

Q2FY19 Earnings Announcement



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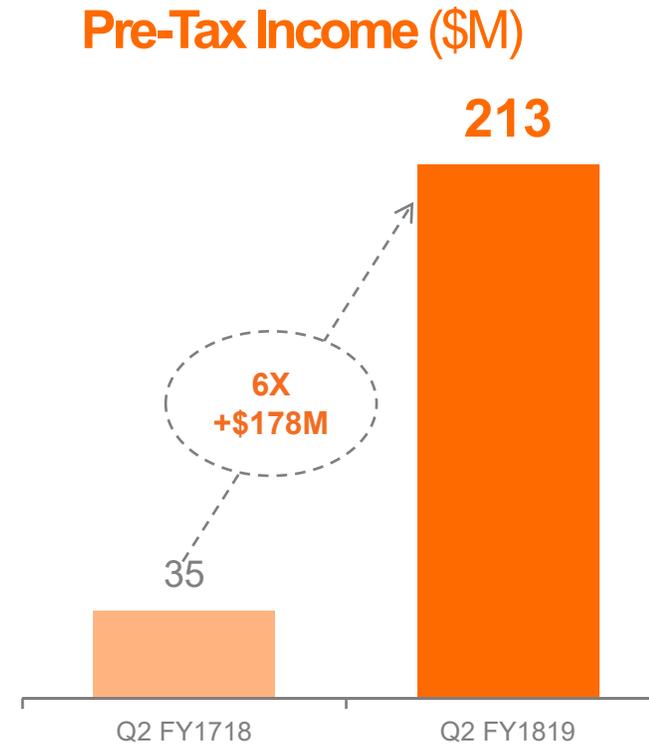
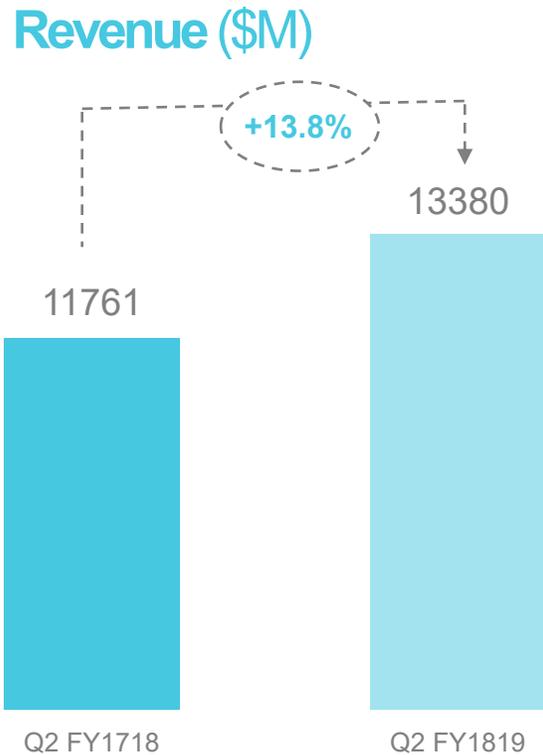
Yuanqing Yang

Chairman & CEO



Acceleration Continues

- Revenue reached **\$13.4 billion**, up **13.8%** YOY
- Pre-Tax Income: **\$213 million**, **6 times** as much as last year
- Profitability improved across all businesses



IDG: PC

- PC: Undisputed **#1** in IDC and Gartner
- Record market share of **23.7%**
- Revenue grew at **20.2% YOY** (**17-point** premium to the market)

TOP 5 PC Players

by IDC

	2Q18 Market Share	2Q18 Shipments
Lenovo	23.7%	16156
HP Inc	22.5%	15364
Dell	16.8%	11466
Apple	7.8%	5299
Acer Group	7%	4791

PC Revenue

YTY Growth (%)



IDG: PCD (PC + Tablet)

- PCD revenue reached **\$10 billion** for the first time
- Improved industry leading profitability YOY to more than **5%**

PCD Revenue (\$M)



PCD PTI Margin (%)



IDG: PCD (PC + Tablet) Outlook

- Continue to focus on customers
- Invest in high-growth segments
 - Workstations
 - Gaming
 - Thin & Light
- Confident in continuing premium to market growth in volume, revenue and profit



IDG: Mobile

- **Breakeven** - Motorola brand profitable
- Continue to execute focused strategy
 - Reduced operating expenses by **\$175 million** YOY.
 - Investment in products and innovation
 - Focus on selected markets:
 - North America: Shipments grew **53.4%**, share at **7.7%**, **#4** by IDC
 - Latin America: solid **#2**, **#1** in Mexico
 - China: revenue grew **84.6%** YOY.
- Will continue to improve health

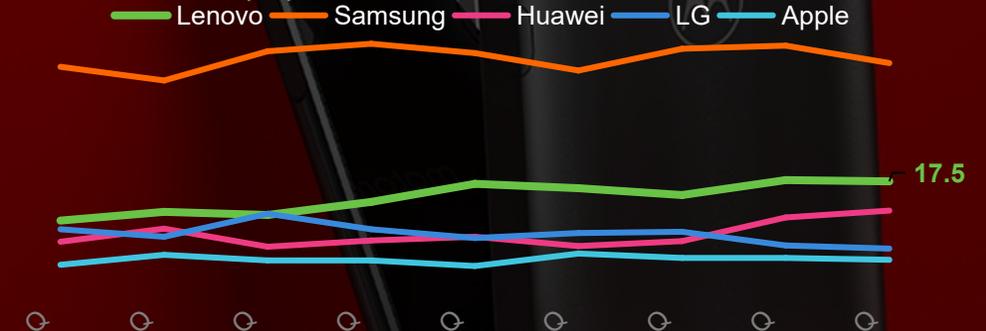
North America Mobile

Volume YTY Growth (%)



Latin America Mobile

Market Share (%)



China Mobile

Revenue YTY Growth (%)

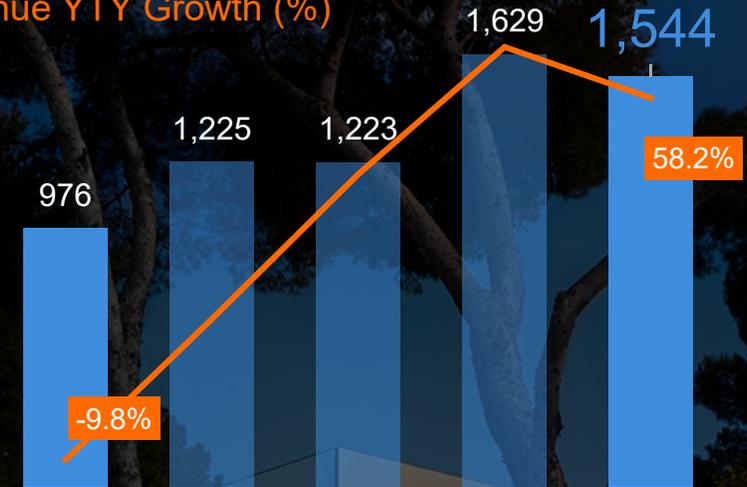


Data Center

- On track to become a sustainable, profitable growth engine
- Revenue grew **58%** YOY; Profitability up **9.5 points** YOY
- Triple-digit revenue growth in Software Defined Infrastructure and Hyperscale
- **#4** Cloud infrastructure vendor, fastest growing among top vendors per IDC

DCG Revenue (\$M)

Revenue YTY Growth (%)



DCG PTI Margin (%)





Lenovo

 NetApp®

Data Center Outlook

Will continue to:

- Invest in technology leadership
- Strengthen software defined, storage and networking
 - Partnership with **NetApp** expands market coverage
- Refine Hyperscale business model
- Strengthen High Performance Computing & A.I.
- Drive service attach and revenue growth

Driving Intelligent Transformation

- **Lenovo TechWorld, Transform** events clarified Lenovo's mission:

“Become the leader and enabler of Intelligent Transformation”

- Will drive **Intelligent transformation** through
 - Smart IoT
 - Smart Infrastructure
 - Smart Vertical solutions



Driving Intelligent Transformation

- Displayed Lenovo Smart Essentials
 - Smart Plug, Smart Bulb, Smart Camera, Smart Door Lock
- Device-as-a-Service continued rapid growth
- Big Data/A.I. smart vertical solutions revenue up **44.2%** YOY
- **Service and Software revenue** reached **\$688 million**





**Clear mission,
strategy and
Lenovo's strong
execution capability,
are creating robust,
sustainable growth.**

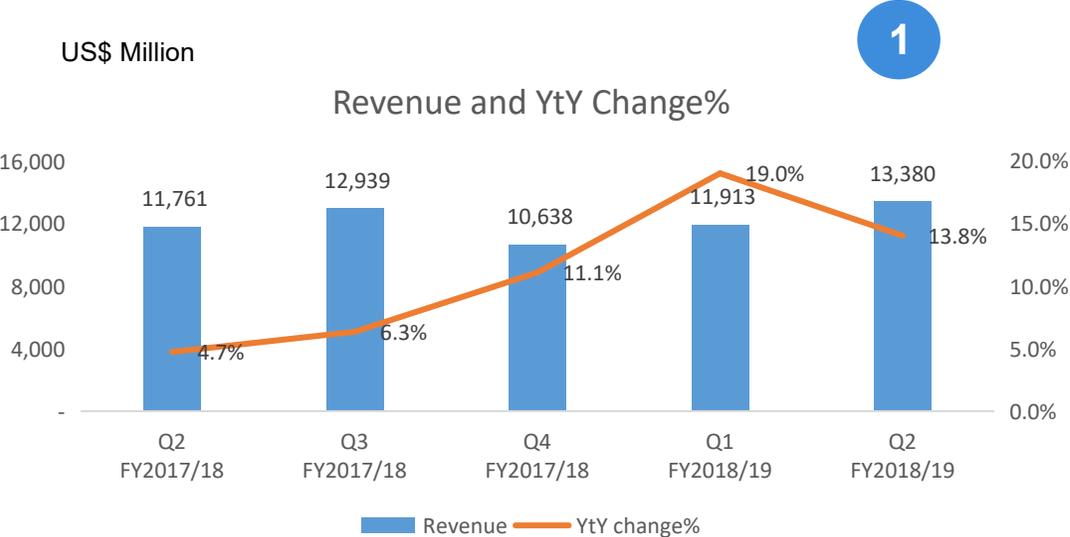
Wong Wai Ming

Chief Financial Officer



Financial Highlights

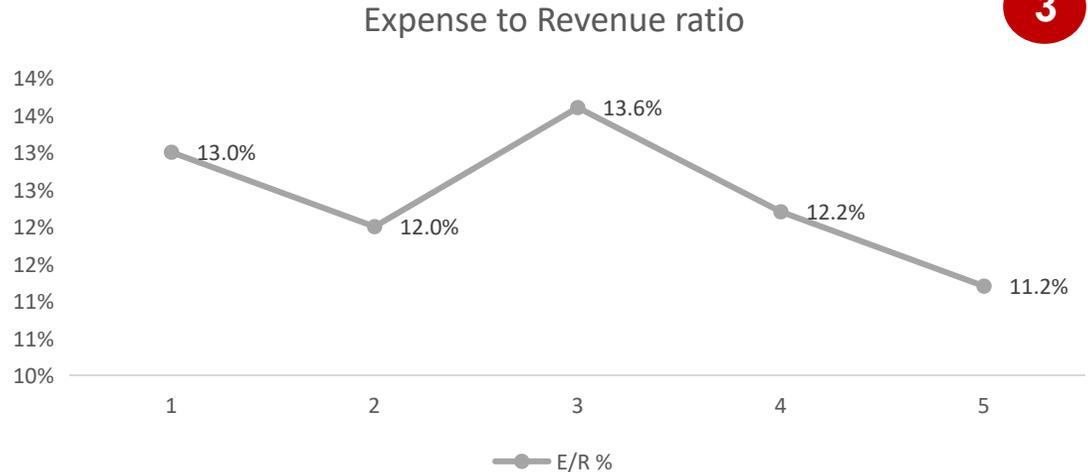
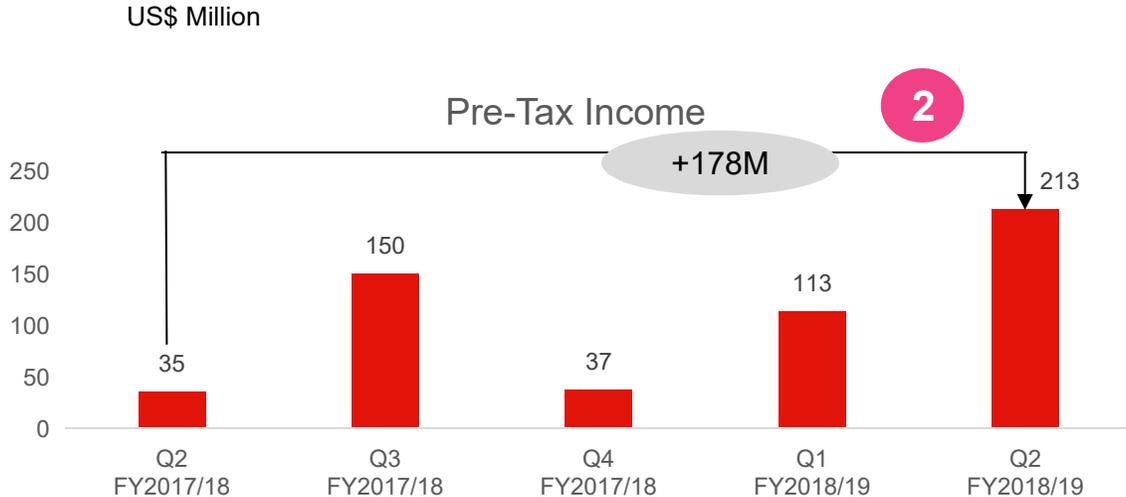
Q2 Highlights



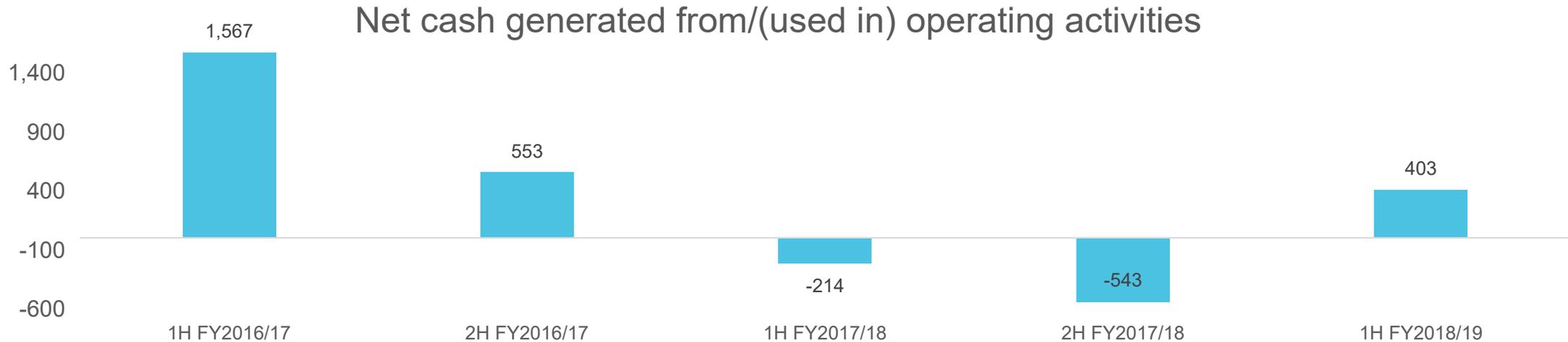
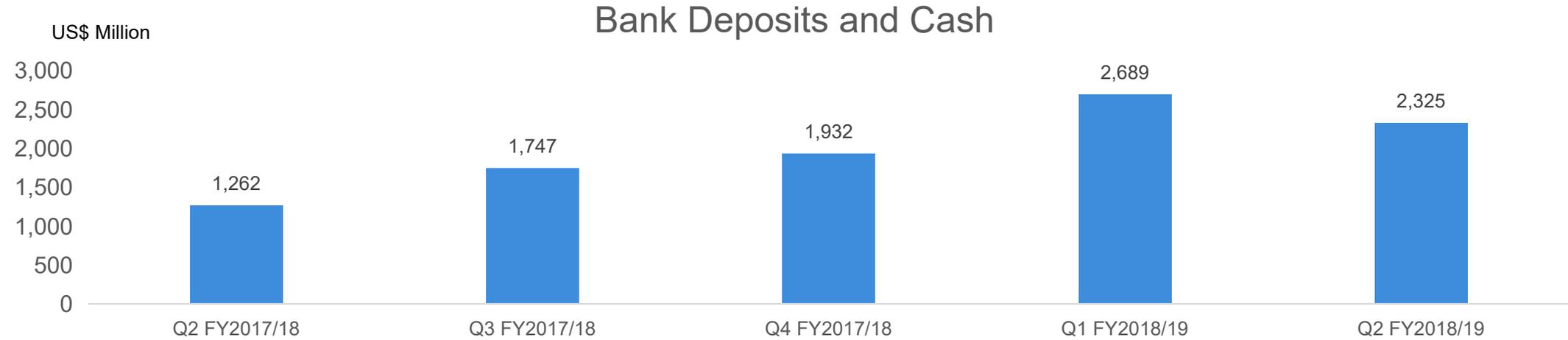
1 Highest quarterly revenue in nearly 4 years; Q2FY19 grew 14% YTY, grew 18% YTY if excluding currency impact, 5th consecutive quarter of YTY growth

2 Group Reported PTI improved \$178M YTY, consistent YTY improvement for 4 consecutive quarters

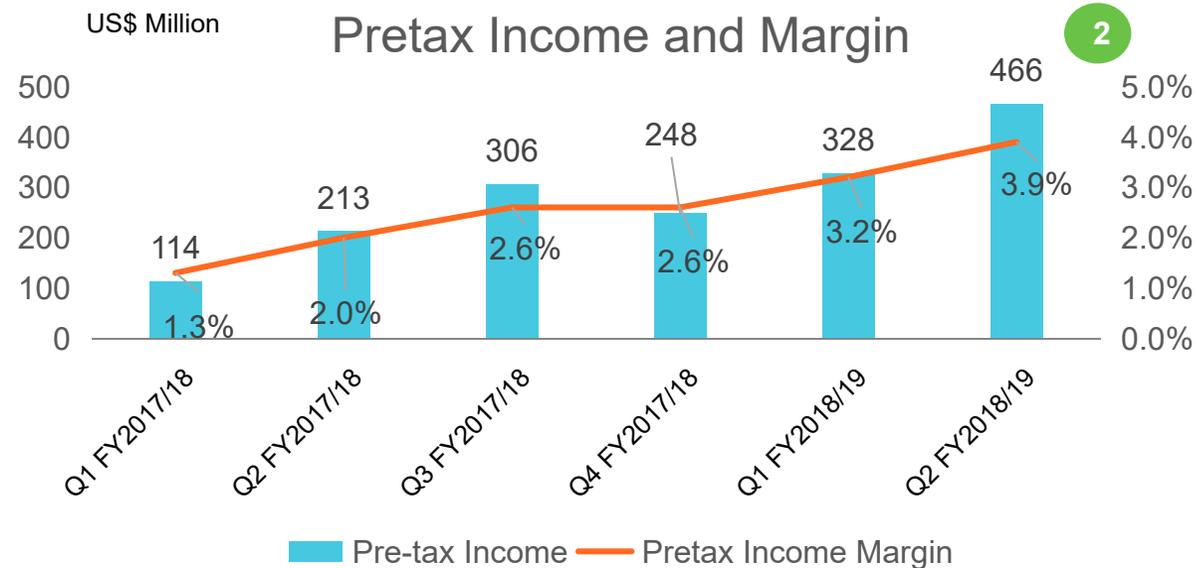
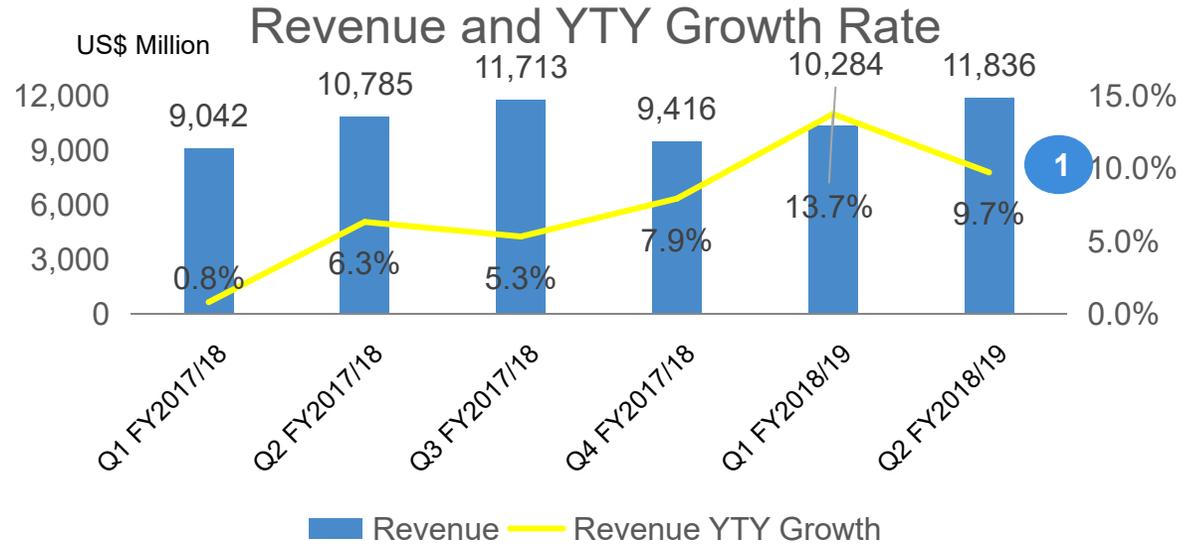
3 Expense to Revenue ratio improved YTY from 13.0% to 11.2%



Cash and Working Capital

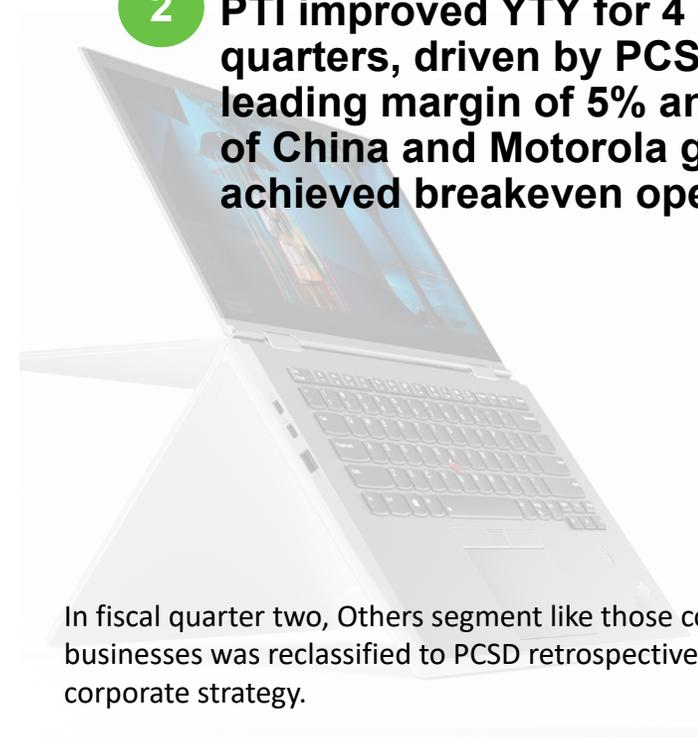


Intelligent Devices Business Group (IDG)



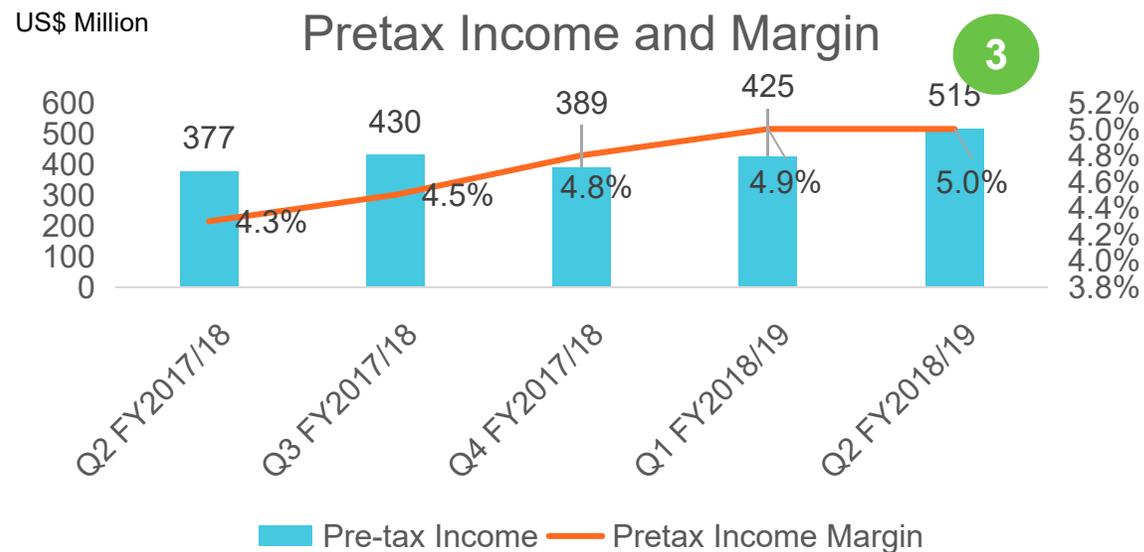
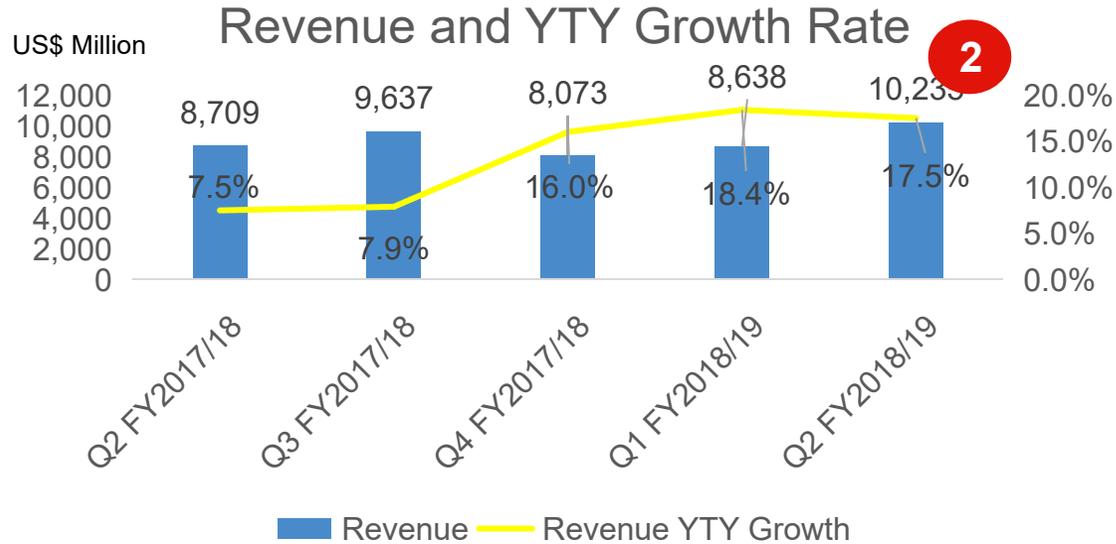
Q2 Highlights

- 1 Strong revenue growth driven by strong PC performance**
- 2 PTI improved YTY for 4 consecutive quarters, driven by PCSD industry leading margin of 5% and MBG outside of China and Motorola globally achieved breakeven operationally**



In fiscal quarter two, Others segment like those consumer electronic related businesses was reclassified to PCSD retrospectively to align with the corporate strategy.

IDG - PC & Smart Device Business Group (PCSD)

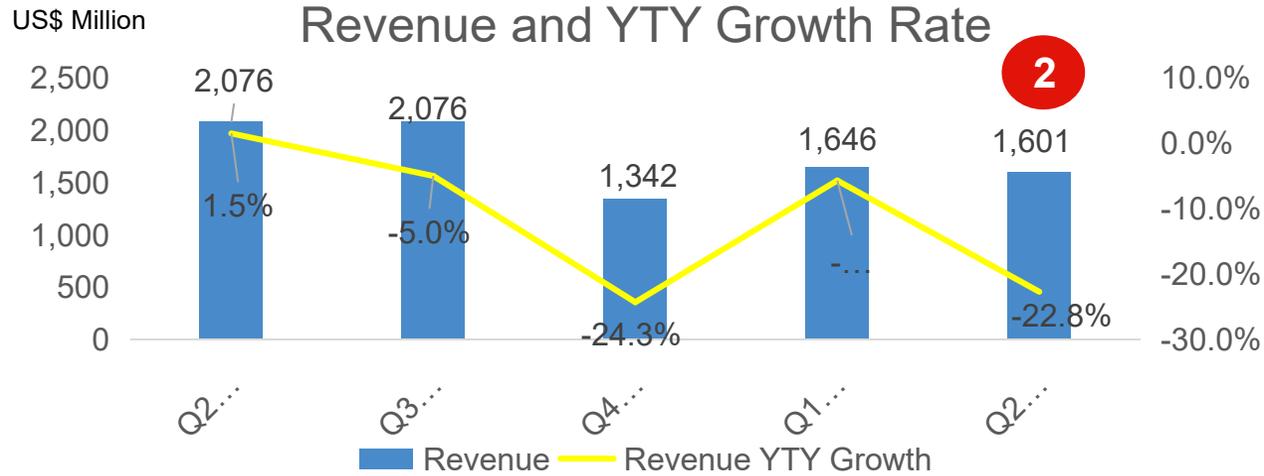


Q2 Highlights

- 1 **PCSD delivered its record high revenue and surpassed \$10 billion milestone; Solid double digit revenue growth driven by the consistent strategy of targeting high growth premium segments**
- 2 **Strong double-digit revenue growth for 3rd consecutive quarter, premium to market revenue growth of 17 pts YTY**
- 3 **Continued to improve PTI margin to 5.0%, driven by improved product mix and improved service attach rate**
- 4 **Intelligent transformation continued to gain traction, building capabilities for Smart IoT**

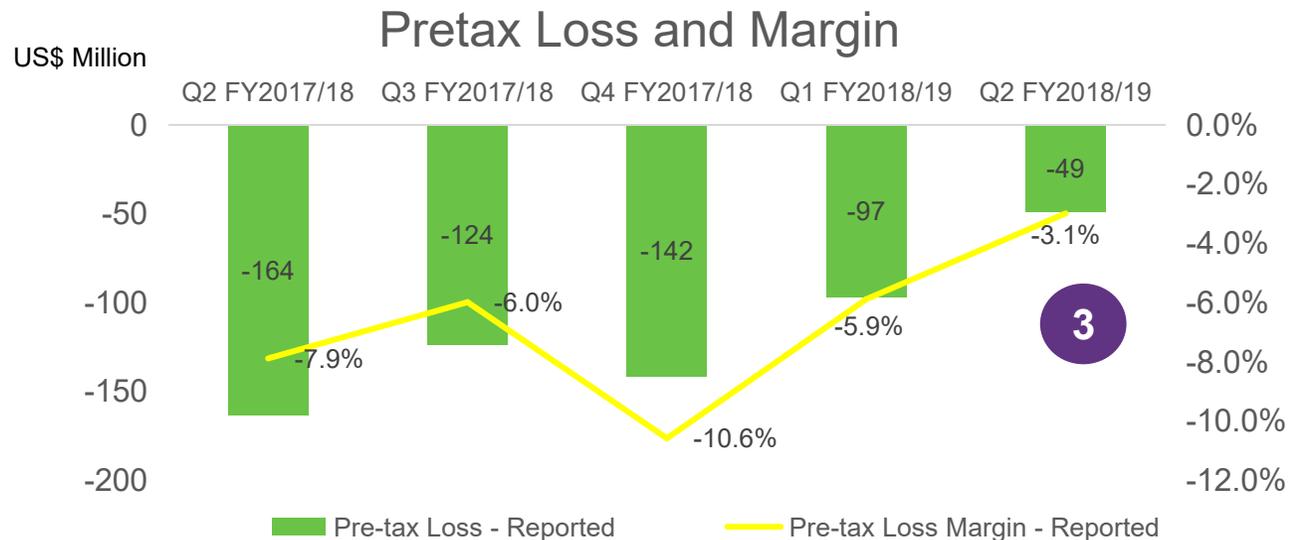
In fiscal quarter two, Others segment like those consumer electronic related businesses was reclassified to PCSD retrospectively to align with the corporate strategy.

IDG - Mobile Business Group (MBG)

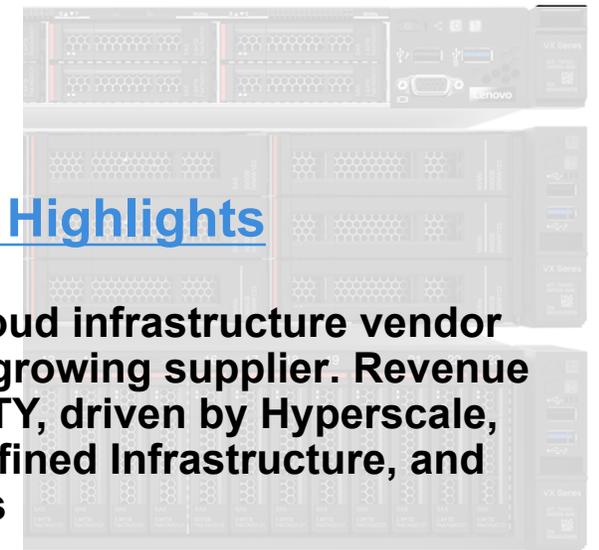


Q2 Highlights

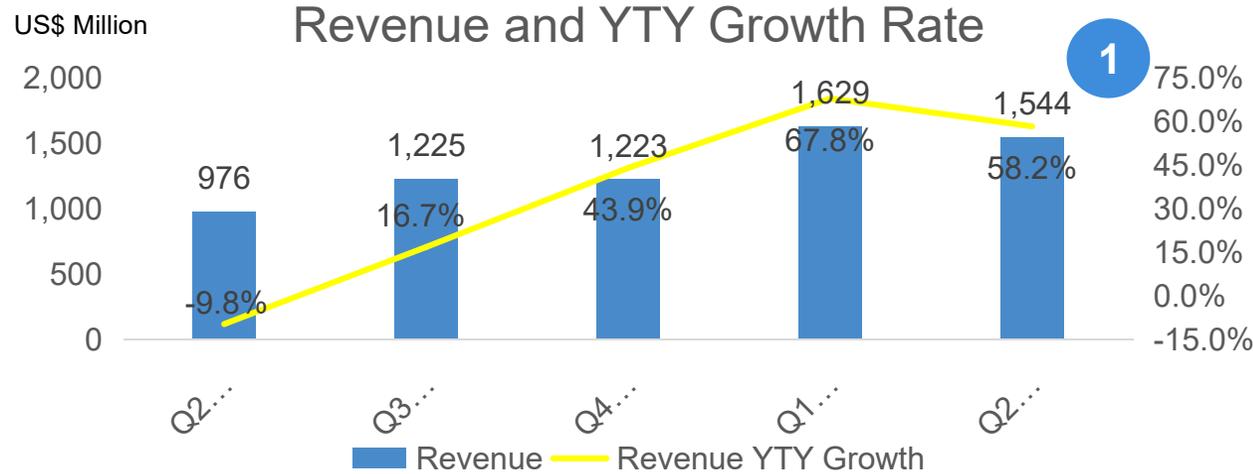
- 1 Strong execution of turnaround strategy to improve profitability; markets outside of China and Motorola globally achieved breakeven operationally**
- 2 NA continued to show strong momentum; LA remained solid; Repositioning in Emerging Markets**
- 3 Well executed expense reduction; resulting in more efficient cost structure and improved PTI margin**
- 4 Streamlined product portfolio to reduce complexity, focused on scale in the mainstream segments, i.e. Moto Z, G & E**



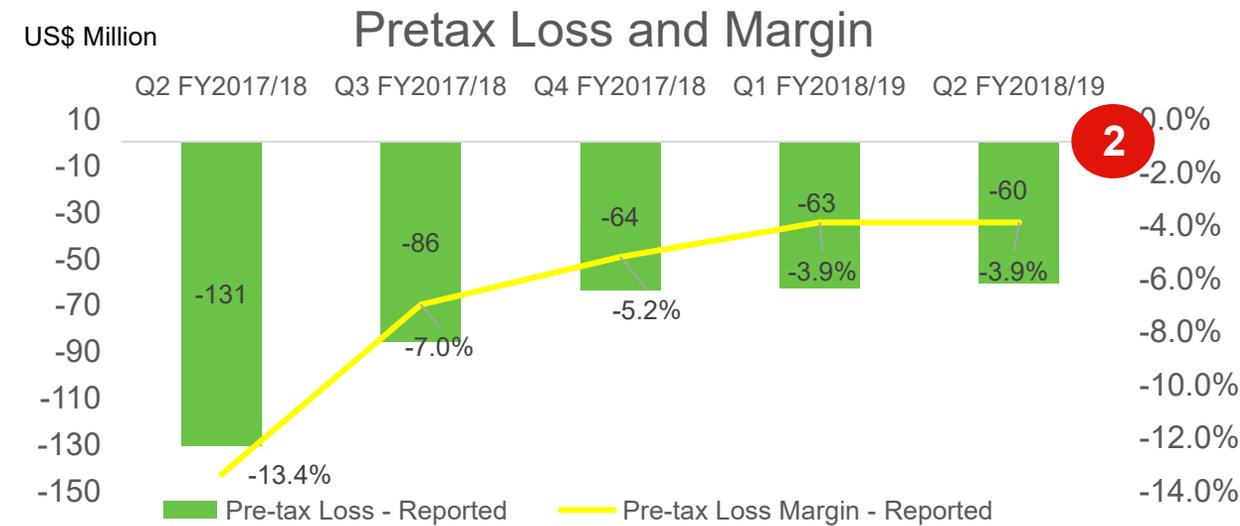
Data Center Business Group (DCG)



Q2 Highlights



1 WW#4 in Cloud infrastructure vendor and fastest growing supplier. Revenue grew 58% YTY, driven by Hyperscale, Software Defined Infrastructure, and Flash Arrays



2 4 consecutive quarters of continuous YTY PTI margin improvement

3 Stellar result is the culmination of right business model, product leadership, sales capabilities

- Triple digit revenue growth in NA; AP, China, and EMEA double digit, all region's profitability improved

Outlook

- **IDG-PCSD:**
 - Continue to drive premium to market revenue growth while maintain industry-leading profitability
- **IDG-MBG:**
 - Continue to execute the strategy of reducing complexity, streamlining portfolio, drive a more competitive cost structure, and continue to improve profitability.
 - Focus on driving profitable growth from core markets such as in Latin America and North America, strengthen presence in Mature Markets
 - Continue to invest in innovation, the 5G upgradable phone is ready to launch
- **DCG:**
 - Outgrow the market in every segment we participate from IoT, Telecom, Software Defined Infrastructure, HPC, AI, and Hyperscale
 - Strengthen leadership position in High Performance Computing and AI
 - Expect momentum in Hyperscale to continue
 - Strategic partnership launched with NetApp, including a JV in China enabling Lenovo to grow its addressable market coverage for storage and data management from 15% to over 90%
 - Launching HAAS (HW as a service) offerings by end of this fiscal year
- **Intelligent Transformation:**
 - Continue to drive growth in Software & Services revenue, step up in customer engagement and accelerate SloT + cloud & infrastructure + cloud expansion

Appendix

- Financial Highlights
- Condensed Consolidated Income Statement
- Condensed Consolidated Balance Sheet
- Condensed Consolidated Cash Flow Statement

Financial Highlights

- **Transformation efforts showing consistent and accelerated results improvement:**
 - Group revenue of US\$13.4B, up 14% YTY & PTI of US\$213M, the 4th consecutive quarter of YTY improvement
- **IDG: Solid revenue growth and profitability improvement in driving the intelligent transformation**
 - PCSD revenue reached US\$10B milestone and PTI margin improved to 5% level
 - MBG loss-reduction on track with the markets outside China achieved breakeven operationally
- **Data Center Group: continued strong revenue YTY growth – the 4th consecutive quarter of double-digit YTY growth**

US\$ Million	Q2 FY2018/19	Q2 FY2017/18	Y/Y%	Q1 FY2018/19	Q/Q%
Revenue	13,380	11,761	14%	11,913	12%
Gross Profit	1,794	1,613	11%	1,632	10%
Operating Expenses	(1,504)	(1,525)	(1%)	(1,452)	4%
Operating Profit	290	88	230%	180	61%
Other Non-Operating Expenses	(77)	(53)	46%	(67)	15%
Pre-tax Income	213	35	503%	113	89%
Taxation	(40)	118	N/A	(28)	45%
Profit for the period	173	153	13%	85	103%
Non-controlling interests	(5)	(14)	777%	(8)	(38%)
Profit attributable to Equity Holders	168	139	21%	77	119%
EPS (US cents)					
- Basic	1.41	1.26	0.15	0.65	0.76
- Diluted	1.40	1.26	0.14	0.65	0.75
Dividend per share (HK cents)					

	Q2 FY2018/19	Q2 FY2017/18	Q1 FY2018/19
Gross margin	13.4%	13.7%	13.7%
E/R ratio	11.2%	13.0%	12.2%
Operating margin	2.2%	0.7%	1.5%
PTI margin	1.6%	0.3%	0.9%
Net margin attributable to Equity Holders	1.3%	1.2%	0.6%

Condensed Consolidated Income Statement

<i>US\$ Million</i>	Q2 FY2018/19	Q2 FY2017/18
Revenue	13,380	11,761
Cost of sales	(11,586)	(10,148)
Gross profit	1,794	1,613
Selling and distribution expenses	(655)	(796)
Administrative expenses	(515)	(387)
Research and development expenses	(312)	(311)
Other operating expense - net	(22)	(31)
Operating profit	290	88
Finance income	6	8
Finance costs	(82)	(60)
Share of loss of associated companies and joint ventures	(1)	(1)
Profit before taxation	213	35
Taxation	(40)	118
Profit for the period	173	153
Profit attributable to:		
Equity holders of the company	168	139
Perpetual securities holders	13	13
Other non-controlling interests	(8)	1
Dividend	92	85
Earnings per share (US cents)		
- Basic	1.41	1.26
- Diluted	1.40	1.26

Condensed Consolidated Balance Sheet

US\$ Million

	As at Sep 30, 2018	As at Jun 30, 2018
Non-current assets	12,560	12,665
Property, plant and equipment	1,232	1,262
Intangible assets	8,286	8,427
Others	3,042	2,976
Current assets	18,327	18,546
Bank deposits and cash	2,325	2,689
Trade, notes and other receivables	11,431	11,351
Inventories	4,281	4,125
Others	290	381
Current liabilities	22,592	22,915
Borrowings	2,640	2,639
Trade, notes, other payables, accruals and provisions	18,181	18,523
Others	1,771	1,753
Net current liabilities	(4,265)	(4,369)
Non-current liabilities	4,342	3,958
Total equity	3,953	4,338

Condensed Consolidated Cash Flow Statement

US\$ Million	Q2 FY2018/19	Q2 FY2017/18	Q1 FY2018/19
Net cash generated from operating activities	67	364	336
Net cash used in investing activities	(103)	(93)	(198)
Net cash (used in)/generated from financing activities	(318)	(526)	692
(Decrease)/Increase in cash and cash equivalents	(354)	(255)	830
Effect of foreign exchange rate changes	(46)	11	(65)
Cash and cash equivalents at the beginning of the period	2,613	1,387	1,848
Cash and cash equivalents at the end of the period	2,213	1,143	2,613

thanks.

Different is better

