



# LENOVO ACCELERATES TURNAROUND WITH BACK-TO-BACK, DOUBLE-DIGIT QUARTERLY REVENUE GROWTH

**Company's 'Intelligent Transformation' firmly establishes Lenovo as global, end-to-end tech leader; strong business performance reinforces 3-wave strategy's impact on results**

- Quarterly performance continues to validate Lenovo's strategy with Q1 revenue up 19% YOY to US\$11.91 billion; second consecutive, double-digit quarterly growth and profitability improvement across all business units
- Q1 PTI continues strong momentum, growing to US\$113 million, up US\$182 million from last year's Q1, and up US\$76 million sequentially
- Q1 profit attributable to equity holders grows to US\$77 million, up US\$149 million from last year's Q1

**HONG KONG, August 16, 2018 – Lenovo Group** (HKSE: 992) (ADR: LNVGY) today announced results for its first fiscal quarter ended June 30, 2018. For the second straight quarter, Lenovo achieved strong double-digit growth in revenue year-on-year. Group revenue reached US\$11.91 billion, up 19% year-on-year. The company also reported strong pre-tax income during the quarter of US\$113 million, an improvement of US\$182 million year-on-year, as profitability improved across all businesses.

In the first fiscal quarter, Lenovo's profit attributable to equity holders grew to US\$77 million, up US\$149 million year-over-year. Basic earnings per share in the first fiscal quarter was 0.65 US cents or 5.10 HK cents.

"As we persistently execute our 3-wave strategy, all our businesses made solid improvements in both revenue and profitability. Lenovo has passed the turning point and entered a phase of "acceleration" - accelerating the execution of our transformation strategy and accelerating the rising momentum in business performance." said Yang Yuanqing, Lenovo Chairman and CEO. "In the future, we will maintain industry leading profitability and premium to market growth in PCs; return the smartphone business to health; build the data center business into a sustainable growth and profit engine, and continue to invest in 'Smart IoT + Cloud' and 'Infrastructure + Cloud' to drive long term sustainable return."

## **Business Group Overview**

With this Q1 FY2018/19 earnings report, Lenovo has turned a corner in its transformation and enters a new phase of growth, thanks to meaningful progress on its strategy and focus on "Intelligent Transformation" during the quarter. Lenovo's decisive steps to consolidate key businesses into a streamlined, integrated enterprise, along with an emphasis on dynamic revenue generators, are quickly yielding significant returns.



Last quarter, Lenovo announced the creation of its new **Intelligent Devices Group (IDG)**, combining its **Personal Computer and Smart Devices Group** with its **Mobile Business Group**. Rethinking the ways these units and their devices interact and impact customers led to IDG's double-digit, quarterly revenue growth year-over-year, and PC unit market share gains in every geography. At the same time, Lenovo is not only driving, but capitalizing on, global growth trends in both software and services.

Lenovo's key business units each tallied significant growth and market strength during the quarter:

The **Intelligent Devices Group** is energized by the synergy of shared platforms and resources, delivered a strong revenue growth of 14% year-on-year, amounting to US\$9.95 billion.

- During the quarter, **the PC and Smart Devices (PCSD) business** under IDG delivered strong double digit revenue growth for the 2nd consecutive quarter, growing 19% year to year while maintaining industry leading profitability of 5%. Lenovo is the fastest growing player (by units) among the Top five global PC makers and returned to the global PC number one leading position according to Gartner. Outside of the core PC business Lenovo continues to invest in growing its portfolio of smart devices including smart home; smart office and AR/VR.
- **The Mobile Business Group (MBG)** under IDG improved significantly during the quarter thanks to three key measures. Firstly, the group reduced operating expenses by more than US\$100 million; secondly introduced a refined product portfolio and thirdly focused on selected markets where the company can compete profitably. With the refined product portfolio in place, the company focused on mainstream segments and successfully launched Moto G and E during the quarter. Revenue and volume continued to strengthen in Latin America in particular, outgrowing the market in both for seven quarters. In North America, Lenovo's mobile volume nearly doubled year-on-year thanks to the right scaling strategy to expand to all four major carriers.

Building on a strong Q4, Lenovo's **Data Center Group (DCG)** further accelerated its momentum, reporting another record revenue quarter of US\$1.6 billion, the third consecutive quarter of double-digit revenue growth, and up 67.8% compared to the same quarter a year earlier. The record high revenue was driven by growth in Software Defined Infrastructure, High Performance Computing & A.I businesses and Hyperscale. Lenovo's software-defined products, led by the new ThinkAgile brand, once again drove more than triple-digit growth year-on-year, and along with the announcement of the new ThinkAgile CP for next-generation composable cloud infrastructure. The Hyperscale business also grew by triple-digits year-on-year while improving gross profit and diversifying the customer base. Traditional infrastructure continued on a positive trend and flash-based storage solutions showed strong momentum at 42% YOY growth. This quarter also saw Lenovo surpassing HPE to become the #1 supercomputer provider on the TOP500 supercomputing list for the first time, with 117 systems.

With an eye to the future, **Lenovo's Capital and Incubator Group (LCIG)** continues to invest and build the Group's next-generation IT capabilities in AI, IoT, Big Data and VR/AR across various sectors such as manufacturing, healthcare and transportation.



## **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 portfolio 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 <http://www.lenovo.com/>

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**LENOVO GROUP**

**FINANCIAL SUMMARY**

**For the fiscal quarter ended June 30, 2018**

(In US\$ millions, except per share data)

	<b>Q1 18/19</b>	<b>Q1 17/18</b>	<b>Y/Y CHG</b>
Revenue	11,913	10,012	19%
Gross profit	1,632	1,365	20%
Gross profit margin	13.7%	13.6%	0.1 pts
Operating expenses	(1,452)	(1,371)	6%
Expenses-to-revenue ratio	12.2%	13.7%	(1.5) pts
Operating profit/(loss)	180	(6)	N/A
Other non-operating expenses	(67)	(63)	7%
Pre-tax income/(loss)	113	(69)	N/A
Taxation	(28)	15	N/A
Profit/(loss) for the period	85	(54)	N/A
Non-controlling interests	(8)	(18)	(55)%
Profit/(loss) attributable to equity holders	77	(72)	N/A
EPS (US cents)			
Basic	0.65	(0.66)	N/A
Diluted	0.65	(0.66)	N/A

