

Smarter technology for all

3QFY20/21 Earnings Announcement

Feb 3, 2021

Lenovo

Forward Looking Statement

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Smarter technology for all

Yuanqing Yang

Chairman & CEO

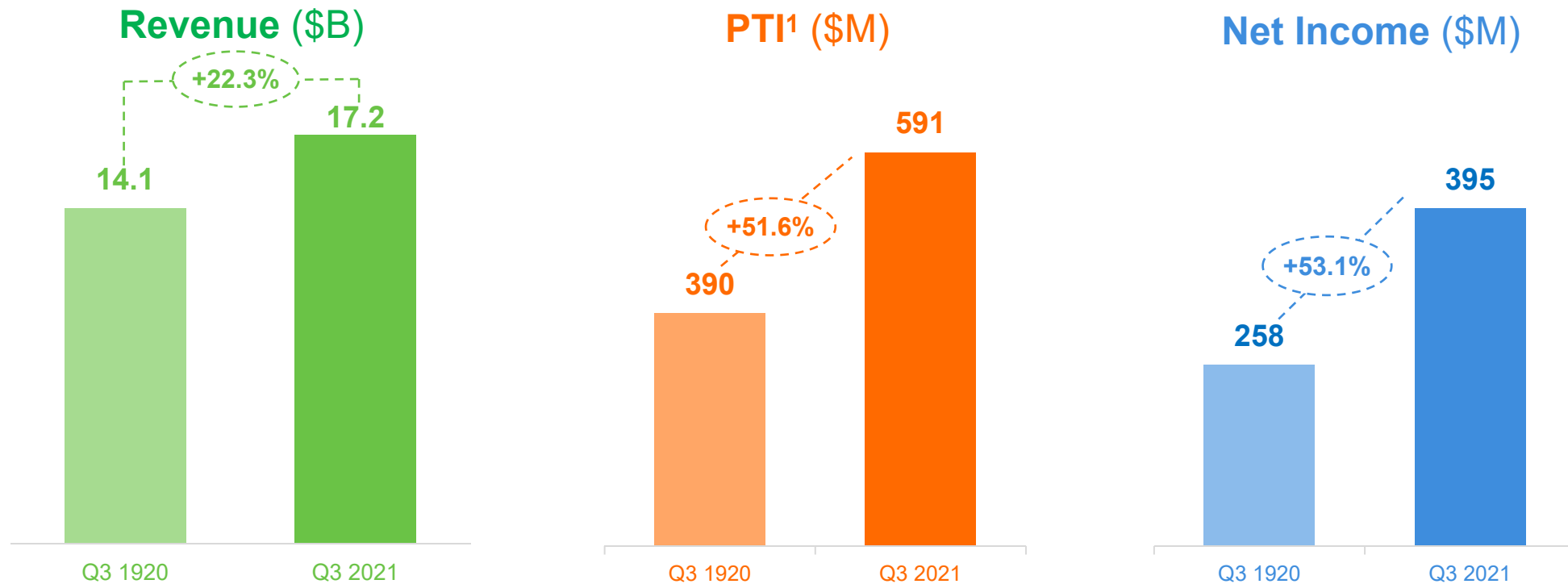
Feb 3, 2021



Group: Best Performance in Lenovo's History

- **Record Revenue, Pre-Tax Income, Net Income**

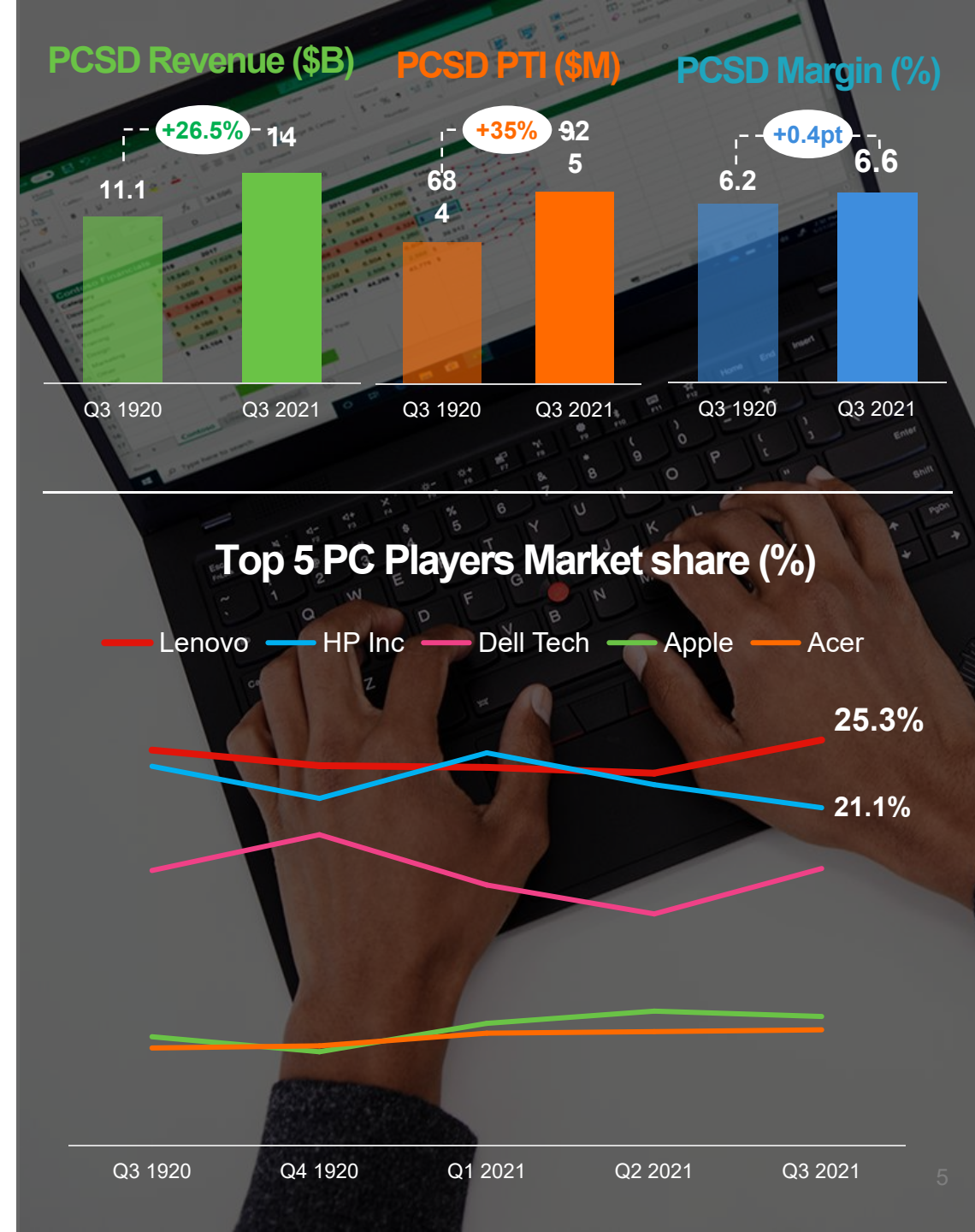
- Revenue: **\$17.2B**, up **22.3%** YOY, \$2.7B higher than the previous record
- Pre-Tax Income: **\$591M**, up **51.6%** YOY
- Net Income: **\$395M**, up **53.1%** YOY
- All core businesses delivered both top-line and bottom-line growth YOY



IDG PCSD¹: Record Results Across the Board

- Revenue up **26.5%** YOY, **new record**
- PTI up **35%** YOY, **new record**
- PTI margin **6.6%**, **new record**
- PC market share of **25.3%**, **new record**

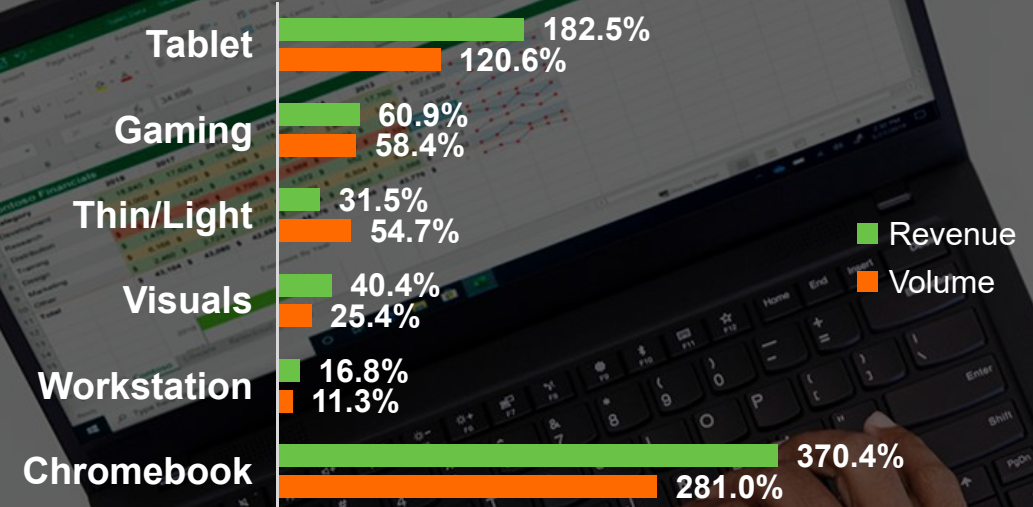
1, IDG: Intelligent Devices Group; PCSD: PC & Smart Devices



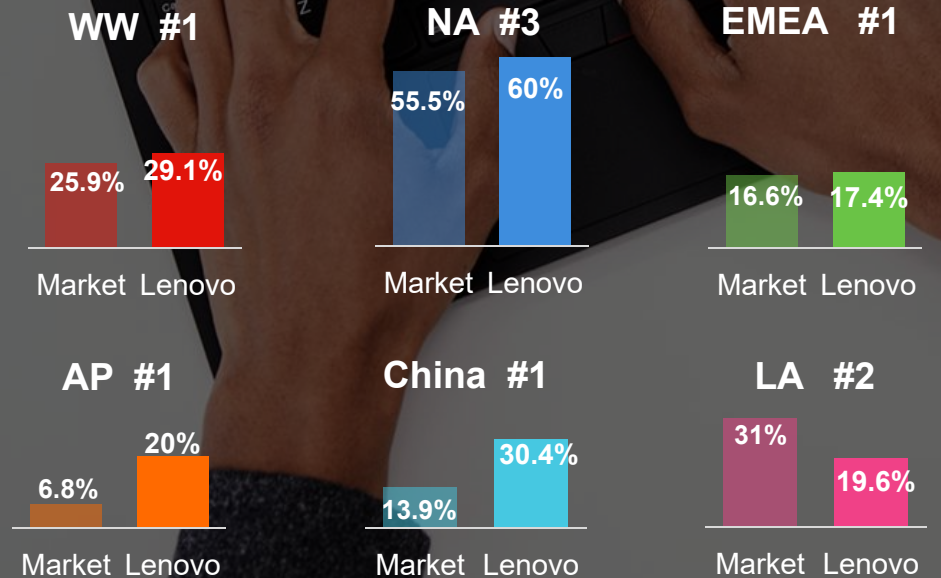
IDG PCSD: Record Results Across the Board

- Strong revenue & volume growth in high-growth, premium segments
- Strong traditional PC performance across all GEOs
 - North America volume up **60%** YOY
 - EMEA **#1** for the first time
 - Asia Pacific **record** profitability
 - China volume up **30.4%** YOY

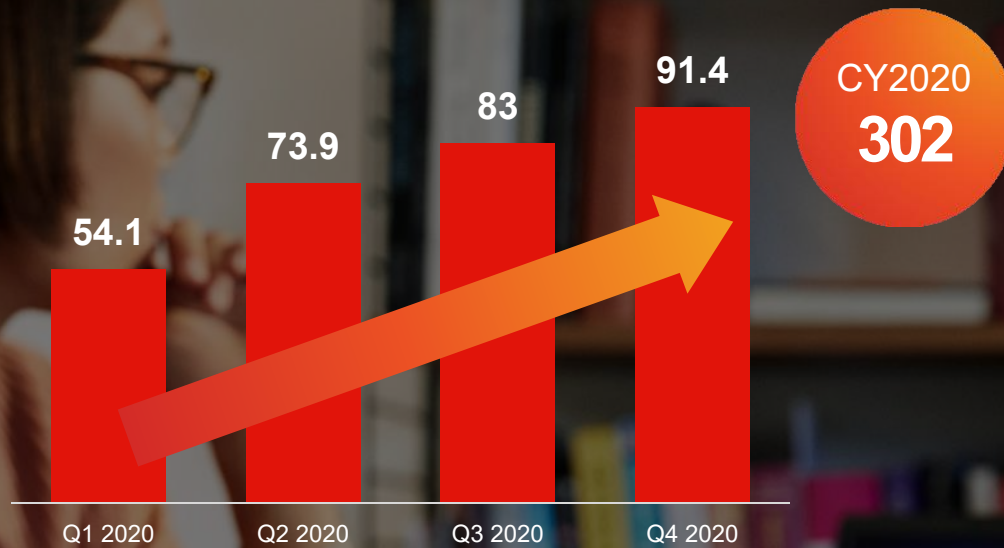
PC Segment Volume & Revenue Growth YOY (%)



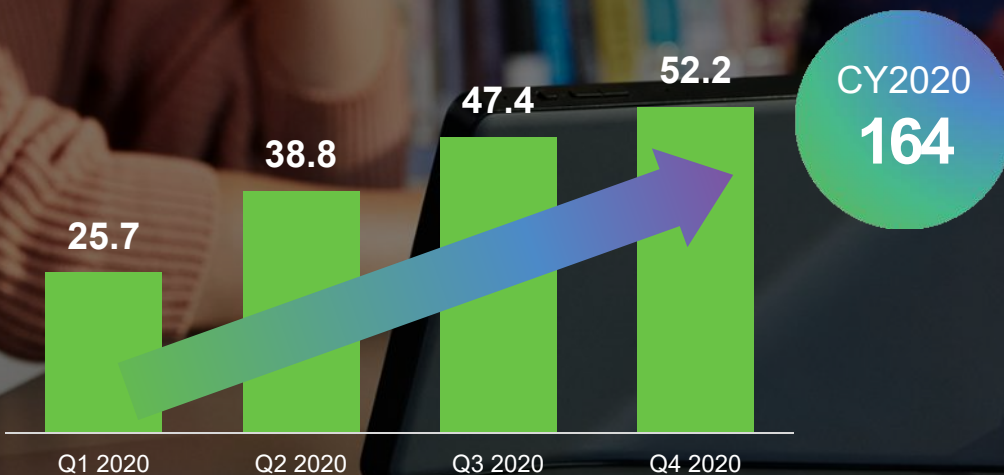
PC Market Position & Volume Growth v.s. Market YOY (%)



WW PC Market Volume (M units)



WW Tablet Market Volume (M units)



IDG PCSD: Outlook

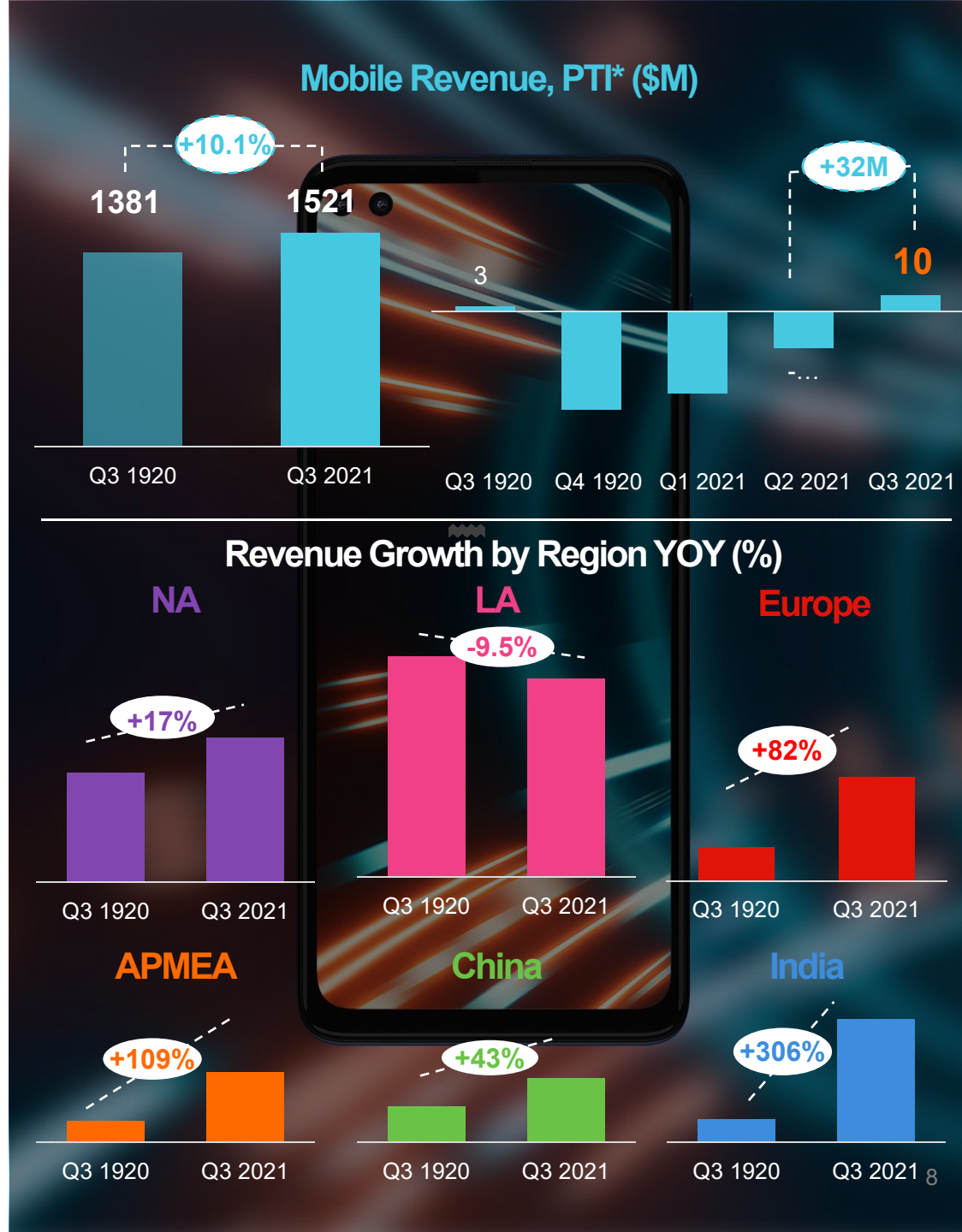
- **New lifestyle** driving sustainable demand surge for PC & Tablet
- Upgrade from One-phone-per-person to One-**PC/Tablet**-per-person
- Capture growth with innovation & operation excellence

IDG Mobile: Record Profit, Double-digit Growth

- Returned to profitability since the pandemic, **record** profit since acquisition
- Revenue up **10.1%** YOY
- Stronghold, Latin America & North America remained solid
- Rapid growth in Europe & Asia

Outlook:

- Strong 5G product portfolio to drive growth

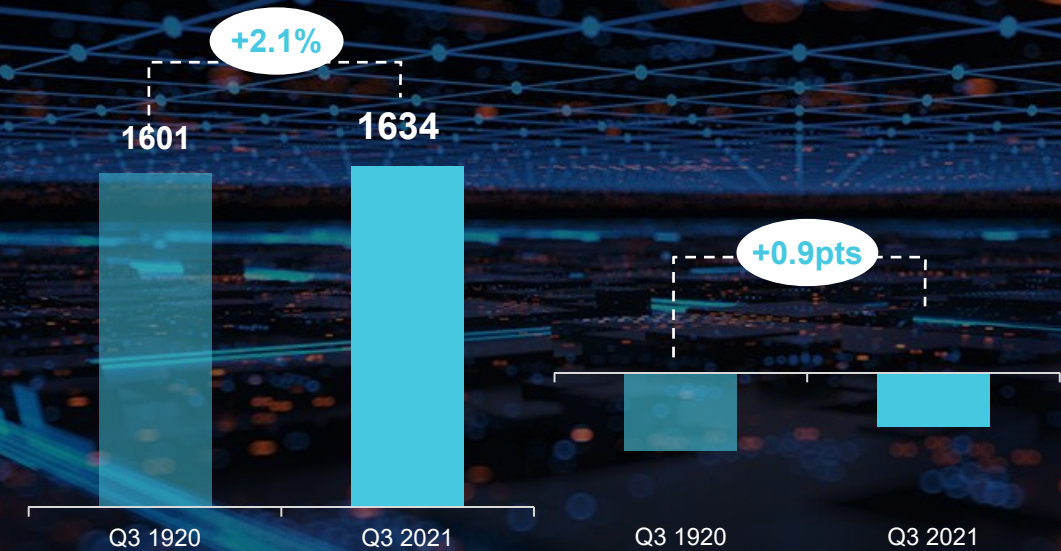


Data Center: Record Revenue, Improved Profitability

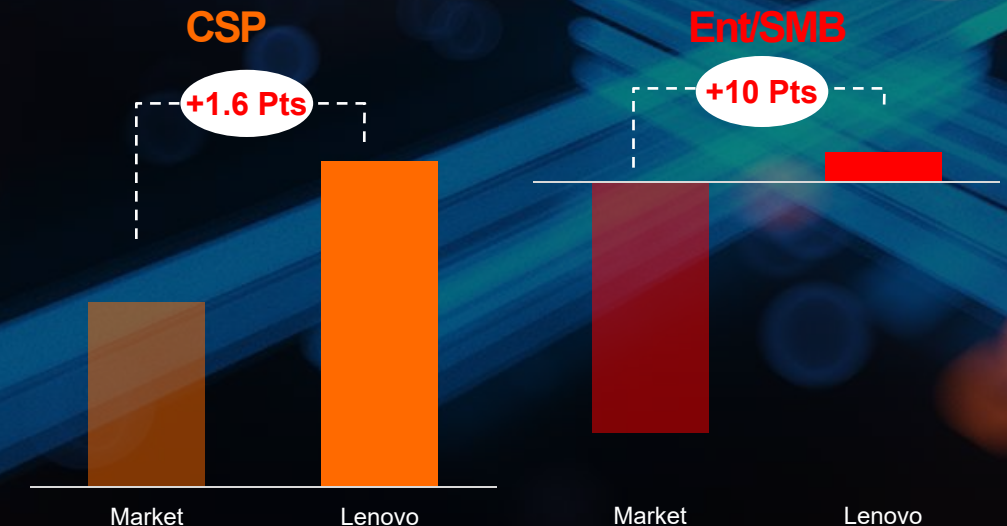
- **Record Revenue of \$1.634B**
- Profitability up **0.9pts** YOY
- Cloud Service Provider & Enterprise/SMB¹ revenue both achieved PtM growth YOY

¹, Cloud Service Provider (CSP): previously hyperscale.
Enterprise/SMB (Ent/SMB): previous non-hyperscale

DCG Revenue (\$M), PTI Margin (%)



DCG Segment Revenue Growth vs Market YOY (%)



Data Center: Record Revenue, Improved Profitability

- Storage: Record revenue, grew **11pts PtM**
- SDI¹, Services: **Record** revenue
- HPC²: Extended **#1** position in TOP500
- TruScale IaaS³ generating strong demand

Outlook:

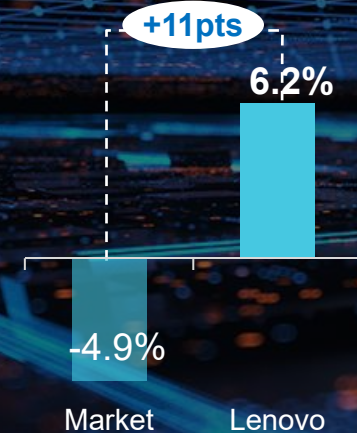
- Capture demand with in-house capabilities
- Grow PtM while improve profitability

1, SDI: Software Defined Infrastructure

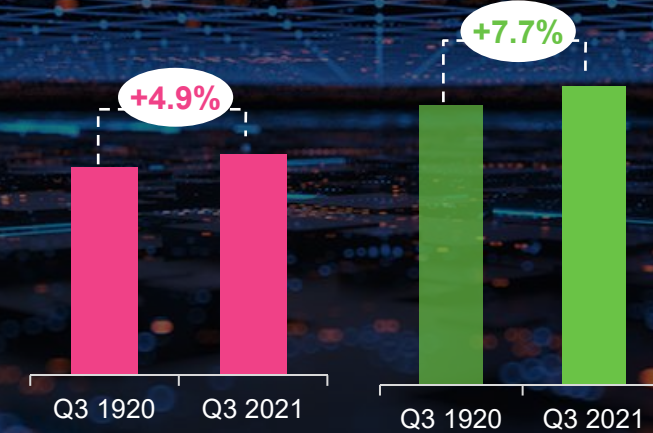
2, HPC: High Performance Computing

3, TruScale IaaS: Lenovo's Private Cloud Infrastructure-as-a-Service

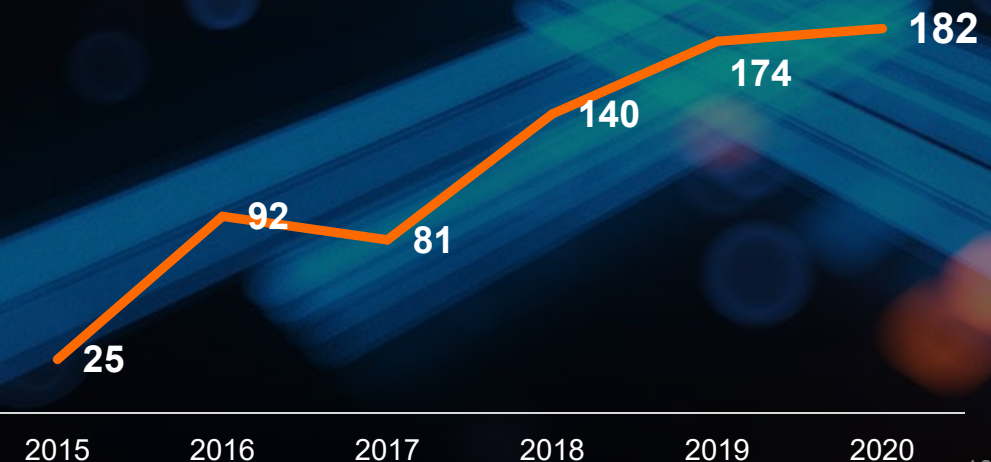
Storage Revenue Growth
v.s. Market YOY (%)



SDI, Service Revenue
Growth YOY (%)



Number of HPC Built by Lenovo in TOP 500



Intelligent Transformation: Solid Progress

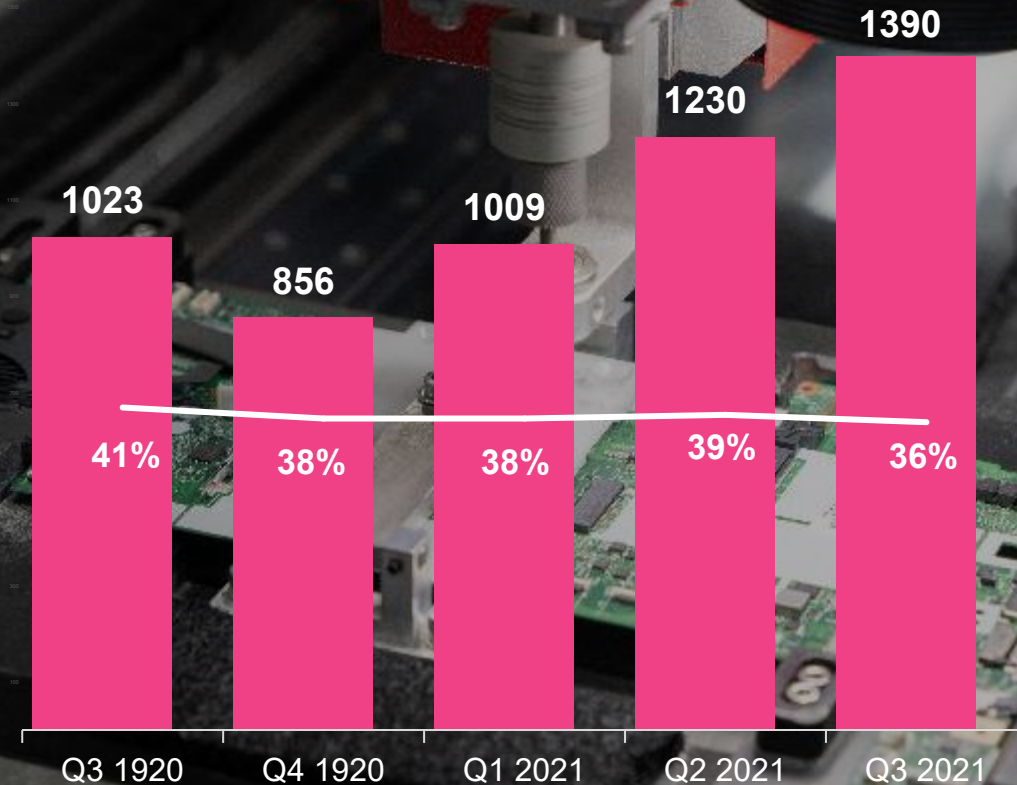
- Software & Services: **record** revenue¹ of **\$1.4B**, up **35.9%** YOY, **8.1%** of group revenue
 - Attached Service up **26.2%** YOY
 - Managed Service up **72.7%**, DaaS² grew **74%** YOY
 - Solutions Service up **49%** YOY
- E-commerce: **record** revenue, up **45%** YOY

Outlook

- Further drive service-led intelligent transformation
- Strengthen smart manufacturing, smart education, smart city solutions
- Drive DaaS growth

1, Invoiced Revenue
2, Total contract value

Software & Services Revenue (\$M),
YOY Growth (%)



Structuring Lenovo for the Future

Intelligent Transformation 3S Strategy

Smart IoT



IDG

Intelligent Devices Group

Smart Infrastructure



ISG

Infrastructure Solutions Group

Smart Verticals & Services



SSG

Solutions & Services Group

China GEO / International Sales Organization

Global Operations

Smarter technology for all

Wong Wai Ming

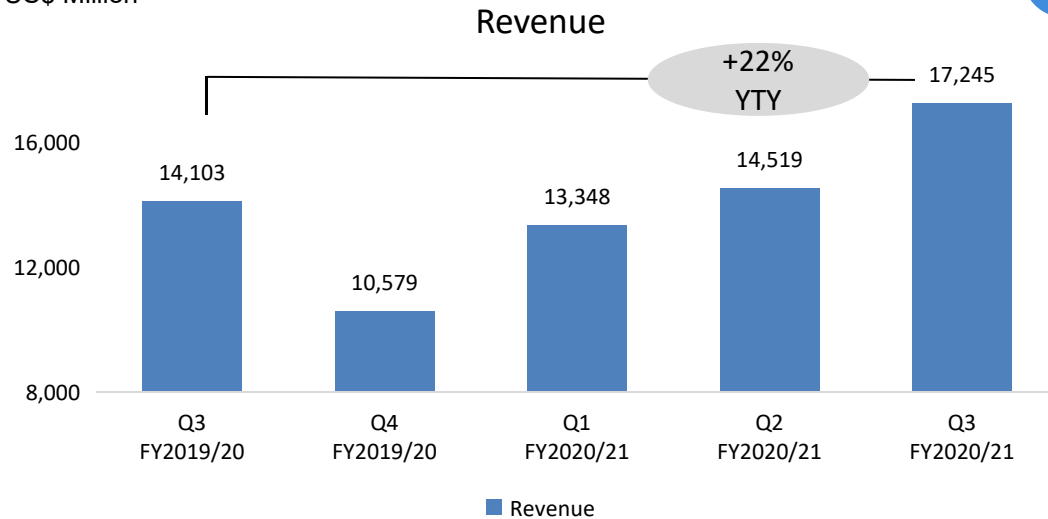
Chief Financial Officer

Feb 3, 2021



Financial Highlights

US\$ Million



1

3Q HIGHLIGHTS

1

All-time high revenue and profit, thanks to consistent performance across three Business Groups, structural demand shift, and growth of service business

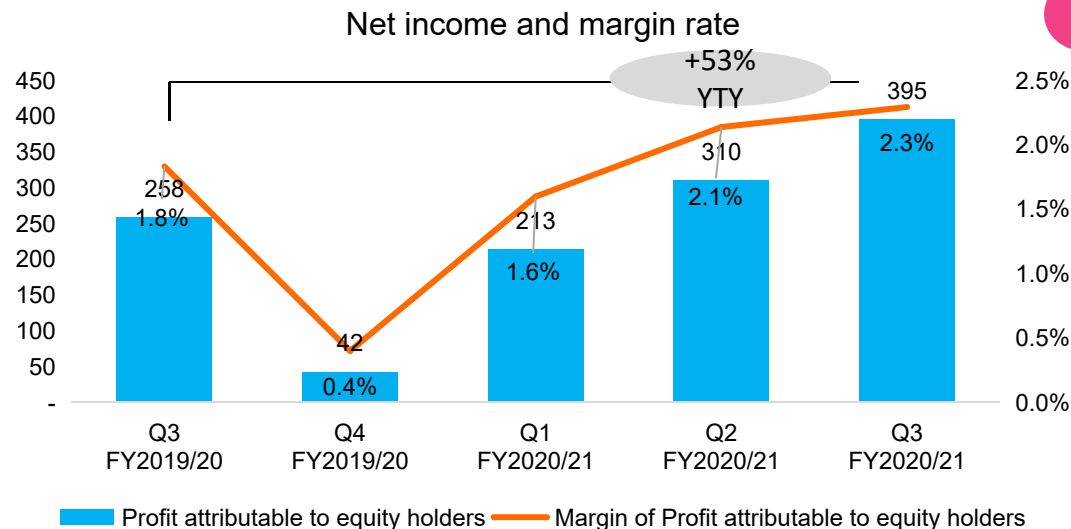
2

Group's net income* reached a new milestone with 53% YTY growth on record-breaking PCSD profit and improved MBG/DCG profitability

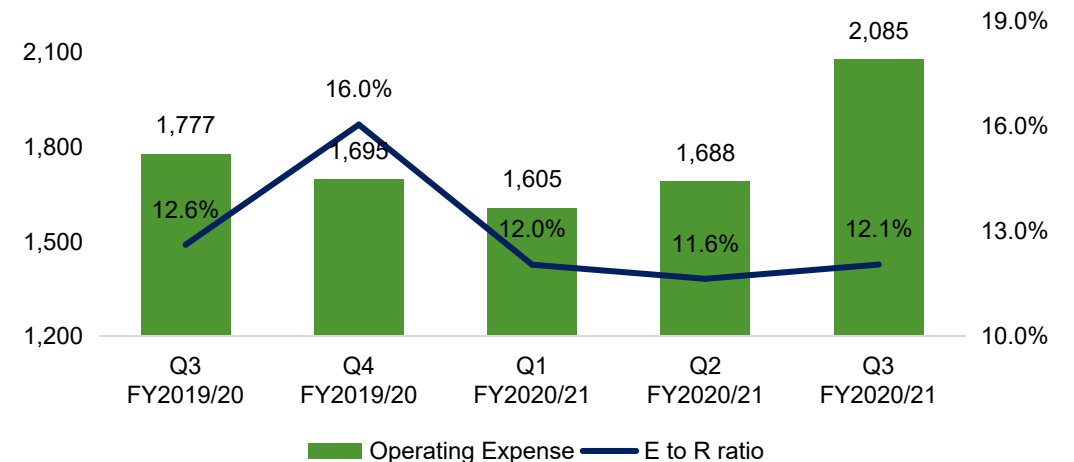
3

E to R ratio reduced by 0.5 percentage points YTY to 12.1%, leveraging disciplined expense control and sales mix optimization

2

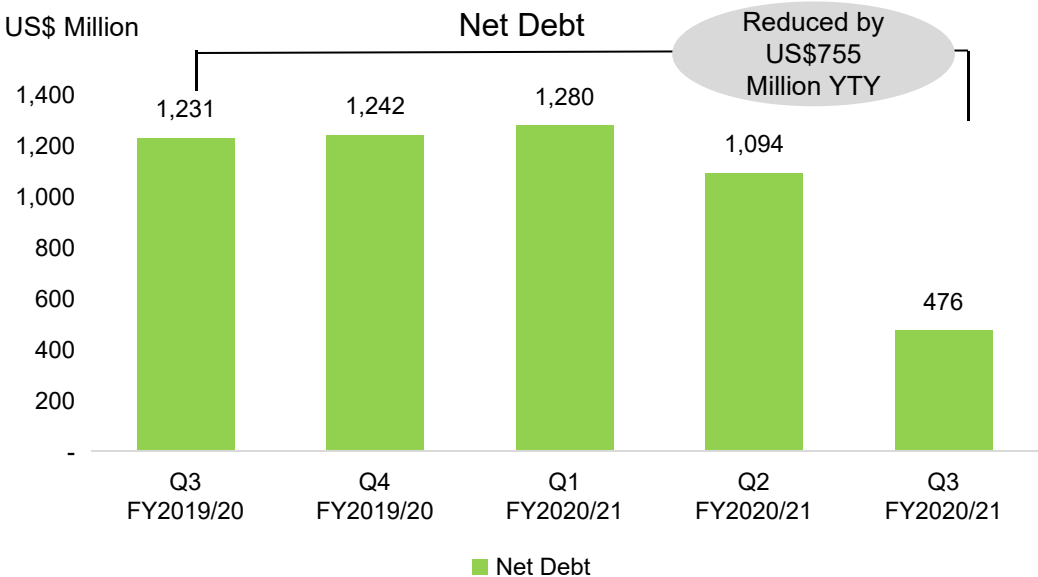


Operating Expense and E to R Ratio



3

Cash and Working Capital



1

1

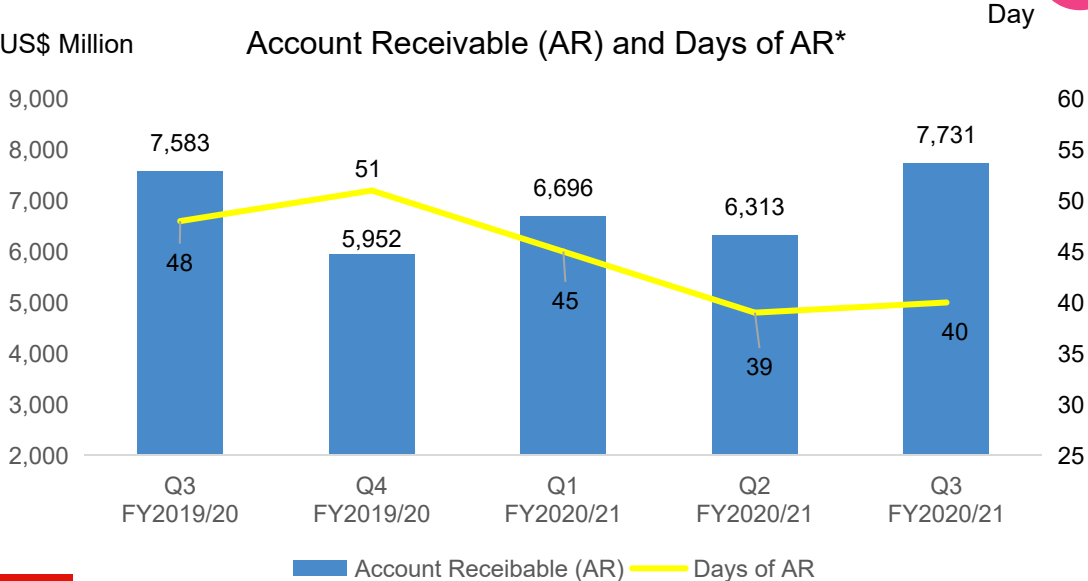
Net debt reduced by US\$755 million YTY, thanks to strong net cash generated from operating activities

2

Account Receivable days improved 8 days YTY thanks to better efficiency in factoring program.

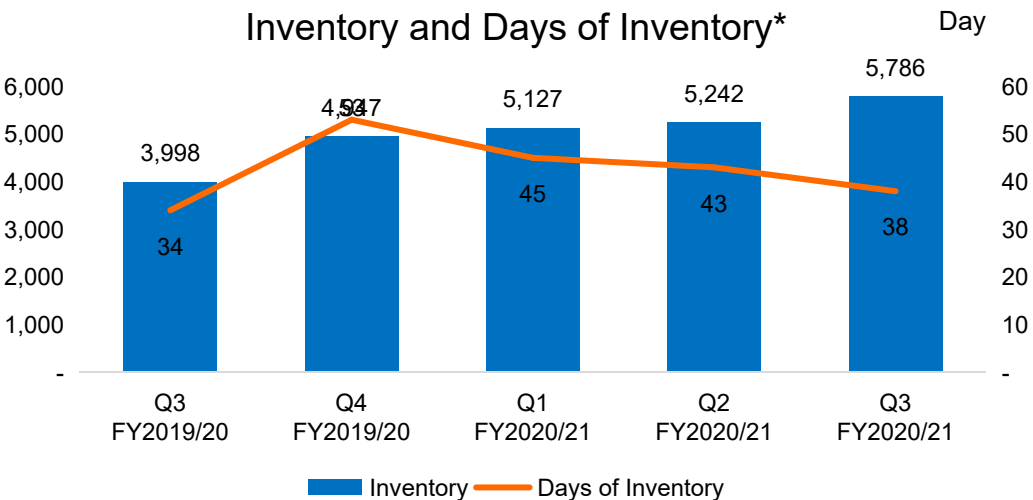
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Inventory days lowered sequentially on strong demand

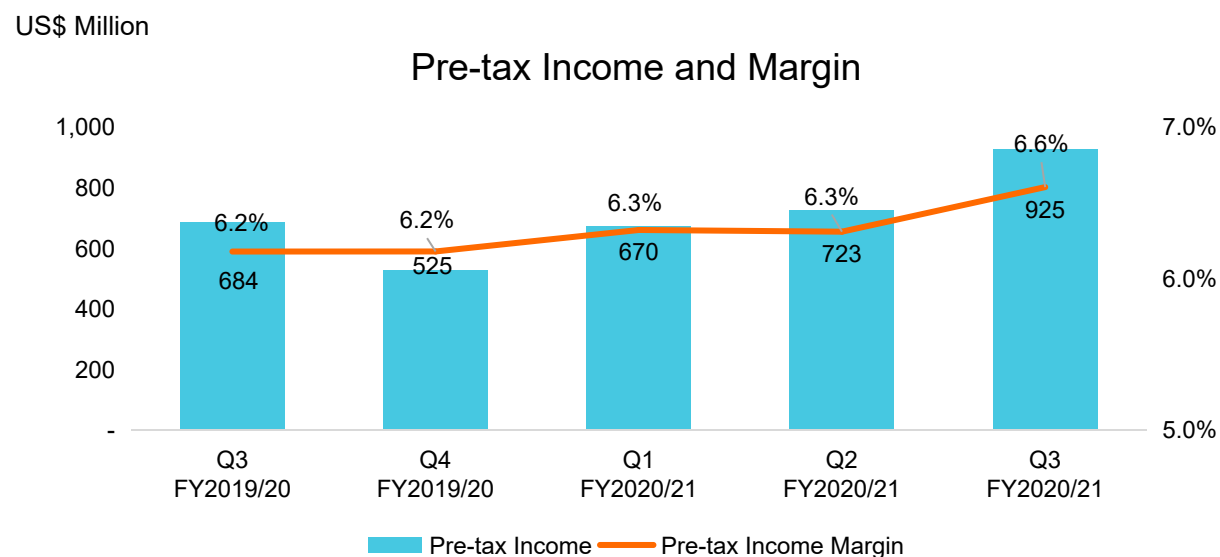
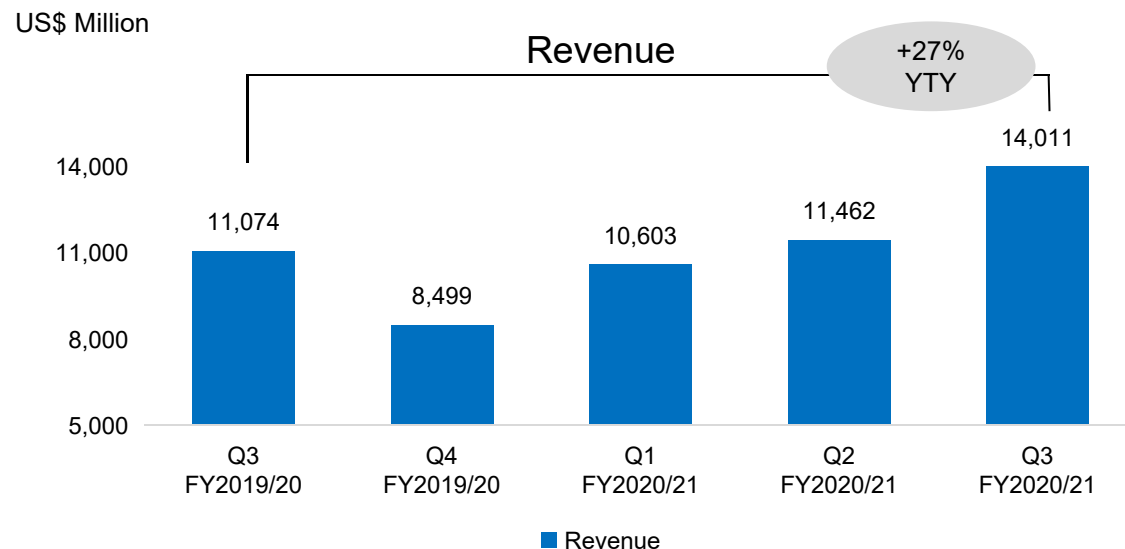


2

3



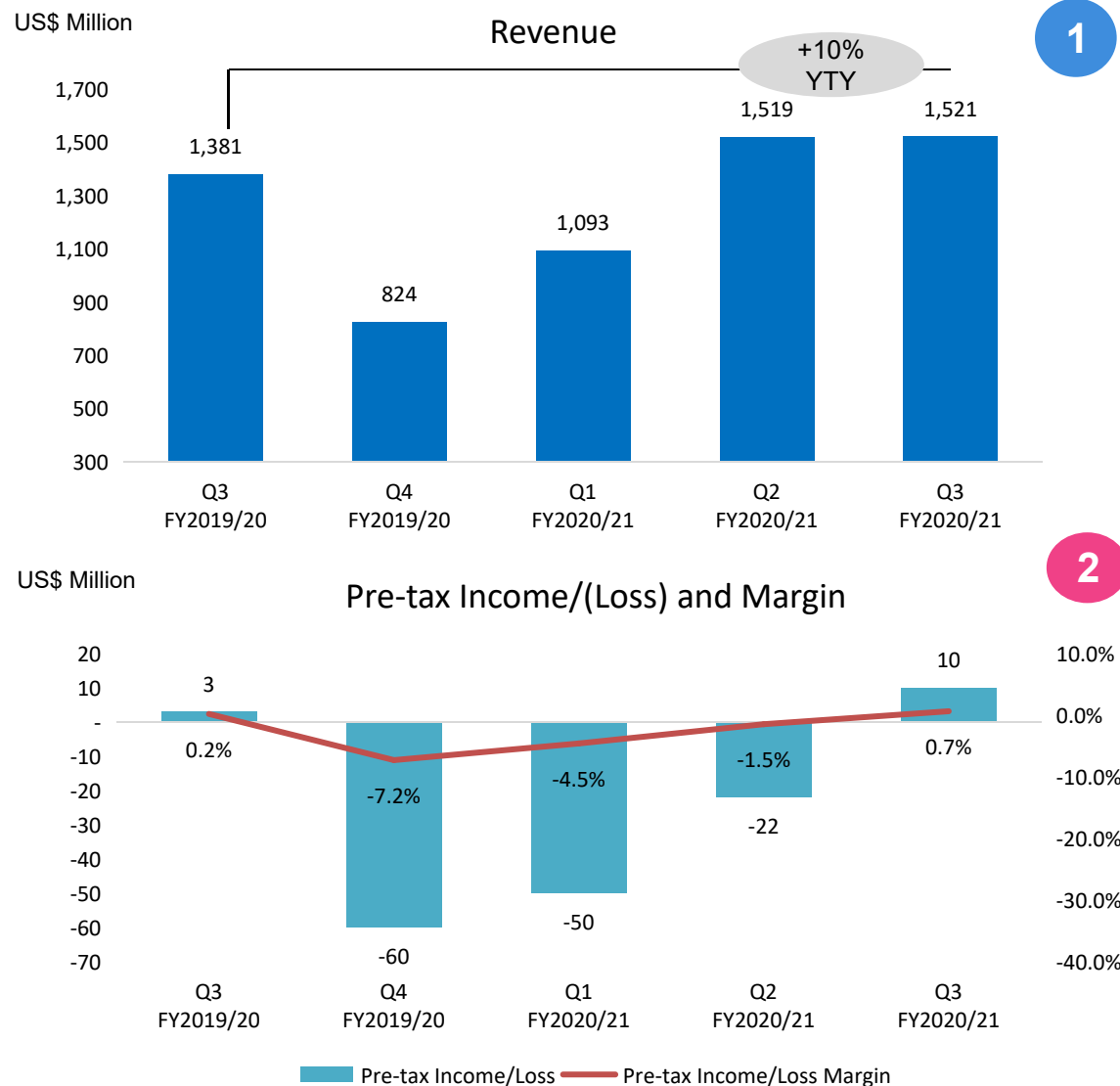
PC & Smart Device Business Group (PCSD)



3Q HIGHLIGHTS

- 1 Set new PCSD revenue and PTI records
- 1 Revenue up 27% YTY on operational excellence, product innovation, and quick time-to-market to address new demand tailwinds; unique hybrid manufacturing strategy further boosted share gain amid component shortage
- 2 Record PTI margin at 6.6% and PTI profit up 35% YTY
- 2 Solid profitability a result of strong share gain in high-growth and premium segments including Workstation, Thin & Light, Gaming PC, e-Commerce, and software/services

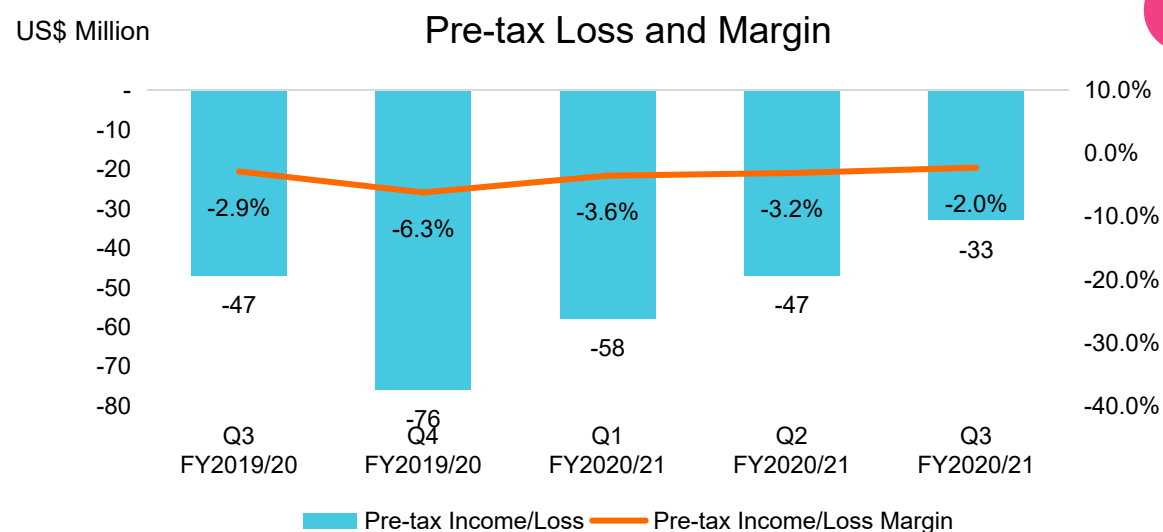
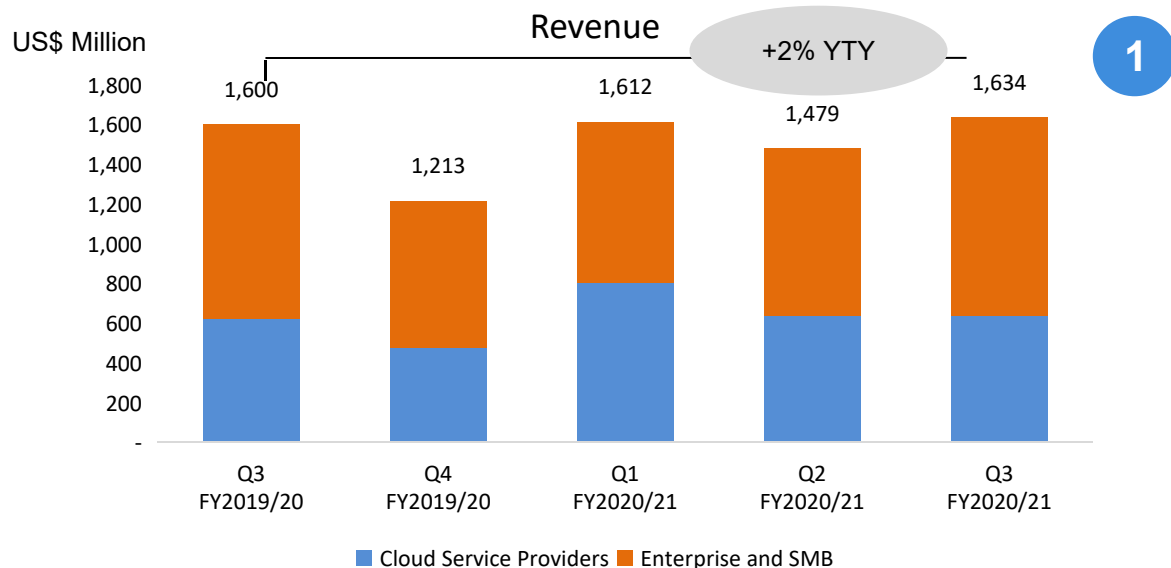
Mobile Business Group (MBG)



3Q HIGHLIGHTS

- 1 Revenue growth reached 10% YTY, thanks to continued expansion of product portfolio and carrier ranging
- 1 Significant boost of average selling prices on strong product launches
- 2 Resumed profitability with pre-tax profit amounting to US\$10 million despite the increased freight and logistics costs and industry-wide component shortages
- 2 “5G for all” strategy aimed to drive further improvement; 5G sales now contributing 14% of MBG revenue

Data Center Business Group (DCG)

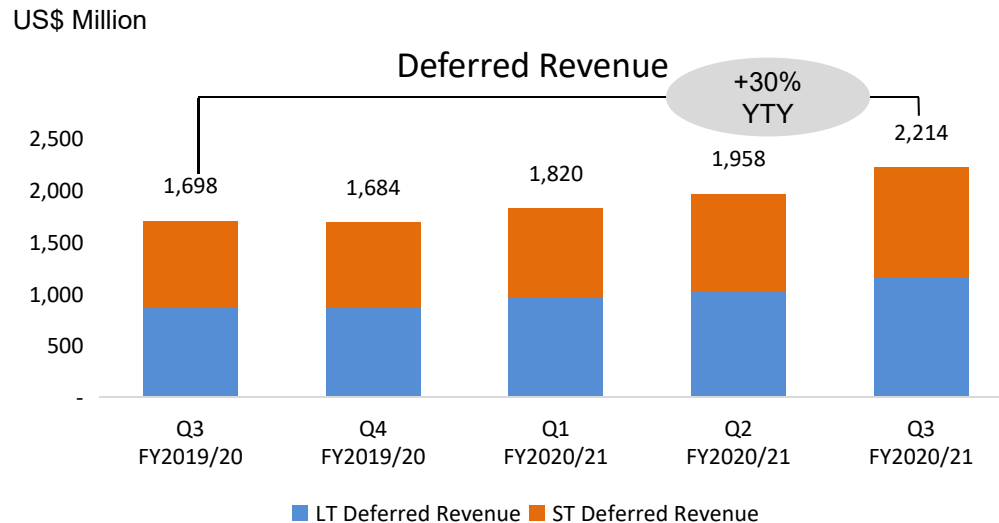
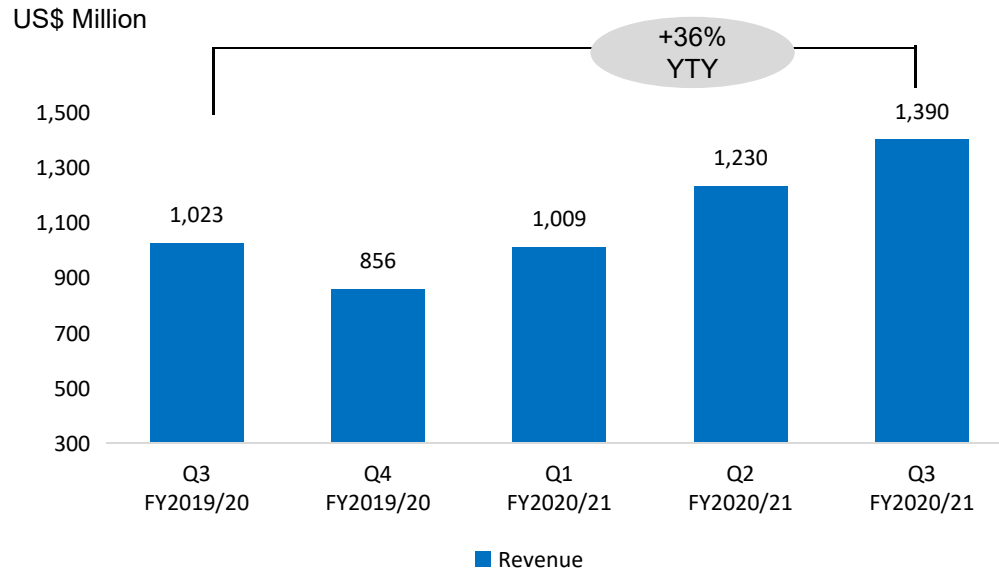


3Q HIGHLIGHTS

- 1 New performance record in revenue; Cloud Service Provider revenue up 4% YTY, with double-digit growth boosted by cloud demand and continued client diversification across regions except for China, which prioritizes profit growth
- 1 Enterprise & Small and Medium Business revenue has achieved its highest level in 3 years, thanks to record performance in Software-Defined Infrastructure (SDI), storage, High-Performance Computing, and Services
- 2 Continued improvement of operational results by US\$14 million YTY; business aims to further scale up and drive profitability

Software and Services

Software and Services revenue



3Q HIGHLIGHTS

Software and Services revenue* up 36% YTY to US\$1.4 billion; contributing 8.1% of Group Revenue

- ✓ **Attached Services +26% YTY**
- ✓ **Managed Services incl. DaaS +73% YTY**
- ✓ **Complex Solutions +49% YTY**

Deferred revenue up 30% YTY, adding to revenue and cash flow stability and predictability

Outlook Statement

Group Mission: Leader and Enabler of Intelligent Transformation

China beneficiary

Service-led Transformation

GPM expansion

IDG: Drive growth with strong profitability; accelerate Software and Services

- **PCSD:** Structural change from one PC per family to one PC per person is an on-going trend benefiting the industry. Expecting commercial segment to start to recover later in the year
- **Mobile:** Protect position in stronghold markets and drive profitable growth in all markets.
- **Software and Services:** Supercharge solution and service-led growth.

DCG: Drive premium to market growth while improving profitability

- **Enterprise and SMB:** Grow high-margin services attach rate, upsell premier services and expand SDI and software solutions. Develop vertical solutions and new levels of automation to drive a paradigm shift with its edge-to-cloud solutions.
- **Cloud Service Provider:** Gain market share by leveraging our unique strengths in global supply chain, internal custom design, manufacturing, and worldwide reach. Portfolio expansion to new platforms including Intel and AMD. Grow in-house design and manufacturing capabilities.

Intelligent Transformation: Grow Smart IoT, Smart Infrastructure and Smart Verticals while leading customer-centric transformation

- Full range of product offerings to drive hyper-growth in Software and Services, solutions and e-commerce.
- Explore and improve smart vertical solutions across smart education, smart city, and smart healthcare.

Appendix

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

Financial Summary

US\$ Million	Q3 FY2020/21	Q3 FY2019/20	Y/Y%
Revenue	17,245	14,103	22%
Gross profit	2,786	2,265	23%
Operation expense	(2,085)	(1,776)	17%
Operating profit	701	489	44%
Other non-operating expenses	(110)	(99)	(12%)
Pre-tax income	591	390	52%
Taxation	(160)	(85)	89%
Profit for the period	431	305	41%
Non-controlling interests	(37)	(47)	(23%)
Profit attributable to equity holders	395	258	53%
EPS (US cents)			
-Basic	3.31	2.16	1.16
-Diluted	3.08	2.07	1.01
Q3 FY2020/21		Q3 FY2019/20	
Gross margin	16.2%	16.1%	
E/R ratio	12.1%	12.6%	
Operating margin	4.1%	3.5%	
PTI margin	3.4%	2.8%	
Net margin	2.3%	1.8%	

Condensed Consolidated Income Statement

US\$ Million	Q3 FY2020/21	Q3 FY2019/20
Revenue	17,245	14,103
Cost of sales	(14,459)	(11,838)
Gross profit	2,786	2,265
Selling and distribution expenses	(863)	(816)
Administrative expenses	(859)	(609)
Research and development expenses	(398)	(341)
Other operating expense – net	35	(10)
Operating profit	701	489
Finance income	7	13
Finance costs	(110)	(108)
Share of loss of associated companies and joint ventures	(7)	(4)
Profit before taxation	591	390
Taxation	(160)	(85)
Profit for the period	431	305
Profit attributable to equity holders of the Company	395	258
Perpetual securities holders	6	13
Other non-controlling interests	31	34
Per share data		
Earnings per share (US cents) – Basic	3.31	2.16
Earnings per share (US cents) – Diluted	3.08	2.07

Condensed Consolidated Balance Sheet

US\$ Million	As at Dec 31, 2020	As at Sep 30, 2020
Non-current assets	14,195	13,779
Property, plant and equipment	1,530	1,439
Intangible assets	8,152	7,980
Others	4,513	4,360
Current assets	24,450	21,305
Bank deposits and cash	4,091	3,753
Trade, notes and other receivables	14,303	12,024
Inventories	5,786	5,242
Others	270	286
Current liabilities	27,121	24,575
Borrowings	639	2,303
Trade, notes, other payables, accruals and provisions	24,875	20,939
Others	1,607	1,333
Net current (liabilities)	(2,671)	(3,270)
Non-current liabilities	7,613	6,052
Total equity	3,911	4,457

Condensed Consolidated Cash Flow Statement

US\$ Million	Q3 FY2020/21	Q3 FY2019/20	Q2 FY2020/21
Net cash generated from operating activities	1,963	538	771
Net cash used in investing activities	(197)	(215)	(214)
Net cash used in financing activities	(1,525)	(158)	(388)
Increase in cash and cash equivalents	241	165	169
Effect of foreign exchange rate changes	100	(44)	34
Cash and cash equivalents at the beginning of the period	3,699	3,312	3,496
Cash and cash equivalents at the end of the period	4,040	3,521	3,699

thanks.

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