

Accelerating Growth and Return

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Lenovo

Constantly Reinventing Ourselves

- **Up until now, we have constantly reinvented ourselves**
 - Delivered organic growth with strong execution in core business
 - Expanded into new businesses by leveraging transformational inorganic opportunities
- **Going forward, we will utilize this new foundation to continuously drive Intelligent Transformation and increase shareholder value**



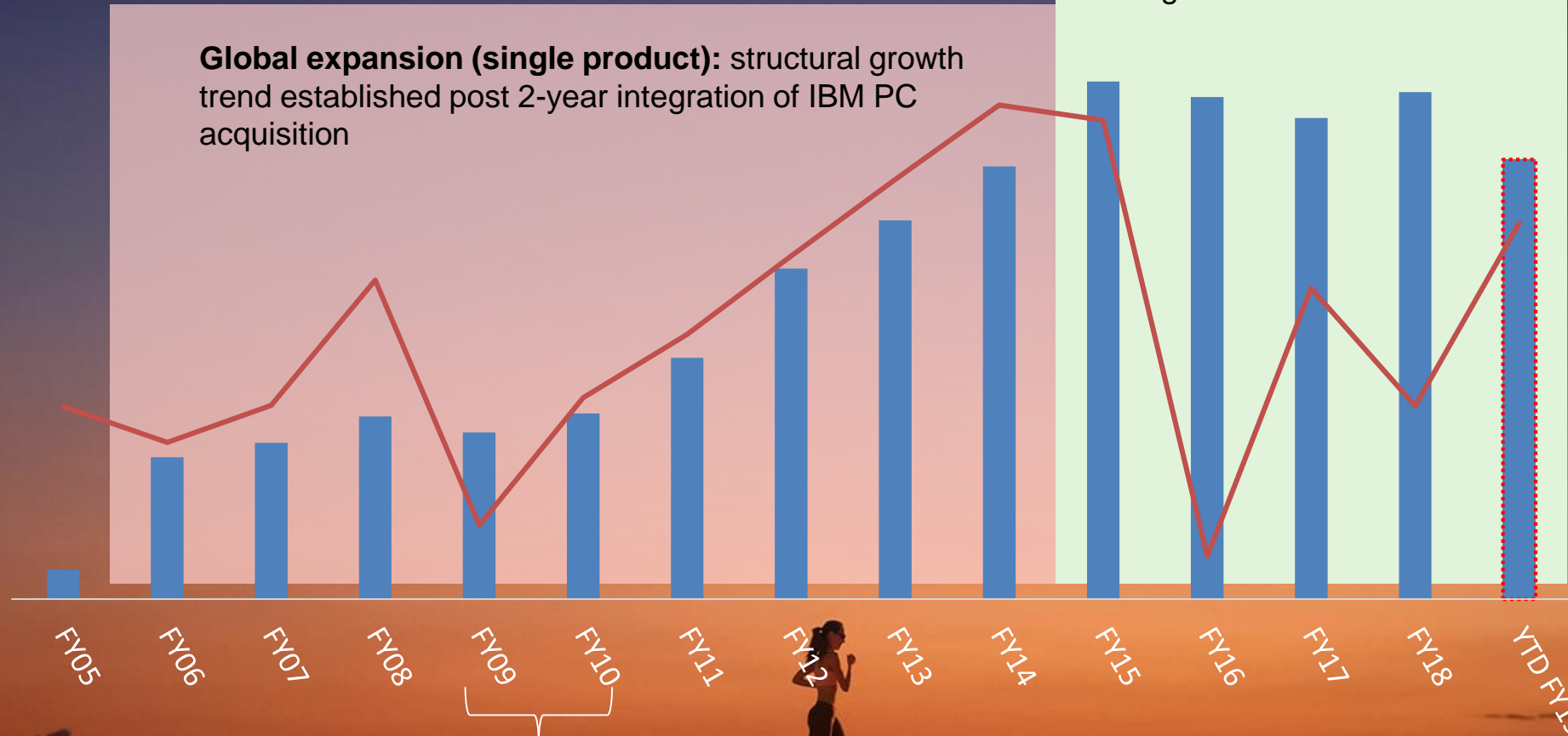
Lenovo

Integration of Transformational Acquisitions

Revenue and pre-tax income trend

Revenue US\$bn

\$50
\$45
\$40
\$35
\$30
\$25
\$20
\$15
\$10
\$5
\$0



Global expansion (single product): structural growth trend established post 2-year integration of IBM PC acquisition

Multiple pillars of growth: new structural growth trend being established post 4-year integration

Pre-tax Income US\$m

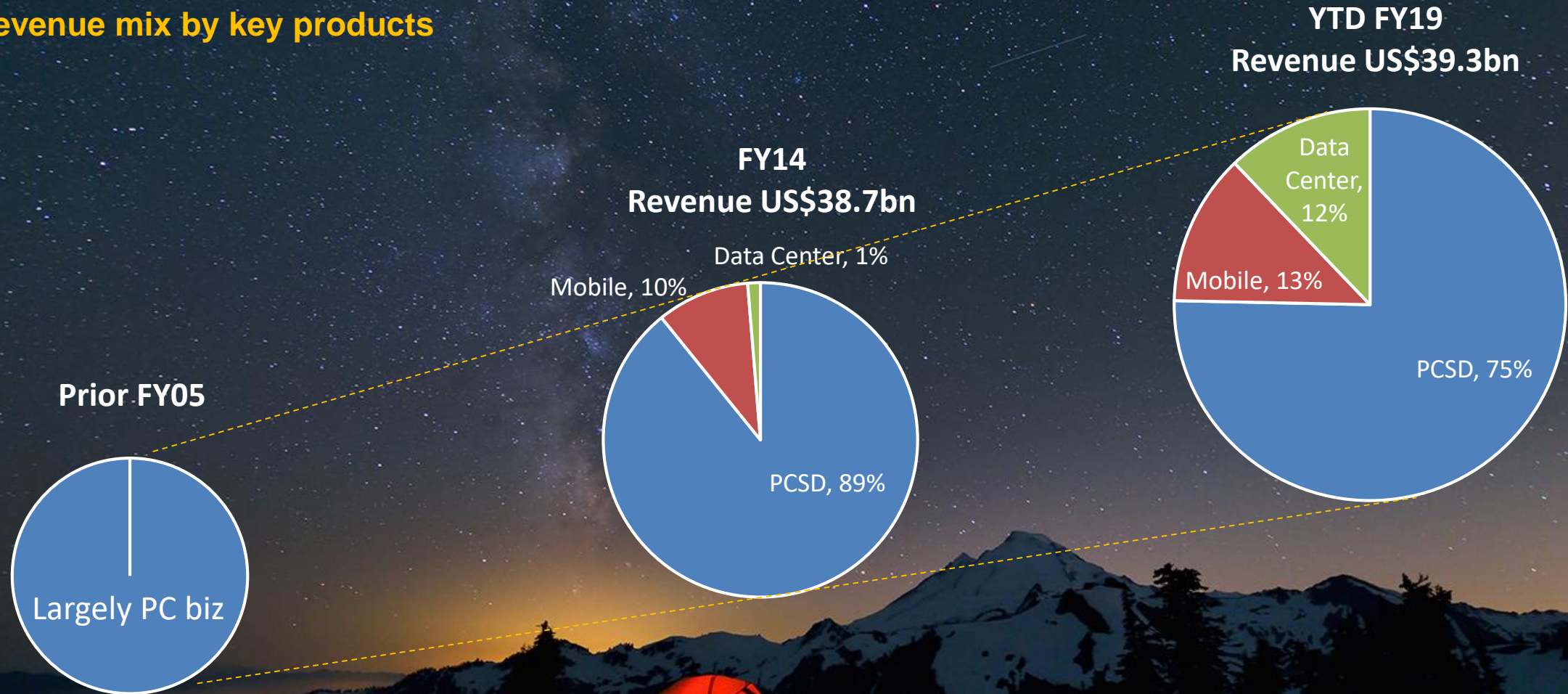
\$1,200
\$1,000
\$800
\$600
\$400
\$200
\$0
(\$200)
(\$400)

Financial crisis: temporary disruption of growth trajectory

Revenue — Pre-tax Income (RHS)

Expand End-to-End Solutions for Bigger Opportunities

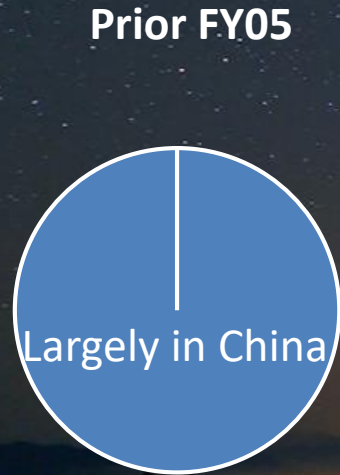
Revenue mix by key products



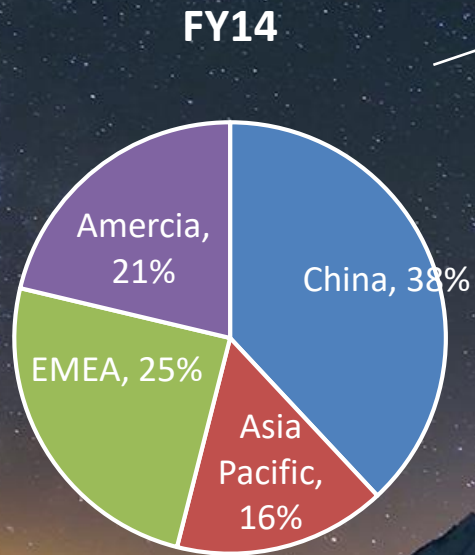
Note: PCSD stands for PC and Smart Devices Group. YTD FY19 revenue represented growth of 34% over 1-3QFY14.

Global Franchise with Balanced Regional Contribution

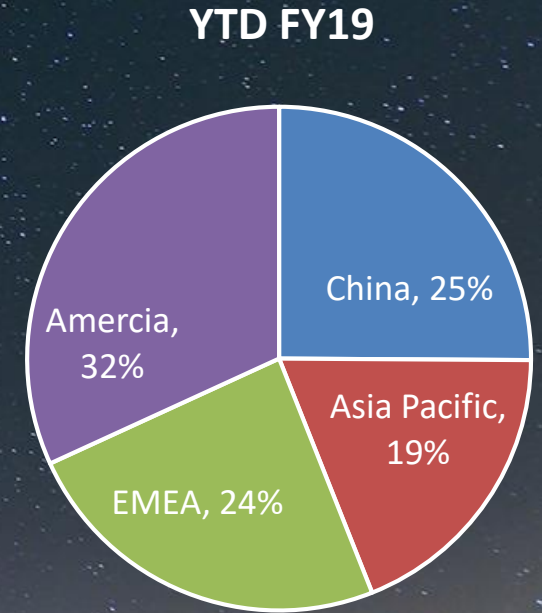
Revenue mix by regional markets



Earnings grew almost 7x since FY05



Earnings back to growth mode since the dip in FY16



Increasing Presence and Relevance in Important Key Markets

Country Size by Products

Lenovo's Performance

- PC: 2nd largest country
- Smartphone: largest
- Server: 2nd largest



- **Dominant in PCSD**
- Strong opportunity in MBG and DCG with existing momentum

- PC: largest country
- Smartphone: 2nd largest
- Server: largest



- **#3 in PC**; still room for growth
- Strong growth in Smartphone and Data Center in the past year or so

- PC: 3rd largest country
- Server: 3rd largest



- **Dominant in PCSD**
- Server unit grew strong double digit in the past year or so

Unique Global Manufacturing and Supply Chain Excellence

More competitive cost structure and sustainable model for customer

Gartner

**Top Supply Chain
Ranking**

Worldwide #26
Asia Pacific #2

**Unique Hybrid Operation
Model**

In-house and outsourcing
strategy across each BG

Smart Manufacturing

Drive further efficiency
through AI & big data
analysis

**One of the Largest
Annual Procurement
Spending**

US\$38bn

**Global Manufacturing
Base**

- 9 Countries
- 37 manufacturing sites
in total
- 13 in-house facilities

**Best-in-Class
Sustainability**

CSR Gold Rating

ecovadis

Competitive Operating Platform

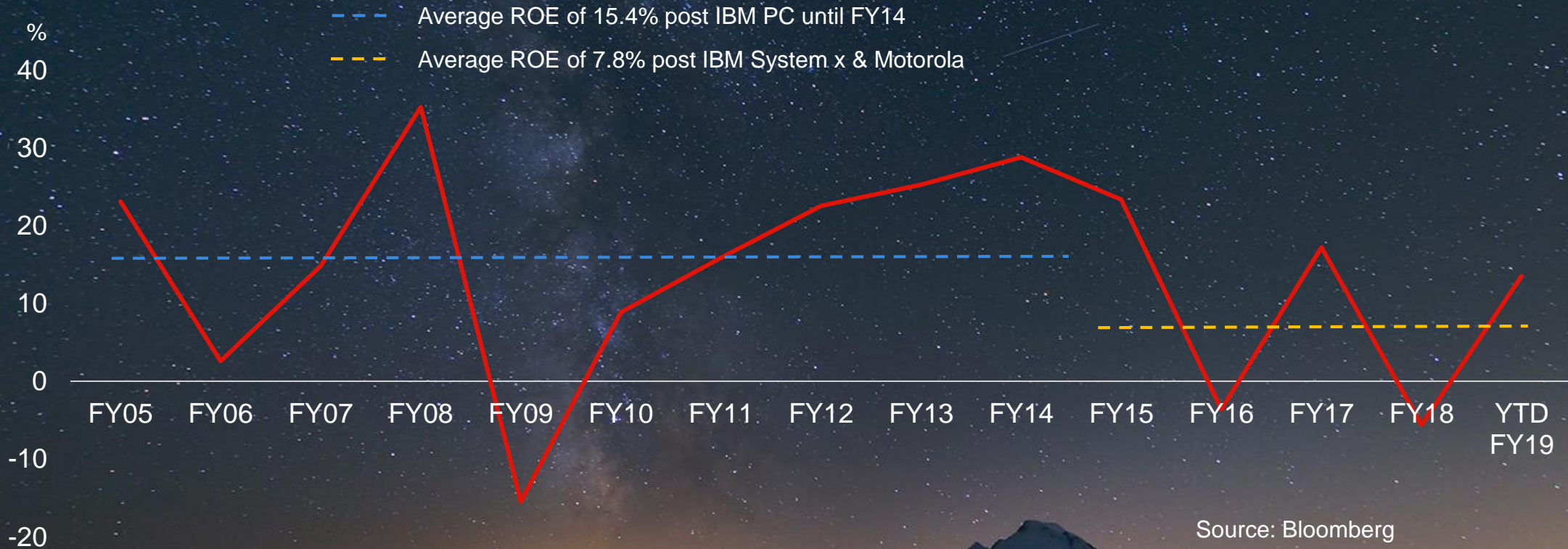
Pre-tax income (PTI) margin and expense to revenue ratio



- **Since the integration of x86 and Motorola, structurally lowered expense to revenue ratio**
 - Building a scalable business model
 - Efficient supply and operation management
- **Despite decrease in expense to revenue ratio, continued to invest strategically in our future**
 - R&D efforts to drive smart IoT, smart infrastructure and smart vertical solutions

Driving Return on Equity (ROE) Expansion

Historical ROE trend



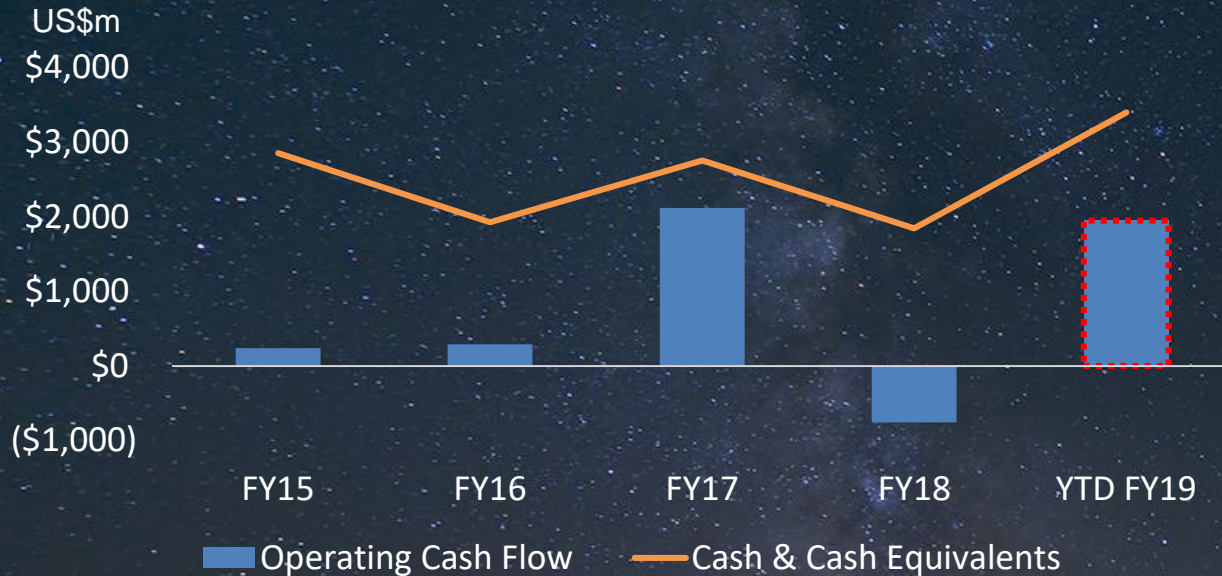
Trailing ROE comparison with peer groups

	Lenovo	PC Peers	Mobile Peers	Server Peers
Trailing 12-month ROE	15%	4%	-20%	13%

Source: Bloomberg

Strengthen Cash Flow Generations

Improving operating cash flow



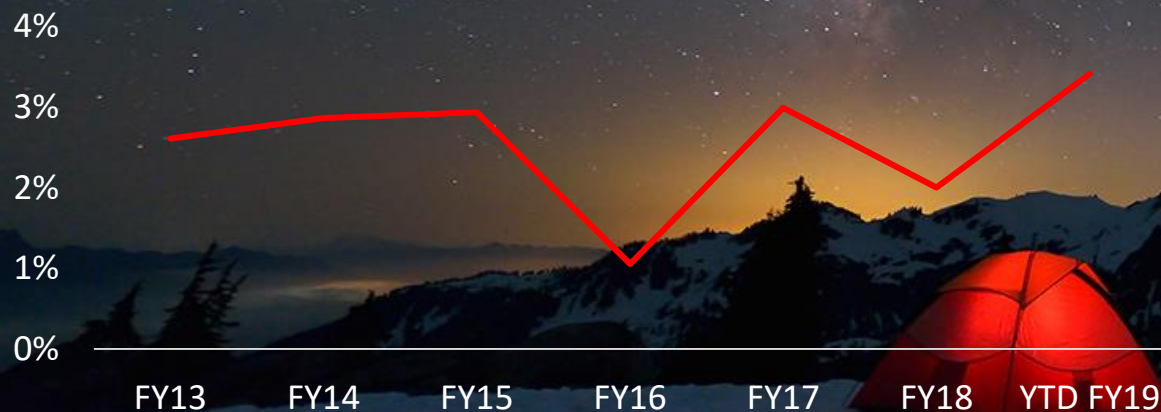
- **Strong operating cash flow**

- Better earnings
- Improving working capital

- **Focused investment strategy**

- Strategic investments to accelerate Intelligent Transformation

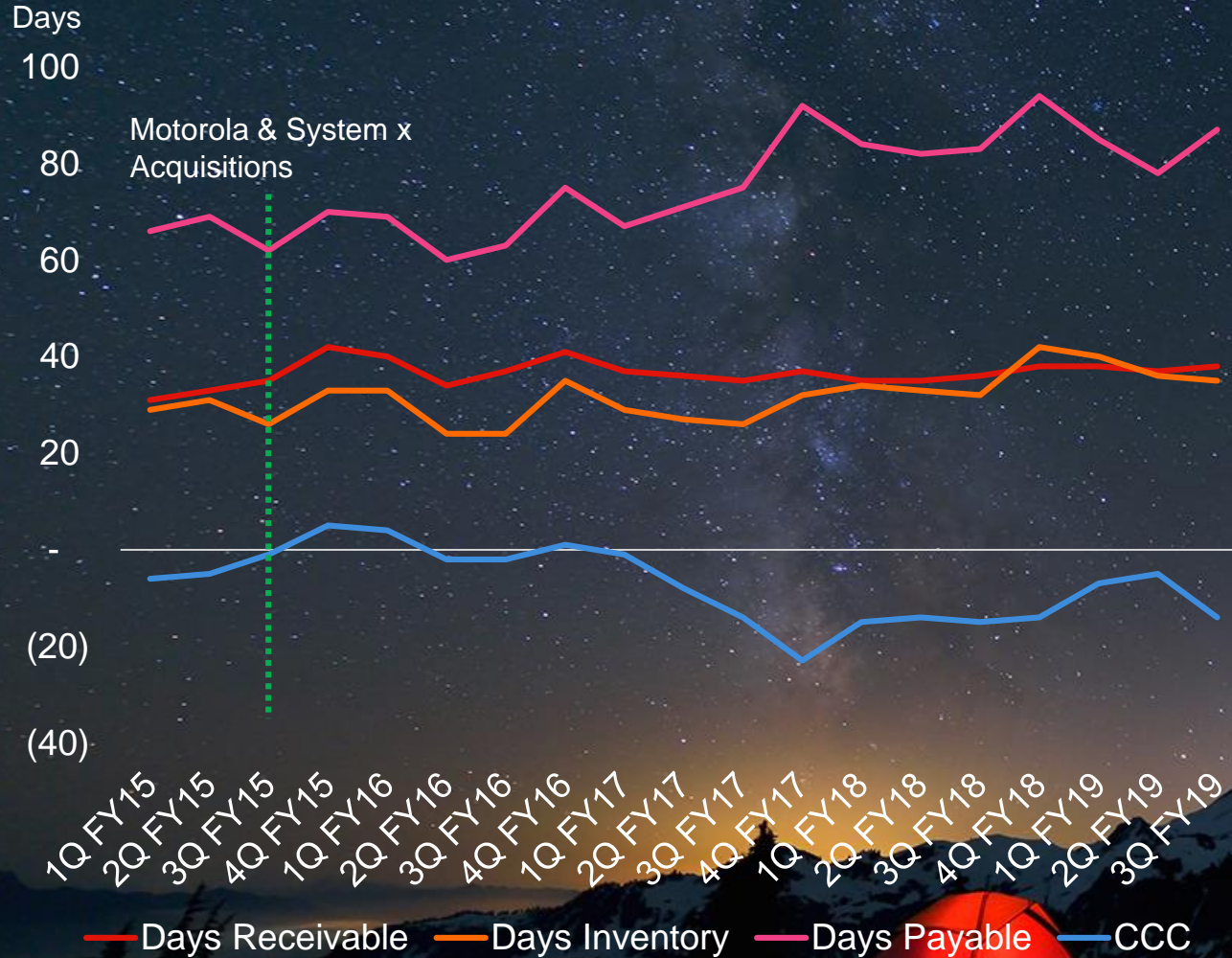
Expansion of free cash flow margin



- **Further room for improvement**

Improving Working Capital & Cash Conversion Cycle

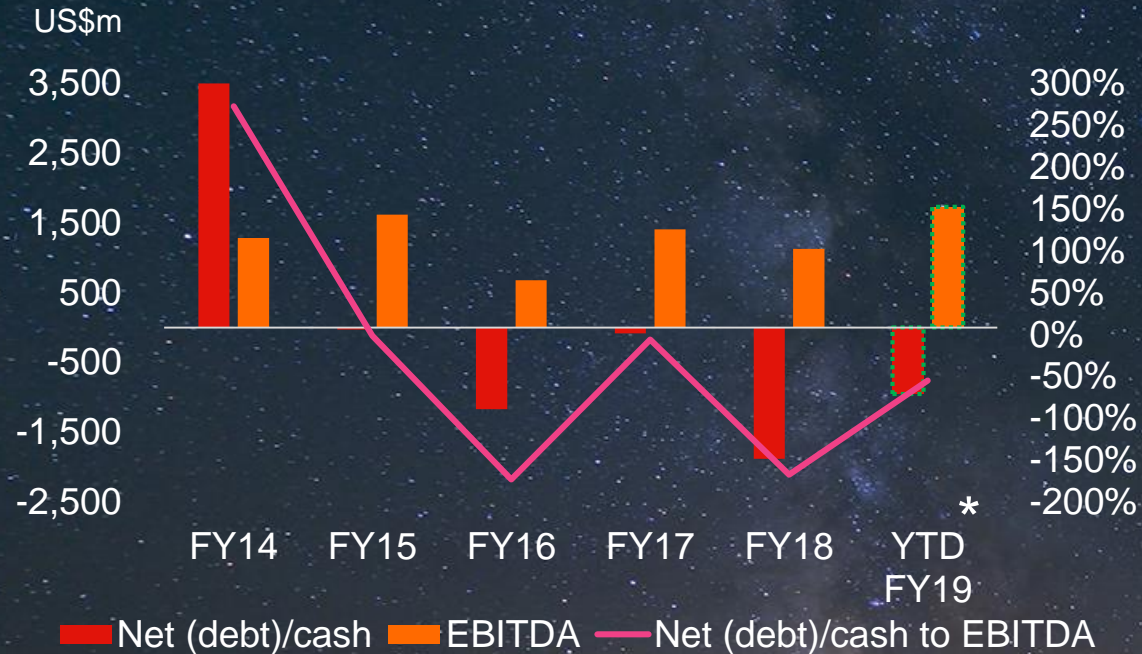
Cash conversion cycle (CCC)



- Structural improvement on cash conversion cycle versus pre-acquisition
- Unwinding inventory amid the turn of component cycles
- Continue to improve efficiency in supply chain management

Optimization of Capital Structure

EBITDA and related matrix



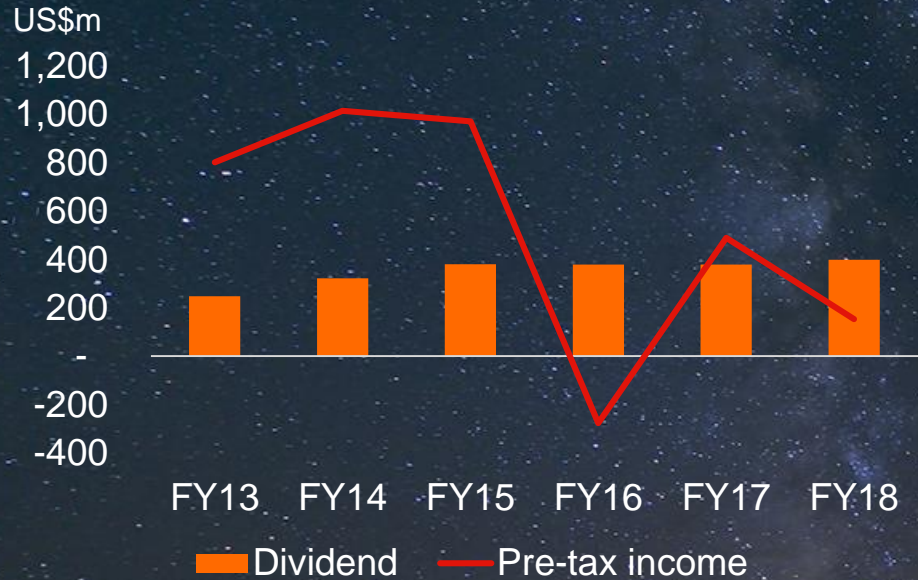
- Improved EBITDA as business operation improves
- Increased ability to lower net debt
- No short term debt repayment pressure

Debt repayment schedule

Issue date	Principal amount	Term	Interest rate per annum	Due date
10-Jun-15	RMB4bn	5 years	4.95%	Jun-20
16-Mar-17	US\$500m	5 years	3.875%	Mar-22
29-Mar-18	US\$750m	5 years	4.75%	Mar-23

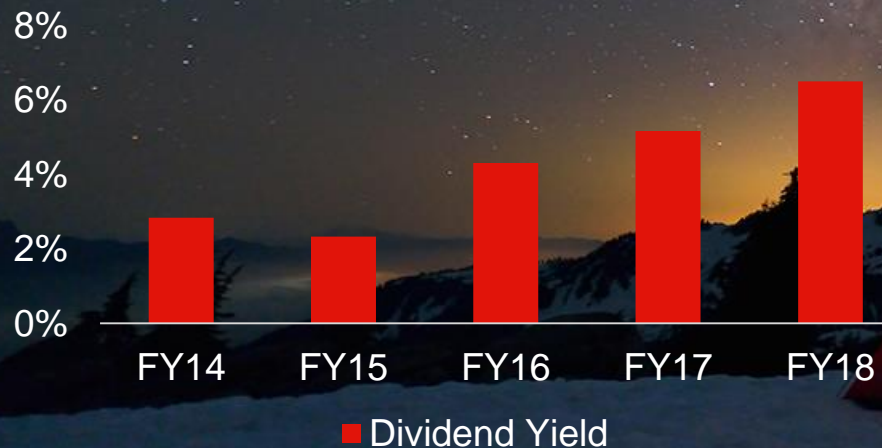
Competitive Shareholder Returns

Dividend payment versus pre-tax income



- Target to create consistent sustainable shareholder value
- Competitive dividend yield even during transitional period

Dividend yield



Best-in-Class Corporate Governance



Excellence in Corporate Governance

Best Corporate Governance award multiple years

Sustainability and Social Responsibility Reporting Award



Diversity & Socially Responsible

Seasoned board of directors and senior management from across the globe

2019 Bloomberg Gender Equality Index

Working Mother Best 100 Companies 2018



Environmentally Responsible

Awarded in Climate and Supplier Engagement, and is a “2017 Leading Supplier” for corporate action on Climate Changes in China”



Our Financial Framework ...

- Strengthen cash flow generation through refining core business models
- Invest in compelling investment opportunities to drive sustainable growth
- Expand shareholder value and returns





... To Enable Sustainable Growth

Grow profit in core businesses



Strong cash generation



negative CCC

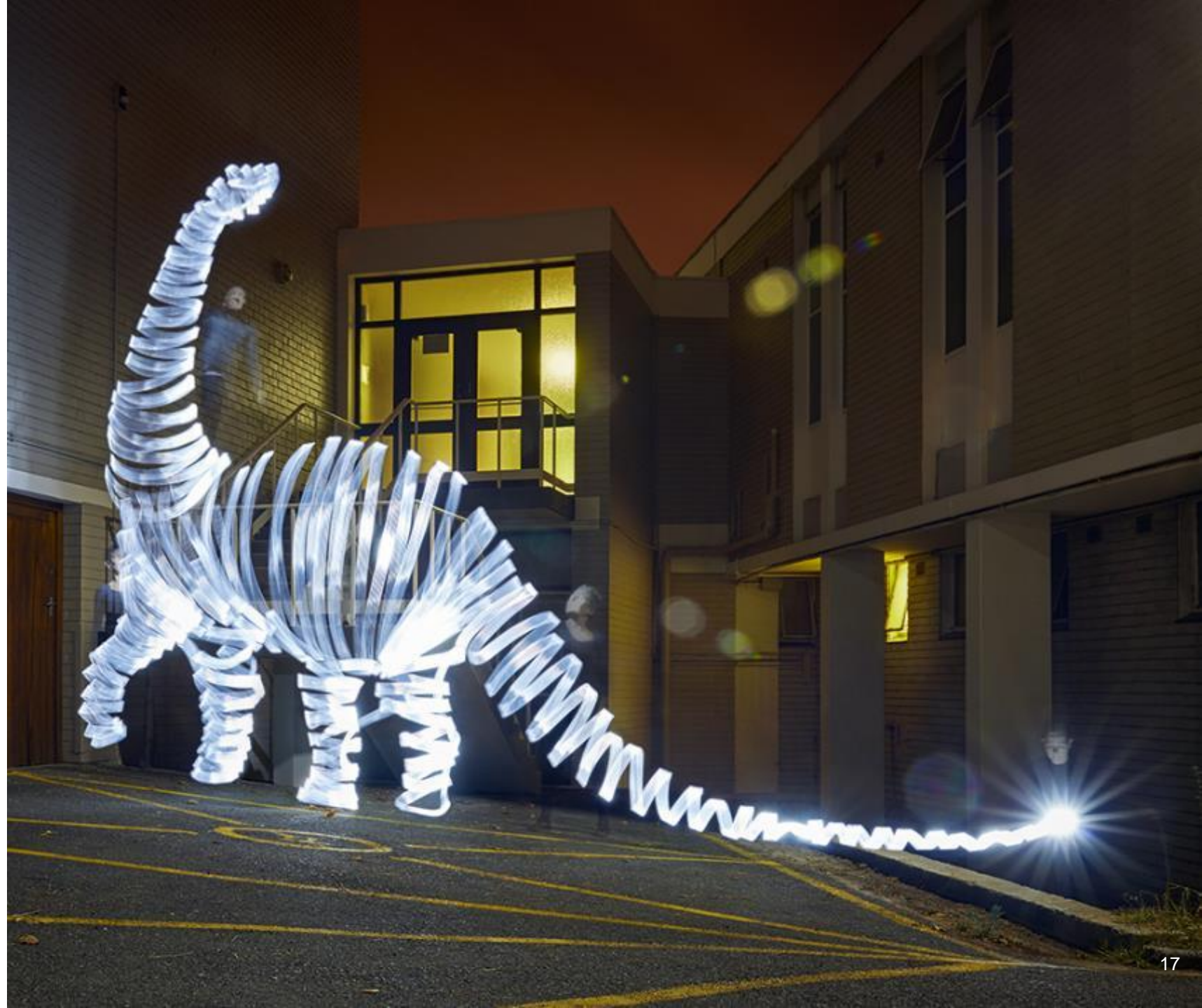
Accelerating growth in Intelligent Transformation



Strategic investment to improve long-term ROE

Financial Targets

- Sustainable pretax income growth and ROE expansion
- Improve cash generation and lower net debt
- Invest in key growth and underpenetrated areas



Growth Outlook in Next 3 Years

Group

Sustainable growth

Smart IoT

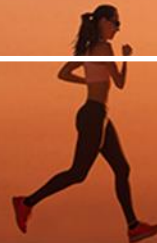
Premium to market growth in PCSD and maintain industry leading margin; strategic benefit of Mobile business

Smart Infrastructure

Accelerate growth in high-growth markets; sustainable operational results improvement

Smart Vertical Solutions

Drive growth in end-to-end solutions in vertical industries



thanks.

