

# LENOVO DELIVERS STRONG PERFORMANCE WITH HIGHEST QUARTERLY REVENUE IN FOUR YEARS AND RECORD PRE-TAX INCOME



- Highest quarterly revenue for four years (since Q3 FY14/15) – US\$14 billion, up 8.5% year-on-year (YOY) and 6th consecutive quarter of YOY revenue growth
- All-time record high PTI of US\$350 million - jumped 133% YOY
- Recorded net income of US\$233 million for the fiscal quarter, significantly improved from the net loss of US\$289 million in the same quarter of last year
- Major milestones hit across all businesses:
  - PC and Smart Devices business revenue record high at US\$10.7 billion, up 11.6% YOY; continues as undisputed, global #1 in PCs with record 24.6% market share\*
  - Mobile Business Group became profitable worldwide for the first time since the Motorola acquisition, with North American volume outgrowing the market by a staggering 40 points and China revenue quadrupling YOY
  - Data Center Group enjoyed continued hyper growth in Hyperscale and Software Defined Infrastructure, and increased its lead as #1 in the world’s TOP500 supercomputer rankings

**HONG KONG, February 21, 2019 – Lenovo Group** (HKSE: 992) (ADR: LNVGY) today announced results for its third fiscal quarter ended December 31, 2018. Lenovo posted its highest group revenue in four years of US\$14 billion, up 8.5% YOY (12.8% YOY excluding currency impact). The company reported strong pre-tax income of US\$350 million (up 133% / +US\$200 million over the previous year) - an all-time record for the company as all businesses continued to report profit improvements.

The Group recorded a net profit of US\$233 million for the fiscal quarter, significantly improved from the net loss of US\$289 million in the same quarter of last year. Basic earnings per share in the third fiscal quarter was 1.96 US cents or 15.35 HK cents.

“When we set out on our journey of Intelligent Transformation, our goal was to restore and then accelerate Lenovo’s business momentum, while providing our customers and partners with the best technologies in smart IoT, smart infrastructure and smart vertical solutions. We’ve done exactly that and more - our strength and position as the industry’s most prolific global technology organization is firmly established. What I’m most pleased to see is how Lenovo is bucking the current industry trend – we’re strong, have delivered record-breaking results this quarter and are only getting stronger”, said Yang Yuanqing, Lenovo Chairman and CEO.

## **Business Group Overview:**

The **Intelligent Devices Group** (IDG) posted record revenue and profit; powered by its third straight quarter since inception of revenue growth - up 6.2% YOY to US\$12.4 billion.

- During the quarter, **the PC and Smart Devices (PCSD) business** under IDG reported US\$10.7 billion in revenue, up 11.6% YOY, and sequentially extending the Group’s momentum from the previous quarter. PC revenue grew 16% YOY, outperforming the market by more than 17 points with PTI margin also improving by 1 percentage point. Lenovo maintained its position



as the world’s undisputed leader in PC sales with record market share of 24.6%. A focus on high-growth and premium segments saw Workstations, Thin and Light devices, and Visuals revenue outgrow the market by more than 30 points, Gaming by 16 points and Chromebook by over 220 points.

- **The Mobile Business Group (MBG)** under IDG posted its first worldwide profit since the Motorola acquisition in October 2014. This notable achievement came from masterful execution on Lenovo’s strategy to reduce expenses, streamline the Group’s product portfolio and focus on core markets. Notably North America saw a breakthrough quarter for the Group with volumes outgrowing the market by a staggering 40 points. Additionally, MBG’s focus on other specific geographies is also showing significant results: Lenovo retains the #2 position in Latin America, despite currency fluctuations and supply constraints. In China, thanks to a range of new products under the Lenovo brand, the Group continued to build on the momentum quadrupling revenue and reporting strong growth in PTI margin.

Lenovo’s **Data Center Group (DCG)** reported its fifth consecutive quarter of profit growth (PTI margin up 3.6 percentage points YOY) on a 31% YOY increase in revenue to US\$1.6 billion. In fact, DCG recorded YOY revenue growth in all geographies, highlighted by triple-digit growth in North America, and double-digit growth in Asia-Pacific, EMEA and Latin America. The NetApp joint venture, which is now operational in China, will further strengthen the portfolio and expand business opportunities. Hyperscale once again served as a significant contributor with triple-digit revenue growth and Software Defined Infrastructure (SDI) revenue grew almost 70% YOY. The Group not only remained #1 on the TOP500 list of supercomputers globally, but also increased its lead. \*\*

\* IDC CY2018 Q4 Worldwide Quarterly Personal Computing Device Tracker  
\*\* Top500 List of Supercomputers, 52<sup>nd</sup> edition, Nov. 2018 <https://www.top500.org/lists/2018/11/> with 140 of the top 500 supercomputers, 56 systems ahead of the nearest competitor

**About Lenovo**

Lenovo (HKSE: 992) (ADR: LNVGY) is a US\$45 billion Fortune Global 500 company and a global technology leader in driving Intelligent Transformation through smart devices and infrastructure that create the best user experience. Lenovo manufactures one of the world’s widest portfolios of connected products, including smartphones (Motorola), tablets, PCs (ThinkPad, Yoga, Lenovo Legion) and workstations as well as AR/VR devices and smart home/office solutions. Lenovo’s data center solutions (ThinkSystem, ThinkAgile) are creating the capacity and computing power for the connections that are changing business and society. Lenovo works to inspire the difference in everyone and build a smarter future where everyone thrives. Follow us on [LinkedIn](#), [Facebook](#), [Twitter](#), [Instagram](#), [Weibo](#), read about the latest news via our [StoryHub](#), or visit our website at <https://www.lenovo.com>.

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**LENOVO GROUP**  
**FINANCIAL SUMMARY**  
**For the fiscal quarter ended December 31, 2018**  
(In US\$ millions, except per share data)

	<b>Q3 18/19</b>	<b>Q3 17/18</b>	<b>Y/Y CHG</b>
Revenue	14,035	12,939	8%
Gross profit	2,050	1,751	17%
Gross profit margin	14.6%	13.5%	1.1 pts
Operating expenses	(1,616)	(1,547)	4%
Expenses-to-revenue ratio	11.5%	12.0%	0.4 pts
Operating profit	434	204	112%
Other non-operating expenses - net	(84)	(54)	55%
Pre-tax income	350	150	133%
Taxation	(85)	(425)	(80%)
Profit/(loss) for the period	265	(275)	N/A
Non-controlling interests	(32)	(14)	125%
Profit/(loss) attributable to equity holders	233	(289)	N/A
EPS (US cents)			
Basic	1.96	(2.53)	N/A
Diluted	1.92	(2.53)	N/A

