

Lenovo reports losses as sales plummet (Update)

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A salesman stands next to a banner displaying Lenovo's logo at its booth in a shopping mall in Beijing in January 2009. China's Lenovo, the world's fourth largest maker of personal computers, Thursday reported a net loss of 226.4 million US dollars in the 2008-09 fiscal year citing structural changes and weak sales.

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The company also reported a fourth quarter net loss of 264 million US dollars compared with a net profit of 140 million in the same period a year earlier, and a 484.3 million profit for the whole of 2007-08.

"The past two quarters have been a particularly challenging time in our industry worldwide, and we took some significant steps to get our

business back on the right path," said Lenovo chairman Liu Chuanzhi.

Lenovo said demand for its personal computers slumped amid the global economic downturn, notably in the US and India, with revenue falling to 14.90 billion dollars for 2008-09, down from 16.35 billion dollars the previous year.

Sales fell 26 percent to 2.77 billion US dollars from 3.73 billion a year earlier.

Lenovo's loss was bigger than economists expectations, with Daiwa Securities forecasting a fiscal fourth quarter net loss of 211 million US dollars for the computer manufacturer, according to Dow Jones Newswires.

The company, which cut its global workforce by almost 3,000 in the first two months of 2009, said the loss included 146 million dollars in severance payouts, but would lead to savings of 300 million dollars.

"We have taken decisive actions in response to the economic downturn in order to align our overall business with the challenging marketplace, and we are already seeing positive results," said chief executive officer Yang Yuanqing, Lenovo's chief executive officer.

He said he also expected "no further staff cuts or reorganisation... unless the economy deteriorates."

The company said it did not recommend the payment of a dividend.

Yang, previously Lenovo's chairman, became CEO after US national William Amelio, who ran the company since 2005, did not have his contract renewed in February, signalling the former IBM unit's return to Chinese management.

Liu, who helped start the company 25 years ago, returned as chairman after being in the position until 2005.

Yang based his optimism on the signs of recovery in the Chinese market, where Beijing's stimulus spending had helped lift demand for personal computers, particularly in rural areas, during Lenovo's fourth quarter.

"Strong growth in China... is going to be vital to our recovery," said Yang, noting that Lenovo's signature ThinkPad laptops "were positioned as a premium product" in that market.

China, in turn, "has high hopes for Lenovo," said Yang.

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