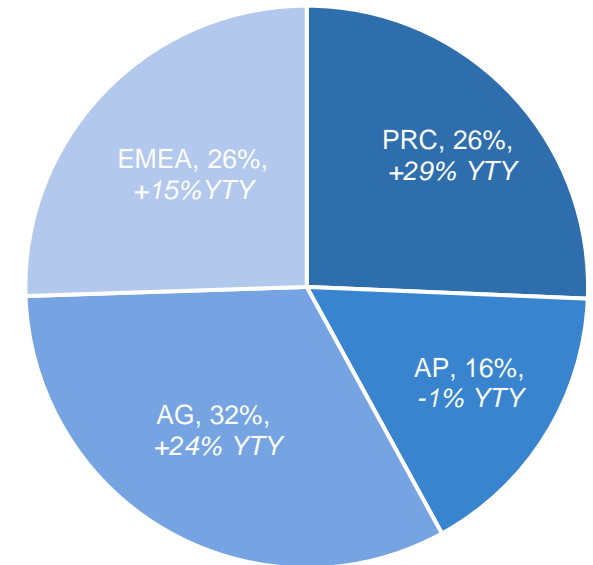
¹ Profit attributable to equity holders ² Since the acquisition of IBM x86 business



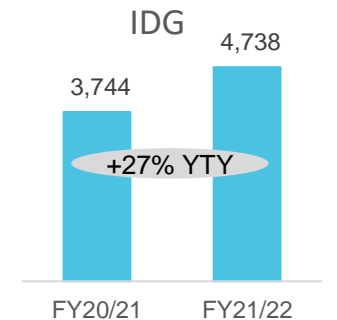
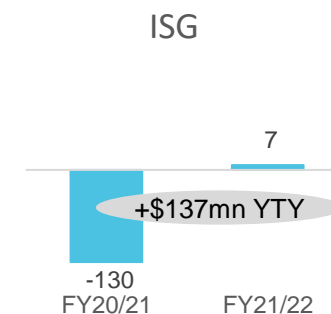
PERFORMANCE – FY21/22



Revenue Contribution & Growth by Geography



Operating Profit



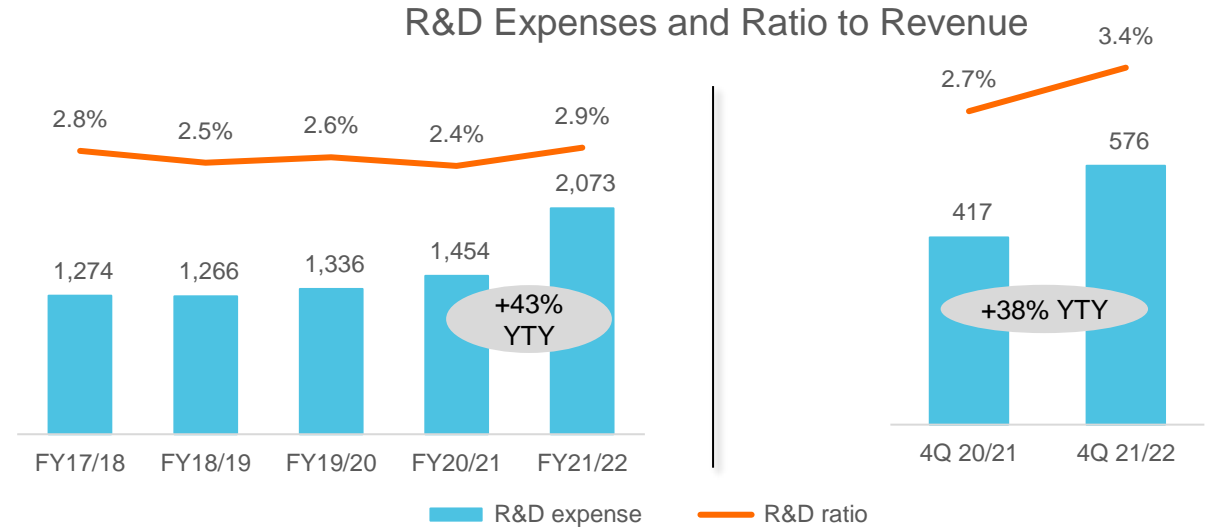
Doubling Down on R&D to Drive Sustainable Growth

- Bolstered R&D spending by 43% YTY to facilitate “Client-Edge-Cloud-Network-Intelligence” architecture
- Well-balanced between projects accretive to financial performance and foundational research; stronger R&D helped boost FY21/22 operating margin by 71 basis points YTY
- Developing high-value added products and components, including Edge/Storage/Cloud software and hardware, service solutions & IPs¹, while driving innovation with ESG features and designs

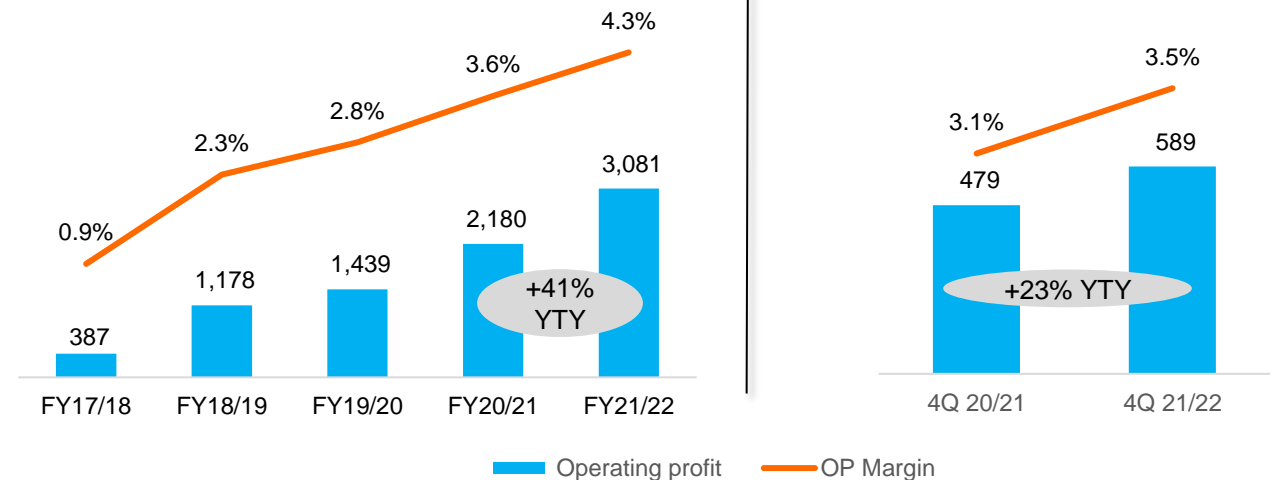
¹ Intellectual properties

PERFORMANCE

R&D Expenses and Ratio to Revenue



Group Operating Profit & Margin



Stronger Balance Sheet

FY21/22 Highlights

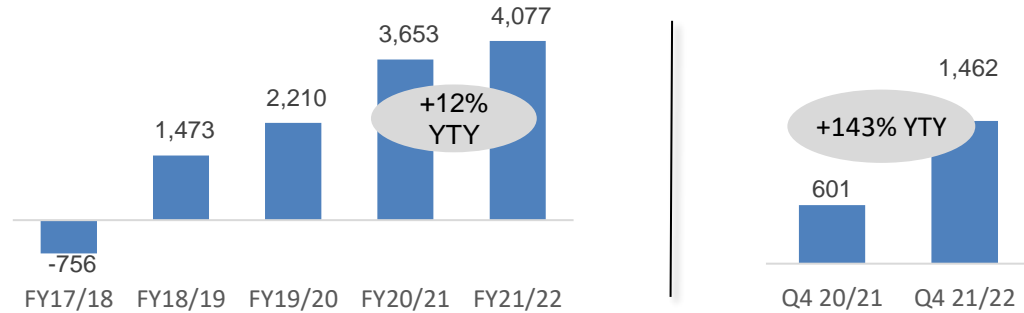
- Net cash generated from operating activities reached US\$4.1 billion, setting a new record, while free cash flow reached US\$2.8 billion
- Strong profit generation and prudent working capital management led to net cash position after a cut of nearly US\$1.5 billion in net debt and perpetual securities

Q4 Highlights

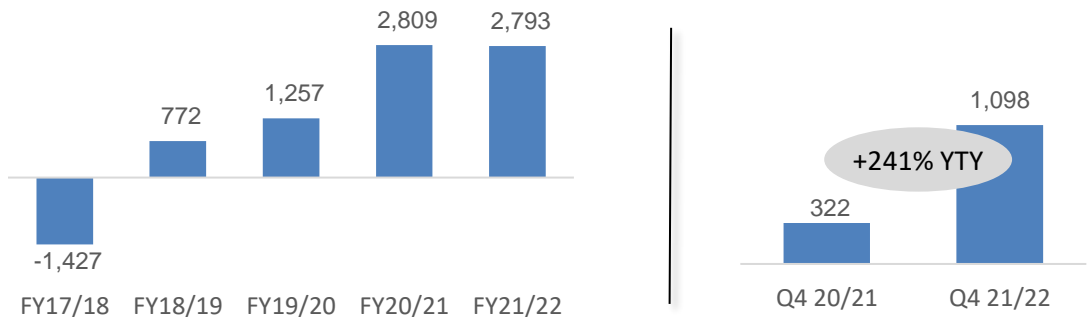
- Net cash generated from operating activities was US\$1.5 billion
- Free cash flow grew over 240% YTY to US\$1.1 billion in Q4
- Enhanced net cash position in Q4 to US\$602 million, continuing the trend started in Q3

PERFORMANCE

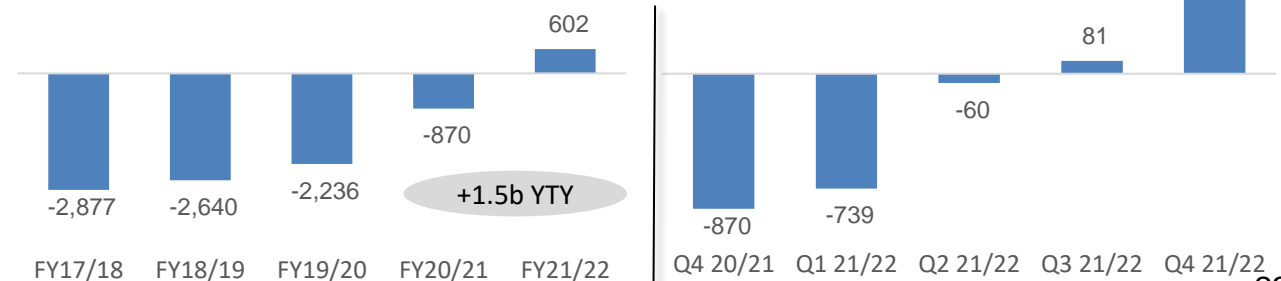
Operating Cashflow



Free Cash Flow



Net Cash (Including Perpetual Securities)



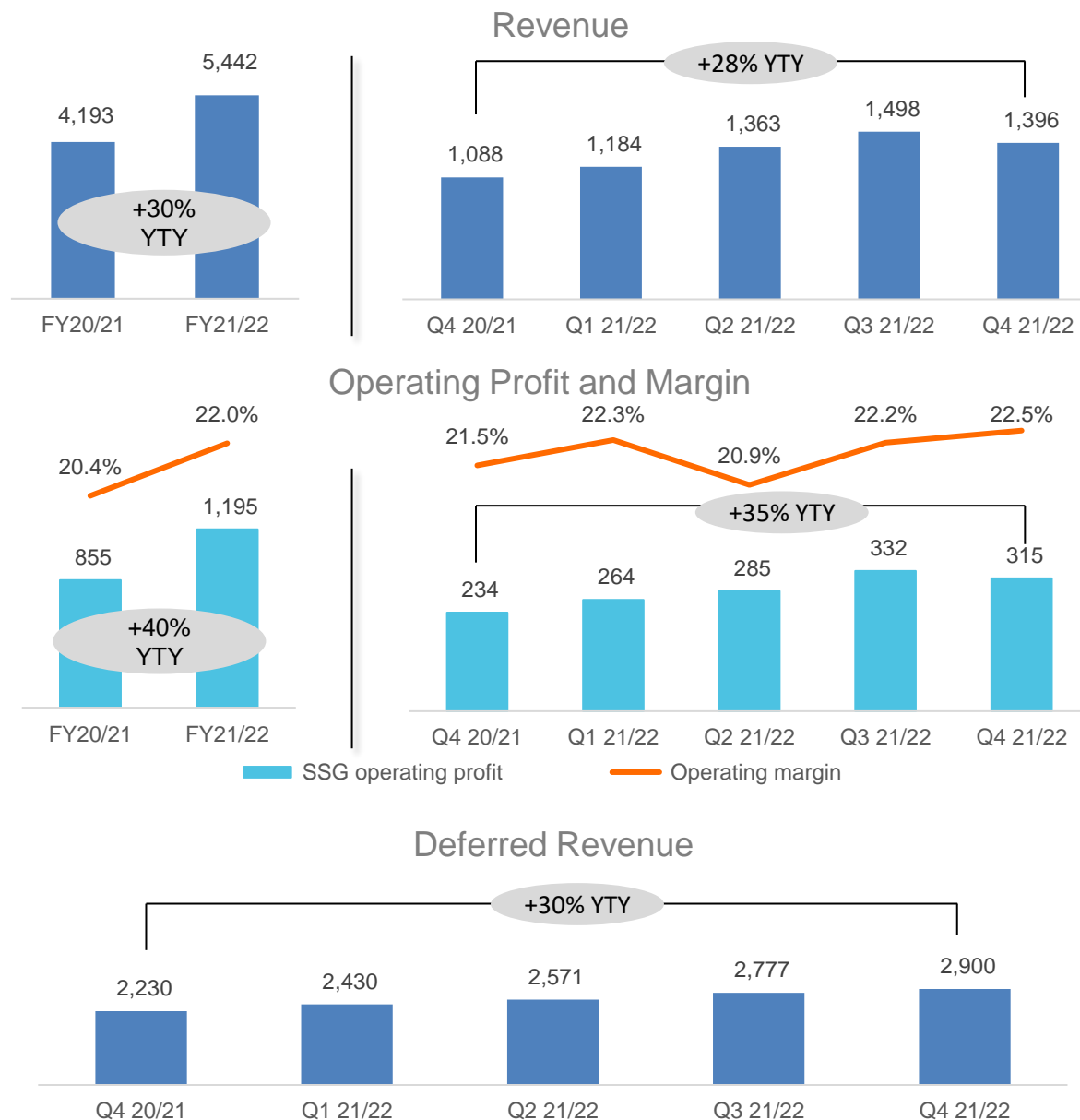
FY21/22 Highlights

- Strong 1st year with revenue up 30% YTY; continued to build recurring business, deferred revenue grew 30% YTY
- Vast service opportunities from the New IT trend, hybrid working, hybrid cloud, and sustainability; Robust growth across all segments
 - **Support Services:** Revenue up 23% YTY, strongest profitability of the Group; Rising PC penetration was a driver while Premier and CFS¹ scored strong wins with growths of 30-60% YTY
 - **Managed Services:** Revenue up 63% YTY; Profitability continued to improve as clients increasingly embraced as-a-Service model, fostering strong growth for TruScale
 - **Project & Solution Services:** Revenue up 28% YTY; Built repeatable solutions and a stronger client base with Lenovo IPs, particularly with Smart City and Smart Retail deals

Q4 Highlights

- YTY double-digit sales growth across the three segments; profitability milestone with operating profit margin up 1.1 points to 22.5%

PERFORMANCE



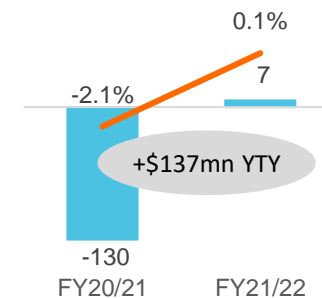
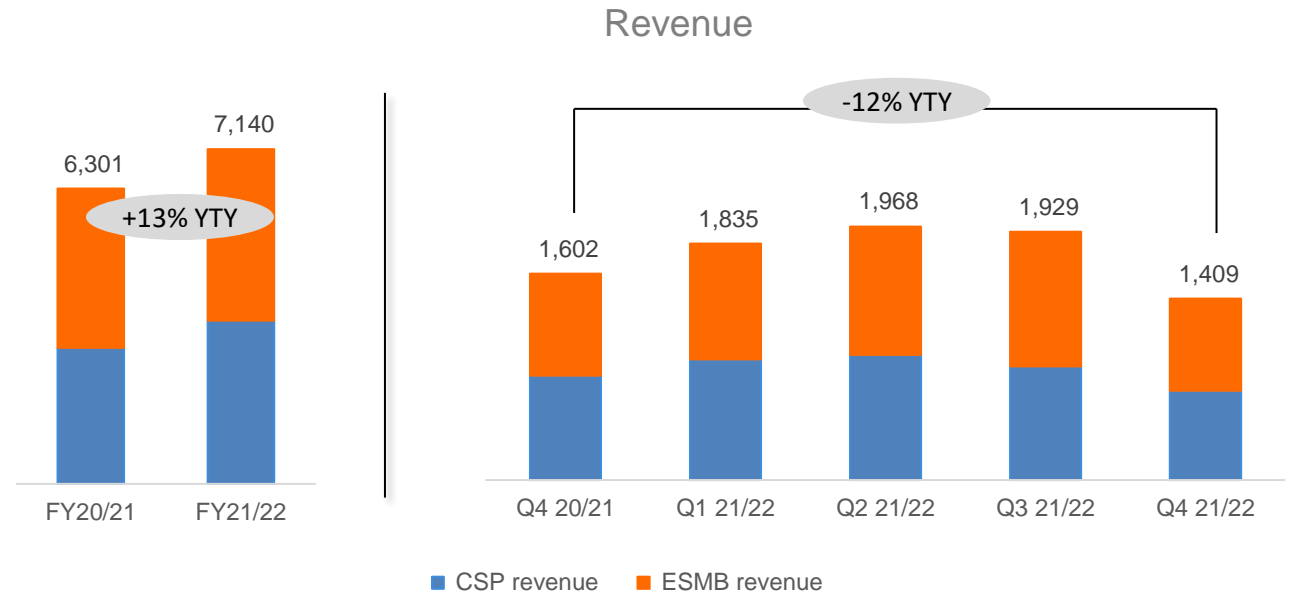
FY21/22 Highlights

- Achieved first full-year profit since IBM x86 acquisition; Operating profit up \$137 million YTY; Revenue grew 13% YTY
- A full-stack portfolio with broadened customer base and solution mix for CSP and ESMB customers created unique advantage in capturing the infrastructure upgrade cycle
 - CSP** revenue up 20% YTY thanks to design wins on Next-Gen products and new Next Wave customers
 - ESMB** sales up 7% YTY with favorable pricing and solution mix shift towards enhanced Storage, Software and Services

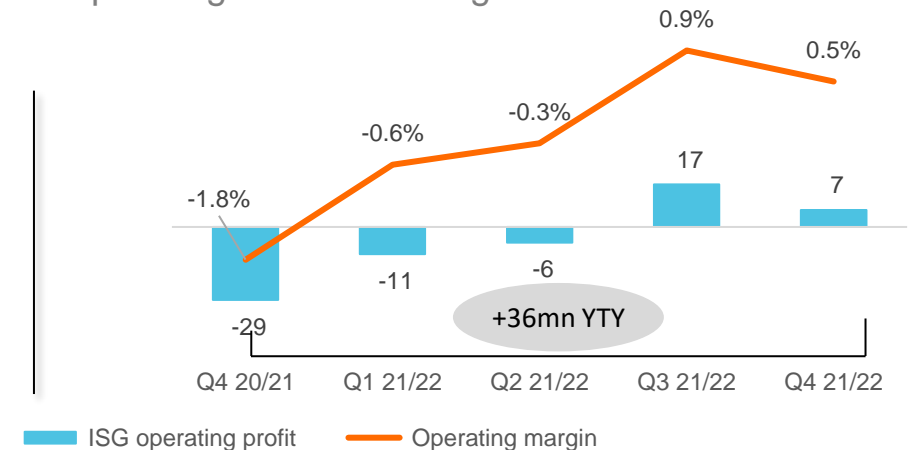
Q4 Highlights

- Added \$36 million in operating profit YTY; Profitable for 2 consecutive quarters
- Revenue growth capped by unexpected supply disruption. Demand remains robust towards Q1 with strong unfulfilled orders

PERFORMANCE



Operating Profit and Margin



IDG

Intelligent Devices Group¹

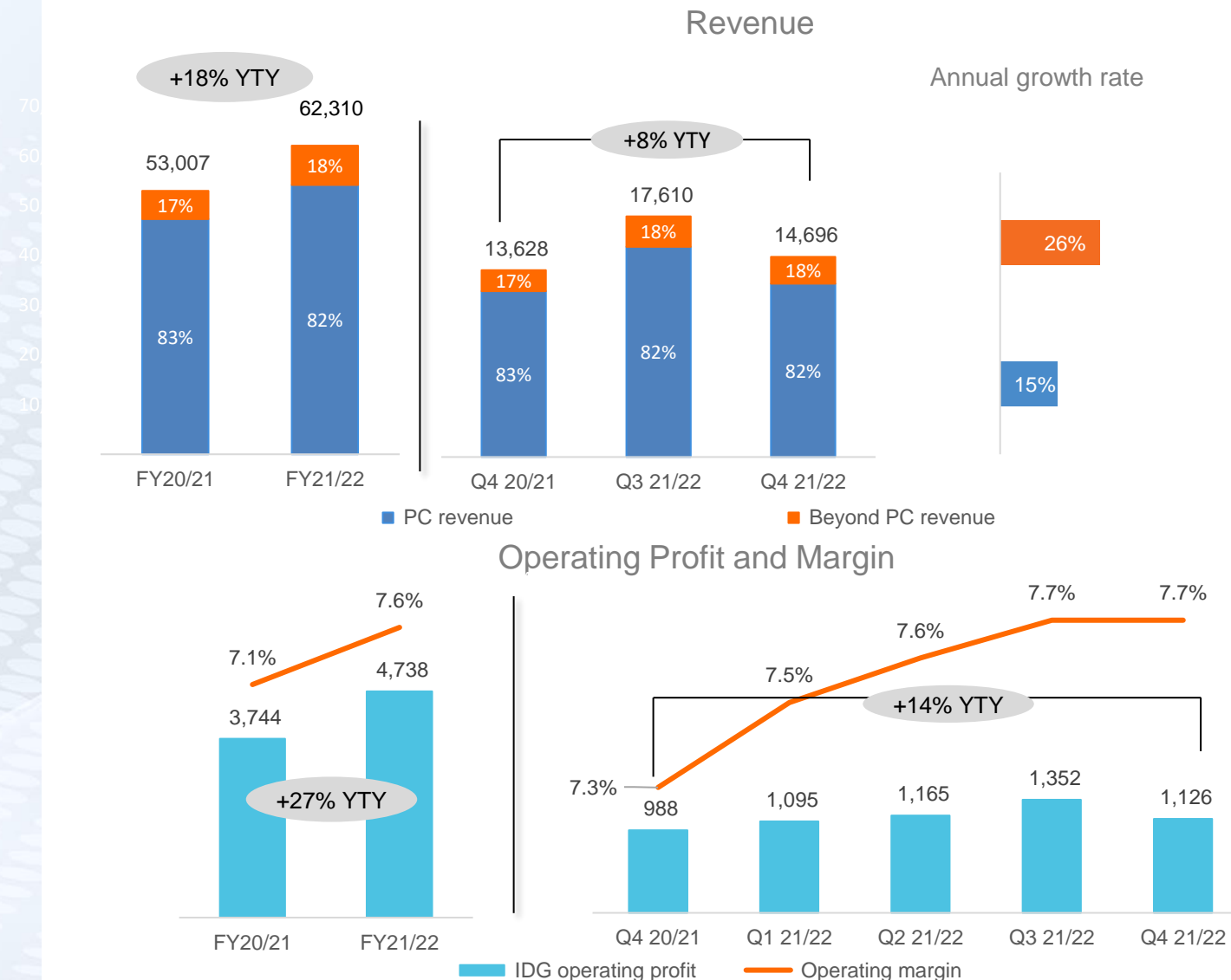
FY21/22 Highlights

- Year of multiple records: All-time high revenue and operating profit
- Commercial² segment revenue grew 23% YTY
- Premium products maintained high double-digit sales growth of 30-60% YTY
- Revenue of beyond PC³ up 26% YTY, contributing more than 18% of IDG's mix; Strong product portfolio and broader carrier ranging led to hypergrowth and record profit in smartphone
- Smart Collaboration revenue up nearly triple-digits thanks to enhanced features in hybrid work model

Q4 Highlights

- Profitability jumped 14% YTY while operating margin maintained at a record level of 7.7%

PERFORMANCE

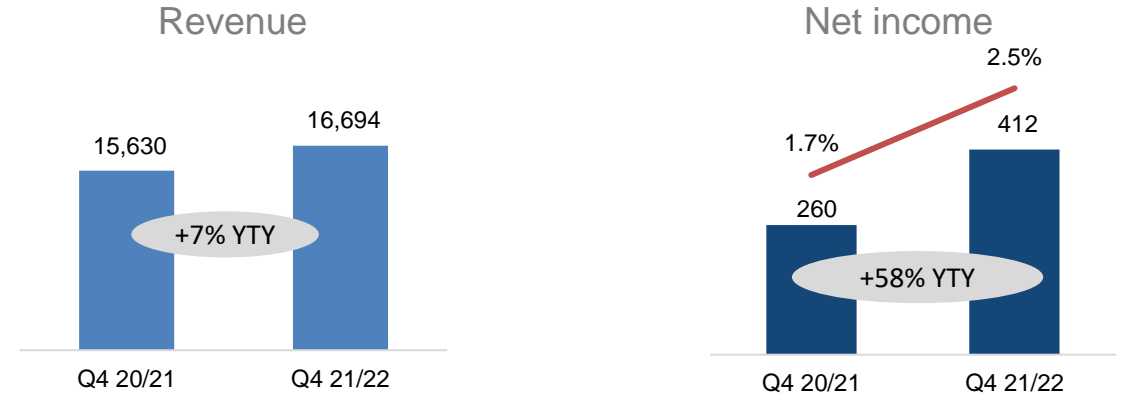


¹ IDG mainly consists of PC, tablet, smartphone, and smart devices business ² Excluding Chromebook
³ Beyond PC includes other smart devices, smartphones, tablets, embedded computing/IoT, and scenario-based solutions such as Small Collaboration, Smart Home and Smart Office

Continuous Growth Despite Challenges

- Net income up 58% YTY; the profit expansion was increasingly driven by SSG, ISG and beyond PC
- Revenue grew 7% YTY despite supply challenges and COVID-lockdowns
- SSG contributed to over 30% of the BG's operating profit increase
- ISG was profitable for 2nd consecutive quarter by leveraging its enriched architecture, solutions, and partnerships
- Solid performance in commercial and premium segments, as well as in beyond PC will drive IDG's future strength




PERFORMANCE – Q4



Operating Profit by Business Group



Q4 FY21/22 ESG Updates

 <p>Environmental</p>	<p>ONE MILLION</p> <p>Tons of greenhouse gas emissions to be removed from our supply chain by FY25/26</p>	<p>A LIST</p> <p>2021 CDP A list for supply chain and water, and received an A- for climate</p>	<p>100</p> <p>Recognized as one of the world's 100 most sustainable companies by the Global 100</p>
 <p>Social</p>	<p>Increase female executive representation to</p> <p>27%</p> <p>by FY25/26</p>	<p>100</p> <p>Human Rights Campaign Foundation's 2022 Corporate Equality Index Score</p>	<p>66 COUNTRIES</p> <p>Represented by employee participation in Lenovo's fifth annual Love on Global Month of Service</p>
 <p>Governance</p>	<p>99%</p> <p>Computer-based employees completed Information Security essentials and Privacy Basics training</p>	<p>500 SUPPLIERS</p> <p>Screened for initial ESG risks with the EcoVadis IQ tool</p>	<p>#1</p> <p>Score in IT Industry in the 2021 Hang Seng Corporate Sustainability Index</p>

Outlook

Group Mission is to Lead and Enable Intelligent Transformation

*Improve net income margin in medium term; Drive R&D to turbocharge innovation; Increase brand premium
Overcome challenges from supply disruption and macro uncertainties*

SSG: Leverage Powerful Group Platform for High-Margin Service Opportunities

- Aiming for scalable growth with strong profitability to become the Group's new growth engine
- Capturing strong demand from hybrid work, hybrid cloud and sustainability services
- Increasing penetration in the commercial PC and ESMB infrastructure to continue its healthy business momentum
- Establishing TruScale into a comprehensive as-a-Service portfolio to capture fast-growing market demand

ISG: Build a Profitable Business and Consistent Premium-to-Market Growth in ESMB and CSP markets

- Delivering industry-leading end-to-end infrastructure solutions and expansion from server to full stack offerings
- Expanding ESMB from servers to higher profitability services – storage, SDI, software, and services, and new coverage in Edge/AI and Communication Service Provider segments
- Cloud Service Provider: Fully integrated ODM+ model to capture demand and drive profit improvement

IDG: Innovation, High Value-Added Segments and Beyond PC to Sustain Profitability

- Hybrid work/life opportunity: continues to drive premium-to-market growth in the stable and large PC/tablets/smartphone market via innovation, efficiency, and the Global Local model
- Embedded computing/IoT: ride on the hypergrowth potential in this segment
- Scenario-based solutions: capitalize the double-digit growth opportunities presented in the Enterprise Collaboration and Smart Home segment

Supplemental Financial Materials

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

Financial Summary

US\$ Million	Q4 20/21	Q4 21/22	Y/Y%	FY20/21	FY21/22	Y/Y%
Revenue	15,630	16,694	7%	60,742	71,618	18%
Gross profit	2,688	2,864	7%	9,768	12,049	23%
Operating expenses	(2,209)	(2,275)	3%	(7,588)	(8,968)	18%
Operating profit	479	589	23%	2,180	3,081	41%
Other non-operating expenses	(99)	(69)	-30%	(406)	(313)	-23%
Profit before taxation	380	520	37%	1,774	2,768	56%
Taxation	(95)	(99)	4%	(461)	(623)	35%
Profit for the period/year	285	421	48%	1,313	2,145	63%
Profit attributable to						
Other non-controlling interests	25	9	-63%	102	115	13%
Perpetual security holders	0	0		33	0	-100%
Equity holders of the Company	260	412	58%	1,178	2,030	72%
EPS (US cents)						
-Basic	2.19	3.52	61%	9.54	17.45	83%
-Diluted	1.94	3.20	65%	8.91	15.77	77%
Dividend (HKD, cent)	24.00	30.00	25%	30.60	38.00	24%

	Q4 20/21	Q4 21/22	FY20/21	FY21/22
Gross margin	17.2%	17.2%	16.1%	16.8%
Operating margin	3.1%	3.5%	3.6%	4.3%
E/R ratio	14.1%	13.6%	12.5%	12.5%
PTI margin	2.4%	3.1%	2.9%	3.9%
Net margin	1.7%	2.5%	1.9%	2.8%

Condensed Consolidated Income Statement

US\$ Million	Q4 20/21	Q4 21/22	FY20/21	FY21/22
Revenue	15,630	16,694	60,742	71,618
Cost of sales	(12,942)	(13,829)	(50,974)	(59,569)
Gross profit	2,688	2,864	9,768	12,049
Selling & distribution expenses	(824)	(963)	(3,045)	(3,746)
Administrative expenses	(821)	(702)	(2,985)	(2,944)
Research and development expenses	(417)	(576)	(1,454)	(2,073)
Other operating income/(expenses) – net	(147)	(34)	(104)	(205)
Operating profit	479	589	2,180	3,081
Finance income	9	18	35	56
Finance costs	(100)	(84)	(409)	(362)
Share of losses of associates and joint venture	(8)	(3)	(32)	(7)
Profit before taxation (PTI)	380	520	1,774	2,768
Taxation	(95)	(99)	(461)	(623)
Profit for the period/year	285	421	1,313	2,145
Profit attributable to				
Other non-controlling interests	25	9	102	115
Perpetual security holders	0	0	33	0
Equity holders of the Company	260	412	1,178	2,030
Per share data				
Earnings per share (US cents) – Basic	2.19	3.52	9.54	17.45
Earnings per share (US cents) – Diluted	1.94	3.20	8.91	15.77

Condensed Consolidated Balance Sheet

<i>US\$ Million</i>	As of Mar 31, 2021	As of Mar 31, 2022
Current assets	23,335	28,997
Bank deposits and cash	3,127	4,023
Trade, notes and other receivables	13,455	16,303
Inventories	6,381	8,301
Others	372	370
Non-current assets	14,655	15,514
Property, plant and equipment	1,574	1,637
Intangible assets	8,405	8,067
Others	4,676	5,810
Current liabilities	27,371	32,758
Borrowings	698	788
Trade, notes, other payables, accruals and provisions	25,195	29,909
Deferred revenue	1,047	1,440
Others	431	621
Non-current liabilities	7,008	6,358
Borrowings	3,300	2,633
Deferred revenue	1,183	1,460
Others	2,525	2,265
Total equity	3,611	5,395

Condensed Consolidated Cash Flow Statement

US\$ Million	Q4 20/21	Q4 21/22	FY20/21	FY21/22
Net cash generated from operating activities	601	1,462	3,653	4,077
Net cash used in investing activities	(280)	(574)	(976)	(1,499)
Net cash used in financing activities	(1,225)	(750)	(3,228)	(1,757)
(Decrease)/increase in cash and cash equivalents	(904)	138	(551)	821
Effect of foreign exchange rate changes	(68)	36	68	41
Cash and cash equivalents at the beginning of the period/year	4,040	3,756	3,551	3,068
Cash and cash equivalents at the end of the period/year	3,068	3,930	3,068	3,930

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