

FY19/20 Earnings Announcement

May 20, 2020 – Hong Kong



Forward Looking Statement

This presentation contains “forward-looking statements” which are statements that refer to 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 the negative 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.

Yuanqing Yang

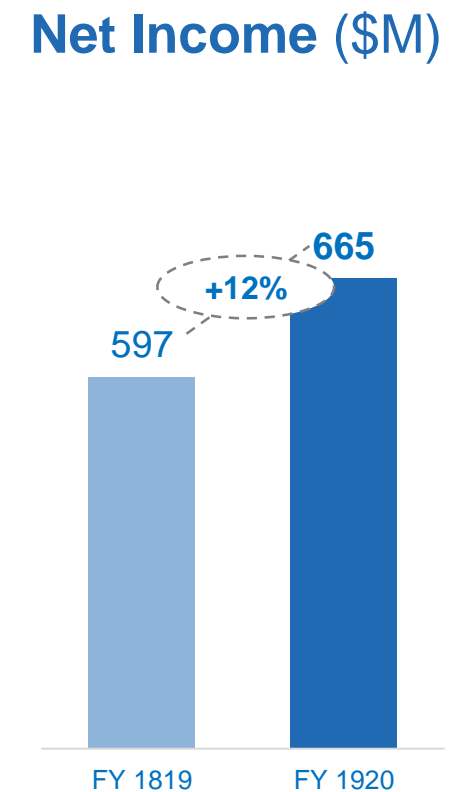
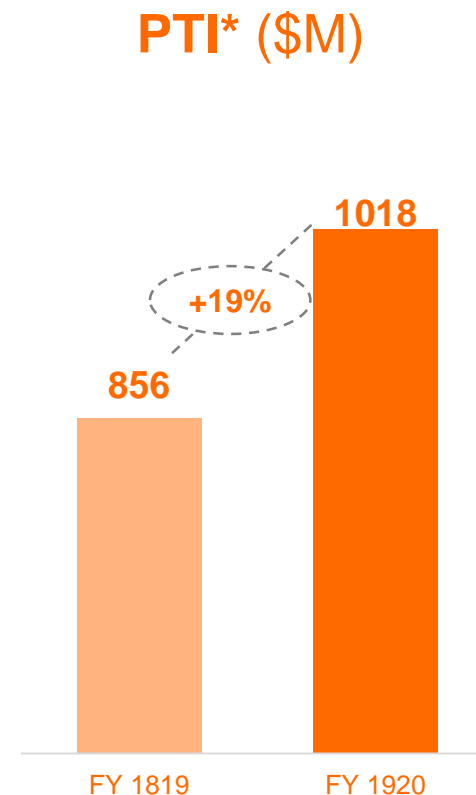
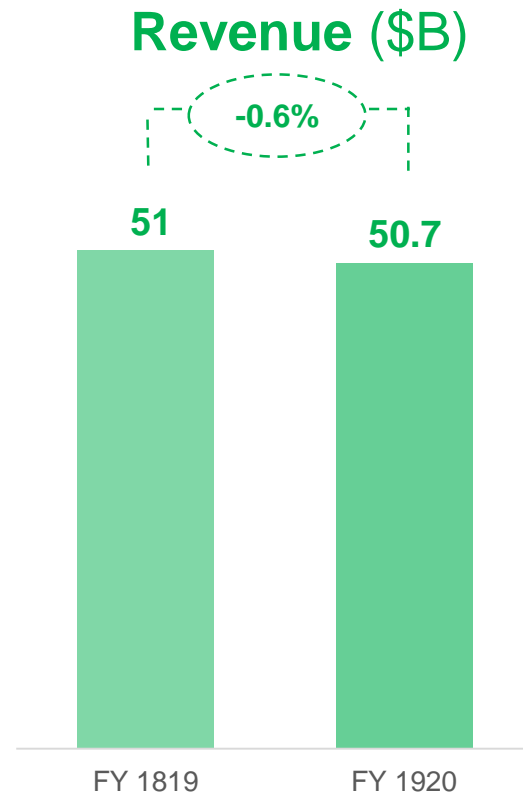
Chairman & CEO

May 20, 2020 – Hong Kong



Fiscal Year: Group – Solid Performance

- Revenue: **\$50.7B**, nearly equaled historical record in FY2018/19
- Pre-Tax Income: **historical high of \$1.02B**, up **19% YOY**
- Net income: **\$665M**, up **12% YOY**



* PTI: Pre-tax Income

FY19/20: IDG PCSD*

- Revenue: **\$39.9B**, up **3.6%** YOY
- Record PTI: **\$2.3B**, up **18.3%** YOY
- Record PTI margin: **5.9%**, up **0.7 points** YOY
- Focus on high-growth segments drove consistent strong results

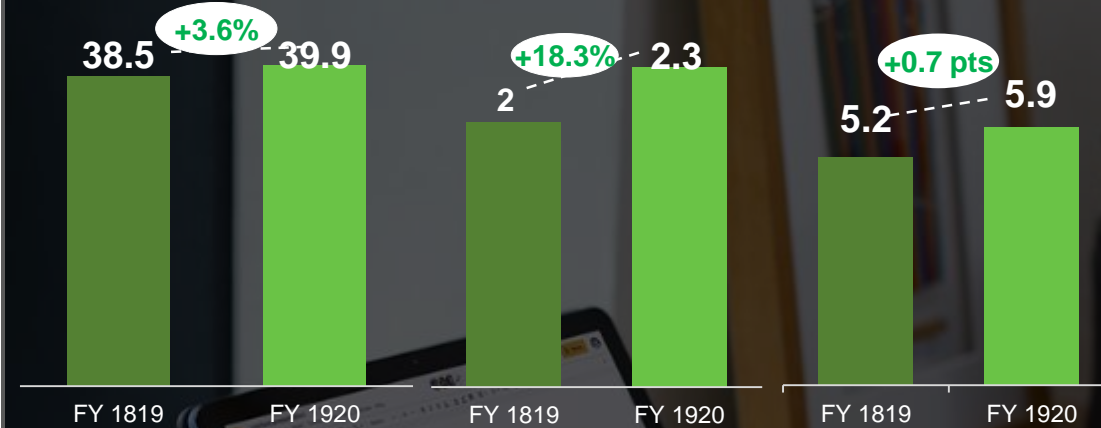
* IDG: Intelligent Devices Group; PCSD: PC & Smart Devices



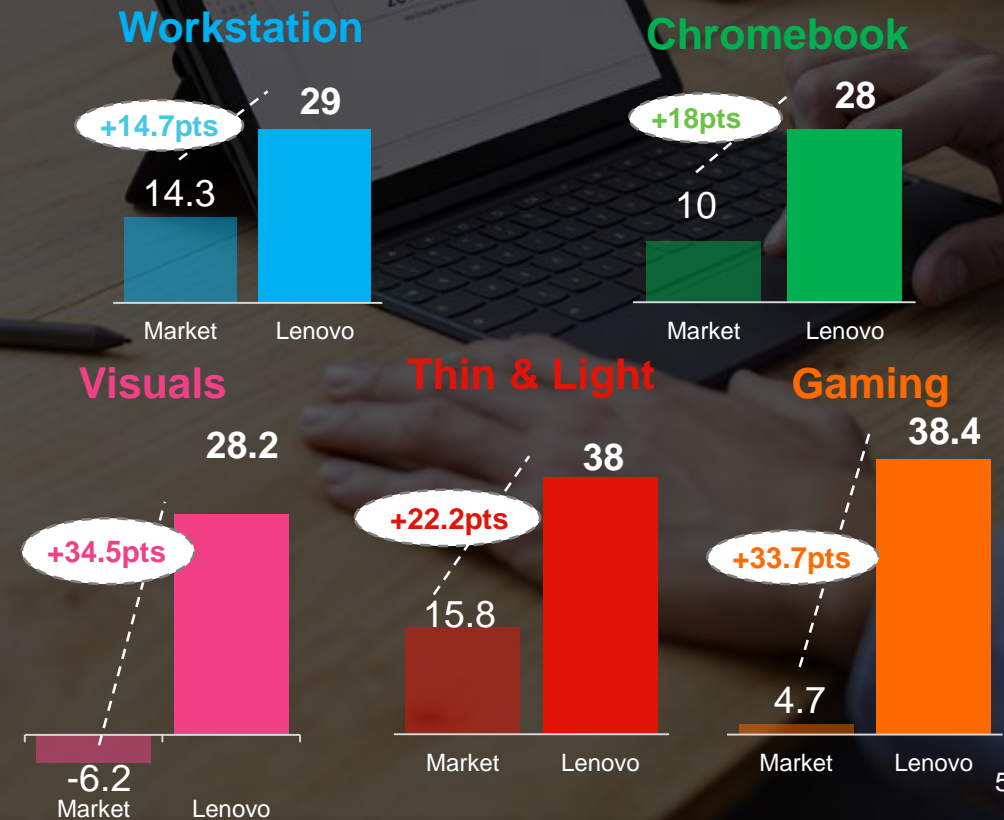
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Source: Industry and Internal Data

PCSD Revenue (\$B), PTI (\$B), PTI Margin (%)



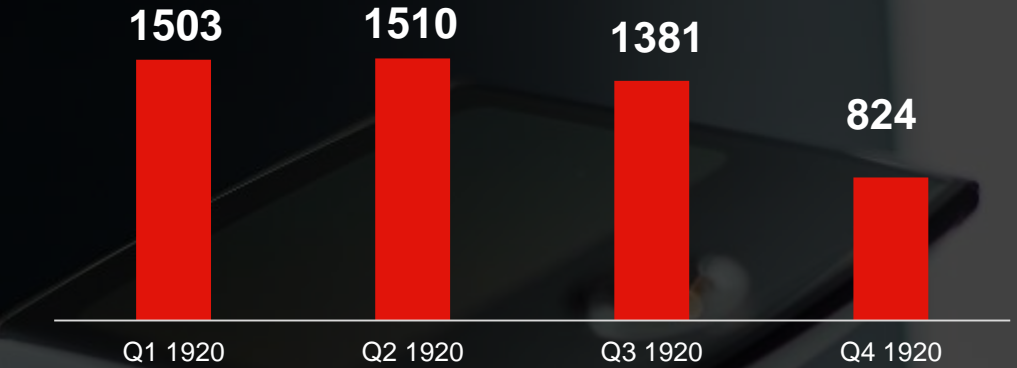
Segment Volume Growth vs Market YOY (%)



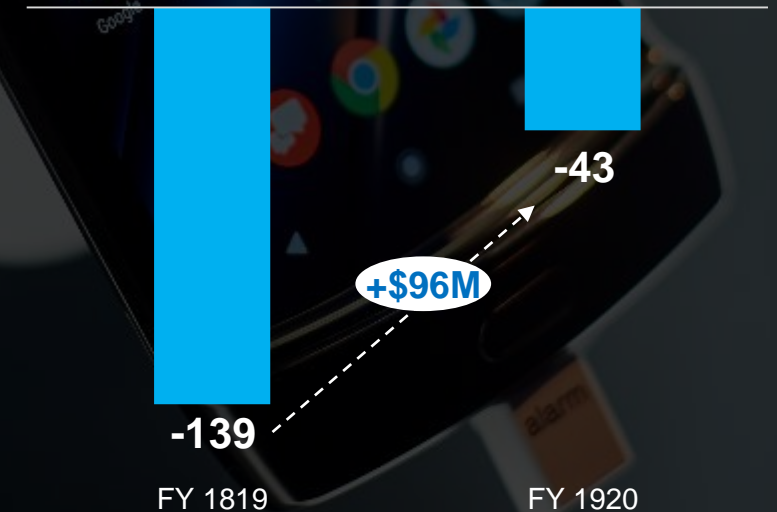
FY19/20: IDG Mobile

- On track for a breakthrough year until Q4
- Revenue down to **\$5.2B**
- Pre-tax loss **\$43M**, improved by **\$96M** YOY
- Moto G reached **100M** lifetime units
- Launched **razr** to re-enter premium segment

Mobile Revenue of each Quarter (\$M)



Mobile PTI improvement YOY (\$M)



FY19/20: Data Center

- Revenue declined YOY due to challenge in Hyperscale
- Non-hyperscale revenue grew **5.3% YOY**
 - Double-digit growth across key segments
 - Server volume grew 14.4% YOY
 - China revenue grew 23% YOY
- Extended #1 position globally in TOP500 supercomputers

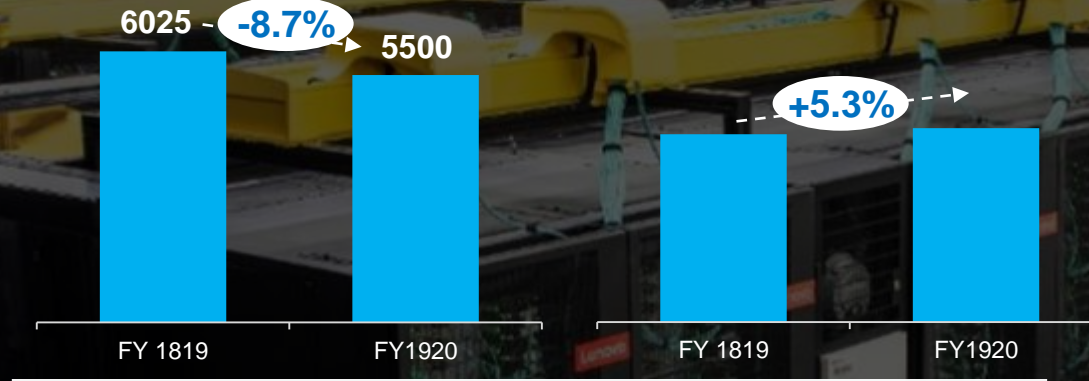
* SDI: Software Defined Infrastructure



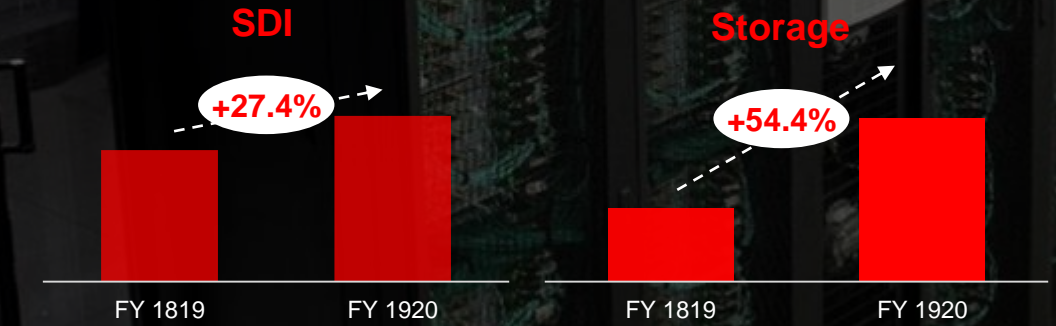
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Source: Industry and Internal Data

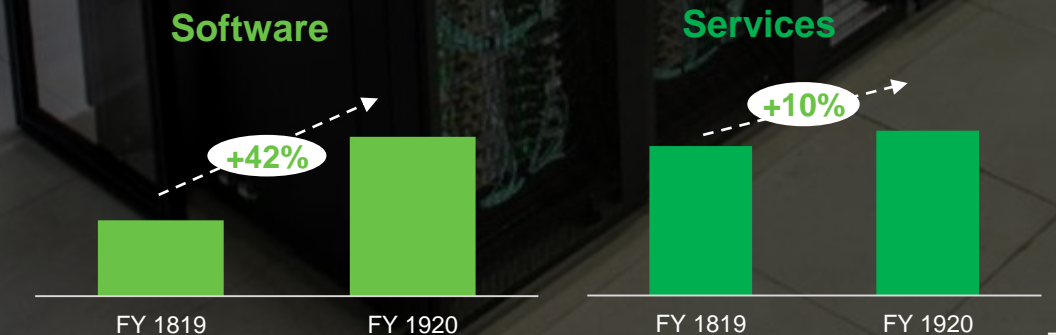
DCG Revenue (\$M), Non-Hyperscale Rev Growth YOY (%)



SDI, Storage Revenue Growth YOY(%)



Software, Services Revenue Growth YOY (%)



FY19/20: Intelligent Transformation

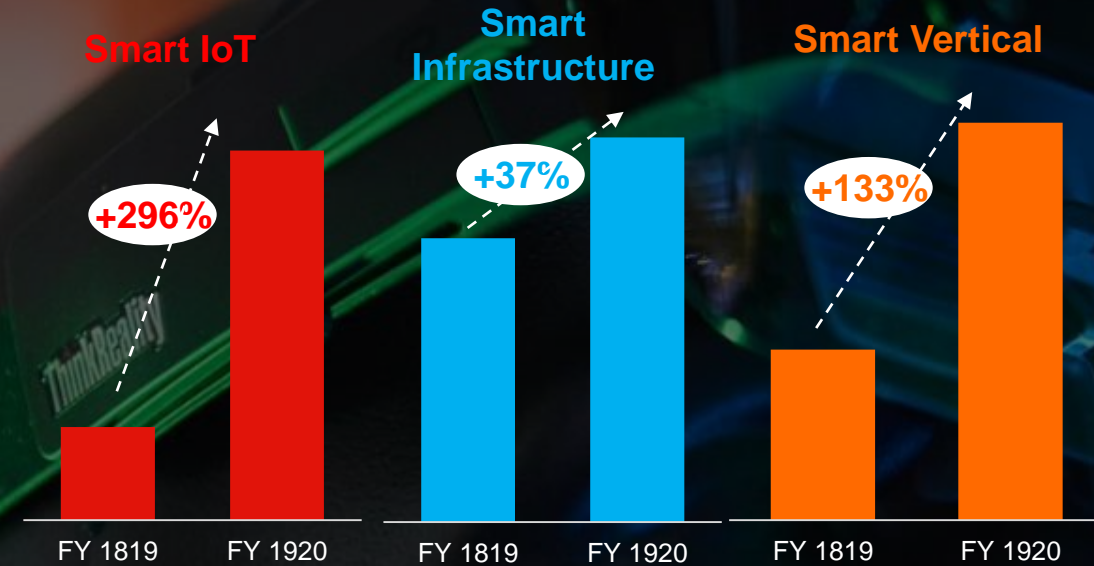
- Smart IoT revenue **quadrupled** YOY
- Smart Infrastructure revenue up **37%** YOY
- Smart Vertical revenue **doubled** YOY
- Software & Services revenue* up **43.2%** YOY

* Invoiced Revenue

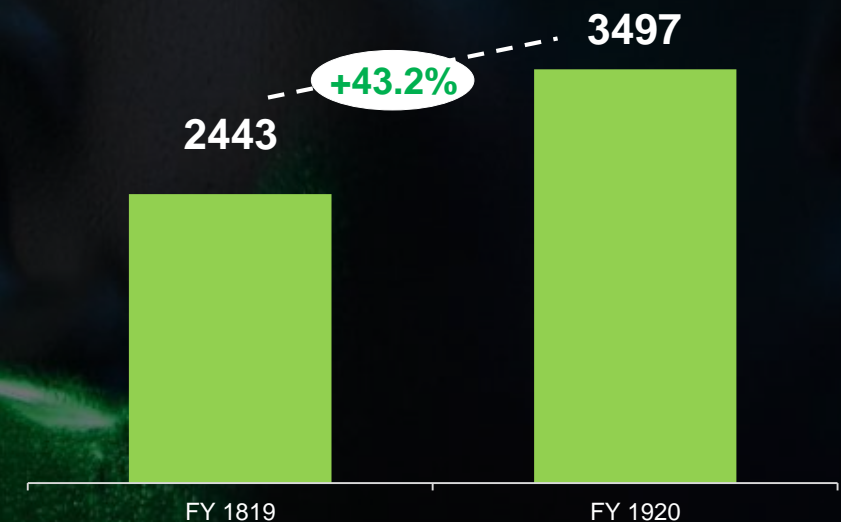


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Intelligent Transformation Revenue YOY Change (%)



Software & Service Revenue (\$M)

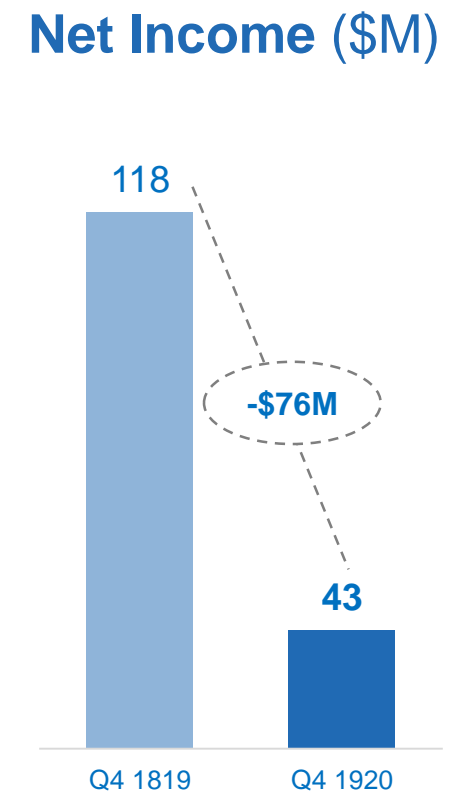
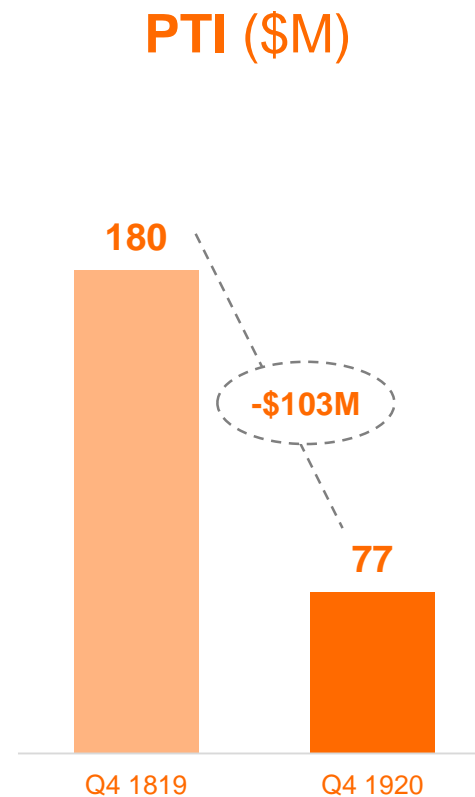
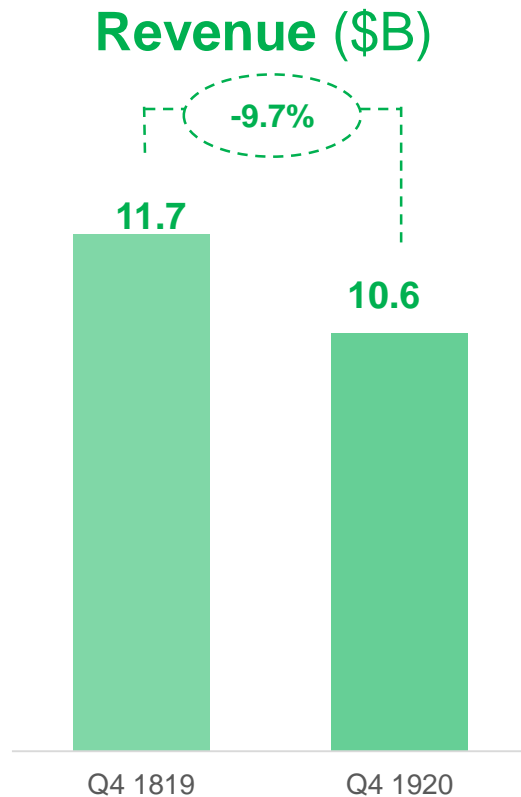


Responding to the Pandemic

- Protecting employees' safety and well-being
- Devices and Tech donation to hospitals and students
- Supporting research into cure of COVID-19
- Total relief contribution approaching **\$15 million**

Q4: Group – Exceeded Expectations

- Revenue: **\$10.6B**
- Pre-Tax Income: **\$77M**
- Net income: **\$43M**



Q4: IDG PCSD

- Strong quarter despite the challenge
- One of first to resume production in China
- Revenue decline contained to **-4.4%**
- PTI of **\$525M**, up **15%** YOY
- Record PTI Margin of **6.2%** (+1 point YOY)

PCSD Revenue (\$B)

8.9 --- -4.4% --- 8.5

Q4 1819

Q4 1920

PCSD PTI (\$M), PTI Margin (%)

458

+15%

525

5.2

+1pt

6.2

Q4 1819

Q4 1920

Q4 1819

Q4 1920

Q4: IDG PC & Mobile

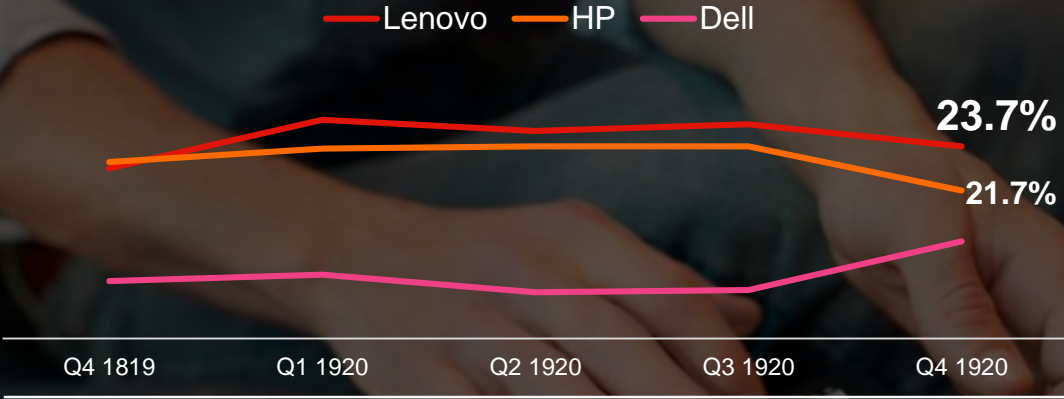
PC:

- Outgrew the market by **4.1** points, improved share by **1** point
- Revenue outgrew market in all Geos

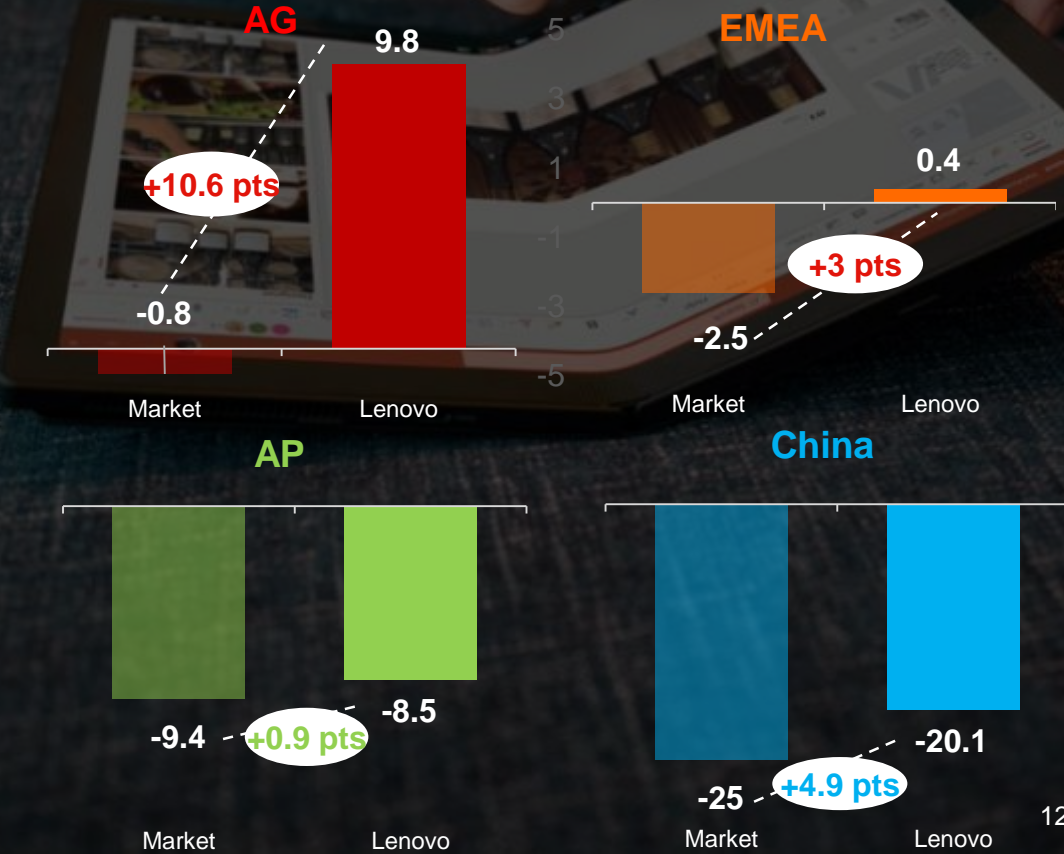
Mobile:

- Produced **6M** phones with global manufacturing, while Wuhan factory closed

Global PC Top 3 Market Share (%)



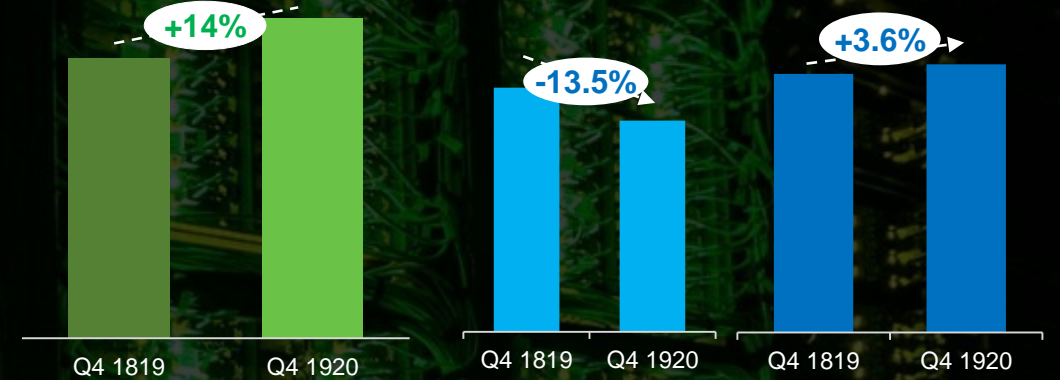
PC Geo Revenue Growth YOY (%)



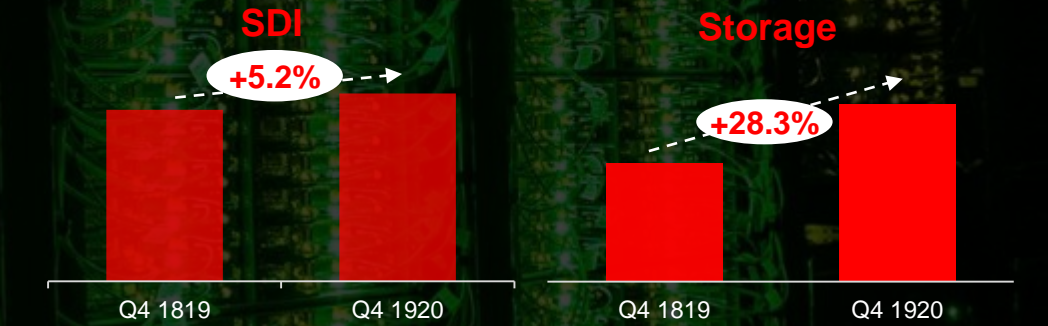
Q4: Data Center

- Total server volume grew **14%** YOY
- Hyperscale revenue remained a challenge
- Non-hyperscale revenue grew **3.6%** YOY
- SDI, storage, software & service remains strong

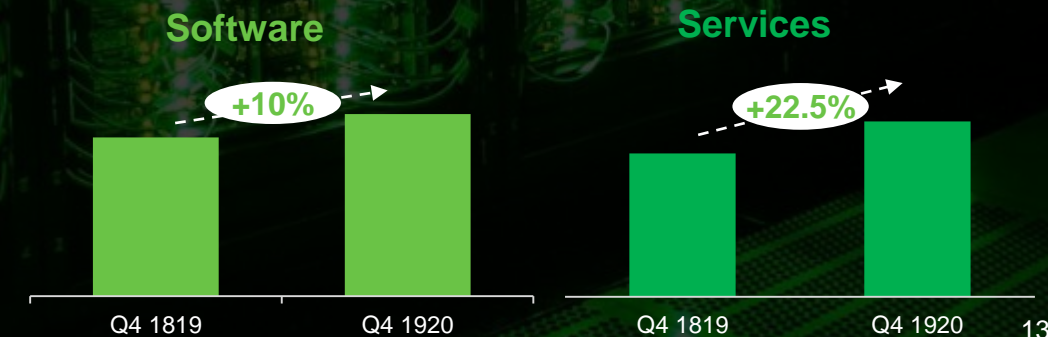
Server Volume Growth YOY (%) **Hyperscale, Non-Hyperscale Rev Growth YOY (%)**



SDI, Storage, Revenue Growth YOY(%)



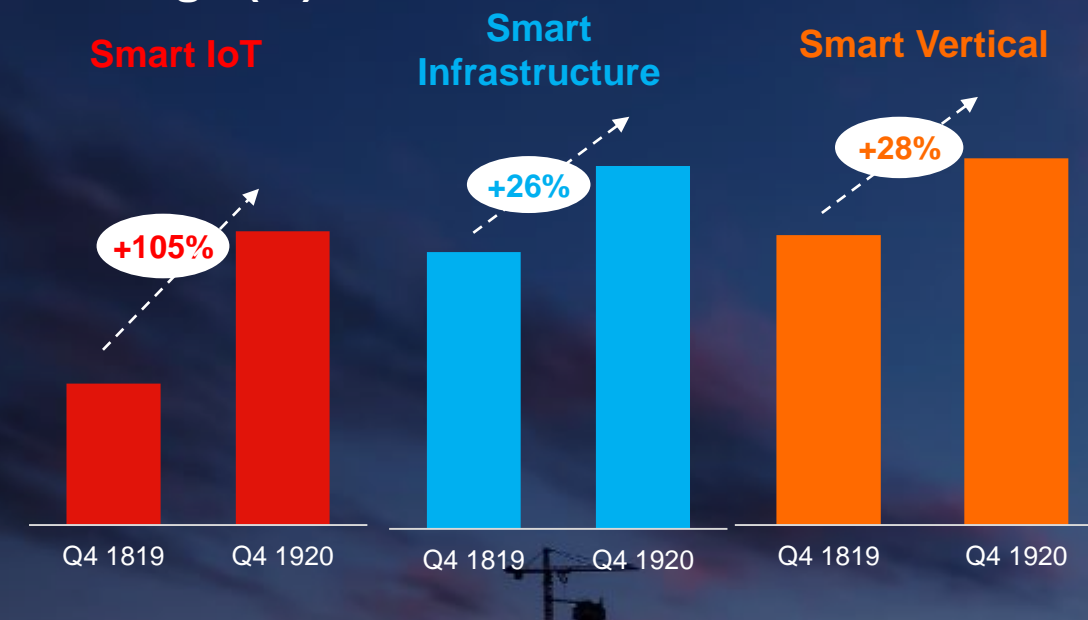
Software, Services Revenue Growth YOY (%)



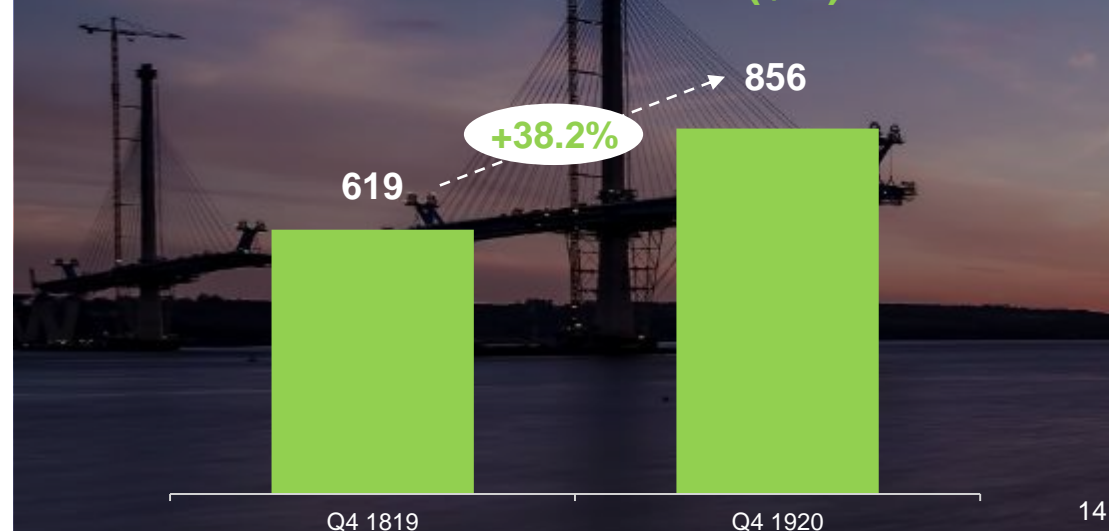
Q4: Intelligent Transformation

- Smart IoT revenue **doubled** YOY
- Smart Infrastructure revenue grew **26%** YOY
- Smart Verticals revenue grew **28%** YOY
- Software & Services revenue* grew **38.2%** YOY

Intelligent Transformation Revenue YOY Change (%)



Software & Service Revenue (\$M)



* Invoiced Revenue



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Source: Internal data



Strive for the Best

- Capture opportunities from changes
 - PC & Smart Devices: Capture opportunities in the “new norm” and expansion PC market
 - Mobile: New products ready for 5G
 - Data Center: Address the increasing computing, storage, networking demand
 - Services & Solutions: Build into next core competency

A close-up, low-key photograph of a person's hands in red boxing gloves. The hands are clasped together in a firm, determined grip, with the fingers interlaced. The lighting is dramatic, highlighting the texture of the gloves and the skin of the hands against a dark, blurred background. The overall mood is one of resilience and readiness for a fight.

Lenovo

**Stay resilient &
Fight for the best**

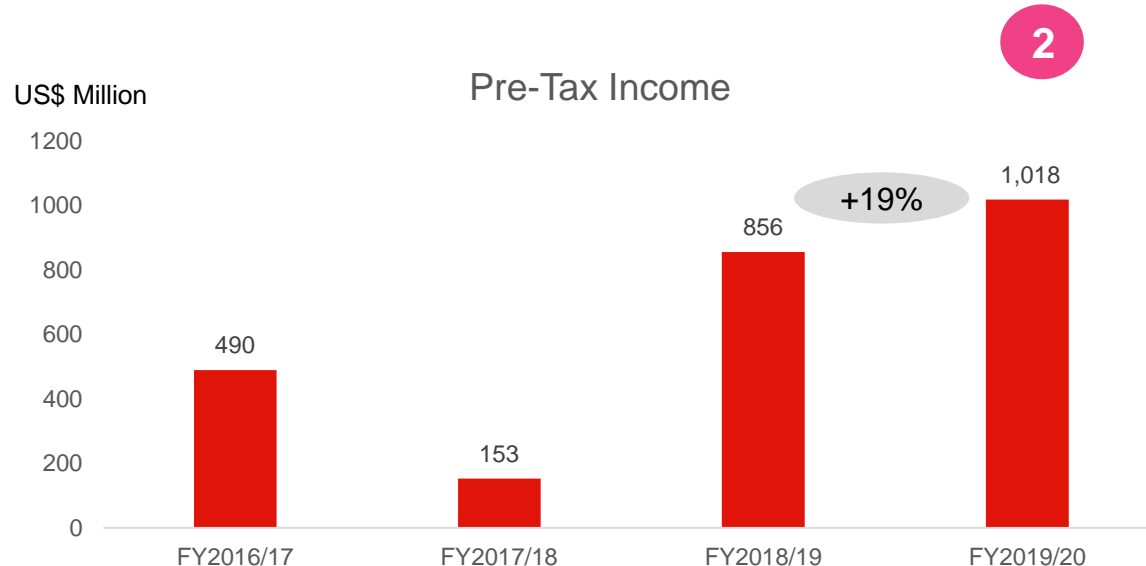
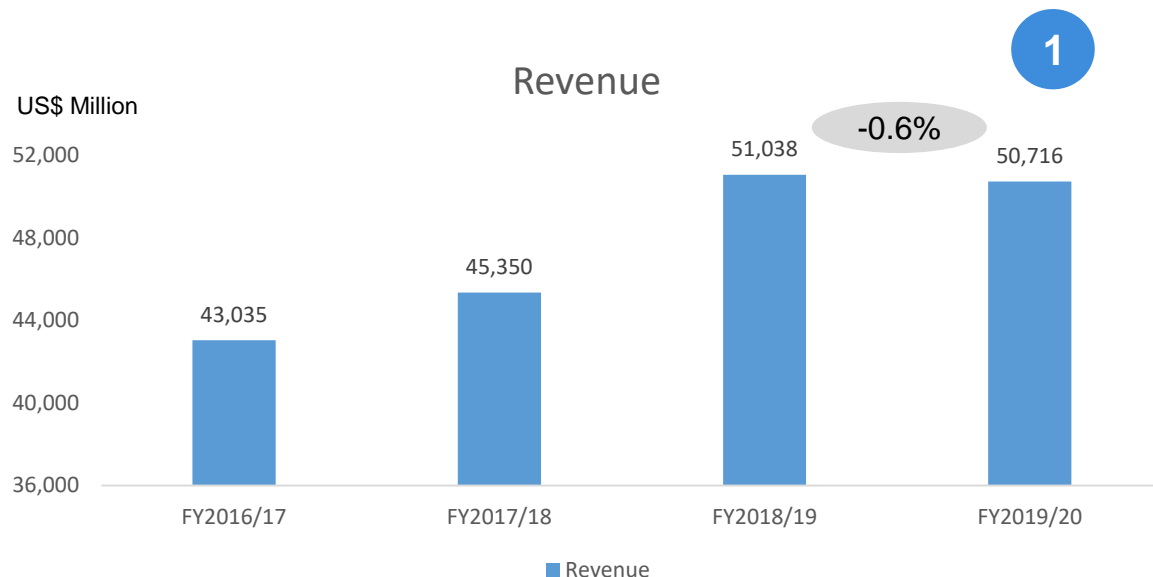
Wong Wai Ming

Chief Financial Officer

May 20, 2020 – Hong Kong

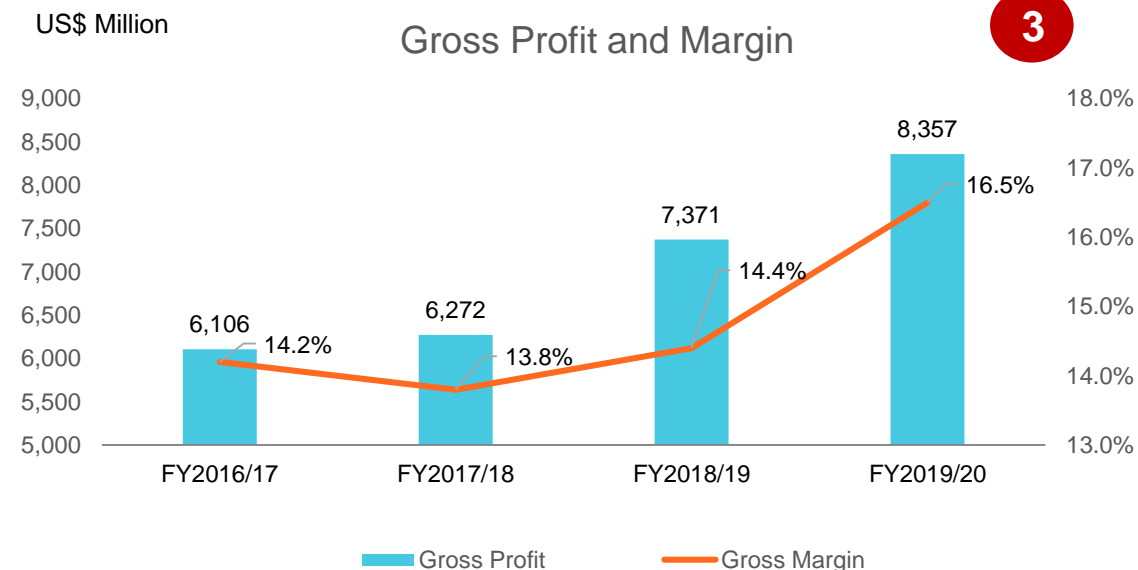


Financial Highlights



FY20 HIGHLIGHTS

- 1 Maintained Group revenue stable at US\$50.7B, or up 2% in constant currency, despite macro and sectoral challenges**
- 2 PTI surpassed US\$1B to a new record level in history; thanks to record high PTI of PCSD and improved profitability at MBG and DCG**
- 3 Gross profit margin reached record-high at 16.5%, up 2.1pts YTY**



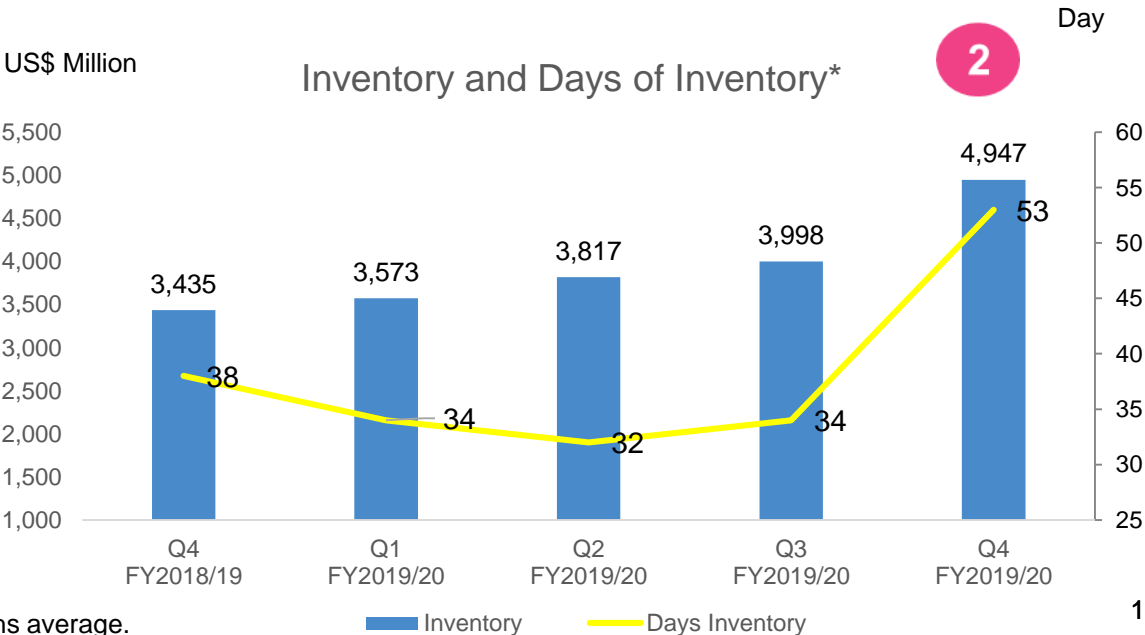
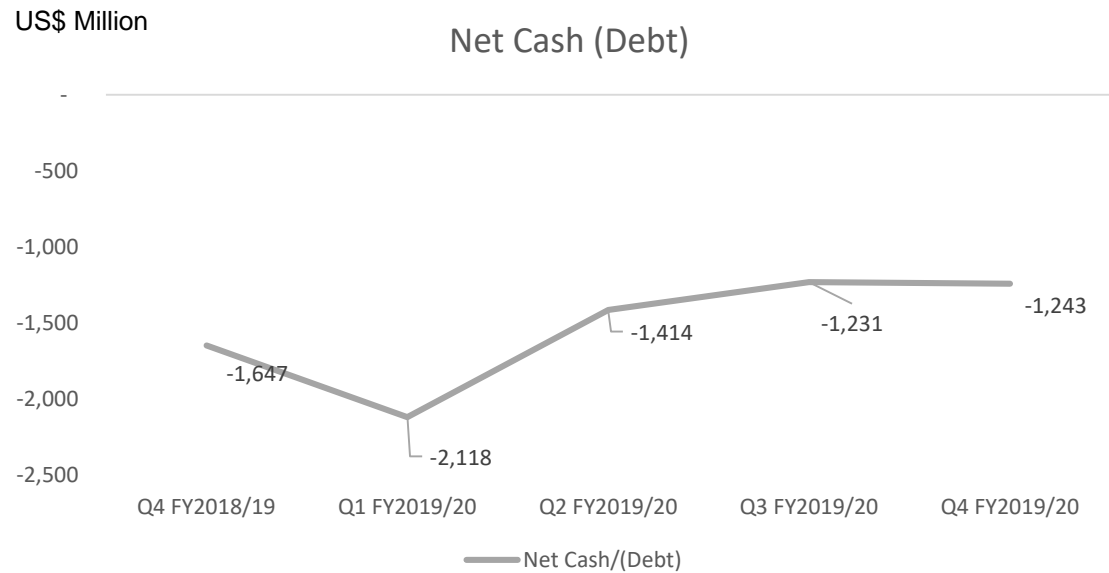
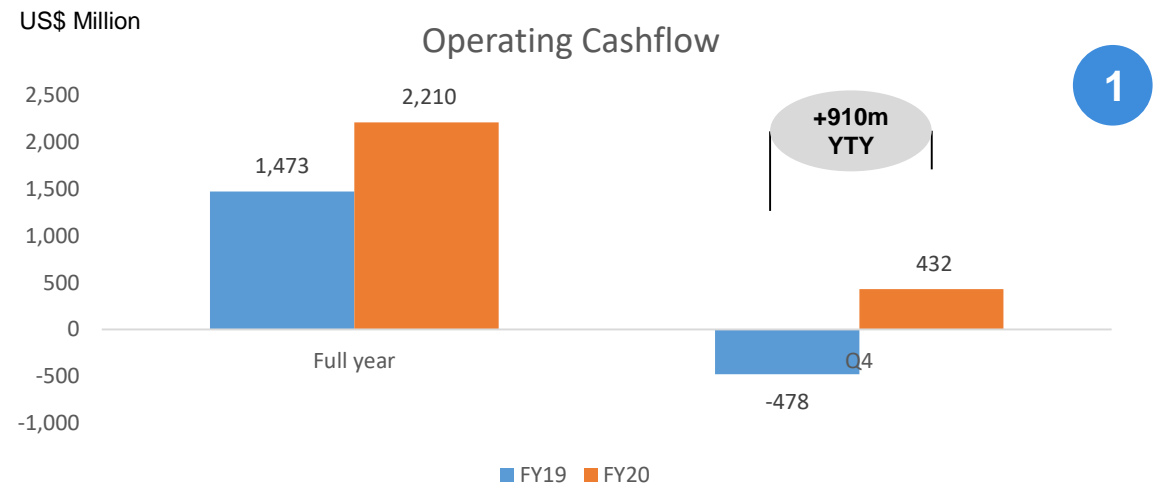
Cash and Working Capital

FY20 HIGHLIGHTS

- 1
- Net cash improved US\$737M YTY on operating cashflow improvement driven mainly by strong profit performance

4Q HIGHLIGHTS

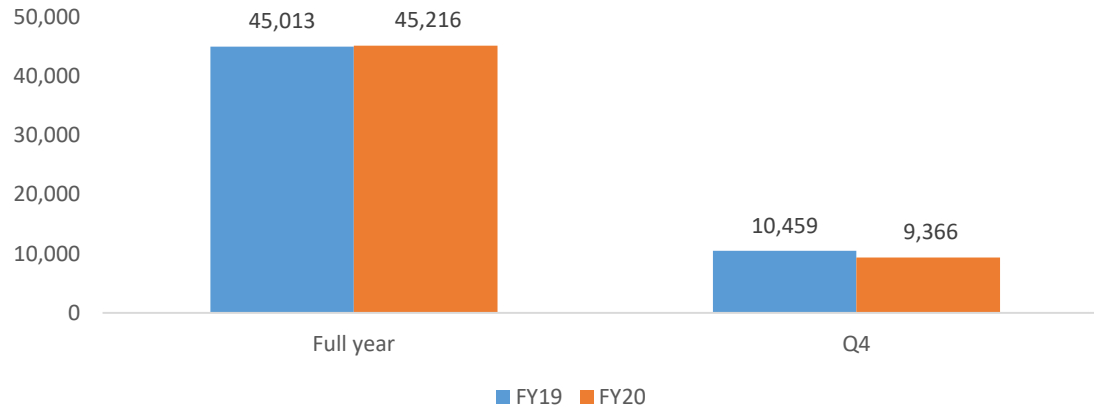
- 1
- Operating cashflow showed strong YTY improvement thanks to continued reduction of account receivable while longer account payable days
- 2
- Buy-ahead action on strategic parts in preparation for future orders drove an increase of inventory days



Intelligent Devices Business Group (IDG)*

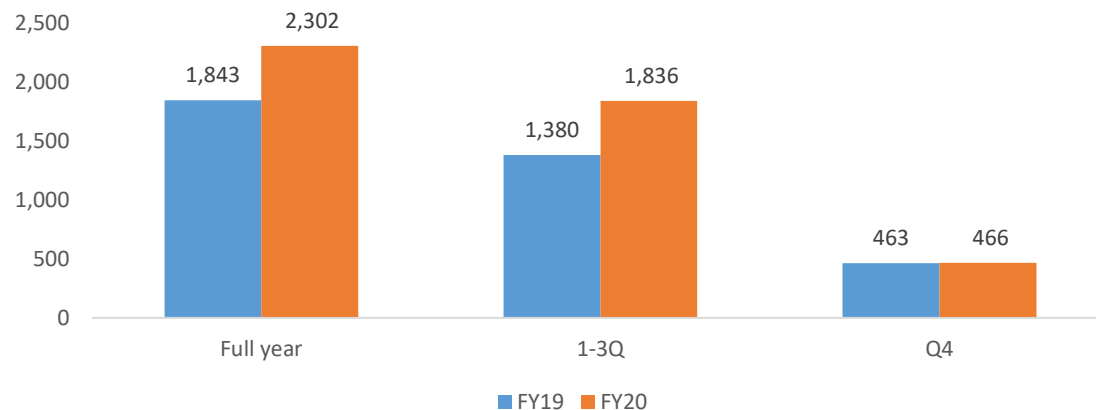
US\$ Million

Revenue



US\$ Million

Pre-tax Profit



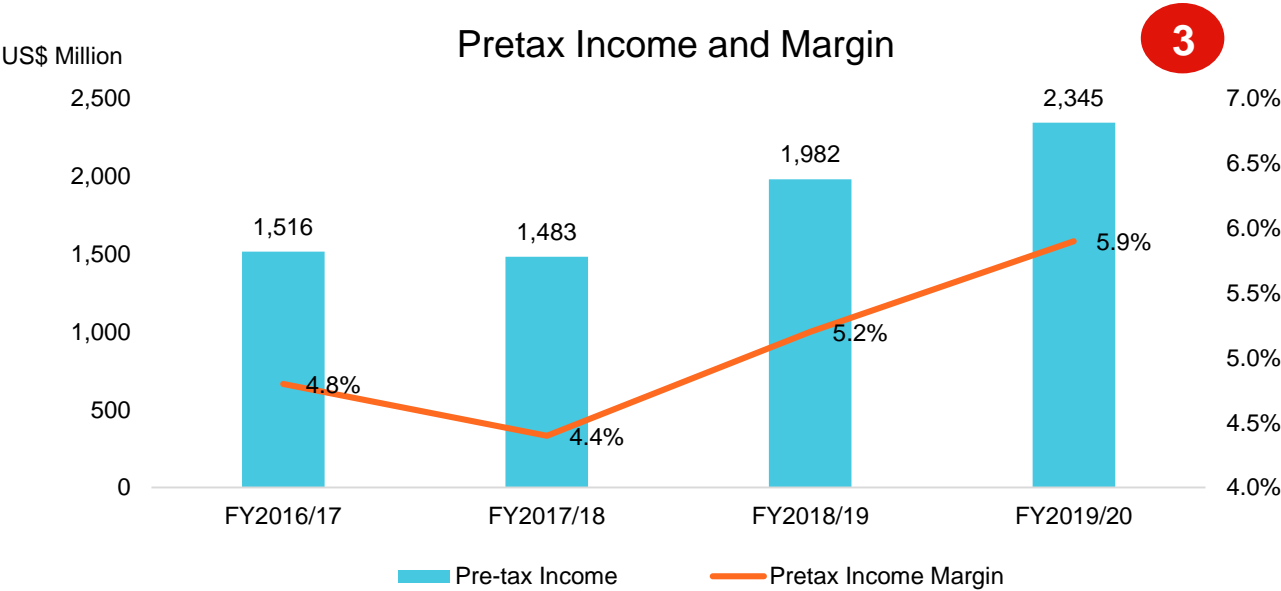
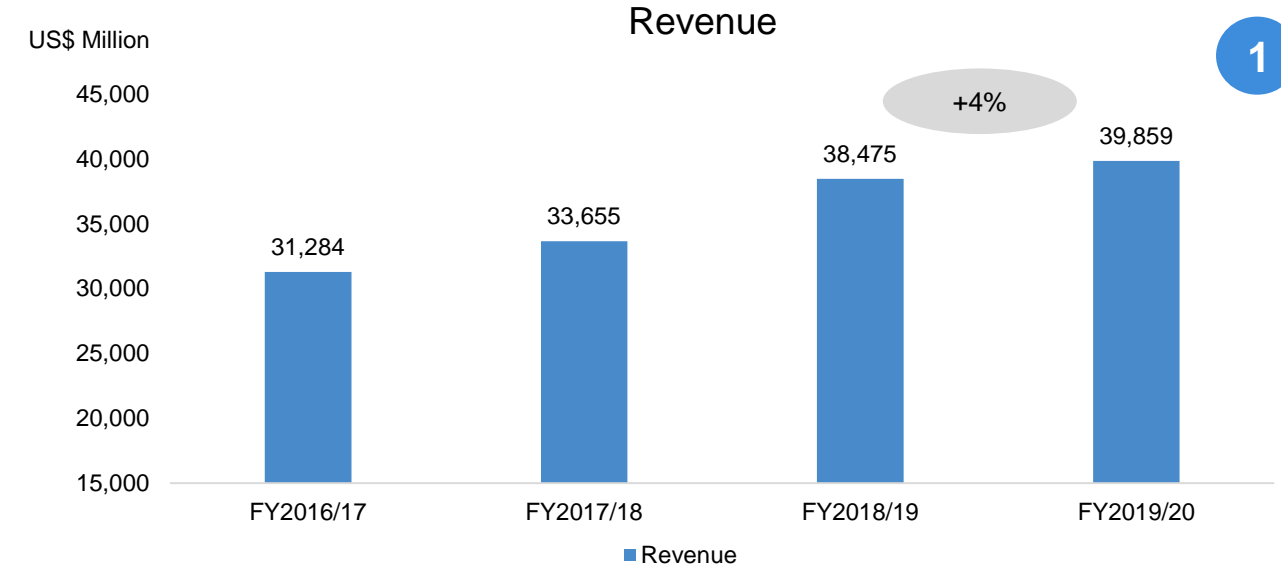
FY20 HIGHLIGHTS

- 1 Stable revenue in FY20; operational excellence, prioritization of high-growth segments and new opportunities helped to mitigate multiple macro and sectoral challenges
- 2 PTI grew 33% YTY in the first three quarters prior to COVID-19, or up 25% for the full year to set a new record at \$2.3B

4Q HIGHLIGHTS

1. Supply shortage during COVID-19 resulted in a revenue YTY decline; strong recovery in month-three helped to partially mitigate PCSD's supply issue while MBG's supply constraints remained

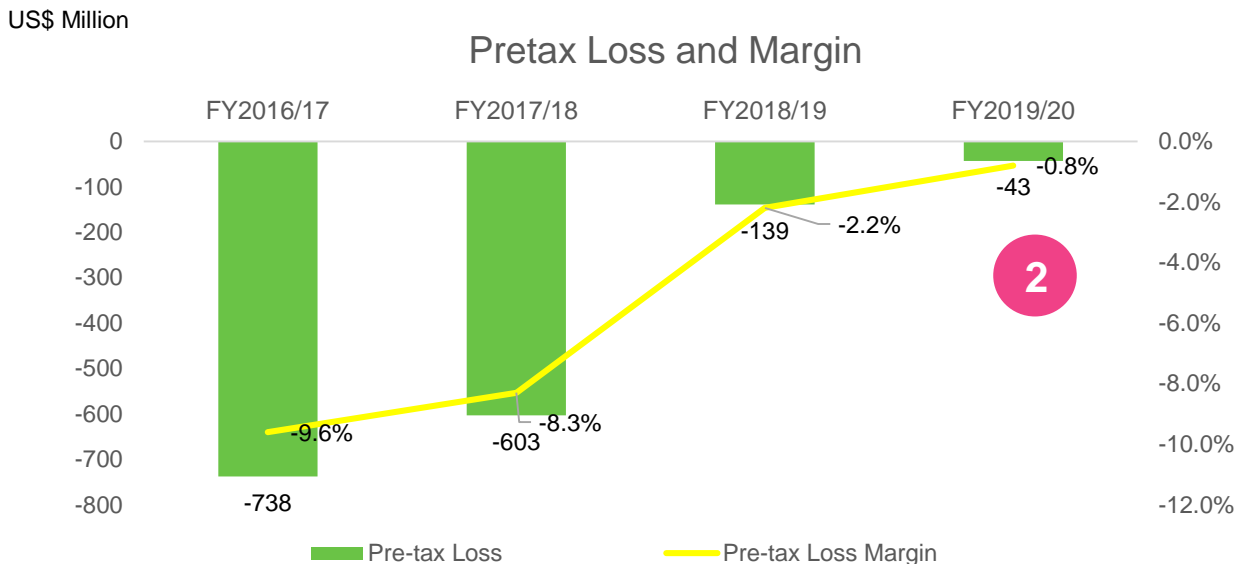
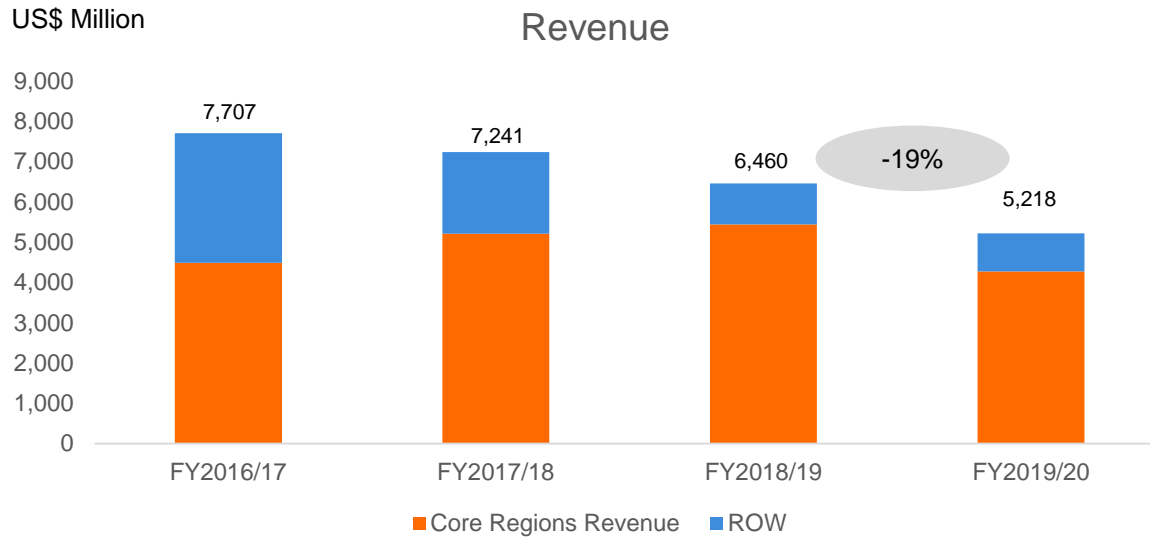
IDG - PC & Smart Device Business Group (PCSD)



FY20 HIGHLIGHTS

- 1 Record-breaking revenue and PTI; record shipments in PC
- 2 Fastest growing PC OEM in global top-5 and highest WW market share ever; a true global leader with geographically balanced contribution
- 3 PTI increased 18% YTY with margin expanded to a new record of 5.9%; Lenovo remained the sector leader in profitability
- 4 Operational excellence and strategic investments enabled a sales mix shift towards high-growth and premium segments; high-margin Software and Services business and improved segment profitability also contributed to PCSD's margin expansion

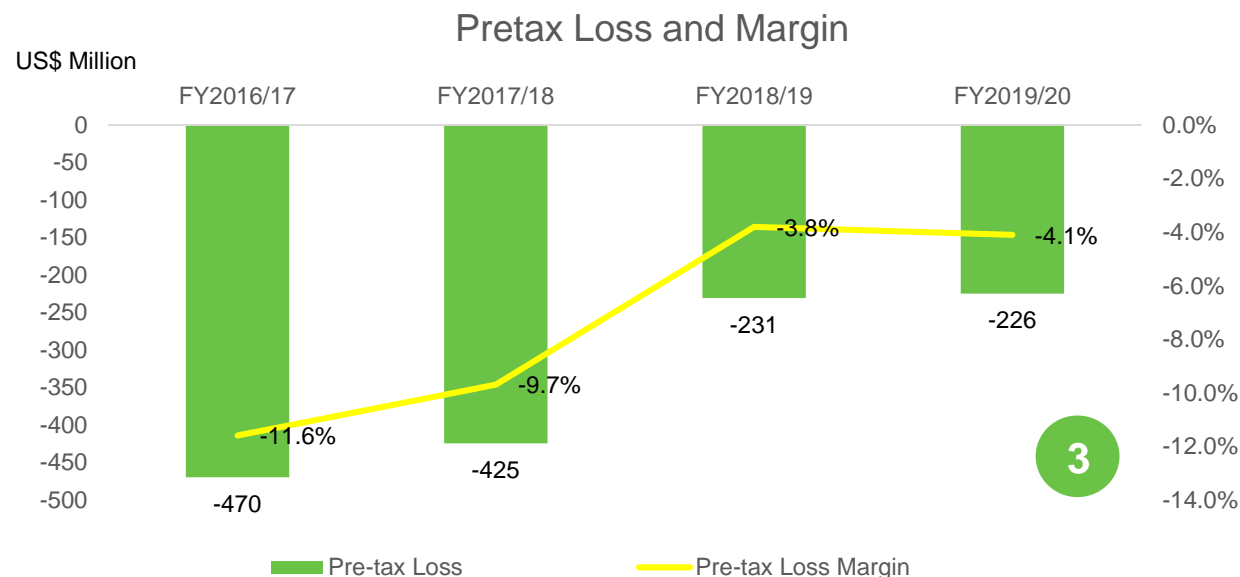
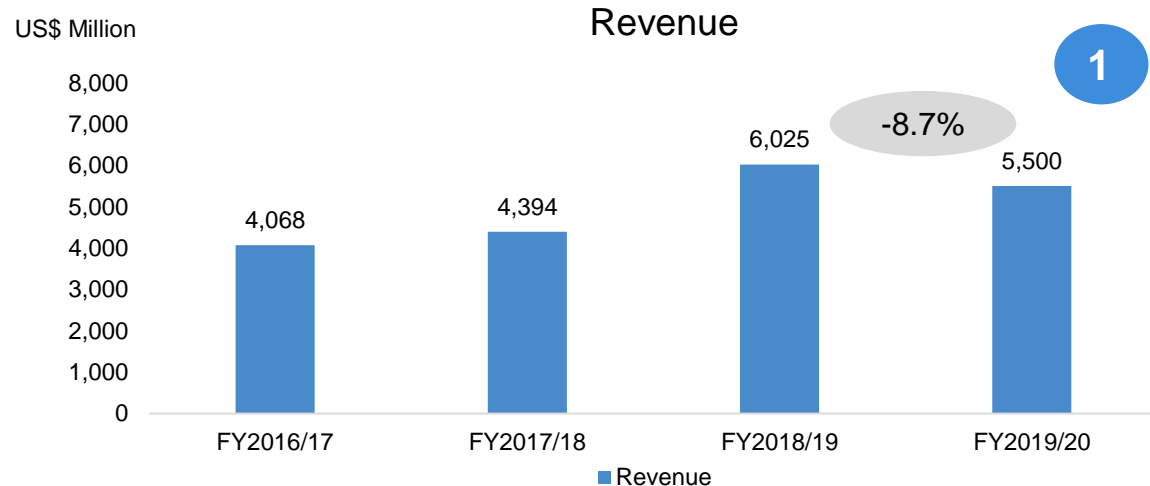
IDG - Mobile Business Group (MBG)



FY20 HIGHLIGHTS

- 1 PTI improved US\$96M YTY and turned profitable on pre-tax profit level until COVID-19 hit in 4QFY
- 2 Full-year pre-tax loss amounted to US\$43M but represented the third consecutive year of profit improvement
- 3 Achieved full-year profitability in core markets in Latin America and North America, reflecting strong execution on three strategic pillars: core markets, product portfolio enhancement and expense reduction
- 4 Normalized supply, lean channel inventory and pent-up demand to bode well for future recovery when pandemic-led uncertainties ease off

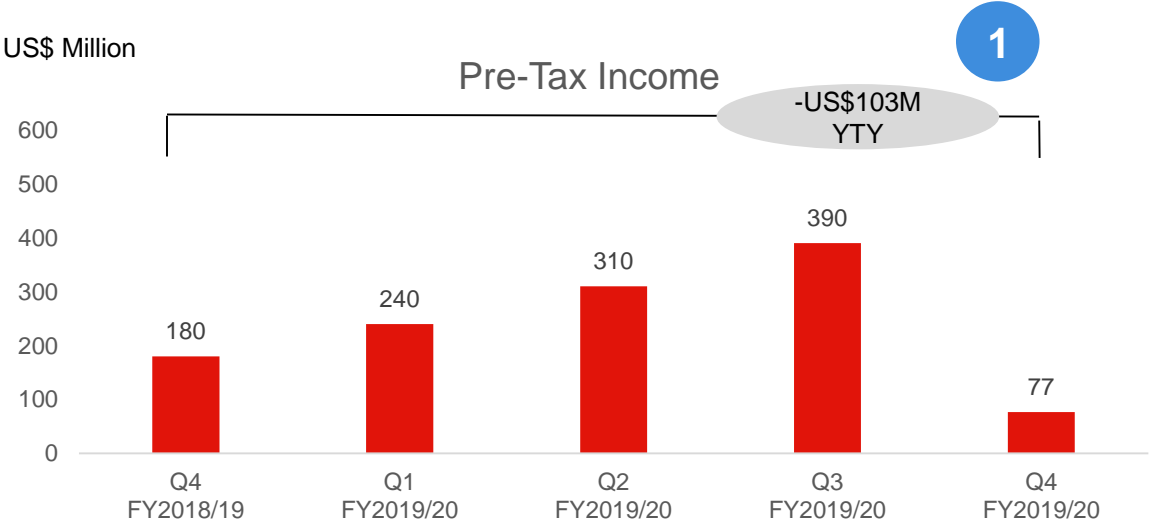
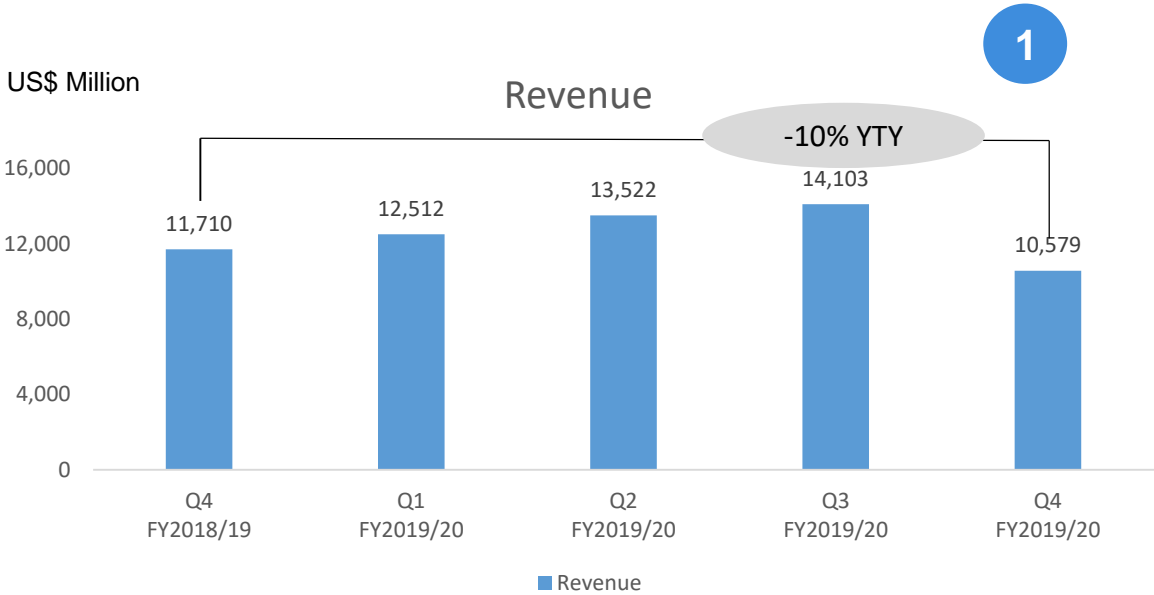
Data Center Business Group (DCG)



FY20 HIGHLIGHTS

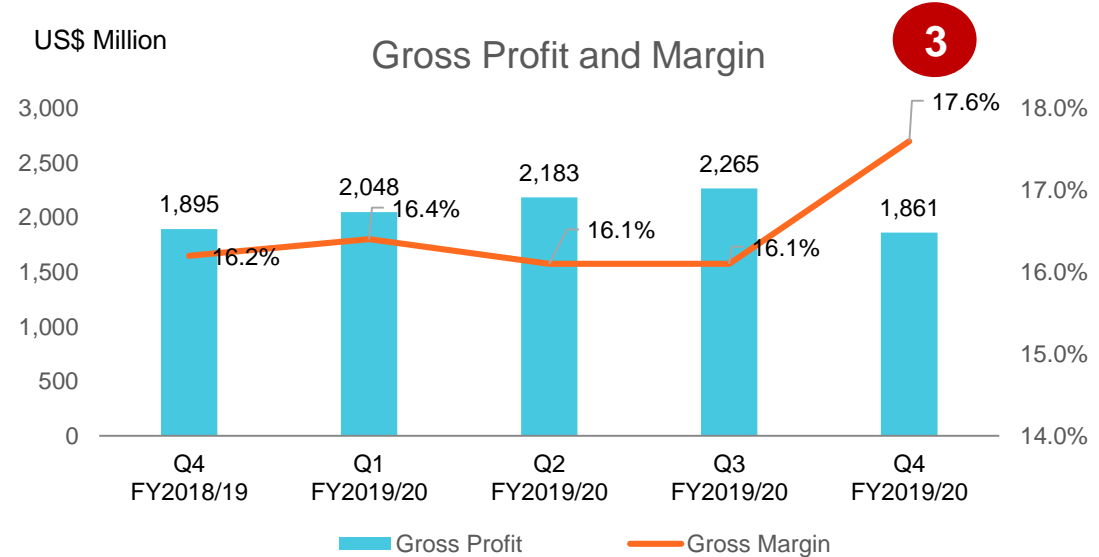
- 1 DCG revenue dropped 9% YTY on hyperscale weakness**
- 2 Non-hyperscale sales grew YTY thanks to double-digit growth in storage, Software-Defined Infrastructure (SDI) and Software & Services; no.1 lead in high performance computing (HPC)**
- 3 Hyperscale revenue declined double-digit, due to customers' inventory digestion and average selling price erosion caused by commodity price compression**
- 4 DCG targets to recover and improve profitability: work-from-home (WFH) to benefit cloud demand; share gain in high-growth non-hyperscale segments; new customers and products in hyperscale business**

Financial Highlights

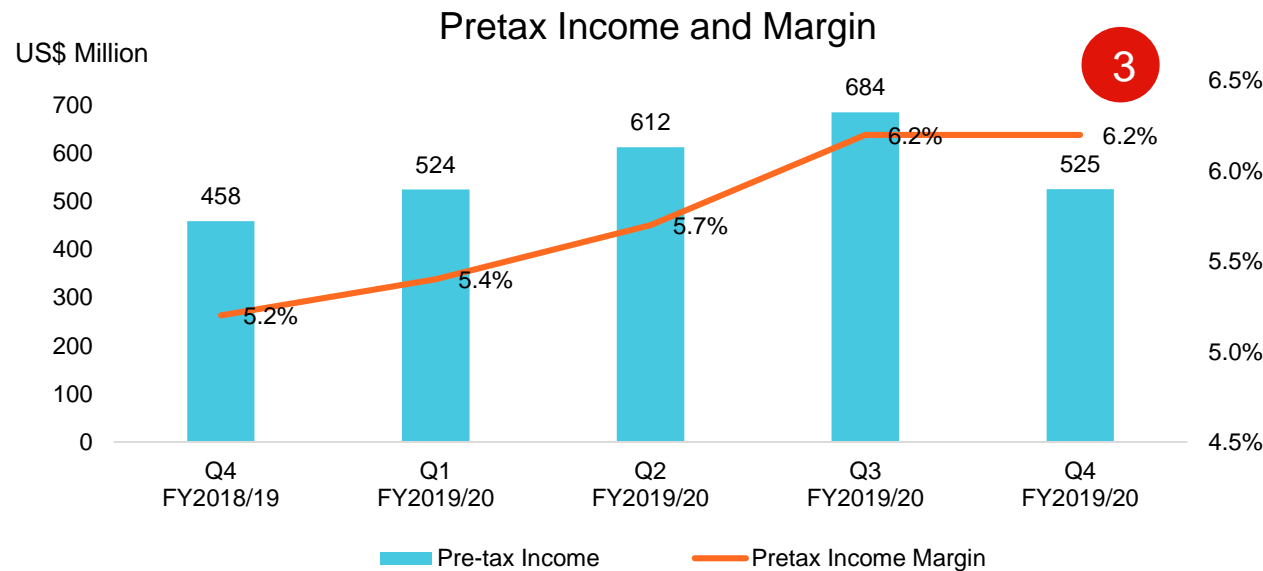
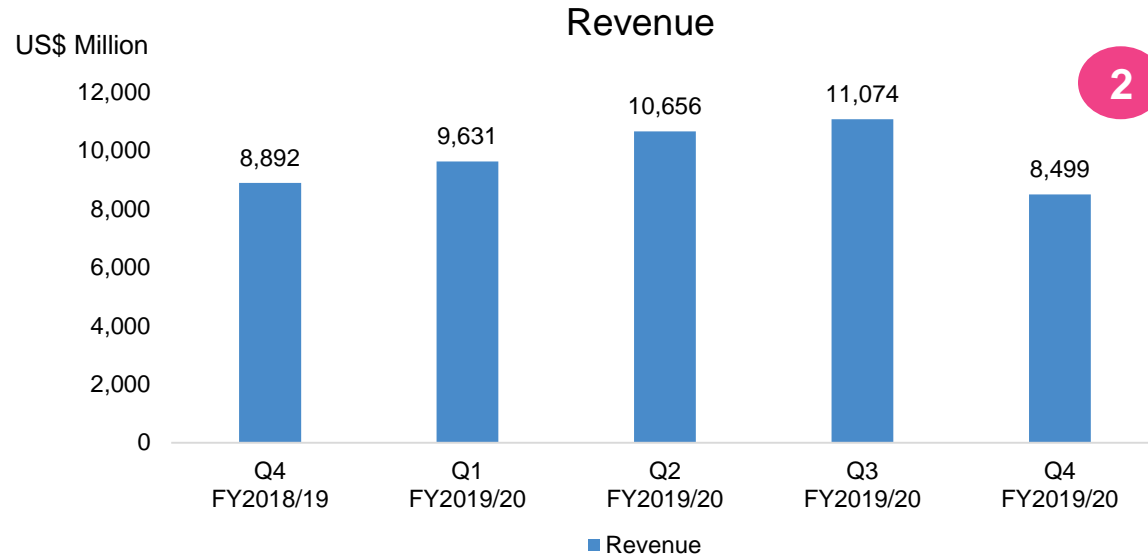


4Q HIGHLIGHTS

- 1 Industry-wide COVID-19-induced supply disruption resulted in YTY decline on group revenue and PTI
- 2 Operational excellence led to strong quarter-end recovery; Software & Services revenue* up 38% YTY
- 3 Gross profit margin improved by 1.4pts YTY to set a new record level on prioritization to premium segments, improved segment profitability, and rising contribution from high-margin Software & Services business

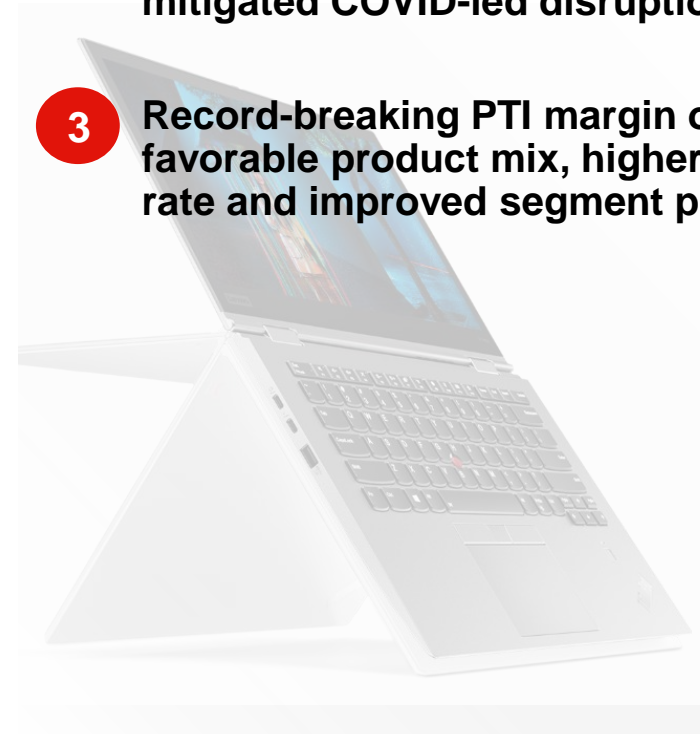


IDG - PC & Smart Device Business Group (PCSD)

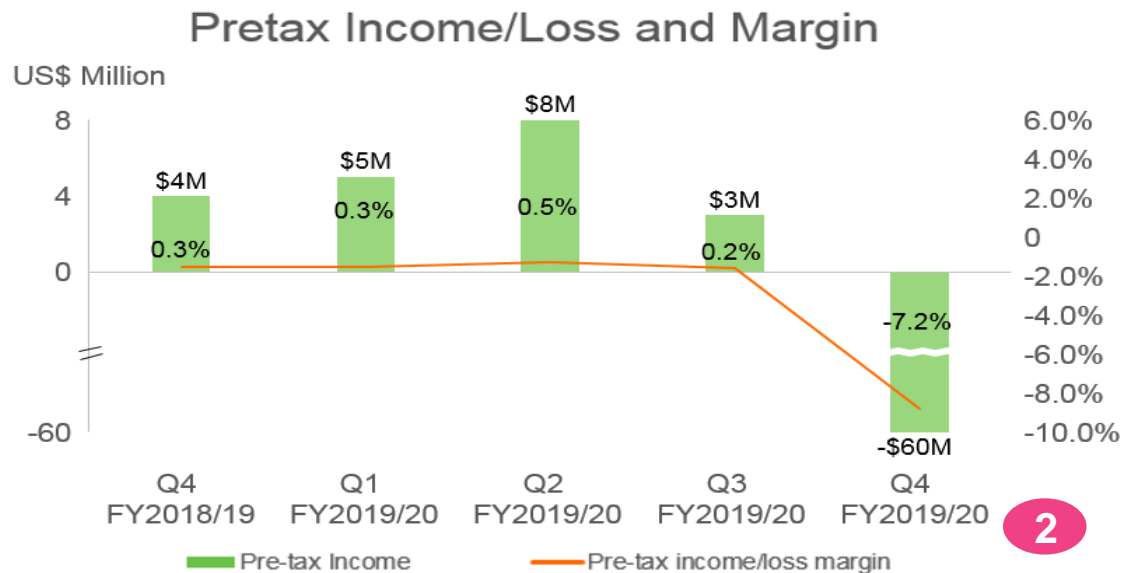
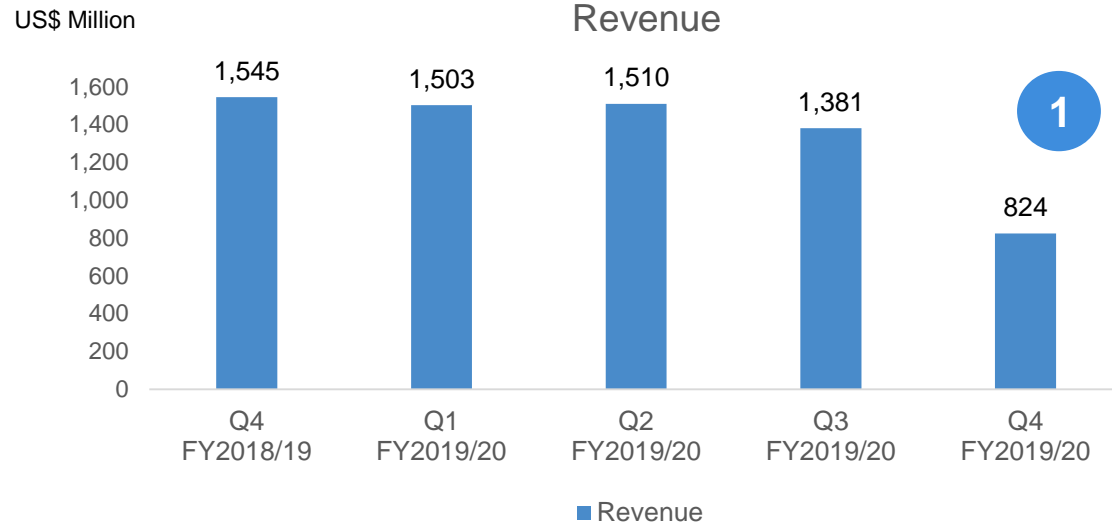


4Q HIGHLIGHTS

- 1** Reinforced global no. 1 position with consistent premium-to-market growth; gained WW share on WFH demand and grew 21-50% in high-growth segments, and Software & Services
- 2** Revenue declined 4.4% YTY; a strong supply recovery towards the quarter-end largely mitigated COVID-led disruption
- 3** Record-breaking PTI margin of 6.2% thanks to favorable product mix, higher services attach rate and improved segment profitability



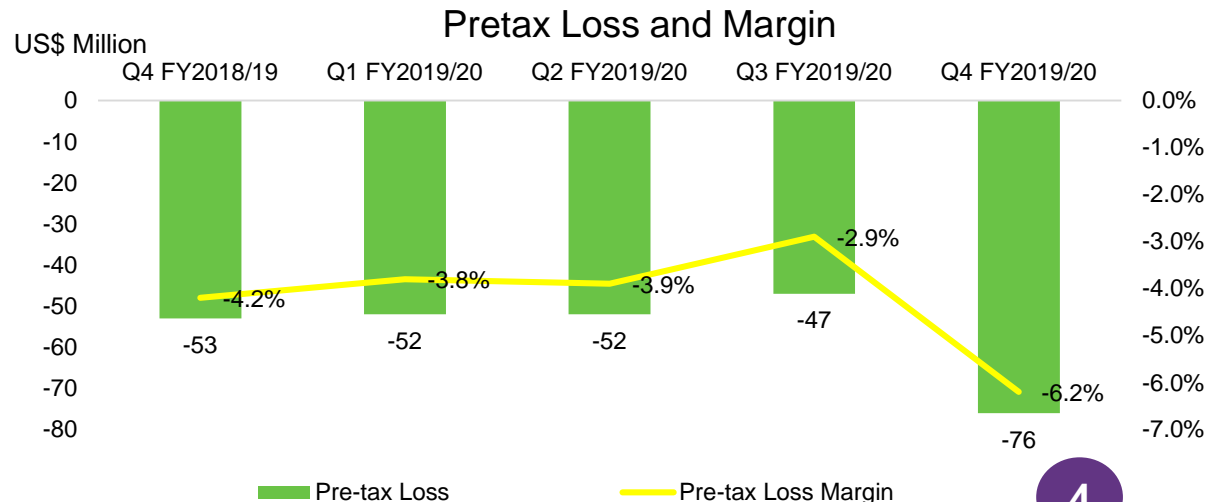
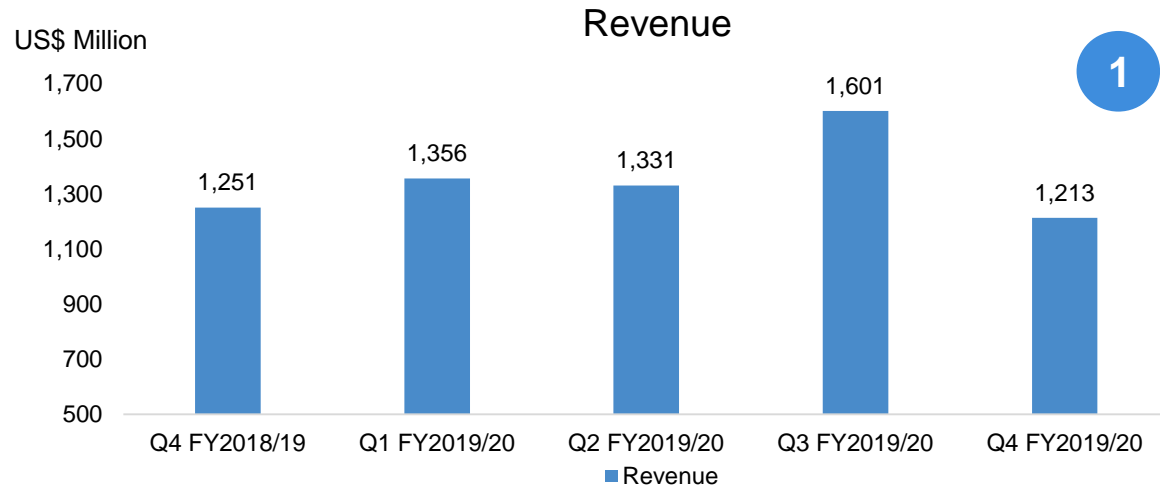
IDG - Mobile Business Group (MBG)



4Q HIGHLIGHTS

- 1 Supply constraint resulted from pandemic-led Wuhan factory closure for most part of the quarter; revenue declined 46.7% YTY
- 2 Pre-tax loss contained at US\$60M after aggressive expense actions mitigated part of the negative impact from less supply
- 3 With recent launch of Edge/Edge+, re-entry to flagship space was initiated to drive favorable mix shift

Data Center Business Group (DCG)



4Q HIGHLIGHTS

- 1 DCG server shipments grew double-digits YTY but revenue declined 3.1% YTY due to lingering commodity price erosion for hyperscale business
- 2 Resilient momentum on non-hyperscale business, driven by Software-Defined Infrastructure (SDI), storage, Software and Services
- 3 Hyperscale shipments up double-digits YTY, in contrast to commodity-driven double-digit YTY revenue decline
- 4 Pre-tax loss expanded by US\$23 million YTY on higher shipping and freight costs as a result of city and country lock-down



Outlook Statement

- **Group Mission is to be the Leader and Enabler of Intelligent Transformation**
- **We will continue to innovate to capture new opportunity of expanded PC and Smart devices market from the new normal (WFH, SAH) and increased infrastructure demand. Meanwhile, we will exercise disciplined expense control to optimize our liquidity and financial health.**
- **IDG: Drive premium-to-market growth with strong profitability; accelerate services, software, and solution selling**
 - a. **PCSD:** To maintain premium to market growth with industry-leading profitability; drive sales in high-growth and premium segments including Gaming
 - b. **Mobile:** To protect our position in stronghold markets in Latin America; strengthen footprint in North America and continue profitable growth in all markets while leveraging our technology leadership
 - c. **Smart IoT:** To supercharge solution and services growth
- **DCG: Drive a growth recovery while improving profitability**
 - a. Accelerate market share gain in Server, Software Defined infrastructure, HPC, Storage, Software and Services with increasing customer diversity and further broadening indirect channels
 - b. Acquire new hyperscale customers and expand Lenovo share with existing accounts leveraging our differentiated in-house motherboard design, manufacturing and expanding from server to storage solutions; driving premium to market growth
- **Accelerate Intelligent Transformation: Driving Smart IoT, Smart Infrastructure and Smart Vertical growth while leading customer-centric transformation**
 - a. Drive hyper-growth in software and services, solution and e-commerce
 - b. Explore and improve smart vertical solutions in promising verticals 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	Q4 FY2019/20	Q4 FY2018/19	Y/Y%	FY2019/20	Y/Y%
Revenue	10,579	11,710	(10%)	50,716	(1%)
Gross Profit	1,861	1,895	(2%)	8,357	13%
Operating Expenses	(1,695)	(1,622)	5%	(6,918)	12%
Operating Profit	166	273	(39%)	1,439	22%
Other Non-Operating Expenses	(89)	(93)	(5%)	(421)	31%
Pre-tax Income	77	180	(57%)	1,018	19%
Taxation	(14)	(46)	(70%)	(213)	7%
Profit for the period	63	134	(53%)	805	22%
Non-controlling interests	(20)	(16)	35%	(140)	129%
Profit attributable to Equity Holders	43	118	(64%)	665	12%
EPS (US cents)					
- Basic	0.36	1.00	(0.64)	5.58	0.57
- Diluted	0.35	0.96	(0.61)	5.43	0.47
Dividend per share (HK cents)	21.50	21.50		27.80	

	Q4 FY2019/20	Q4 FY2018/19	FY2019/20
Gross margin	17.6%	16.2%	16.5%
E/R ratio	16.0%	13.9%	13.6%
Operating margin	1.6%	2.3%	2.8%
PTI margin	0.7%	1.5%	2.0%
Net margin attributable to Equity Holders	0.4%	1.0%	1.3%

Condensed Consolidated Income Statement

<i>US\$ Million</i>	Q4 FY2019/20	FY2019/20	Q4 FY2018/19	FY2018/19
Revenue	10,579	50,716	11,710	51,038
Cost of sales	(8,718)	(42,359)	(9,815)	(43,667)
Gross profit	1,861	8,357	1,895	7,371
Selling and distribution expenses	(615)	(2,972)	(647)	(2,658)
Administrative expenses	(720)	(2,525)	(594)	(2,210)
Research and development expenses	(347)	(1,334)	(371)	(1,266)
Other operating income/ (expense) - net	(13)	(87)	(10)	(59)
Operating profit	166	1,439	273	1,178
Finance income	10	48	10	27
Finance costs	(96)	(454)	(98)	(337)
Share of loss of associated companies and joint ventures	(3)	(15)	(5)	(12)
Profit before taxation	77	1,018	180	856
Taxation	(14)	(213)	(46)	(199)
Profit for the period	63	805	134	657
Profit attributable to:				
Equity holders of the company	43	665	118	597
Perpetual securities holders	13	54	14	54
Other non-controlling interests	7	86	2	6
Dividend per share (HK cents)	21.5	27.8	21.5	27.8
Earnings per share (US cents)				
- Basic	0.36	5.58	1.00	5.01
- Diluted	0.35	5.43	0.96	4.96

Condensed Consolidated Balance Sheet

US\$ Million

	As at Mar 31, 2020	As at Mar 31, 2019
Non-current assets	13,395	13,102
Property, plant and equipment	1,713	1,431
Intangible assets	7,985	8,325
Others	3,697	3,346
Current assets	18,733	16,886
Bank deposits and cash	3,617	2,733
Trade, notes and other receivables	9,834	10,462
Inventories	4,947	3,435
Others	335	256
Current liabilities	23,258	20,490
Borrowings	3,295	1,953
Trade, notes, other payables, accruals and provisions	18,713	17,384
Others	1,250	1,153
Net current liabilities	(4,525)	(3,604)
Non-current liabilities	4,811	5,401
Total equity	4,059	4,097

Condensed Consolidated Cash Flow Statement

US\$ Million	Q4 FY2019/20	Q4 FY2018/19	FY2019/20	FY2018/19
Net cash generated from/(used in) operating activities	432	(478)	2,210	1,473
Net cash used in investing activities	(238)	(181)	(957)	(700)
Net cash (used in)/generated from financing activities	(69)	(86)	(238)	123
Increase/(decrease) in cash and cash equivalents	125	(745)	1,015	896
Effect of foreign exchange rate changes	(95)	8	(127)	(81)
Cash and cash equivalents at the beginning of the period	3,521	3,400	2,663	1,848
Cash and cash equivalents at the end of the period	3,551	2,663	3,551	2,663

thanks.

Different is better

