

LENOVO GROUP: FULL YEAR FINANCIAL RESULTS 2020/21



Lenovo delivers record fourth quarter results and new fiscal year milestone - Surges past US\$60 billion revenue mark, with record annual profits

HONG KONG, May 27, 2021 – **Lenovo Group** (HKSE: 992) (ADR: LNVGY) today announced record results for the Group for both its fourth quarter and fiscal year, with phenomenal growth across all parts of the business. The results demonstrate the Group’s resilience and ability to achieve balanced, consistent, and sustainable growth as it continues to diversify and transform in line with its 3S (Smart IoT, Smart Infrastructure, Smart Solutions) corporate strategy.

Fourth quarter Group revenue grew at 48% year-to-year to US\$15.6 billion. Profit recorded its highest growth rate in two years – with pre-tax income of US\$380 million and net income of US\$260 million – up 392% and 512% respectively. The Q4 results closed out a record year, with annual Group revenue surging past US\$60 billion, adding more than US\$10 billion on the previous fiscal year. Profit grew even faster, with pre-tax income of almost US\$1.8 billion and net income of US\$1.2 billion – both up more than 70% year-on-year.

Lenovo’s Board of Directors declared a final dividend of 3.09 US cents or 24 HK cents per share for the fiscal year ended March 31, 2021.

Financial Highlights:

	FY 20/21 US\$ millions	FY 19/20 US\$ millions	Change	Q4 20/21 US\$ millions	Q4 19/20 US\$ millions	Change
Group Revenue	60,742	50,716	20%	15,630	10,579	48%
Pre-tax income	1,774	1,018	74%	380	77	392%
Net Income <small>(profit attributable to equity holders)</small>	1,178	665	77%	260	43	512%
Basic earnings per share <small>(US cents)</small>	9.54	5.58	3.96	2.19	0.36	1.83

Chairman and CEO quote – Yuanqing Yang:

“Last quarter, we delivered our fastest growing quarter in almost a decade and closed the fiscal year with the new milestone of passing US\$60 billion in revenue and significant growth in profit to a new record. These historic highs were achieved by leveraging our core competencies of a clear strategy, innovative products, operational excellence, and global-local model to meet the new needs in the New Normal.” said Yuanqing Yang, Lenovo Chairman and CEO. “Looking forward, we will capture the huge growth opportunities created by the market trends of information consumption upgrade, infrastructure upgrade and application upgrade to drive long-term sustainable growth and ensure we can build an even smarter future in the years ahead.”

Fourth quarter record driven by simultaneous double-digit revenue growth across all core businesses

- Best fourth quarter ever for **PC and Smart Devices (PCSD)** with US\$12.4 billion in revenue, up 46% year-on-year and profitability at an all-time high of 6.7%.
- All geographies realized high double-digit growth in PCSD revenue and PC volume outgrew the market – further strengthening the company’s global #1 ranking in PCs.
- Tablets had a breakthrough quarter, with shipments growing 157% year-on-year – around three times as fast as the market.
- High growth and premium segment volumes (Gaming, Thin & Light, Chromebooks, Visuals) continue to outgrow the market and deliver strong double to triple-digit growth rates.
- Revenue from the **Mobile Business Group (MBG)** achieved hyper-growth, up 86% year-on-year to US\$1.54 billion – achieving pre-tax income of US\$21 million – a record high since the Motorola acquisition.
- Expanded carrier relationships and a strong product portfolio, including 5G products, saw smartphone volumes grow at triple digit rate in North America, Europe, and Asia Pacific.
- Smartphone market share in our Latin America stronghold reached a record of nearly 21%.
- Revenue for the **Data Center Group (DCG)** was strong, growing 32% year-on-year to US\$1.6 billion, the fifth straight quarter of premium-to-market growth. Profitability improved 4.4 points year-on-year.
- The Cloud Service Provider business grew 73% year-on-year and at a 61-point premium to the market.
- Record high fourth quarter revenue was achieved for Server, Storage, Software Defined Infrastructure, Software, and HPC/AI. Traditional storage was a particular highlight growing at 73% year-on-year.
- Burgeoning Edge business delivering strong signs of future growth.
- **Transformation businesses** also achieved record growth, fueled by ongoing strong growth in services and software revenue* up 44% year-on-year. Managed Services revenue* (DaaS, TruScale) nearly doubled, and Solutions revenue* grew 65% year-on-year.

Fiscal year milestone fueled by leveraging core competencies of clear strategy, product innovation, operational excellence, and Global/Local model

- For the first time, Group **revenue surged past US\$60 billion**, adding more than US\$10 billion, or 20% year-on-year growth in just one year.
- Intelligent Devices Group (PCSD and MBG) and Data Center Group achieved revenue growth of 20% and 15% respectively.
- The Group’s **Service-led transformation** is forging ahead. Software and Services revenue grew twice as fast at the overall Group revenue, at almost 40% year-on-year to a record US\$4.9 billion – **now makes up 8%* of Group revenue.**

Operational highlights

- Effective April 1, 2021, the Lenovo Group brought together services and solutions teams and capabilities from across the company to form a dedicated organization - the new **Solutions & Services Group (SSG)**. This business group will further strengthen our attached services portfolio

and increase attach rates, enhance and expand managed services, and develop repeatable solutions in key vertical industries.

- The Group's **global supply chain** continues to be best-in-class with the global footprint expanding to include a [new in-house factory in Hungary](#) which will be fully operational later in 2021. Most recently [Gartner ranked Lenovo](#) as one of the **world's top 25 supply chains**, citing the company as a stand-out performer in customer-driven business transformation, noted for embracing the use of advanced technologies like 5G, blockchain and artificial intelligence to optimize the delivery of products and solutions to customers across 180 markets.
- **Progress and ambitions around sustainability continue at a significant pace**, with Scope 1 and 2 greenhouse gas emissions reduced by 92% over the past decade and have new aggressive [science-based targets for 2030](#) in place to drive progress even harder. The company has also been recognized by the annual [Corporate Knights](#) Index as one of the **world's 100 most sustainable companies**.
- The company was [named](#) as one of the **world's most innovative companies** by Boston Consulting Group – ranking 25 out of the top 50.

Business outlook

The challenges of FY 20/21 continue, in varying degrees, into the new year. Nevertheless, with the permanent market changes accelerated over the past year **the Group's outlook for the rest of 2021 and the 21/22 fiscal year remains positive**. The market changes over the past year are fueling three major trends that the Group is capitalizing on. Firstly, the **consumption upgrade**, with customers spending more time on their devices, buying more, and upgrading more often. Secondly, the **infrastructure upgrade**, with customers moving from buying data center products to buying total infrastructure solutions. And finally, the **application upgrade**, with digitalization greatly accelerated and intelligent transformation, enabled by A.I., becoming a reality. Lenovo's proven track record for execution, its global-local operating model, and new organizational structure aligns to these trends, will further strengthen the Group's ability to drive long-term, sustainable growth.

* invoiced revenue

About Lenovo

Lenovo (HKSE: 992) (ADR: LNVGY) is a US\$60 billion revenue Fortune Global 500 company serving customers in 180 markets around the world. Focused on a bold vision to deliver smarter technology for all, we are developing world-changing technologies that power (through devices and infrastructure) and empower (through solutions, services and software) millions of customers every day and together create a more inclusive, trustworthy and sustainable digital society for everyone, everywhere. To find out more visit <https://www.lenovo.com> and read about the latest news via our [StoryHub](#).

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LENOVO GROUP**FINANCIAL SUMMARY**

For the fiscal quarter and full year ended March 31, 2021

(in US\$ millions, except per share data)

	Q4 FY20/21	Q4 FY19/20	Y/Y CHG	FY20/21	FY19/20	Y/Y CHG
Revenue	15,630	10,579	48%	60,742	50,716	20%
Gross profit	2,688	1,861	44%	9,768	8,357	17%
Gross profit margin	17.2%	17.6%	(0.4)pts	16.1%	16.5%	(0.4)pts
Operating expenses	(2,209)	(1,695)	30%	(7,588)	(6,918)	10%
Expenses-to-revenue ratio	14.1%	16.0%	(1.9)pts	12.5%	13.6%	(1.1)pts
Operating profit	479	166	188%	2,180	1,439	52%
Other non-operating expenses - net	(99)	(89)	11%	(406)	(421)	(3)%
Pre-tax income	380	77	392%	1,774	1,018	74%
Taxation	(95)	(14)	585%	(461)	(213)	116%
Profit for the period/year	285	63	350%	1,313	805	63%
Non-controlling interests	(25)	(20)	20%	(135)	(140)	(3)%
Profit attributable to equity holders	260	43	512%	1,178	665	77%
Earnings per share (US cents)						
Basic	2.19	0.36	1.83	9.54	5.58	3.96
Diluted	1.94	0.35	1.59	8.91	5.43	3.48