

Smarter technology for all

Q2FY23 Earnings Announcement

November 3, 2022

Forward-Looking Statement

This presentation contains “forward-looking statements”, which are statements that refer to the expectations and plans for the future and include, without limitation, statements regarding Lenovo’s future results of operations, financial condition or business prospects as well as other statements based on projections, estimates and assumptions. In some cases, these statements can be identified by terms such as “expect,” “intend,” “plan,” “believe,” “estimate,” “may,” “will,” “should” and comparable words (including negative variants of such words). These forward-looking statements, reflect the current expectations and plans of the directors and management of Lenovo, which may not materialize or may change. Many risks, uncertainties and other factors, some of which are unpredictable and beyond Lenovo’s control, could affect the matters discussed in these forward-looking statements. These factors include, without limitation, economic and business conditions globally and in the countries where we operate, Lenovo’s ability to predict and respond quickly to market developments, consumer demand, pricing trends and competition; changes in applicable laws and regulations (including applicable tax and tariff rates). Any variance from the expectations or plans on which these forward-looking statements are based could cause Lenovo’s actual results or actions to differ materially from those expressed or implied in these statements. These forward-looking statements are not guarantees of future performance and you are cautioned not to place undue reliance on these statements. Lenovo undertakes no obligation to update any forward-looking statements in this presentation, whether as a result of new information or any subsequent change, development or event. All forward-looking statements in this presentation are qualified by reference to this paragraph.

Smarter technology for all

Yuanqing Yang

Chairman & CEO

November 3, 2022



Group:

Diversified Engines Driving Growth & Profitability

- Multiple challenges and uncertainties persist in the macro context
- Solid performance and **improved profitability**
- Non-PC businesses become solid **new growth engines**, **37.4%** mix of total revenue



Group:

Diversified Engines Driving Growth & Profitability

Opportunities



Accelerated Digital/Intelligent transformations:

- Digitalization and hybrid work model driving strong growth of global spending
- Strong, sustainable customers' need for:
 - Smart devices/IoT(module)
 - ICT infrastructure
 - Solutions and services

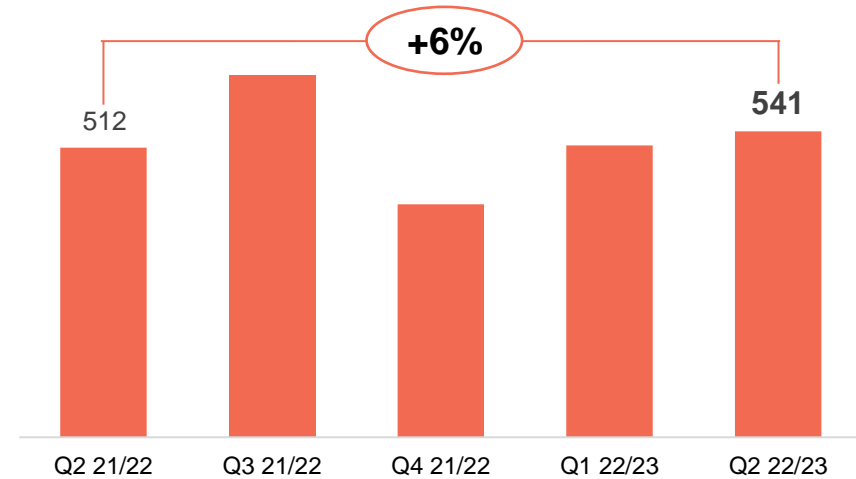
Group:

Diversified Engines Driving Growth & Profitability

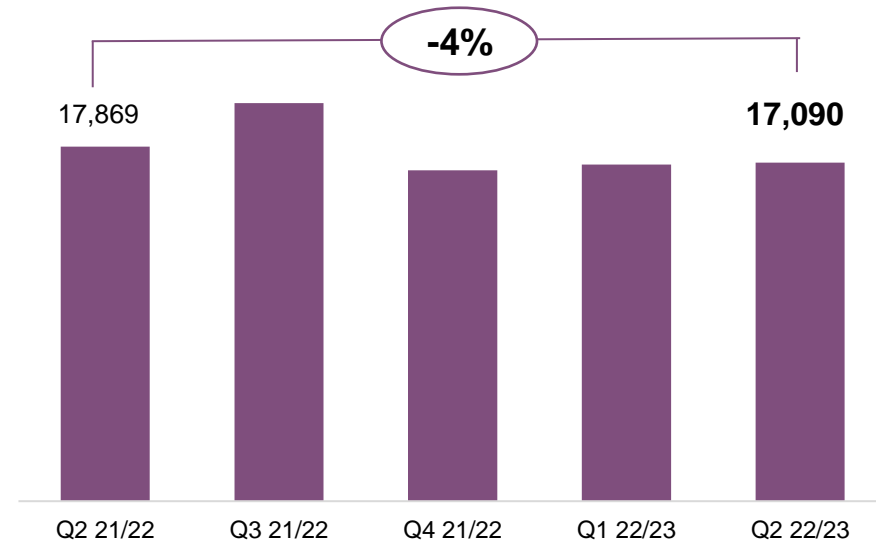
- Net income \$541 million, up 6% YTY; net margin up 0.3 points YTY; both achieved **10th consecutive quarter YTY growth**
- Revenue \$17.1 billion, declined 4% YTY, up 3% YTY in **constant currency**

Performance

Group Net Income (\$M)



Group Revenue (\$M)



Group: Diversified Engines Driving Growth & Profitability

- New diversified growth engines saw high double-digit revenue growth YTY
 - SSG¹: up 26% YTY
 - ISG²: up 33% YTY
- Healthy growth in cash balance with net cash almost tripled QTQ

¹ SSG: Solutions & Services Group

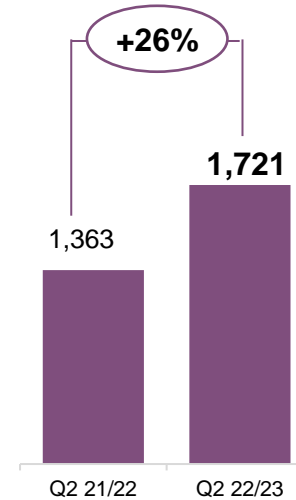
² ISG : Infrastructure Solutions Group



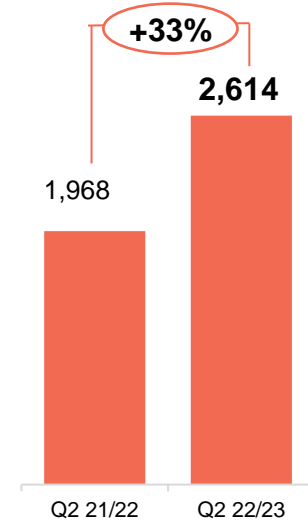
2022 Lenovo Internal. All rights reserved.

Performance

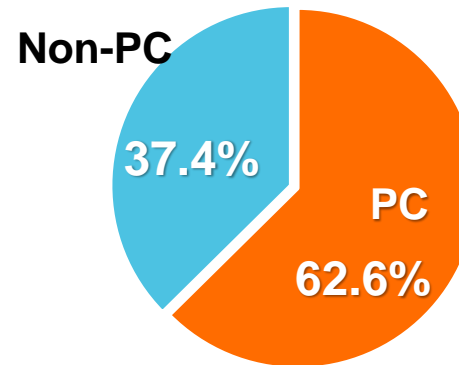
SSG Revenue (\$M)



ISG Revenue (\$M)

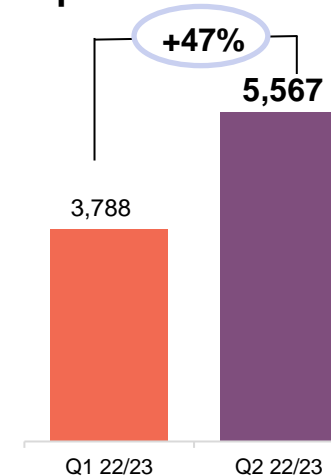


PC & Non-PC
Revenue Mix (%)

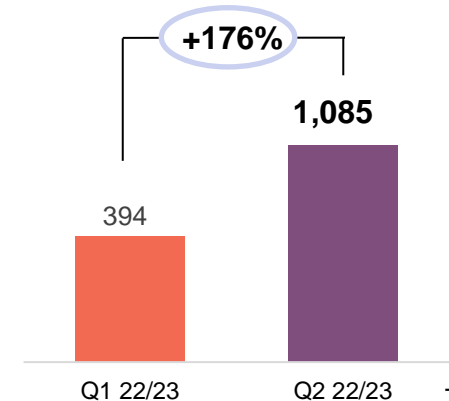


Source: Internal

Group Cash Position (\$M)



Group Net Cash (\$M)



Group:

Diversified Engines Driving Growth & Profitability

Sustainable growth

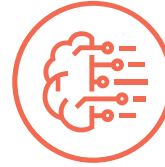
- Committed to doubling R&D investments in medium term, R&D expense up 15% YTY, headcount up 26% YTY
- Accelerate ESG efforts
- Strengthen One Lenovo platform

SSG

Solutions & Services Group:

**Strong Growth,
Higher Profitability**

Opportunities



Trillion-dollar IT services market grows steadily

- Faster growth in DaaS and Managed Services
- Spending on vertical solutions & services remain strong



Lenovo's strategic intent:

Drive high growth in 3 high margin service segments:

- Support Services
- Managed Services
- Project & Solution Services

SSG

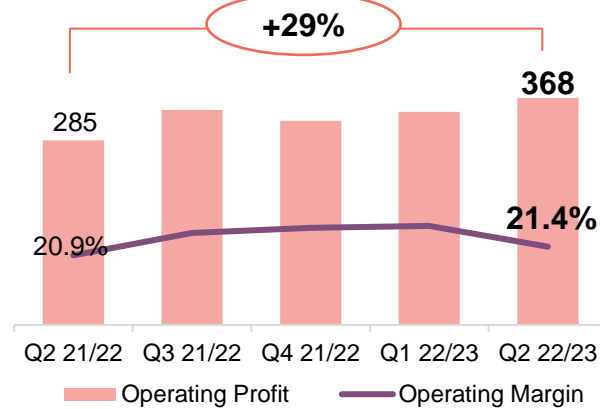
Solutions & Services Group:

Strong Growth, Higher Profitability

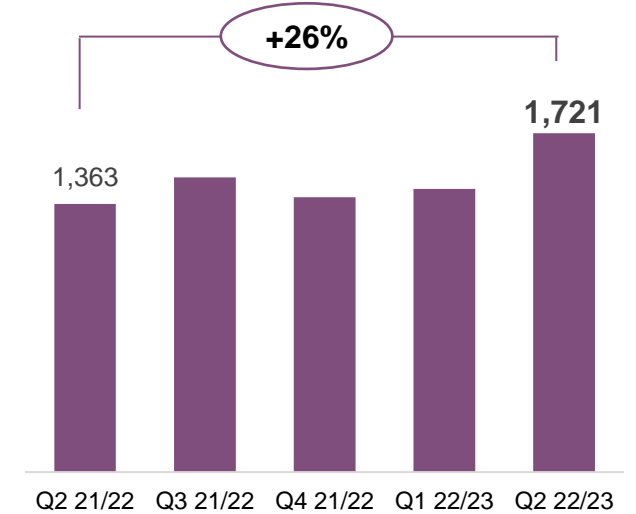
- Operating margin 21.4%, operating profit up 29% YTY
- Revenue up 26% YTY
- All segments revenue grew by high double digits YTY
- Managed Services, Project & Solution Services accounts for 52% of SSG revenue

Performance

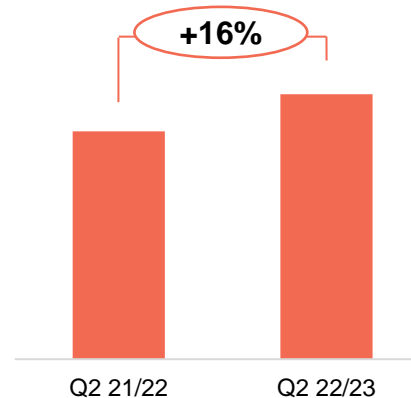
SSG Operating Profit (\$M)
& Margin (%)



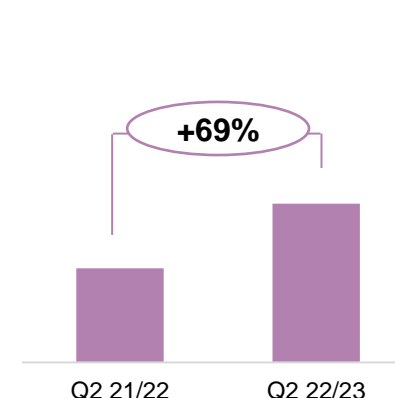
SSG Revenue (\$M)



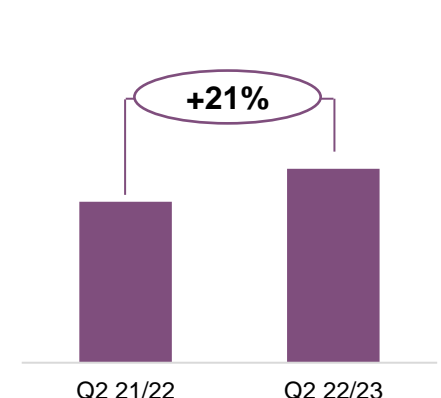
Support Services
Revenue YTY Growth (%)



Managed Services
Revenue YTY Growth (%)



Project & Solution Services
Revenue YTY Growth (%)



SSG

Solutions & Services Group:

**Strong Growth,
Higher Profitability**

Sustainable growth

- Build comprehensive horizontal solutions for vertical industries
- Expand sustainability offerings
- Lenovo PCCW Solutions achieving initial success on business synergy

ISG

Infrastructure Solutions Group:

Record Revenue, Record Profitability

Opportunities



ICT Infrastructure upgrade continues

By 2025:

- Server to reach \$134 billion
- Edge infrastructure to reach \$47 billion
- Storage to reach \$36 billion



Lenovo's strategic intent:

Full-stack infrastructure provider from edge to cloud including hardware, software & services



Infrastructure Solutions Group:

Record Revenue, Record Profitability

- Revenue \$2.6 billion, up 33% YTY
- Operating profit \$36 million, record high, profitable for 4 straight quarters
- CSP¹ & E/SMB² : Both reached record revenue, outgrew overall market forecast³ by large premium
- Edge: Record revenue, up 297% YTY
- Storage: Record revenue, up 115% YTY

¹ Cloud Service Provider; ² Enterprise/SMB;

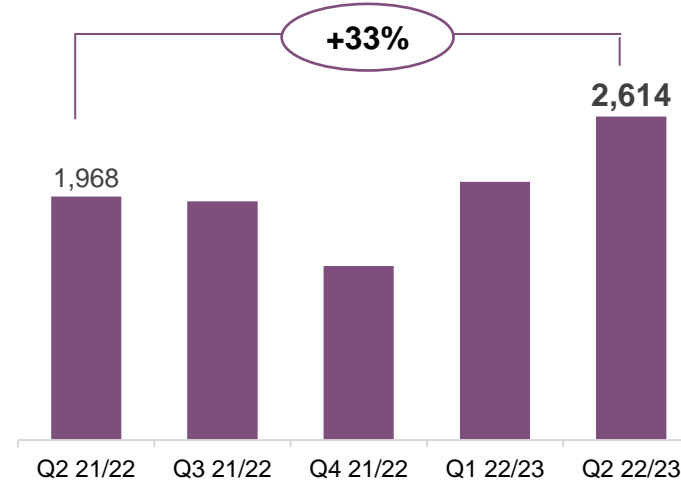
³ Source: IDC forecast, September 2022



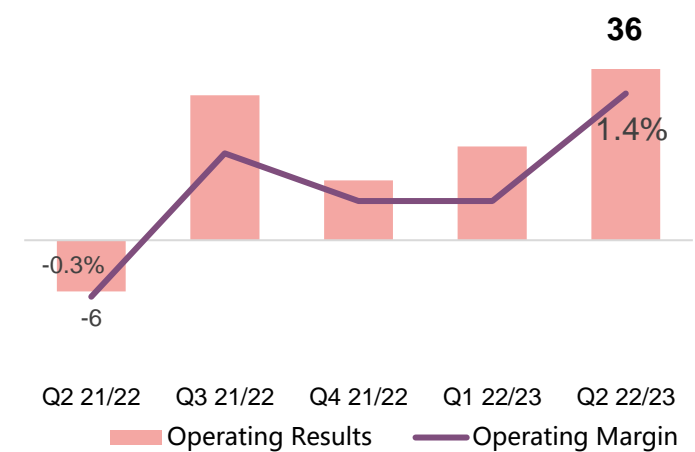
2022 Lenovo Internal. All rights reserved.

Performance

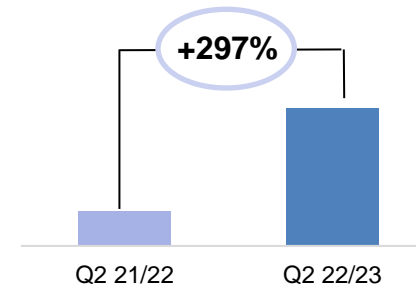
ISG Revenue (\$M)



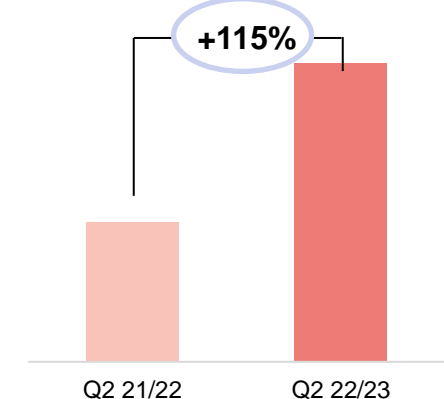
ISG Operating Results (\$M) & Margin (%)



Edge Business
Revenue YTY Growth (%)



Storage Business
Revenue YTY Growth (%)



ISG

Infrastructure Solutions Group:

Record Revenue, Record Profitability

Sustainable growth

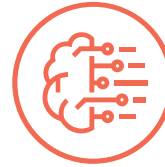
- End-to-end infrastructure solutions provider
- Enhance comprehensive portfolio
- Invest in innovations, particularly in Edge & Services
- Strengthen operational resilience
- Balance scale & profitability

IDG

Intelligent Devices Group:

Strong Profitability, Outperforming Competition

Opportunities



Hybrid work model brings growth opportunities

- PC & tablet: market size stably remain higher than pre-pandemic level in long term
- Scenario-based solutions steadily grow



Lenovo's strategic intent:

- Invest in innovation & premium segments
- Expand business beyond PCs

IDG

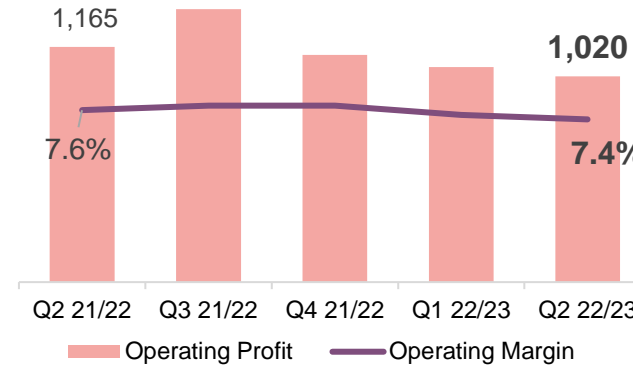
Intelligent Devices Group:

Strong Profitability, Outperforming Competition

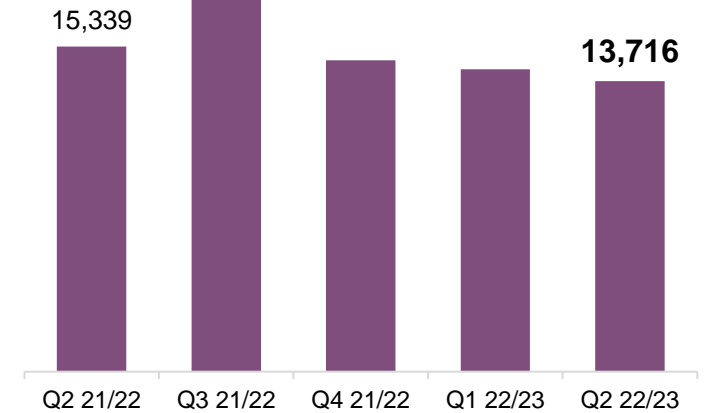
- Industry leading profitability at 7.4%
- PC: 22.8% market share, enlarged gaps with key competitors; clear #1 in 4 out of 5 geographies; undisputed #1 in commercial segment
- Smart Phone: profitable for 10 straight quarters; defended #2 in LA, #3 in NA; hypergrowth in expansion markets
- Smart Collaboration: high double-digit growth YTY

Performance

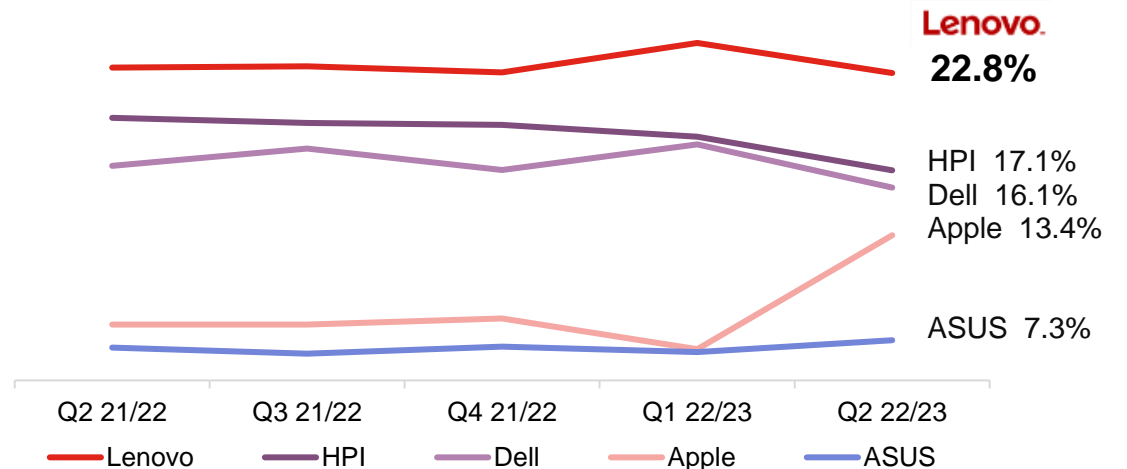
IDG Operating Profit (\$M)
& Margin (%)



IDG Revenue (\$M)



PC Market Share (%)



IDG

Intelligent Devices Group:

**Strong Profitability,
Outperforming Competition**

Sustainable growth

- Invest in innovation from smart devices to smart spaces
- Replicate PC success to grow business beyond PC and win in more markets

Stay Agile to the Changes, Ensure Ongoing Profitability



Strategic Execution

Continue to invest in
diversified growth engines



Ensure Profitability

Rebalance resources, drive for
efficiency and expense reduction

Best Positioned to Lead in Digital & Intelligent Transformation with All Assets of New IT Architecture



Client



**Edge-Cloud
-Network**



Intelligence

Smart Devices/IoT

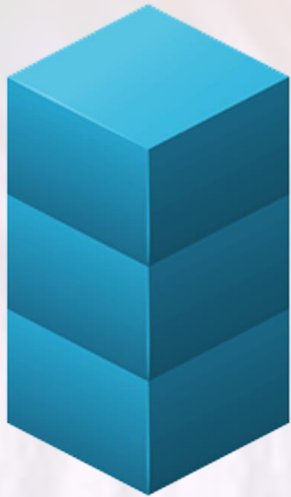
Smart Infrastructure

Smart Vertical

Horizontal building blocks for vertical solutions



IoT
solution



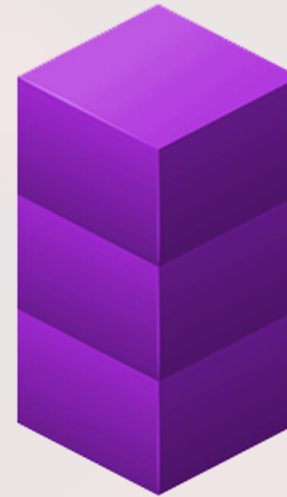
Metaverse
solution



Edge
solution



Hybrid/multi-cloud
solution



A.I.
solution



The background of the slide features a complex, abstract design. It consists of numerous concentric circles in shades of purple and grey, creating a tunnel-like or orbital effect. Overlaid on these circles are two prominent, thick, wavy lines: one in red and one in white. These lines meander across the frame, intersecting the circular patterns. The overall aesthetic is modern and technological.

Fulfill commitment, Transcend the Cycle

- High-quality innovative portfolio
- Strong hybrid manufacturing driven supply chain
- Unique global/local principle & capability
- Healthy liquidity

Smarter technology for all

Wong Wai Ming

Chief Financial Officer

November 3, 2022

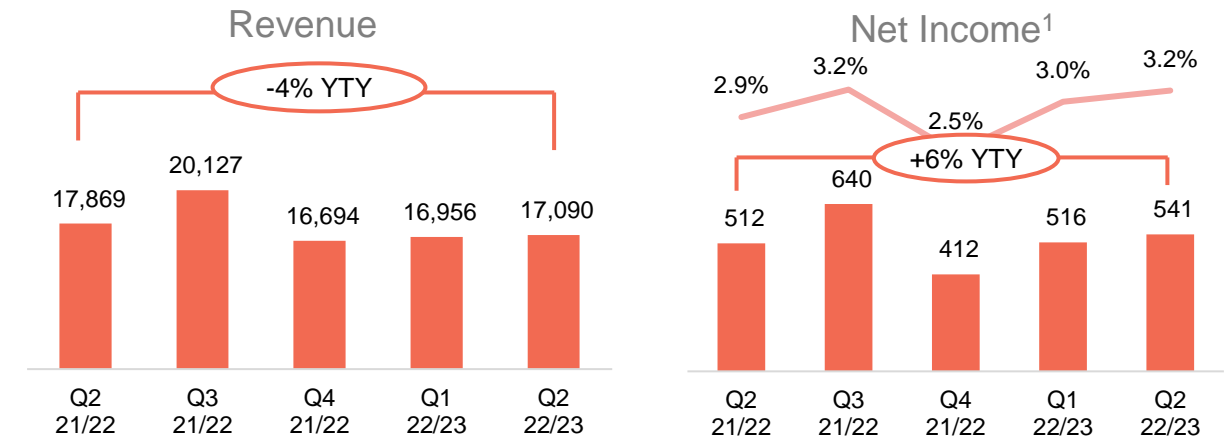


Resilient Growth and Profitability

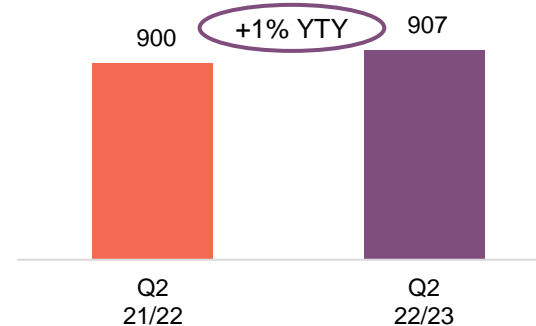
- Group revenue down 4% YTY (up 3% YTY in constant currency), robust performance in a challenging market
- Net income¹ rose 6% and net margin grew 0.3 pts YTY, furthering progress towards the Group's medium-term plan to double net margin
- Strong growth in non-PC, with sales now making up 37% of Group revenue
- Combined ISG and SSG profit up 45% YTY

¹ Profit attributable to equity holders; ² Non-HKFRS measure were adjusted by excluding (i) net fair value changes on financial assets at fair value through profit or loss, (ii) amortization of intangible assets resulting from mergers and acquisitions, and (iii) mergers and acquisitions related charges; and the corresponding income tax effects, if any

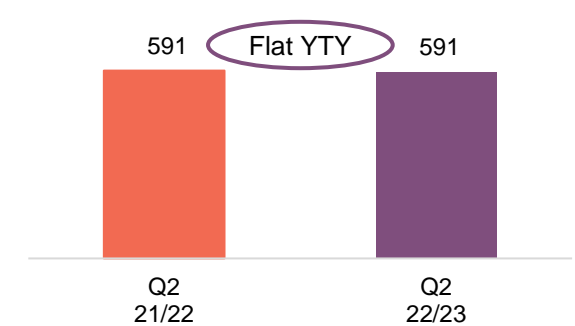
Performance



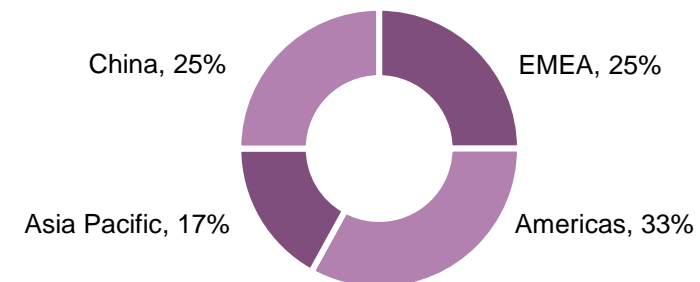
Non-HKFRS² Group Operating Profit



Non-HKFRS² Net Income



Revenue Contribution by Geography

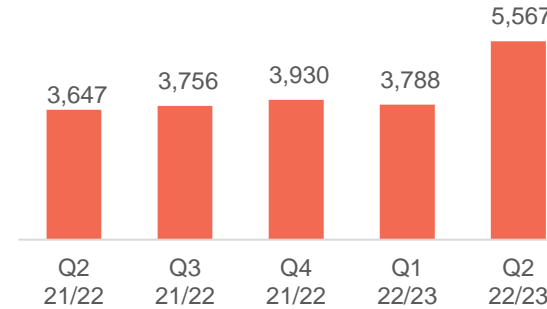


Strong Working Capital Management

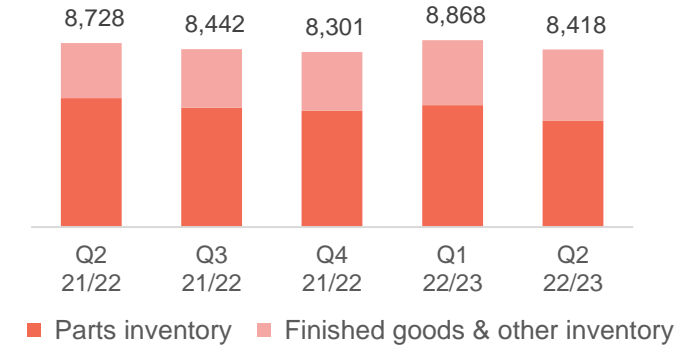
- Total cash reached \$5.6 bn while net cash position improved by \$1.1bn YTY to \$1.1bn despite market headwinds
- Cash conversion cycle improved by 13 days YTY and 16 days QTTQ
- Operating cash flow and free cash flow improved by over \$523mn and \$419mn respectively YTY
- Now included in the Bloomberg MSCI Green Bond Index, a key global benchmark for ESG investments

Performance

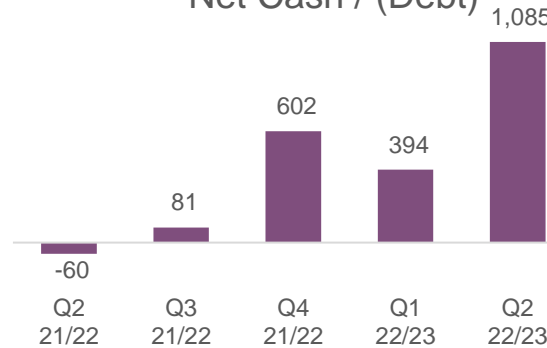
Cash and Cash Equivalents



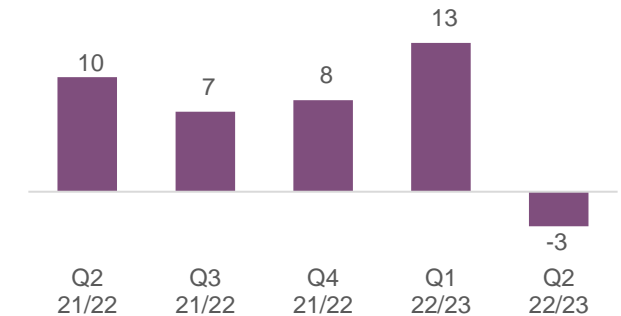
Inventory



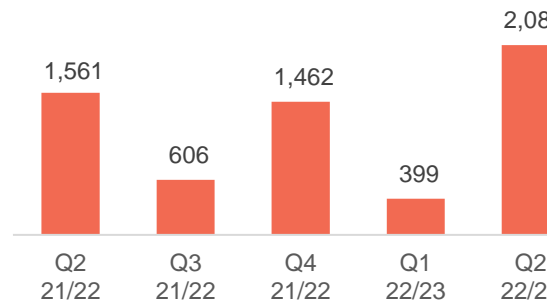
Net Cash / (Debt)



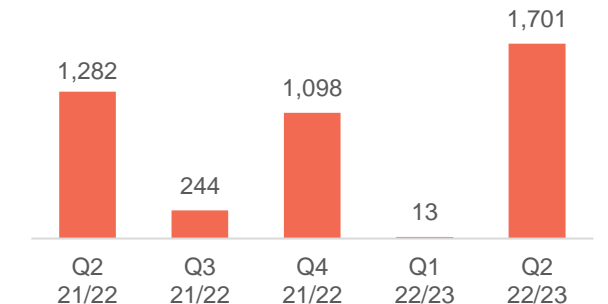
Total Cash Conversion Cycle



Operating Cash Flow



Free Cash Flow

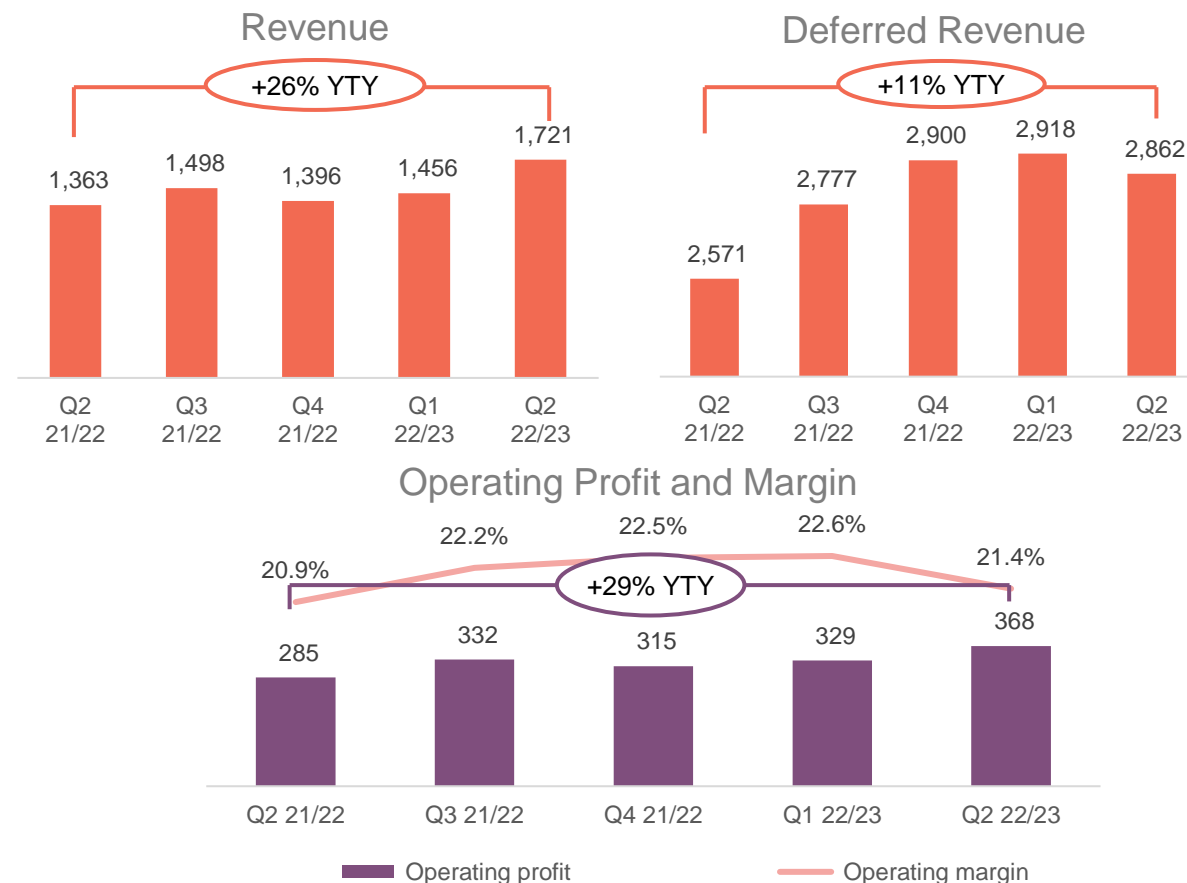


- Revenue grew 26% YTY; operating profit at a record high and operating margin up 0.5pts YTY to 21.4%
- Deferred revenue balance at \$2.9bn, maintaining strong momentum¹
- Managed Services and Project & Solution Services now accounting for 52% of revenue mix, up 4 pts YTY
- Signature wins in Smart Manufacturing and education supported by Lenovo IP²

¹Sequential decline primarily due to foreign exchange impact;

²IP: intelligent property

Performance



Record high

penetration rate
in Support Services
thanks to **highest-ever**
level of premier booking

Managed Services
achieved

69%

hypergrowth YTY
thanks to
large multi-national
DaaS deal win

Vertical Solutions
saw

resilient

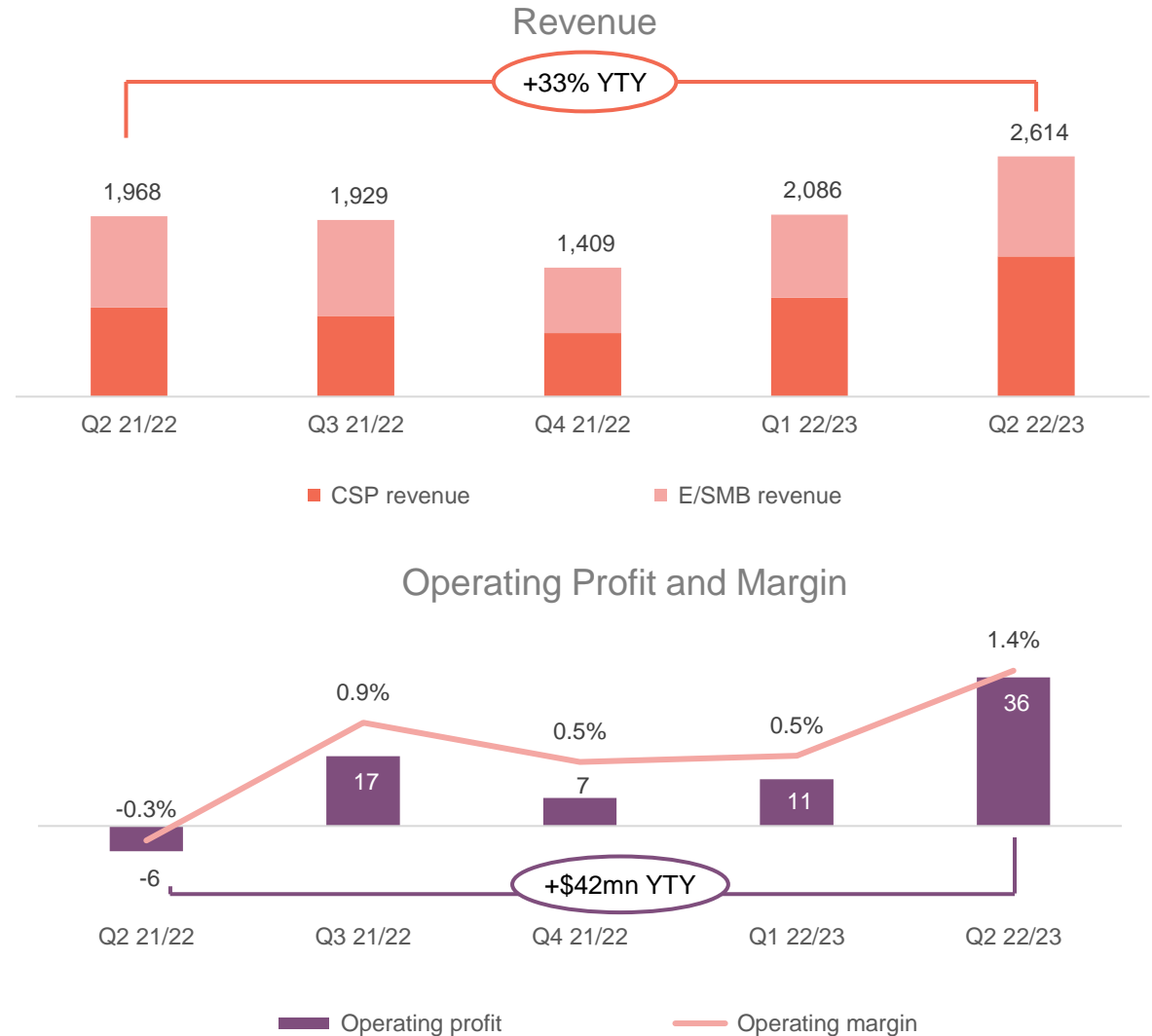
YTY growth in
total contract value
for
New IT architecture

ISG

Infrastructure Solutions Group

- Multiple records set
 - **Record revenue** and **operating profit** – revenue grew 33% YTY while operating profit increased \$42mn YTY
 - **Record revenue** in CSP – outgrew market forecast¹ by 48 pts
 - **Record Q2 revenue** in E/SMB – outgrew market forecast¹ by 5 pts
 - **Record revenue** for Asia Pacific, EMEA and the Americas
 - **Record revenue** in high-margin, high-tech portfolio – **storage, server** and **Edge AI server** all outperformed market forecast¹ by 20-105 pts
- Unveiled a comprehensive infrastructure portfolio including 50+ new products, services, and solutions

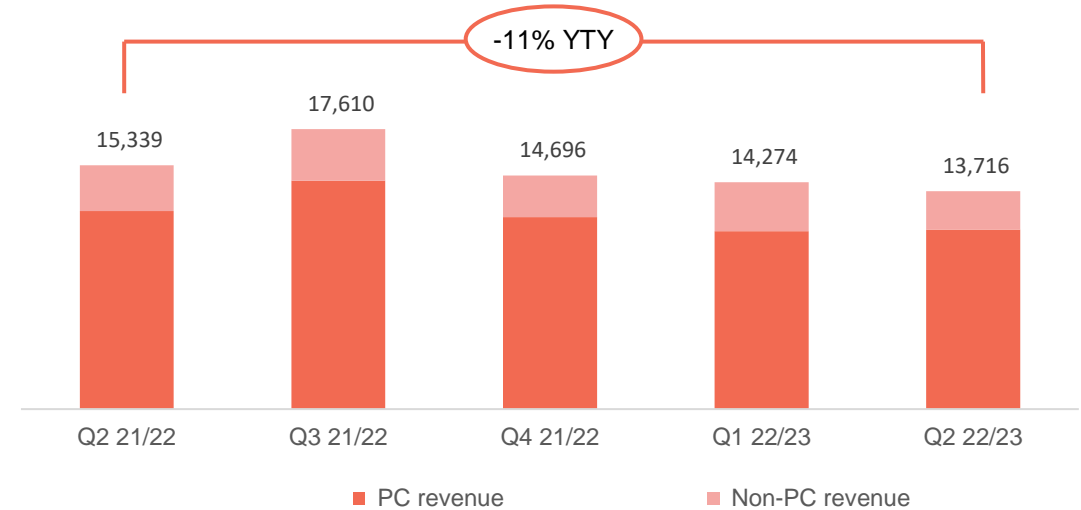
Performance



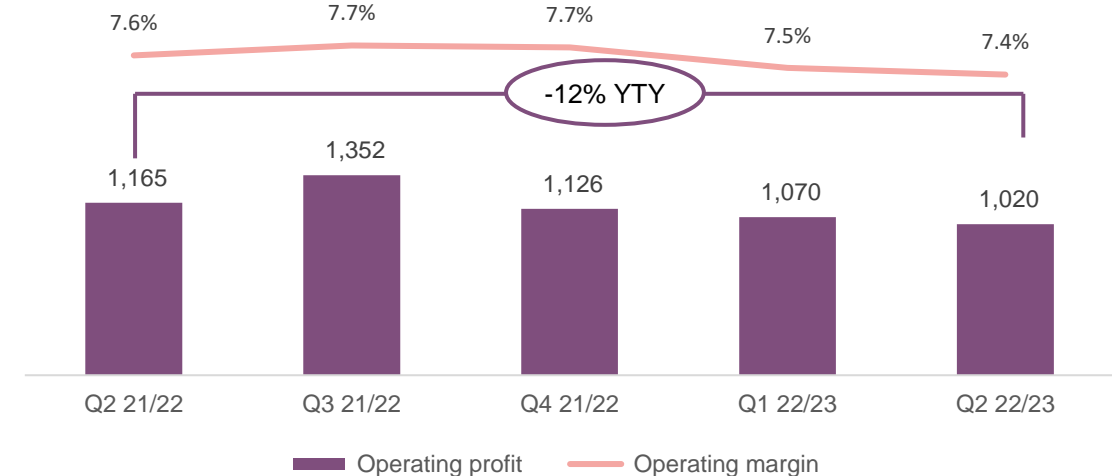
- Maintained #1 PC position while extending lead over competitors despite exacerbated market headwinds
- Real market demand, as measured by global PC activation data, more re-assuring than shipment data
- Smartphone business remained profitable for the 10th consecutive quarter
- Operating margin largely remained robust, thanks to operational excellence and improved premium sales mix with revenue up 4% YTY
 - Sales from gaming PC, the front runner of the premium segment, jumped 34% YTY
- Smart Collaboration Solutions grew by double-digits, securing wins across regions

Performance

Revenue



Operating Profit and Margin



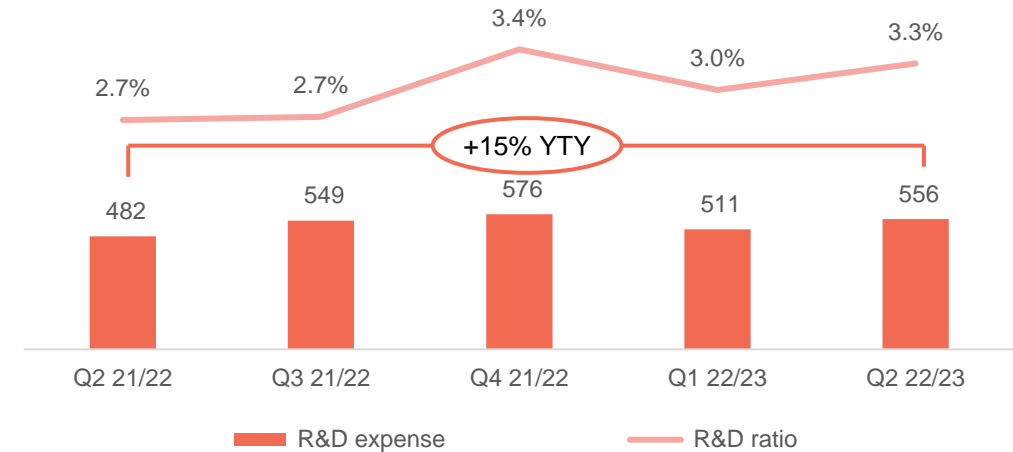
¹IDG mainly consists of PC, tablet, smartphone, and smart devices business

Improved R&D Spending to Drive Innovation and Margin Growth

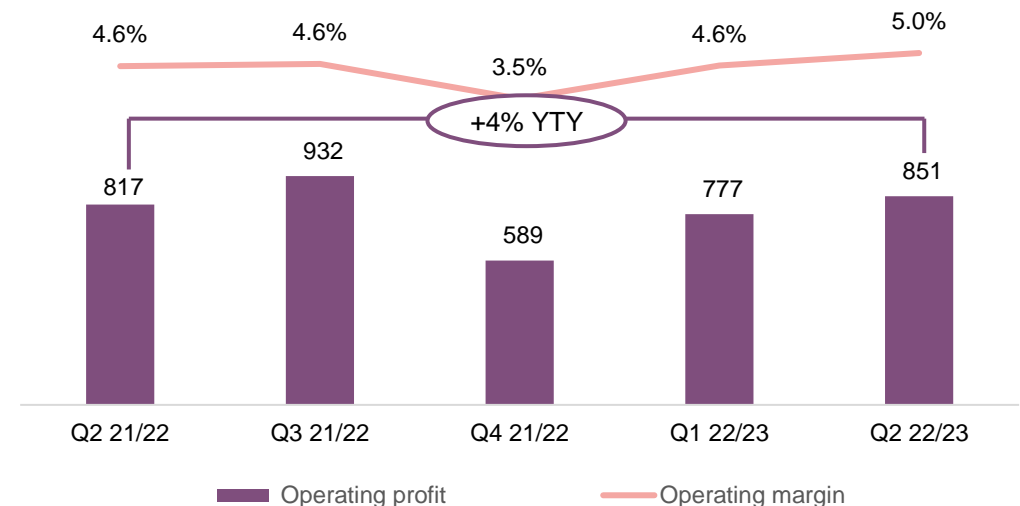
- R&D spending grew 15% YTY
- Innovative effort, combined with disciplined cost control, boosted operating margin to a record 5%
- Investments in technology leadership and differentiation:
 - High value-added products and key components
 - Edge, Multi-Cloud, and Cloud-related software and hardware
 - 5G networking capabilities
 - AI-enabled solutions and service offerings
 - ESG features and services across all Business Groups

Performance




R&D Expenses and Ratio to Revenue



Group Operating Profit and Margin



ESG Updates

 <p>Environmental</p>	<p>Committed to a vision of net-zero by 2050¹</p>	<p>Introduced certified recycled metal in the covers of four notebooks²</p>	<p>Plastic-free packaging for ThinkPad X1 & Z series</p>
 <p>Social</p>	<p>Established a partnership with Leping Foundation for product accessibility</p>	<p>30,000 beneficiaries for our annual global employee volunteer event</p>	<p>Launched the 2nd annual TransforMe campaign for STEM upskilling of adults</p>
 <p>Governance</p>	<p>Included in the MSCI Green Bond Index</p>	<p>87% of suppliers achieved RBA VAP recognition³</p>	<p>Best score within the IT industry on the Hang Seng Corporate Sustainability Index (AA+)</p>

1.Targets under review for validation by the Science Based Targets Initiative

2.75% recycled aluminum for the A/C covers of the ThinkPad Z13 Gen 1 and the ThinkPad Z16 Gen 1; 50% recycled aluminum for the A cover of the Yoga 6 Gen 7; 90% recycled magnesium for the A/C covers of the ThinkPad X13s Gen 1

3.By spend for FY21/22

Outlook

Group Mission is to Lead and Enable Intelligent Transformation

Improve net income margin in the medium-term; Drive R&D to turbocharge innovation; Increase brand premium; Mitigate short-term challenges amid macro uncertainties; Leverage IT spending on Digital Transformation

SSG: Serve as a New Growth Engine with High Profitability

- Driving scalable growth and profitability with a focus on key verticals and building repeatable solutions with Lenovo IP
- Capturing strong demand from hybrid working, hybrid cloud, and sustainability services
- Increasing penetration in the commercial PC and ESMB infrastructure segments
- Establishing TruScale as a comprehensive as-a-Service portfolio to capture fast-growing demand

ISG: Continue to Drive Profit Improvement and Premium-to-Market Growth in ESMB and CSP markets

- Delivering industry-leading end-to-end infrastructure solutions and expanding from server to full stack offerings
- Expanding ESMB from servers to higher profitability offerings – storage, SDI, software, and services, with new coverage in the Edge, AI, and Communication Service Provider segments
- Fully integrating the ODM+ model to capture demand in the CSP segment and drive profit improvement

IDG: Maintain #1 Position in PC with Leading Profitability and Accelerate Non-PC Growth

- Leveraging the popularity of hybrid working to continuously drive premium-to-market growth in the large PC, tablets, and smartphone markets through innovation, efficiency, and the Global Local model
- Expanding the non-PC product portfolio through innovation
- Capitalizing on the double-digit growth opportunities in the Enterprise Collaboration and Smart Home segments with scenario-based solutions

Supplemental Financial Materials

- Financial Summary
- Condensed Consolidated Income Statement
- Condensed Consolidated Balance Sheet
- Condensed Consolidated Cash Flow Statement
- Supplemental Non-HKFRS Measures

Financial Summary

US\$ Million	Q2 21/22	Q2 22/23	Y/Y%
Revenue	17,869	17,090	-4%
Gross profit	3,006	2,877	-4%
Operating expenses	(2,189)	(2,026)	-7%
Operating profit	817	851	4%
Operating profit (non-HKFRS)	900	907	1%
Other non-operating expenses	(75)	(141)	89%
Profit before taxation	742	710	-4%
Profit before taxation (non-HKFRS)	829	768	-7%
Taxation	(185)	(156)	-16%
Profit for the period	557	554	-1%
Profit for the period (non-HKFRS)	616	598	-3%
Profit attributable to			
Other non-controlling interests	45	13	-72%
Equity holders of the Company	512	541	6%
Equity holders of the Company (non-HKFRS)	591	591	(0%)
EPS (US cents)			
Basic	4.42	4.54	3%
Diluted	3.96	4.23	7%
Dividend (HKD cents)	8.00	8.00	0%
	Q2 21/22	Q2 22/23	
Gross margin	16.8%	16.8%	
Operating margin	4.6%	5.0%	
E/R ratio	12.3%	11.9%	
PTI margin	4.2%	4.2%	
Net margin	2.9%	3.2%	

Condensed Consolidated Income Statement

US\$ Million	Q2 21/22	Q2 22/23
Revenue	17,869	17,090
Cost of sales	(14,863)	(14,213)
Gross profit	3,006	2,877
Selling and distribution expenses	(924)	(886)
Administrative expenses	(700)	(546)
Research and development expenses	(482)	(556)
Other operating income/(expenses) – net	(83)	(38)
Operating profit	817	851
Finance income	13	38
Finance costs	(86)	(175)
Share of losses of associates and joint venture	(2)	(4)
Profit before taxation (PTI)	742	710
Taxation	(185)	(156)
Profit for the period	557	554
Profit attributable to		
Other non-controlling interests	45	13
Equity holders of the Company	512	541
Per share data		
Earnings per share (US cents) – Basic	4.42	4.54
Earnings per share (US cents) – Diluted	3.96	4.23

Condensed Consolidated Balance Sheet

<i>US\$ Million</i>	As of Sept 30, 2021	As of Sept 30, 2022
Current assets	27,572	28,118
Bank deposits and cash	3,731	5,628
Trade, notes and other receivables	14,569	13,445
Inventories	8,728	8,418
Others	544	627
Non-current assets	15,003	15,175
Property, plant and equipment	1,556	1,581
Intangible assets	8,239	8,049
Others	5,208	5,545
Current liabilities	31,345	30,775
Borrowings	482	606
Trade, notes, other payables, accruals and provisions	28,852	27,886
Deferred revenue	1,237	1,528
Others	774	755
Non-current liabilities	7,091	6,891
Borrowings	3,309	3,937
Deferred revenue	1,335	1,335
Others	2,447	1,619
Total equity	4,139	5,627

Condensed Consolidated Cash Flow Statement

US\$ Million	Q2 21/22	Q2 22/23
Net cash generated from operating activities	1,561	2,084
Net cash used in investing activities	(343)	(806)
Net cash generated from/(used) in financing activities	(717)	625
Increase in cash and cash equivalents	501	1,903
Effect of foreign exchange rate changes	(30)	(124)
Cash and cash equivalents at the beginning of the period	3,176	3,788
Cash and cash equivalents at the end of the period	3,647	5,567

Supplemental Non-HKFRS Measures

US\$ Million		Q2 21/22				Q2 22/23			
		Operating profit	Profit before taxation	Profit for the period	Profit attributable to equity holders	Operating profit	Profit before taxation	Profit for the period	Profit attributable to equity holders
As reported		817	742	557	512	851	710	554	541
Non-HKFRS adjustments									
Net fair value changes on financial assets at fair value through profit or loss		21	21	8	29	(15)	(15)	(15)	(10)
Amortization of intangible assets resulting from mergers and acquisitions		62	63	48	47	60	60	46	47
Mergers and acquisitions related charges		-	3	3	3	11	13	13	13
Non-HKFRS		900	829	616	591	907	768	598	591

**Smarter
technology
for all**

Lenovo

thanks.