



# LENOVO GROUP: FIRST QUARTER RESULTS 2022/23

## Lenovo delivers ninth straight quarter of improved revenue and profitability as diversified new growth engines drive sustained strong performance

**HONG KONG, August 10, 2022**– **Lenovo Group** (HKSE: 992) (ADR: LNVGY) today announced strong first quarter results for the Group, improving both revenue and profitability for the ninth consecutive quarter. First quarter net income grew 11% year-on-year to US\$516 million and 35% year-on-year to \$556 million on a non-HKFRS [1] basis. Revenue grew to US\$17 billion, up 5% year-on-year in constant currency.

The Group saw revenue from non-PC businesses reach 37%, demonstrating its services-led transformation strategy and persistent investments in diversifying the business have paid off and are driving future growth opportunities. These new growth engines of solutions and services, infrastructure solutions, and mobile businesses all grew revenue by double digits year-on-year – contributing to both topline growth and Lenovo’s wider commitment to double profitability in the midterm. The Group remains committed to doubling investments in Research and Development (R&D) and grew R&D spending 10% year on year and increased R&D headcount by 29% year on year.

Lenovo continues to seize the opportunities driven by accelerated digital/intelligent transformation and hybrid working, while successfully navigating a range of industry-wide challenges. Overall, the Group remains optimistic about the long-term industry growth potential and the opportunities afforded by its investments in new growth engines. It is confident that by leveraging its strategy and execution together with its core competencies of innovation, operational excellence, and global/local operating model, it has the agility and resilience to navigate any macro or micro challenges successfully.

### Financial Highlights:

	Q1 22/23 US\$ millions	Q1 21/22 US\$ millions	Change
<b>Group Revenue</b>	<b>16,956</b>	16,929	0.2%
<b>Pre-tax income</b>	<b>691</b>	650	6%
<b>Net Income</b> (profit attributable to equity holders)	<b>516</b>	466	11%
<b>Net Income</b> (profit attributable to equity holder – non-HKFRS) [1]	<b>556</b>	413	35%
<b>Basic earnings per share</b> (US cents)	<b>4.39</b>	4.02	0.37

### Chairman and CEO quote – Yuanqing Yang:

“We successfully grew our business and improved profitability for the ninth consecutive quarter, while our revenue mix from non-PC businesses reached 37%. These are the results of our strategic foresight and strong execution, together with our operational resilience.” said Yuanqing Yang, Lenovo Chairman and CEO. “Although external challenges may persist in the short-term, the digitalization trend continues to accelerate, and the hybrid work model is here to stay. We have confidence in capturing these opportunities and will continue to invest, innovate, and deliver sustainable growth and profitability improvements.”

## 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 see strong growth, and the growth of hybrid working is driving higher demand for premier and customer fulfilment services. Equally the expansion of digital workplace solutions has driven demand for as-a-Service for devices, infrastructure, and workplace management. While at the same time the market for vertical solutions including smart city, smart manufacturing, smart education, and smart retail is expected to grow at double-digit CAGR through 2025.

### *Q1 FY22/23 performance:*

- In the last quarter SSG delivered high profitability and high growth, with revenue growing 23% year on year. Operating margin remained high at almost 23%.
- There was strong double-digit revenue growth across all segments, with revenue from non-hardware dependent managed services and project and solutions services now accounting for almost half of SSG's business.

### *Sustainable Growth:*

- SSG continues to invest in software tools, platforms, and repeatable vertical solutions with Lenovo's own IP, including the continued expansion of the TruScale as-a-Service portfolio to the broader digital workplace solutions market.
- SSG launched hybrid/multi cloud solutions and continues to develop its portfolio of sustainability offerings.
- The strategic partnership with PCCW Solutions, [announced in June 2022](#), will further expand SSG's footprint and opportunities to build a technology solutions business across Asia Pacific.

## Infrastructure Solutions Group (ISG): FY21/22 record revenue and profitable growth continues in new fiscal year

### *Opportunity:*

ISG continued to benefit from strong ICT infrastructure market growth. The server market alone is expected to grow at double-digit CAGR through 2025. The Edge infrastructure market will exceed US\$41 billion by 2025, and storage market will reach US\$36 billion within the same timeframe.

### *Q1 FY22/23 performance:*

- ISG revenue exceeded US\$2 billion for the first time, up 14% year on year and now profitable for three consecutive quarters.
- The Cloud Service Provider segment, as well as server and storage reached all-time revenue records and all significantly outgrew the market.
- Revenue from Edge Computing almost doubled year on year, and in High Performance Computing the ISG business maintained its #1 leadership position on the Top500 list by adding more Lenovo systems utilizing its unique Neptune liquid cooling technology.

### *Sustainable Growth:*

- ISG continues to invest in a comprehensive portfolio and in innovation, particularly in Edge, Cloud, and Services.
- ISG will continue to balance scale and profitability as it focuses on being one of the fastest growing end-to-end infrastructure providers.

## Intelligent Devices Group (IDG): market leader driving innovation and diversification

### *Opportunity:*

While the PC market is currently experiencing short-term challenges, PCs are still recognized as a necessity and key productivity tool. The total available market for PCs is expected to remain higher than pre-pandemic levels in the long term. Alongside PCs, the scenario-based solutions market is growing fast, with the smart collaboration market expected to surpass US\$80 billion by 2025.

### *Q1 FY22/23 performance:*

- IDG maintained industry-leading profitability, with operating profit of over US\$1 billion, outgrowing the market to not only retain but also strengthen its global position as the world's #1 PC company. This success was driven by strong growth in premium segments such as gaming and workstations.
- Smartphone revenue increased by more than 20% year on year, with growth coming not only from the traditional stronghold markets of Latin America and North America, but also expansion markets of Europe and Asia Pacific.
- Expansion beyond PCs continues, with 22% of IDG revenue coming from non-PC smart devices, embedded computing/IoT, and scenario-based solutions such as smart home and smart collaboration.

### *Sustainable Growth:*

- Lenovo continues to focus on innovation across its portfolio – from smart devices to smart collaboration, and ultimately to smart spaces.
- The focus for smart devices is around innovative form factors, extreme performance, adaptive intelligence, and security. For digital workspaces the focus is on seamless connection and integration, allowing for the best possible mix of physical and virtual collaboration.

## Operational highlights and investing for the future

**Corporate Investment** - Lenovo recently completed an [inaugural offering of green notes](#) as part of a US\$1.25 billion dual-tranche Rule 144A/Regulation S bond offering. The offering is the largest debut technology sector Environmental, Social, and Governance (“ESG”) bond globally so far in 2022<sup>[2]</sup>, and marks an important milestone in Lenovo’s ESG journey and supports its [vision to achieve Net-Zero by 2050](#). This is a key development as the Company continues to drive its integrated climate and sustainability objectives and ambitions, enabling the company to finance projects and initiatives that support its ESG commitments, and build a smarter and more sustainable future for all. More information can be found in the Group’s [Green Finance Framework](#).

**Global Supply Chain** – In June 2022 Lenovo [officially opened the doors](#) to its **first in-house manufacturing facility in Europe**. Based in Ullo, Hungary, the factory focuses primarily on building server infrastructure, storage systems and high-end PC workstations used by customers throughout the Europe, Middle East, and Africa region, and further extends Lenovo’s global manufacturing footprint.



The annual **Gartner Global Supply Chain Top 25** listing for 2022 saw Lenovo reach its highest ranking ever, [up seven places from 2021 to rank #9](#). The Gartner Supply Chain Top 25 identifies, celebrates, and profiles companies that demonstrate excellence in supply chain management amid high-risk supply chain disruption.

*[1] non-HKFRS measure was adjusted by adding back net fair value changes on financial assets at fair value through profit or loss, amortization of intangible assets resulting from mergers and acquisitions, mergers and acquisitions related charges; and the corresponding income tax effects, if any. [2] Source: Dealogic, Asia excluding Japan, jumbo deals in excess of US\$1 billion (equivalent).*

### **About Lenovo**

Lenovo (HKSE: 992) (ADR: LNVGY) is a US\$70 billion revenue global technology powerhouse, ranked #171 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 quarter ended June 30, 2022**  
(in US\$ millions, except per share data)

	<b>Q1 22/23</b>	<b>Q1 21/22</b>	<b>Y/Y CHG</b>
Revenue	16,956	16,929	0.2%
Gross profit	2,869	2,824	2%
Gross profit margin	16.9%	16.7%	0.2 pts
Operating expenses	(2,092)	(2,081)	1%
R&D expenses (included in operating expenses)	(511)	(466)	10%
Expenses-to-revenue ratio	12.3%	12.3%	0 pts
Operating profit	777	743	5%
Other non-operating income/(expenses) - net	(86)	(93)	(8%)
Pre-tax income	691	650	6%
Taxation	(152)	(165)	(8%)
Profit for the period	539	485	11%
Non-controlling interests	23	19	24%
Profit attributable to equity holders	516	466	11%
Profit attributable to equity holders- non-HKFRS [1]	556	413	35%
Earnings per share (US cents)			
Basic	4.39	4.02	0.37
Diluted	4.01	3.53	0.48

