



LENOVO GROUP: FULL YEAR FINANCIAL RESULTS 2021/22

Lenovo delivers another record year – crossing the US\$70 billion revenue milestone and reaching US\$2 billion in net income

HONG KONG, May 26, 2022– **Lenovo Group** (HKSE: 992) (ADR: LNVGY) today announced record fiscal year results for the Group, with historic highs for both profit and revenue. Annual net income reached the US\$2 billion mark, up 72% year on year, with revenue growing by US\$10 billion for the second year running to over US\$71 billion. All main business groups were profitable for the full fiscal year - with strong growth momentum in mobile, infrastructure, and solutions and services businesses.

Lenovo successfully overcame macro-environmental challenges and demonstrated both agility and resilience as it navigated industry-wide supply shortages, pandemic disruption, geopolitical uncertainties, and higher inflation to deliver a record year.

The digital and intelligent transformation trend continues to accelerate, presenting the Group with strong growth opportunities. More than 50% of companies now have digitalization as part of their corporate strategy, up from just over one third two years ago. The hybrid work model is a long-term change that will continue to drive strong demand not only for smart devices and data center infrastructure, but also for scenario-driven solutions such as smart collaboration, smart home, and smart office.

Lenovo continued to strengthen its competitiveness to drive sustainable profitable growth. It has already made strong progress toward doubling R&D investments within three years from fiscal year 2021/2022, up 43% year on year to US\$2 billion. And will continue to realize its ESG goals and commitments. The company is confident that by leveraging its clear strategy, competing with its unique competitive advantage of global-local model, and the right balance between innovation and efficiency, it can overcome any challenges to capture opportunities.

Lenovo’s Board of Directors declared a final dividend of 3.8 US cents or 30.0 HK cents per share for the fiscal year ended March 31, 2022.

Financial Highlights:

| | FY 21/22 US\$ millions | FY 20/21 US\$ millions | Change | Q4 21/22 US\$ millions | Q4 20/21 US\$ millions | Change |
|---|----------------------------------|----------------------------------|---------------|----------------------------------|----------------------------------|---------------|
| Group Revenue | 71,618 | 60,742 | 18% | 16,694 | 15,630 | 7% |
| Pre-tax income | 2,768 | 1,774 | 56% | 520 | 380 | 37% |
| Net Income <small>(profit attributable to equity holders)</small> | 2,030 | 1,178 | 72% | 412 | 260 | 58% |
| Basic earnings per share <small>(US cents)</small> | 17.45 | 9.54 | 7.91 | 3.52 | 2.19 | 1.33 |

Chairman and CEO quote – Yuanqing Yang:

“Although last year was challenging for the world, with the accelerated global digital and intelligent transformation, Lenovo delivered a record year of profit and revenue,” said Yuanqing Yang, Lenovo Chairman and CEO. “All our main businesses are now profitable for the full year, and our new growth engines – SSG, ISG and Mobile – are showing strong momentum. We will capture this window of opportunity, double our R&D investment, drive service-led transformation, realize our ESG goals, and stay flexible and resilient to bring the entire company to new heights.”

Solutions and Services Group (SSG): delivering strong growth and high margins - driving higher overall profitability for the Group

Opportunity:

The trillion-dollar IT services market continues to expand. With the hybrid work model, the demand for digital workplace services is expected to reach US\$93 billion by 2025. Equally, [research is showing](#) that more than 90% of CIOs are willing to consider adopting as-a-service offerings.

FY21/22 performance:

- In the last year SSG delivered high profitability and high growth, with revenue reaching an all-time high of US\$5.4 billion, up almost 30% year on year. Operating margin was 22%.
- There was strong double-digit growth across all segments, in particular for managed services where revenue grew more than 60% year on year, with strong growth from the TruScale as-a-service business. Project and solution services saw revenue grow 28% year on year, as vertical solutions more than doubled on the previous year.
- Revenue from managed services and project and solution services now accounts for almost half of SSG’s business.

Sustainable Growth:

- SSG continued to invest in software tools, platforms, and repeatable vertical solutions with Lenovo’s own IP, focusing in particular on driving deeper in vertical solution capabilities in the key industries of manufacturing, retail, healthcare, education, and smart cities.
- TruScale as-a-service continued to expand to include broader digital workplace solutions, and the company developed hybrid cloud solutions.
- Further exploration of Metaverse solutions continues to be a focus.

Infrastructure Solutions Group (ISG): profitable with record revenue

Opportunity:

ISG continued to benefit from the ICT infrastructure upgrade where the data center market alone is expected to reach US\$183 billion by 2025, Edge infrastructure is anticipated to exceed US\$41 billion, and the hybrid cloud market will exceed US\$120 billion. With data creation expected to double by 2025, the opportunities for data processing and storage will continue to grow.

FY21/22 performance:

- ISG hit an important milestone, becoming profitable over the full year, with record revenue of US\$7 billion, up more than 13% year-on-year.
- All parts of the high-value businesses such as storage, software, services, and HPC set individual revenue records.

Sustainable Growth:

- ISG continued to grow premium to the market by enhancing its full stack capabilities that cover both Cloud Service Provider (CSP), and Enterprise/Small and Medium Business (SMB) segments.
- Investments in in-house design and manufacturing capabilities will continue, while expanding into fast-growing areas such as edge and cloud services.
- ISG further differentiated with green technology such as its Neptune Liquid Cooling system.

Intelligent Devices Group (IDG): record revenue, profitability growth

Opportunity:

The market for smart devices continues to benefit from the new normal of hybrid work. While consumer PC demand may slow in the short term, commercial demand remains strong. IoT endpoint shipments are expected to reach US\$2.3 billion in 2025, and the smart collaboration market is expected to surpass US\$80 billion by 2025.

FY21/22 performance:

- Revenue exceeded US\$60 billion for the first time, up 18% year-on-year, and profitability improved by almost US\$1 billion year-on-year.
- PCs maintained the #1 position as all premium segments delivered year-on-year revenue growth of more than 30%.
- Smartphone revenue outgrew the market by 30-points, while doubling operating profit to more than US\$360 million, a record since the acquisition of Motorola Mobility.
- Expansion beyond PCs continues and now more than 18% of IDG revenue comes from other smart devices, embedded computing/IoT, and scenario-based solutions.

Sustainable Growth:

- Lenovo continues its strategy of investing in innovation, particularly in premium segments, to extend its leading position in PCs while maintaining industry-leading profitability.
- Further expansion in smartphones, tablets, embedded computing/IoT, and scenario-based solutions such as Smart Collaboration, Smart Home and Smart Office, continues to provide new growth engines.

Q4 Performance

In Q4, despite the disruption to supply and production due to COVID-19 outbreaks in China, Lenovo still closed the final quarter of the year with strong results. Fourth-quarter net Income achieved a year-on-year improvement of more than 50% and revenue grew almost 7% year on year to US\$16.7 billion, with all three business groups contributing to the company's profitable growth. SSG revenue grew 28% and improved its operating margin by more than 1 point year on year. ISG sustained its profitability for the second quarter. IDG improved its operating margin year on year for the 18th consecutive quarter.



Operational highlights and investing for the future

R&D investment - Lenovo recently set out its [bold vision](#) for the year ahead that includes hiring 12,000 R&D professionals around the world over the next three years as part of its commitment to double Research and Development investment. Last year, R&D investment grew 43% year on year to reach a historic high exceeding US\$2 billion. R&D headcount grew 48% year on year, surpassing 15,000 with one in every five employees now working in R&D. Investments are focused on the New IT architecture, or client-edge-cloud-network-intelligence, and are balanced to optimize between short, medium, and long-term payback.

ESG commitments – After exceeding its 2020 emissions reduction goals a year ahead of schedule, Lenovo has committed to a vision to achieve net-Zero by 2050 and is working with the [Science Based Target Initiative](#) to establish goals that support this vision. Lenovo has reported on sustainability topics since 2008, including outlining its work and goals around climate change mitigation, the circular economy, and sustainable materials. In addition to the net-zero vision, Lenovo has committed to positively impacting 15 million lives through philanthropic programs and partnerships by 2025. The company’s philanthropic arm, the [Lenovo Foundation](#), provides smarter technology for all by empowering underrepresented communities with access to technology and STEM education.

About Lenovo

Lenovo (HKSE: 992) (ADR: LNVGY) is a US\$70 billion revenue global technology powerhouse, ranked #159 in the Fortune Global 500, employing 75,000 people around the world, and serving millions of customers every day in 180 markets. Focused on a bold vision to deliver smarter technology for all, Lenovo has built on its success as the world’s leading PC player by expanding into new growth areas of infrastructure, mobile, solutions and services. This transformation together with Lenovo’s world-changing innovation is building 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, 2022
(in US\$ millions, except per share data)

| | Q4 FY21/22 | Q4 FY20/21 | Y/Y CHG | FY21/22 | FY20/21 | Y/Y CHG |
|--|-----------------------|-----------------------|----------------|----------------|----------------|----------------|
| Revenue | 16,694 | 15,630 | 7% | 71,618 | 60,742 | 18% |
| Gross profit | 2,864 | 2,688 | 7% | 12,049 | 9,768 | 23% |
| Gross profit margin | 17.2% | 17.2% | 0 pts | 16.8% | 16.1% | 0.7 pts |
| Operating expenses | (2,275) | (2,209) | 3% | (8,968) | (7,588) | 18% |
| R&D expenses (included in operating expenses) | (576) | (417) | 38% | (2,073) | (1,454) | 43% |
| Expenses-to-revenue ratio | 13.6% | 14.1% | (0.5) pts | 12.5% | 12.5% | 0 pts |
| Operating profit | 589 | 479 | 23% | 3,081 | 2,180 | 41% |
| Other non-operating income/(expenses) – net | (69) | (99) | (30%) | (313) | (406) | (23%) |
| Pre-tax income | 520 | 380 | 37% | 2,768 | 1,774 | 56% |
| Taxation | (99) | (95) | 4% | (623) | (461) | 35% |
| Profit for the period/year | 421 | 285 | 48% | 2,145 | 1,313 | 63% |
| Non-controlling interests | (9) | (25) | (63%) | (115) | (135) | (14%) |
| Profit attributable to equity holders | 412 | 260 | 58% | 2,030 | 1,178 | 72% |
| Earnings per share (US cents) | | | | | | |
| Basic | 3.52 | 2.19 | 1.33 | 17.45 | 9.54 | 7.91 |
| Diluted | 3.20 | 1.94 | 1.26 | 15.77 | 8.91 | 6.86 |