Q1FY23 Earnings Announcement
August 10, 2022
Forward-Looking Statement

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Yuanqing Yang
Chairman & CEO
August 10, 2022
Group:
New Engines Driving Growth & Profitability

• 9 consecutive quarters of revenue & profitability improvement
• 37% revenue mix of Non-PC

Source: Internal
Group: New Engines Driving Growth & Profitability

Opportunities

Accelerated Digital/Intelligent transformations:

- Hybrid work model to stay
- Strong, sustainable demand for:
  - Smart devices/IoT
  - Smart infrastructure
  - Intelligent applications and services

Source: Industry Research
Group: New Engines Driving Growth & Profitability

- Net income $516 million, up 11% YTY; Non-HKFRS net income\(^1\) $556 million, up 35% YTY
- Revenue $17 billion, up 0.2% YTY, up 5% in constant currency

\(^1\) Adjusted net income is not prepared in accordance with the Hong Kong Financial Reporting Standards
New Engines Driving Growth & Profitability

- New growth engines all saw double-digit revenue YTY growth
  - SSG\(^1\): up 23% YTY
  - ISG\(^2\): up 14% YTY
  - MBG\(^3\): up 21% YTY

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1 SSG: Solutions & Services Group; 2 ISG: Infrastructure Solutions Group; 3 MBG: Mobile Business Group
Group: New Engines Driving Growth & Profitability

Sustainable growth

- R&D investment up 10% YTY, headcount up 29% YTY
- Realizing ESG goals
- Strengthen One Lenovo platform

Source: Internal
Trillion-dollar IT services market keeps expanding

- Hybrid work model drives Premier & Custom fulfillment services demand
- Digital workplace drives as-a-Service demand
- Smart vertical solutions grow at double-digit CAGR through 2025

Lenovo’s strategic intent:
Drive high growth in 3 high margin service segments:
- Support Services
- Managed Services
- Project & Solution Services

Source: Industry Research
SSG Solutions & Services Group: Strong Growth, Higher Margin

- Operating margin 22.6%, operating profit up 25% YTY
- Revenue up 23% YTY
- Segments all grew by double digits
- Managed Services, Project & Solution Services mix 48% of SSG revenue

Source: Internal
SSG
Solutions & Services Group:
Strong Growth, Higher Margin

Sustainable growth

• Invest in software tools, platforms and vertical solutions
• Expand TruScale portfolio to Digital Workplace solutions market
• Launch hybrid/multi-cloud solutions
• Develop sustainability offerings
• Expand footprint with PCCW strategic partnership
ICT Infrastructure upgrade continues

By 2025:
• Server growth at double-digit CAGR
• Edge infrastructure to exceed $41 billion
• Storage to reach $36 billion

Lenovo’s strategic intent:
Full-stack infrastructure provider from edge to cloud including hardware, software & services

Sources: IDC, Industry research
ISG
Infrastructure Solutions Group:
Record Revenue, Steady Profit Improvement

• First $2 billion revenue quarter, up 14% YTY
• Profitable for 3 straight quarters
• CSP\(^1\): Record revenue, outgrew market
• Server & Storage: Record revenue, outgrew market
• Edge: Record revenue, up 92% YTY
• HPC: Maintained Top500 lead

\(^1\) Cloud Service Provider

\[\text{Source: Internal, IDC}\]
Sustainable growth

• End-to-end infrastructure provider
• Invest in portfolio & innovation, particularly in Edge & Services
• Drive in-house motherboard design & manufacturing
• Balance scale & profitability
Hybrid work model brings growth opportunities

- PC: TAM to be higher than pre-pandemic level in longer term
- Smartphone/Tablet: Expansion opportunity
- Smart Collaboration: expected to exceed $80 billion by 2025

Lenovo’s strategic intent:

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

Source: Industry Research
IDG
Intelligent Devices Group:
Market Leader
Driven by Innovation

- Operating profit over $1 billion, maintained leading profitability
- PC: solid #1, enlarged gap with #2, premium segment revenue grew 8% YTY
- Beyond-PC: revenue mix 22% of IDG revenue
IDG
Intelligent Devices Group:
Market Leader
Driven by Innovation

- Mobile: revenue up 21% YTY
  - NA: up 14% YTY
  - LA: up 21% YTY
  - EMEA: up 24% YTY
  - AP: up 56% YTY

Performance

- **NA MBG Revenue YTY growth**
  - Q1 21/22: 14%
  - Q1 22/23: 21%

- **EMEA MBG Revenue YTY growth**
  - Q1 21/22: 24%
  - Q1 22/23: 56%

- **LA MBG Revenue YTY growth**
  - Q1 21/22: 21%
  - Q1 22/23: 21%

- **AP MBG Revenue YTY growth**
  - Q1 21/22: 56%
  - Q1 22/23: 21%

Source: Internal
IDG
Intelligent Devices Group:
Market Leader
Driven by Innovation

• Invest in innovation from smart devices to smart collaboration to smart spaces
• Focused on innovative form-factors, extreme performance, adaptive intelligence, security, etc.
• Provide seamless connection & collaboration for digital workspace
Based on **New IT** architecture of “Client-Edge-Cloud-Network-Intelligence”

- Smart Devices to Smart Spaces
- Computer to Computing
- Traditional IT to Digital Industries
- Human to Planet
Transcend the Cycle

- Right Strategy & Strong Execution
- Agility & Resilience
Smarter technology for all

Wong Wai Ming
Chief Financial Officer
August 10, 2022

*all figures in the following slides are in million US$ unless otherwise stated*
Resilient Growth Amid Challenges

- Digital Transformation was a strong driver for structural growth despite short-term headwinds; revenue remained stable – 5% YTY growth in constant currency
- Record net income¹ for Q1; non-HKFRS² net income up 35% on robust profitability
- Net margin continued to improve YTY for the 9ᵗʰ consecutive quarter, thanks to operational excellence
- Strong expansion beyond PC; non-PC businesses made up over 1/3 of Group sales

¹ Profit attributable to equity holders; ² Non-HKFRS measure was adjusted by adding back (i) net fair value changes on financial assets at fair value through profit or loss, (ii) amortization of intangible assets resulting from mergers and acquisitions, and (iii) mergers and acquisitions related charges; and the corresponding income tax effects, if any

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Robust Working Capital Management

- Maintained robust net cash position for the 3rd consecutive quarter at $394mn
- Extended the average debt maturity by 2 years after completing bond offering and syndicated loan facility
- Reduced total debt by 14% YTY
- COVID-lockdowns led to higher quarter-end inventory and accounts receivables; impact is largely mitigated now and cash conversion cycle is on pace for improvement
• Revenue and operating profit maintained strong growth above 20% YTY; double-digit YTY revenue growth for all three services segments

• Record operating profit margin showcases resilience and robust profitability

• Deferred revenue up 20% YTY

• Strategic partnership with PCCW to accelerate market penetration and growth potential
ISG Infrastructure Solutions Group

- Multiple records in Q1:
  - **All-time record revenue** – 1st time over $2 billion
  - **Record revenue** in CSP – outperformed market by 11 pts
  - **Record revenue** in Server – double-digit YTY growth
  - **Record revenue** in Storage – a top-3 player in the volume storage segment
  - **Record revenue and units shipped** in Edge AI server – 8th consecutive quarter for growth
**IDG**

**Intelligent Devices Group**¹

- Premium-to-market growth for the PC segment despite challenges in supply and consumer demand
- Operating profit margin remained robust, thanks to an enriched commercial and premium sales mix
- Non-PC sales grew 12% YTY to contribute 22% of the IDG mix, based on its strength in smartphone, accessories, visual and Smart Collaboration Solutions
- Mobile revenue grew 21% YTY
- Smart Collaboration Solutions grew by high double-digits, securing key wins across all regions

¹ IDG mainly consists of PC, tablet, smartphone, and smart devices business
² Non-PC includes other smart devices, smartphones, tablets, embedded computing/IoT, and scenario-based solutions such as Small Collaboration, Smart Home and Smart Office
Continuous R&D Spending to Drive Innovation and Margin Improvement

- R&D spending grew 10%, contributing to operating margin improvement

- R&D spending areas:
  - High-value added products and key components
  - Edge, Multi-Cloud and Cloud-related software and hardware
  - 5G networking capabilities
  - AI enabled solutions and service offerings
## ESG Updates

<table>
<thead>
<tr>
<th>Environmental</th>
<th>Expanded use of Closed-loop post-consumer recycled (PCR) content to <strong>248 products</strong> in FY21/22</th>
<th><strong>100%</strong> of PC products will contain PCR content by FY 25/26</th>
<th><strong>90%</strong> of our global operations’ electricity will be obtained from renewable sources by FY 25/26¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social</td>
<td>Began Global Partnership with <strong>Wine to Water</strong></td>
<td><strong>8</strong> manufacturing sites received the RBA Factory of Choice Award²</td>
<td><strong>75%</strong> of our products will be vetted for inclusive design by FY 25/26</td>
</tr>
<tr>
<td>Governance</td>
<td><strong>$625mn</strong> Green Bond offering – largest ESG bond debut in the technology sector in 2022 so far</td>
<td><strong>15</strong> distributors and resellers joined the Lenovo 360 Circle Partnership as of FY 21/22</td>
<td><strong>99%</strong> employees³ completed Information Security and Privacy Basics training in FY 21/22</td>
</tr>
</tbody>
</table>

¹May be accomplished through the installation of onsite renewable energy generation, entry into power purchase agreements (PPA) with power providers and/or the purchase of renewable energy credits.
²Eight sites have received RBA FoC as of FY21/22, including Lenovo owned and joint venture manufacturing sites.
³Includes computer-based employees.
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; Mitigate short-term challenges from supply disruption and macro uncertainties; Leverage IT spending on Digital Transformation*

**SSG: Serve as New Growth Engine with High Profitability**
- Driving scalable growth and profitability with a focus on key verticals and building repeatable solutions with Lenovo IP
- Capturing strong demand from hybrid working, hybrid cloud and sustainability services
- Increasing penetration in the commercial PC and ESMB infrastructure segments
- Establishing TruScale as a comprehensive as-a-Service portfolio to capture fast-growing demand

**ISG: Continue to Drive Profit Improvement and Premium-to-Market Growth in ESMB and CSP markets**
- Delivering industry-leading end-to-end infrastructure solutions and expanding from server to full stack offerings
- Expanding ESMB from servers to higher profitability offerings – storage, SDI, software, and services, with new coverage in the Edge, AI and Communication Service Provider segments
- Fully integrating the ODM+ model to capture demand in the Cloud Service Provider segment and drive profit improvement

**IDG: Maintain #1 Position in PC with Leading Profitability and Accelerate Non-PC Growth**
- Leveraging the popularity of hybrid working to continuously drive premium-to-market growth in the large PC, tablets, and smartphone markets through innovation, efficiency, and the Global Local model
- Capitalizing on the double-digit growth opportunities in the Enterprise Collaboration and Smart Home segments with scenario-based solutions
Supplemental Financial Materials

- Financial Summary
- Condensed Consolidated Income Statement
- Condensed Consolidated Balance Sheet
- Condensed Consolidated Cash Flow Statement
- Supplemental Non-HKRFS Measures
## Financial Summary

<table>
<thead>
<tr>
<th>US$ Million</th>
<th>Q1 21/22</th>
<th>Q1 22/23</th>
<th>Y/Y%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>16,929</td>
<td>16,956</td>
<td>0%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>2,824</td>
<td>2,869</td>
<td>2%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(2,081)</td>
<td>(2,092)</td>
<td>1%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>743</td>
<td>777</td>
<td>5%</td>
</tr>
<tr>
<td>Operating profit (non-HKRFS)</td>
<td>675</td>
<td>813</td>
<td>21%</td>
</tr>
<tr>
<td>Other non-operating expenses</td>
<td>(93)</td>
<td>(86)</td>
<td>-8%</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>650</td>
<td>691</td>
<td>6%</td>
</tr>
<tr>
<td>Profit before taxation (non-HKRFS)</td>
<td>585</td>
<td>729</td>
<td>25%</td>
</tr>
<tr>
<td>Taxation</td>
<td>(165)</td>
<td>(152)</td>
<td>-8%</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>485</td>
<td>539</td>
<td>11%</td>
</tr>
<tr>
<td>Profit for the period (non-HKRFS)</td>
<td>428</td>
<td>569</td>
<td>33%</td>
</tr>
<tr>
<td>Profit attributable to</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other non-controlling interests</td>
<td>19</td>
<td>23</td>
<td>24%</td>
</tr>
<tr>
<td>Equity holders of the Company</td>
<td>466</td>
<td>516</td>
<td>11%</td>
</tr>
<tr>
<td>Equity holders of the Company (non-HKRFS)</td>
<td>413</td>
<td>556</td>
<td>35%</td>
</tr>
<tr>
<td>EPS (US cents)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>4.02</td>
<td>4.39</td>
<td>9%</td>
</tr>
<tr>
<td>Diluted</td>
<td>3.53</td>
<td>4.01</td>
<td>14%</td>
</tr>
<tr>
<td>Gross margin</td>
<td>16.7%</td>
<td>16.9%</td>
<td></td>
</tr>
<tr>
<td>Operating margin</td>
<td>4.4%</td>
<td>4.6%</td>
<td></td>
</tr>
<tr>
<td>E/R ratio</td>
<td>12.3%</td>
<td>12.3%</td>
<td></td>
</tr>
<tr>
<td>PTI margin</td>
<td>3.8%</td>
<td>4.1%</td>
<td></td>
</tr>
<tr>
<td>Net margin</td>
<td>2.8%</td>
<td>3.0%</td>
<td></td>
</tr>
</tbody>
</table>
## Condensed Consolidated Income Statement

<table>
<thead>
<tr>
<th></th>
<th>Q1 21/22</th>
<th>Q1 22/23</th>
</tr>
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<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>16,929</td>
<td>16,956</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>(14,105)</td>
<td>(14,087)</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>2,824</td>
<td>2,869</td>
</tr>
<tr>
<td><strong>Selling and distribution expenses</strong></td>
<td>(847)</td>
<td>(879)</td>
</tr>
<tr>
<td><strong>Administrative expenses</strong></td>
<td>(812)</td>
<td>(688)</td>
</tr>
<tr>
<td><strong>Research and development expenses</strong></td>
<td>(466)</td>
<td>(511)</td>
</tr>
<tr>
<td><strong>Other operating income/(expenses) – net</strong></td>
<td>44</td>
<td>(14)</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>743</td>
<td>777</td>
</tr>
<tr>
<td><strong>Finance income</strong></td>
<td>9</td>
<td>19</td>
</tr>
<tr>
<td><strong>Finance costs</strong></td>
<td>(101)</td>
<td>(100)</td>
</tr>
<tr>
<td><strong>Share of losses of associates and joint venture</strong></td>
<td>(1)</td>
<td>(5)</td>
</tr>
<tr>
<td><strong>Profit before taxation (PTI)</strong></td>
<td>650</td>
<td>691</td>
</tr>
<tr>
<td><strong>Taxation</strong></td>
<td>(165)</td>
<td>(152)</td>
</tr>
<tr>
<td><strong>Profit for the period</strong></td>
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<tr>
<td><strong>Profit attributable to</strong></td>
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<td></td>
</tr>
<tr>
<td>Other non-controlling interests</td>
<td>19</td>
<td>23</td>
</tr>
<tr>
<td>Equity holders of the Company</td>
<td>466</td>
<td>516</td>
</tr>
<tr>
<td><strong>Per share data</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings per share (US cents) – Basic</td>
<td>4.02</td>
<td>4.39</td>
</tr>
<tr>
<td>Earnings per share (US cents) – Diluted</td>
<td>3.53</td>
<td>4.01</td>
</tr>
</tbody>
</table>
## Condensed Consolidated Balance Sheet

<table>
<thead>
<tr>
<th>US$ Million</th>
<th>As of Jun 30, 2021</th>
<th>As of Jun 30, 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank deposits and cash</td>
<td>3,259</td>
<td>3,846</td>
</tr>
<tr>
<td>Trade, notes and other receivables</td>
<td>14,028</td>
<td>15,917</td>
</tr>
<tr>
<td>Inventories</td>
<td>7,826</td>
<td>8,868</td>
</tr>
<tr>
<td>Others</td>
<td>397</td>
<td>474</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td>14,951</td>
<td>15,143</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>1,562</td>
<td>1,571</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>8,448</td>
<td>7,850</td>
</tr>
<tr>
<td>Others</td>
<td>4,941</td>
<td>5,722</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td>29,219</td>
<td>32,969</td>
</tr>
<tr>
<td>Borrowings</td>
<td>694</td>
<td>814</td>
</tr>
<tr>
<td>Trade, notes, other payables, accruals and provisions</td>
<td>26,857</td>
<td>30,049</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>1,146</td>
<td>1,531</td>
</tr>
<tr>
<td>Others</td>
<td>522</td>
<td>575</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td>7,082</td>
<td>5,694</td>
</tr>
<tr>
<td>Borrowings</td>
<td>3,304</td>
<td>2,638</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>1,284</td>
<td>1,387</td>
</tr>
<tr>
<td>Others</td>
<td>2,494</td>
<td>1,669</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>4,160</td>
<td>5,585</td>
</tr>
</tbody>
</table>
## Condensed Consolidated Cash Flow Statement

<table>
<thead>
<tr>
<th>US$ Million</th>
<th>Q1 21/22</th>
<th>Q1 22/23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash generated from operating activities</td>
<td>448</td>
<td>399</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(192)</td>
<td>(388)</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(180)</td>
<td>(8)</td>
</tr>
<tr>
<td>Increase in cash and cash equivalents</td>
<td>76</td>
<td>3</td>
</tr>
<tr>
<td>Effect of foreign exchange rate changes</td>
<td>32</td>
<td>(145)</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the period</td>
<td>3,068</td>
<td>3,930</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the period</td>
<td>3,176</td>
<td>3,788</td>
</tr>
</tbody>
</table>
## Supplemental Non-HKFRS Measures

<table>
<thead>
<tr>
<th></th>
<th>US$ Million</th>
<th>Q1 21/22</th>
<th>Q1 22/23</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Operating profit</td>
<td>Profit before taxation</td>
<td>Profit for the period</td>
<td>Profit attributable to equity holders</td>
<td>Operating profit</td>
<td>Profit before taxation</td>
<td>Profit for the period</td>
<td>Profit attributable to equity holders</td>
<td></td>
</tr>
<tr>
<td>As reported</td>
<td>743</td>
<td>650</td>
<td>485</td>
<td>466</td>
<td>777</td>
<td>691</td>
<td>539</td>
<td>516</td>
<td></td>
</tr>
<tr>
<td>Non-HKFRS adjustments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net fair value changes on financial assets at fair value through profit or loss</td>
<td>(131)</td>
<td>(131)</td>
<td>(111)</td>
<td>(107)</td>
<td>(25)</td>
<td>(25)</td>
<td>(21)</td>
<td>(11)</td>
<td></td>
</tr>
<tr>
<td>Amortization of intangible assets resulting from mergers and acquisitions</td>
<td>63</td>
<td>63</td>
<td>51</td>
<td>51</td>
<td>61</td>
<td>61</td>
<td>49</td>
<td>49</td>
<td></td>
</tr>
<tr>
<td>Mergers and acquisitions related charges</td>
<td>-</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>-</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
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<td>675</td>
<td>585</td>
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thanks.