

Lenovo reports first quarter 2011/12 results

HONG KONG, CHINA: Lenovo Group has reported results for its first fiscal quarter ended 30 June 2011, and for the seventh consecutive quarter, Lenovo claims to have grown faster than any of the top five PC manufacturers, helping the company to become the world's third largest PC vendor in total shipments.*



During the first quarter, Lenovo's worldwide PC shipments grew 23.1% year-over-year. Comparatively, industry PC shipments increased just 2.7% worldwide for the same period, marking the ninth quarter in a row that Lenovo has grown faster than the industry.

Consolidated sales for the first fiscal quarter increased 15% year-over-year to a record of US\$5.9 billion. The company's gross profit for the quarter increased 41% year-over-year, with gross margin at 12.5%. Operating profit for the quarter grew 51% year-over-year to US\$123 million. Operating profit margin continued to expand, even after the company's reinvestment in branding, R&D and mobile internet business to drive future growth.

For the fiscal quarter, Lenovo reported a pre-tax income of US\$123 million, a 64% jump year-over-year. Profit attributable to equity holders for the quarter was US\$108 million, increased 98% year-over-year. Basic earnings per share for the first fiscal quarter was 1.11 US cents, or 8.63 HK cents. Net cash reserves as of June 30, 2011, totalled US\$3.6 billion.

Acquisition

In June 2011, Lenovo announced its acquisition of MEDION AG, a leader in PC, multimedia products, mobile communications service and consumer electronics in Germany. The acquisition will double Lenovo's market share in Germany and make it the second-largest PC company in Europe's largest PC market. The Medion deal will also help fuel Lenovo's expansion in consumer PCs and the high-growth mobile Internet market.

Lenovo also completed the formation of the joint venture company with NEC Corporation, forming the largest PC group in Japan. This joint venture makes Lenovo the number one PC vendor in two out-of-the three largest PC markets in the world.

"The Board is very satisfied with Lenovo's first quarter results. Since we adjusted our leadership team in early 2009, our business continues to climb and everything has been executed well according to our original plans," said Lenovo chairman Liu Chuanzhi. "Lenovo has an outstanding leadership team, the right approach to developing strategies, and strong execution capabilities, demonstrated by our performance this quarter. Our results show that Lenovo's acquisition of the IBM

PC business has become a success. In future quarters, you will see clearly that we will take what we've learned from this acquisition and apply that knowledge towards our joint venture with NEC in Japan and our acquisition of Medion in Germany."

'Protect and attack'

"The solid execution of the successful "Protect and Attack" strategy fuelled Lenovo's strong performance in the past fiscal quarter that we have achieved record high in global shipments, revenue as well as global market share. At the same time, we outperformed the industry in all geographies, customer segments and product segments," said Yang Yuanqing, Lenovo CEO.

"Over the past two years, we have placed emphasis on and invested significantly in our business growth. Our global market share has now reached double-digits and we have attained a double-digit share in a greater number of our strategic markets. Starting this year, we are advancing to a more balanced strategy of continuing to grow, while shifting our focus more on profitability.

Geographic overview

Lenovo China recorded US\$2.8 billion in consolidated sales in the first fiscal quarter, accounting for 47.9% of the company's worldwide sales. During the quarter, Lenovo further strengthened its number-one position in China by 2.3 points, which resulted in an industry-leading market share in China of 31.7%, widening the gap between Lenovo and its major rivals. Lenovo's PC shipments in China increased 23.4% year-over-year in the quarter, exceeding the overall industry increase of PC shipments in China of 14.3%.

In **Emerging Markets**** Lenovo's consolidated sales totalled US\$1 billion for the first fiscal quarter, or 17.5% of the company's worldwide sales. Lenovo's PC shipments across the region increased dramatically by 46.5% in the quarter, more than three-times faster than the industry growth rate in this region of 14.7% year-over-year. Lenovo saw market share gains throughout the region for a total market share of 6.9%, highlighted by the company's record-high double-digit market share in India at 10.8% after a 3.6 points gain in that country during the first quarter year-over-year.

Mature Markets*** posted US\$2.1 billion in consolidated sales, or 34.6% of the company's worldwide sales during the first fiscal quarter. Despite a year-over-year 9.4% decrease in the industry's PC shipments across the region, Lenovo grew its PC shipments in the quarter by 8.5%. Of particular note, Lenovo's PC shipments in North America grew 30.8%, compared to the market that fell four%, allowing the company to pick up 1.9 points of market share there. In Japan, Lenovo increased PC shipments by 14% year-over-year, in a market that overall grew at 2.9% for the quarter.

Product overview

Lenovo's **Laptop** computers continued to be the largest contributor to the company's sales worldwide, generating 59.8% of Lenovo's total sales revenue. Consolidated sales for Lenovo's laptop PC business worldwide in the first fiscal quarter totalled US\$3.5 billion, an increase of 14% year-over-year. The Company's laptop shipments worldwide in the quarter were up 23% year-over-year. During the first quarter, Lenovo introduced its highly-anticipated ThinkPad X1 laptop PC, giving users the thinnest, lightest, and highest performance combination for its class. The ThinkPad X1 was designed for mobile professionals who demand the best in performance, mobility and entertainment, and offers a simple, modern style with backlit keyboard, fast-charging batteries and a host of performance and multimedia capabilities.

Consolidated sales of Lenovo **Desktop** PCs worldwide increased 18% year-over-year in the first fiscal quarter to US\$2.0 billion, or 34.1% of Lenovo's total sales revenue. Desktop shipments for the same period increased 23% across the industry. During the first quarter, Lenovo announced the ThinkCentre 91z all-in-one (AIO) desktop PC, blending a sophisticated image, purposeful function and extreme productivity into a small, compact model. The ThinkCentre 91z is one of the industry's most powerful AIOs, yet one of the thinnest, measuring just 2.5 inches, ideal for small and medium businesses looking for style and high performance with the convenience of a small footprint.

In its first full quarter of operations, Lenovo's **Mobile Internet Digital Home (MIDH)** business group helped the company achieve a 34% increase in total handset shipments of year-over-year, including smartphones and feature phones. New Lenovo smartphone and LePad tablet products are leading the way for Lenovo in China, and a new family of smartphones will launch in the coming months to drive future growth. Just last month, Lenovo introduced three new tablets, the IdeaPad Tablets K1 and P1, and the ThinkPad Tablet, available for sale in international markets.

**See IDC 2011Q2 press release (13 July 2011)*

*** Includes Africa, Asia Pacific, Central/Eastern Europe, Hong Kong, India, Korea, Latin America, Mexico, Middle East, Pakistan, Russia, Taiwan, Turkey*

****Includes Australia/New Zealand, Israel, Japan, North America, Western Europe and global accounts*

About Lenovo

Lenovo is a US\$21 billion personal technology company serving customers in more than 160 countries, and the world's third-largest PC vendor. Dedicated to building exceptionally engineered PCs and mobile internet devices, Lenovo's business is built on product innovation, a highly-efficient global supply chain and strong strategic execution. Formed by Lenovo Group's acquisition of the former IBM Personal Computing Division, the company develops, manufactures and markets reliable, high-quality, secure and easy-to-use technology products and services. Its product lines include legendary Think-branded commercial PCs and Idea-branded consumer PCs, as well as servers, workstations, and a family of mobile internet devices, including tablets and smart phones. Lenovo, a global Fortune 500 company, has major research centres in Yamato, Japan; Beijing, Shanghai and Shenzhen, China; and Raleigh, North Carolina.

For more information go to www.lenovo.com.

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