

# PC maker Lenovo reports loss amid weak demand

August 6 2009, By JOE McDONALD , AP Business Writer

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FILE - In this May 20, 2009 file photo, models display new Chinese-made Lenovo ThinkPads at the Lenovo stall during the International High Tech Expo in Beijing, China. Lenovo Group, the world's fourth-largest personal computer maker, reported a \$16 million quarterly loss Thursday, Aug. 6, 2009, amid weak global demand but said its market share grew. (AP Photo/ Elizabeth Dalziel, File)

(AP) -- Lenovo Group, the world's fourth-largest personal computer maker, reported a \$16 million quarterly loss Thursday and said it faces pressure from weak global demand and intense competition.

The loss for the three months ending June 30, equal to 0.18 cents per share, compared with a \$110 million profit a year earlier. Sales fell 17.9 percent from a year earlier to \$3.5 billion.

"Lenovo showed strong progress this last quarter but we still face numerous challenges," CEO Yang Yuanqing told reporters in a conference call.

Lenovo's global PC shipments rose 1.1 percent from a year earlier while industrywide shipments fell 3.3 percent, said chief financial officer Wong Wai Ming. But he said average prices fell by 20 percent due to competition.

Yang said Lenovo has been hurt by its reliance on sales to commercial customers, which have responded to the worst global economic downturn since the 1930s by cutting spending more sharply than consumers.

"We cannot say we have seen the bottom of the [global downturn](#)," Yang said. "The [global economic crisis](#) continues to significantly impact our core commercial customers."

Executive said Lenovo was making progress in a previously announced restructuring and was improving profitability. The company says the restructuring is expected to cut expenses by \$300 million a year.

Lenovo's global market share rose 0.4 percentage points to 8.6 percent, its highest since the company's 2005 acquisition of IBM Corp.'s PC unit, Yang said.

Lenovo said sales in China were \$1.7 billion, unchanged from a year earlier, but shipments rose 15 percent. It said market share grew by 0.3 percentage points to 28.6 percent.

Lenovo has benefited from China's resilience against the [global slowdown](#) but faces competition from industry leader Hewlett-Packard Co. and No. 2 Dell Inc. Chinese economic growth accelerated in the last

quarter to 7.9 percent from a year earlier, up from 6.1 percent the previous quarter.

The company said sluggish U.S. and European demand contributed to a 17 percent drop in [PC shipments](#) to mature markets. It said sales in those markets were \$1.3 billion, or 38 percent of its global total.

Shipments to emerging markets fell 6 percent from a year earlier, Lenovo said.

The company's founder, Liu Chuanzhi, returned as chairman in a management reshuffle in February in which American CEO William J. Amelio departed after a three-year stint. Amelio was succeeded by Yang, Lenovo's former chairman.

Lenovo says its restructuring, announced earlier, should cut costs by \$300 million a year.

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Citation: PC maker Lenovo reports loss amid weak demand (2009, August 6) retrieved 19 April 2024 from <https://phys.org/news/2009-08-pc-maker-lenovo-loss-weak.html>

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