2019 Investor Day

Yuanqing Yang, Chairman & CEO | March 18, 2019

Lenovo

Thanks for the firm support over the years

Lenovo stock significantly outperformed the index over the past year

— Hang Seng Index   — Lenovo stock price

+65%

-8%

75.00%

64.73%

50.00%

25.00%

0.00%

-7.94%

173.42M

-25.00%

Apr   May   Jun   Jul   Aug   Sep   Oct   Nov   Dec   2019   Feb   Mar
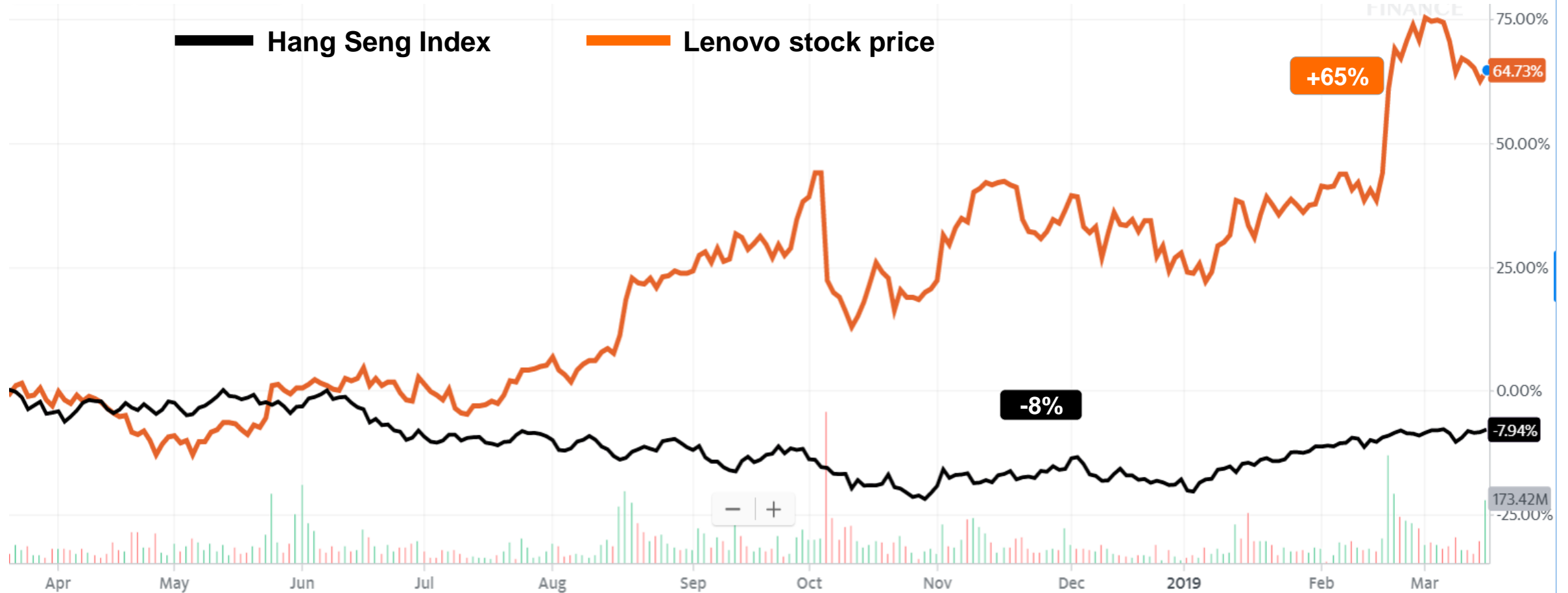
Lenovo stock price increased **65%** in a year, while Hang Seng Index decreased by **-8%** (as of Mar 15th, 2019)

Source: Financial Times, Yahoo Finance

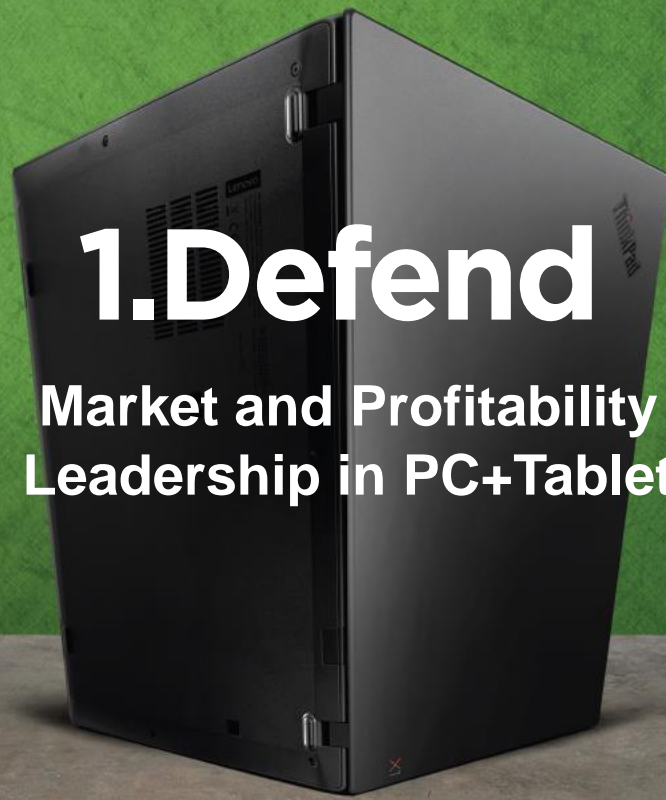# Two Integrations & Two Transformations

Integration
2 acquired businesses

Transformation
Product centric – **Customer centric**
Single business – **Multi-business**

Persistent Execution of 3-Wave Strategy

1.Defend
Market and Profitability Leadership in PC+Tablet

2.Build
Build Mobile & Data Center into New Growth Engines

3.Invest
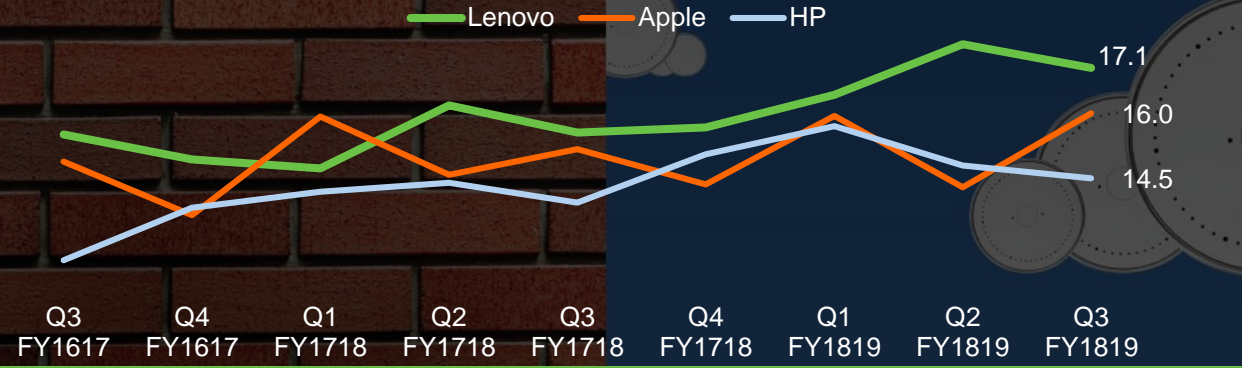**Invest in SIoT+Cloud, and Infrastructure+Cloud**
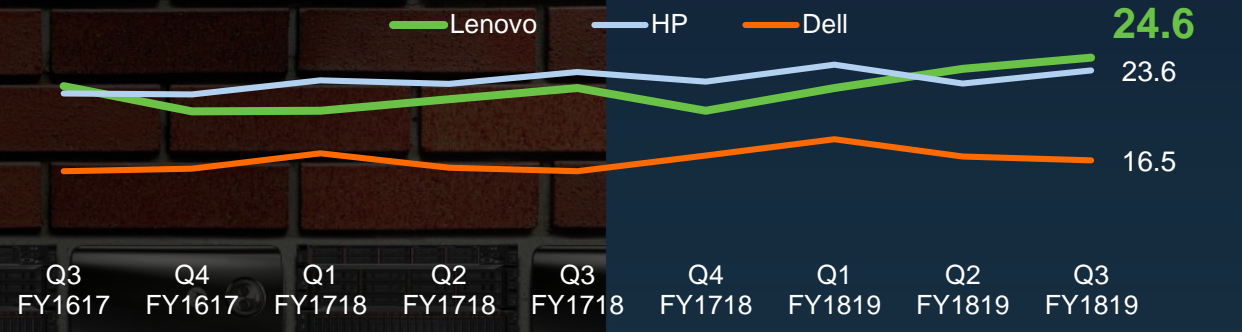
3-Wave Strategy

1.Defend

Market and Profitability Leadership in PC+Tablet

- Undisputed **#1**
  - PC record market share of **24.6%**
  - PC+Tablet market share **17%**
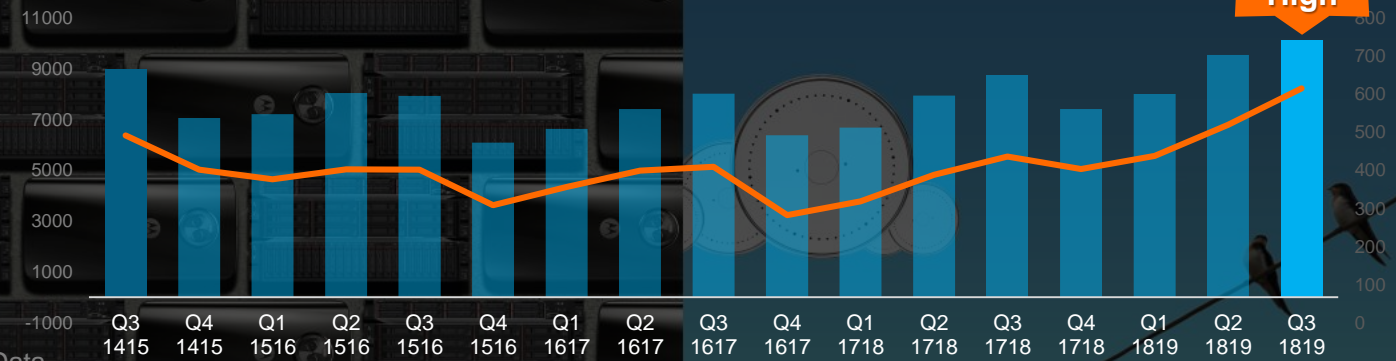
- PC: **record high** revenue & profit

Global PC+Tablet Top 3 Market Share (%)

— Lenovo — Apple — HP

17.1
16.0
14.5

Q3 FY1617	Q4 FY1617	Q1 FY1718	Q2 FY1718	Q3 FY1718	Q4 FY1718	Q1 FY1819	Q2 FY1819	Q3 FY1819

Global PC Top 3 Market Share(%)

— Lenovo — HP — Dell

24.6
23.6
16.5

Q3 FY1617	Q4 FY1617	Q1 FY1718	Q2 FY1718	Q3 FY1718	Q4 FY1718	Q1 FY1819	Q2 FY1819	Q3 FY1819

PC Revenue ($M) & PTI ($M)

Record High

11000
9000
7000
5000
3000
1000
-1000

600
700
600
500
400
300
200
100

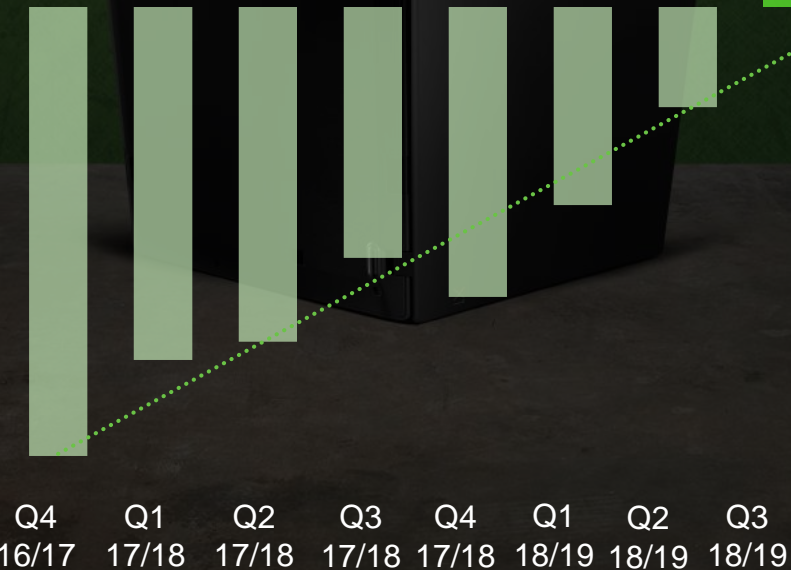| Q3 1415	Q4 1415	Q1 1516	Q2 1516	Q3 1516	Q4 1516	Q1 1617	Q2 1617	Q3 1617	Q4 1617	Q1 1718	Q2 1718	Q3 1718	Q4 1718	Q1 1819	Q2 1819	Q3 1819

3-Wave Strategy Mobile

- **Breakthrough** – Profitable worldwide 1st time since Motorola acquisition

MBG PTI（Million USD）

3

| Q4 16/17 | Q1 17/18 | Q2 17/18 | Q3 17/18 | Q4 17/18 | Q1 18/19 | Q2 18/19 | Q3 18/19 |

2.Build

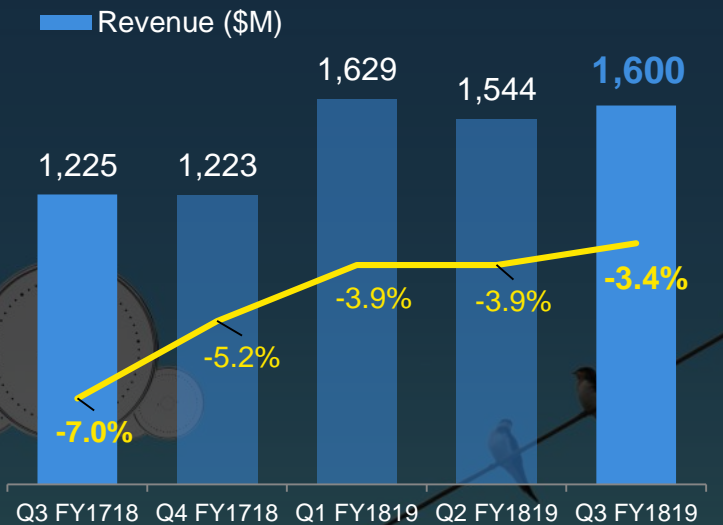**Build Mobile & Data Center into New Growth Engines**

Data Center

- Revenue: Strong double-digit YoY hyper-growth
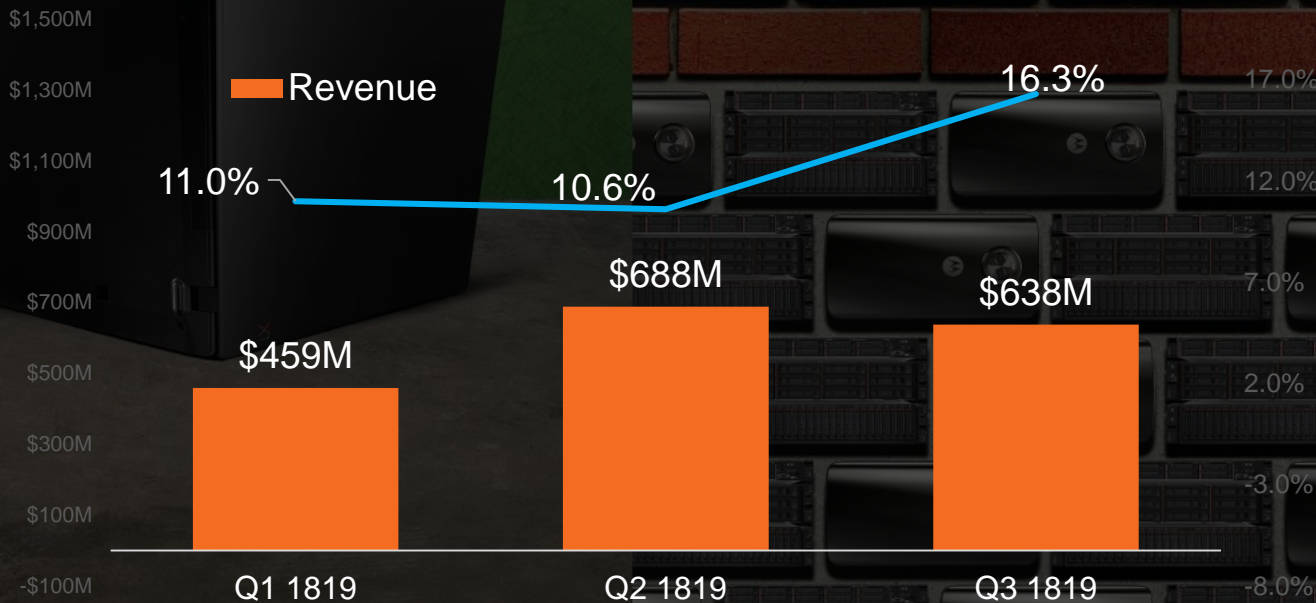- Profitability: Improved for 5th consecutive quarter

DCG Revenue and PTI Margin

■ Revenue ($M)

Q3 FY1718	Q4 FY1718	Q1 FY1819	Q2 FY1819	Q3 FY1819
1,225	1,223	1,629	1,544	1,600
-7.0%	-5.2%	-3.9%	-3.9%	-3.4%

3-Wave Strategy

- Invested in various smart devices & built platform to provide cloud contents and services

- Invested in software-defined technology & in-house design and manufacturing for cloud computing.

- Invested in big data & vertical solutions

- Double-digit revenue growth in software & service

3.Invest

Invest in SIoT+Cloud, and Infrastructure+Cloud

Software & Services Revenue

	Revenue

11.0% 10.6% 16.3%

$459M $688M $638M

Q1 1819 Q2 1819 Q3 1819

$1,500M
$1,300M
$1,100M
$900M
$700M
$500M
$300M
$100M
-$100M

17.0%
12.0%
7.0%
2.0%
-3.0%
-8.0%

Source: Internal Data

Steam Engine

Electricity

Computing &
High speed internet

Augmented
Intelligence

**1st Industrial
Revolution**

**2nd Industrial
Revolution**

**3rd Industrial
Revolution**

**4th Industrial
Revolution**

Key Trends: Smart IoT

- Transition from PC internet to mobile internet, and to Smart Internet of Things

- More and more smart devices

- Massive data being generated

  – Smarter devices

 – Fuel for intelligence

is a trademark of Google LLC.

Key Trends:
Smart Infrastructure

- Transition from traditional infrastructure to smart infrastructure

- Software-defined making the data center more agile and flexible

- Cloud computing and edge computing to support the computing everywhere
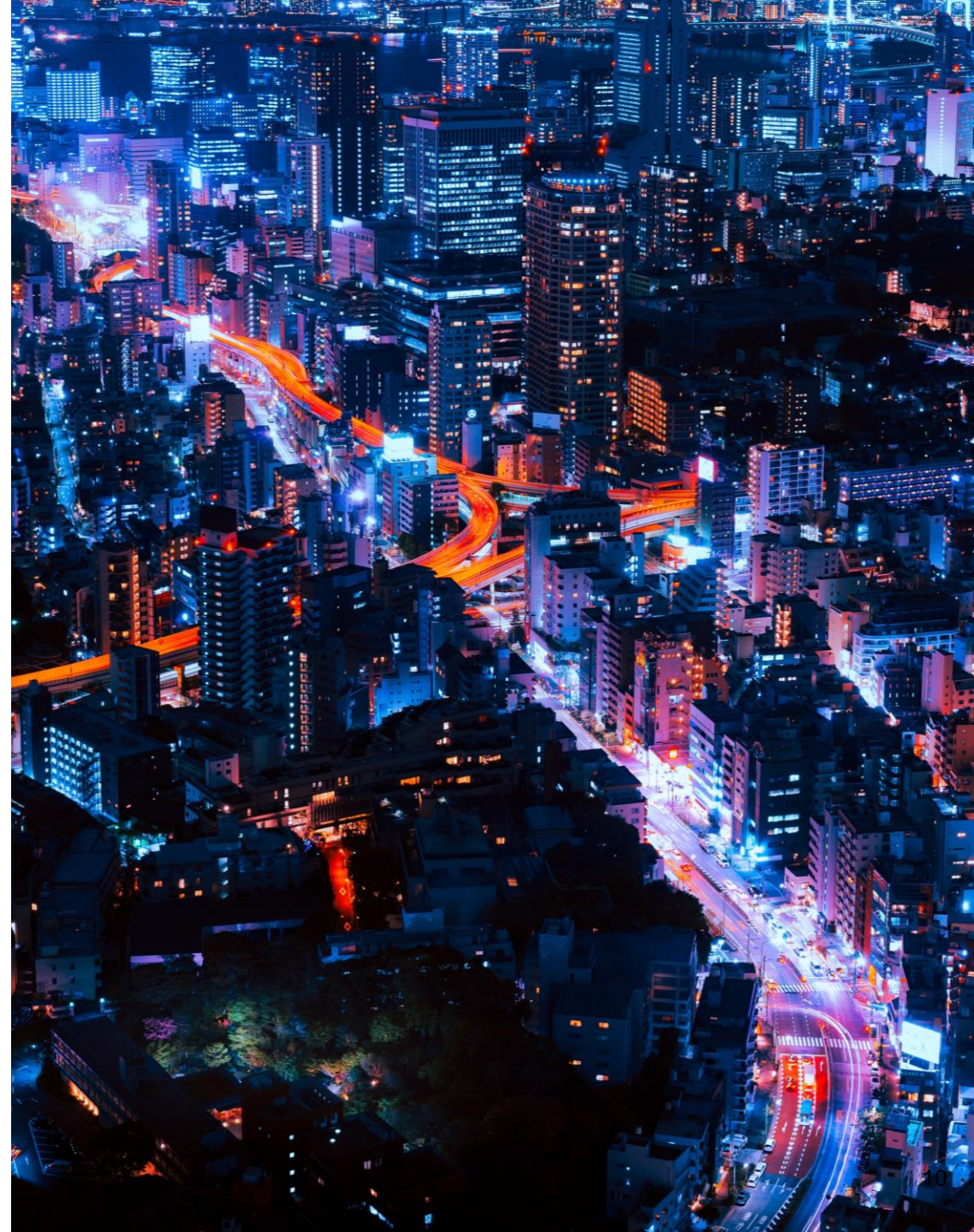
Key Trends:
Smart Vertical Solutions

- Leverage Augmented Intelligence (machine intelligence) to improve business processes & decision-making
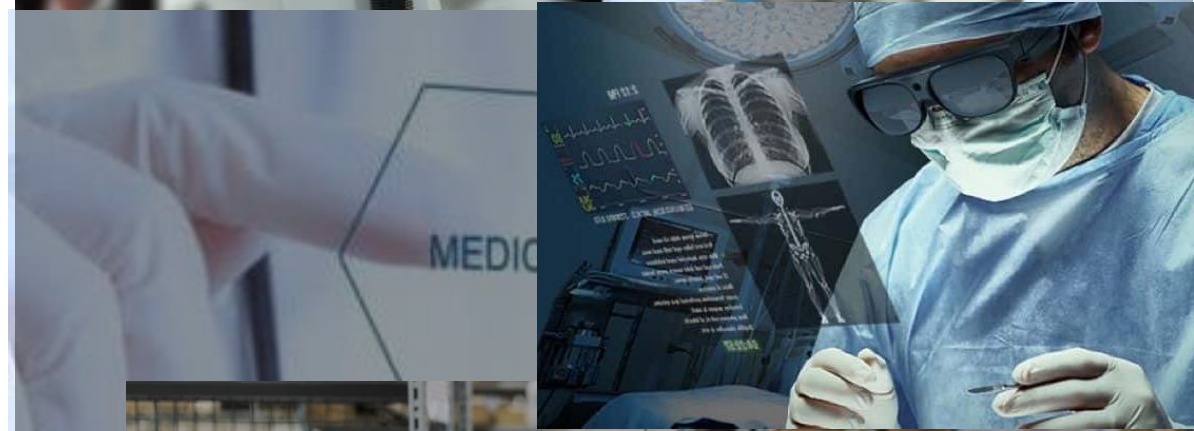
Lenovo's Intelligent Transformation

Smart IoT

Smart Infrastructure

Smart Verticals

3S Strategy: Smart IoT

- Make traditional devices smarter

- Develop new categories of smart devices

- Capture more opportunities in commercial IoT

3S Strategy: Smart IoT

Lenovo's advantage to lead SIoT

- Broad product development capability

- End-to-end value chain to scale

3S Strategy: Smart Infrastructure

- Extend leadership in **traditional data center**

- Strengthen leading position in **high performance computing**

- **Cloud computing** solution with in-house design & manufacturing & Develop **edge computing**

- Grow aggressively in **software-defined infrastructure**

  – Investing in, taking leadership role in NFV

SuperMUC-NG

#8 in Global TOP 500 HPC

#1 in Europe

Leibniz Supercomputing Center

Leibniz-Rechenzentrum
der Bayerischen Akademie der Wissenschaften

3S Strategy: Smart Infrastructure

- Extend leadership in **traditional data center**

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3S Strategy: Smart Vertical

What is Smart Vertical Solution?

- **SIoT** to generate data

- **Smart Infrastructure** to provide computing power

- **Big Data tools** to sort, cleanse, analyze data

- Train and generate the model with data, **algorithm** and industry know-how

- **Model** to provide insights to enhance processes and decision making

Huge Potential Opportunity

Strong Execution

1984-1994
Founding Period

1994-2004
PC Brand Period

2004-2014
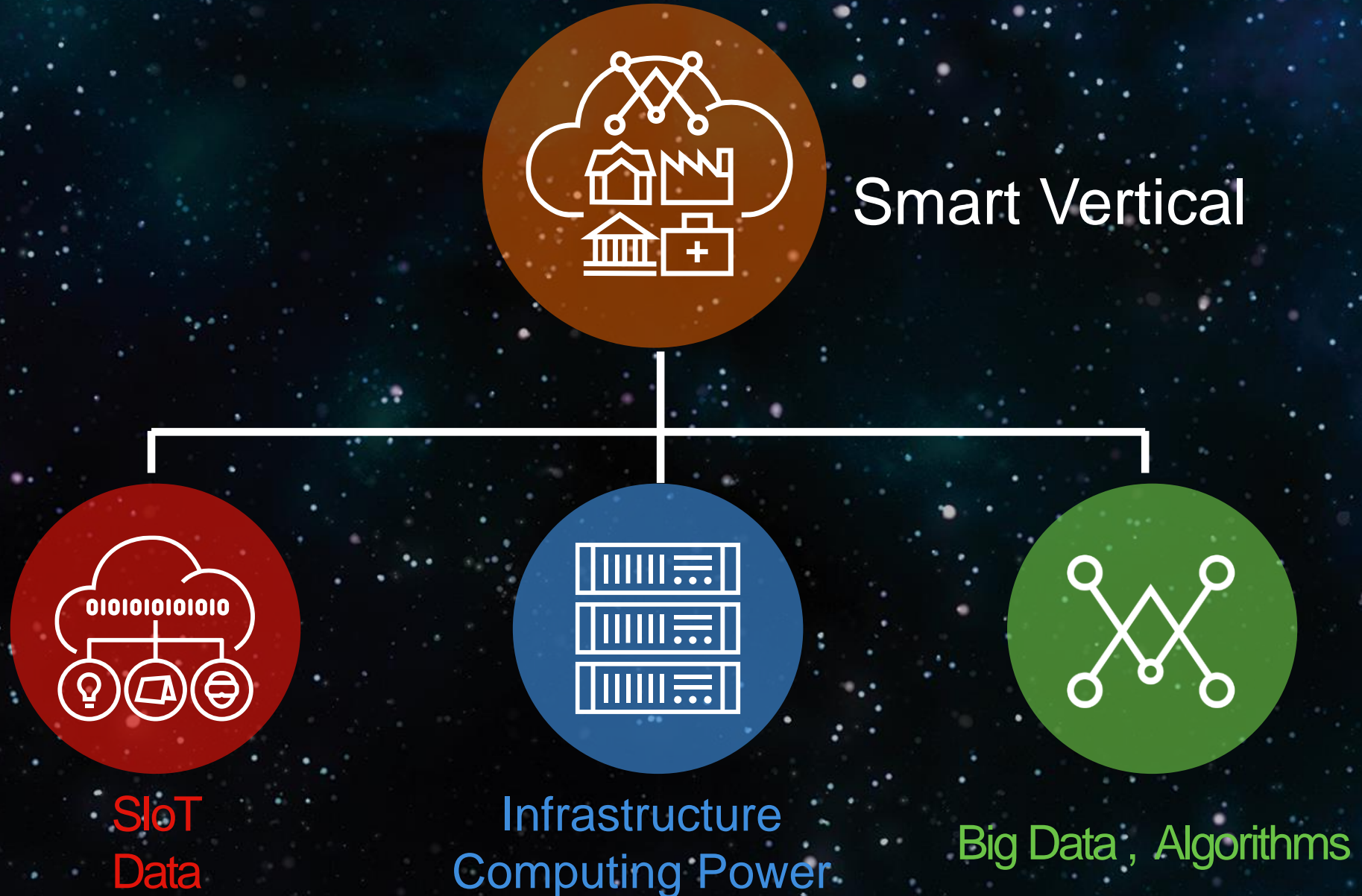**Globalization Period**

2014-Today
Period of Diversified Business

First Transformation:
Building Lenovo PC brand

Second Transformation:
Developing a global business

Third Transformation:
Multi-business, customer centricity

Lenovo

The 4ᵗʰ Intelligent Transformation

Smart Vertical

SIoT
Data

Infrastructure
Computing Power

Big Data，Algorithms

Our Mission

Be the
Leader & **Enabler**
of the
Intelligent Transformation

Smart IoT

Smart Infrastructure

Smart Vertical

Once we reach one peak, we aim at an even higher one. We never give up.

Lenovo

thanks.

Lenovo