

Lenovo 3Q profit up by half, warns of disk supply

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(AP) -- Lenovo Group Ltd., the world's second biggest personal computer maker, said Thursday that quarterly profit grew by more than half but warned hard drive costs would remain high amid a global shortage.

The company said it's confident of closing in on the top spot in PC sales as it reported strong sales growth across all major markets even as it focuses more attention on the burgeoning smartphone and mobile [Internet market](#).

Net income rose to \$153 million, or 1.46 cents per share, in the October-December period, which is the company's third fiscal quarter. That's up 54 percent from the same period the year before.

Sales jumped 44 percent to a record \$8.4 billion as its share of the global [personal computer market](#) hit a high of 14 percent.

Lenovo posted 30 percent sales growth in China, which accounts for about two-fifths of total sales. Sales in Africa, Latin America and other emerging markets rose 13 percent.

Strongest growth came in developed markets including Western Europe and North America, where sales zoomed up 81 percent. They were helped partly by new a joint venture with [NEC Corp.](#) in Japan and the purchase of Germany's Medion AG, a maker of [multimedia products](#) and consumer electronics. Both deals were completed in July.

The company, which is based in Beijing and has U.S. headquarters in Raleigh, North Carolina, said market share in China, the world's biggest PC market, hit a high of 35.3 percent.

Lenovo, which acquired IBM Corp.'s PC unit in 2005, overtook [Dell Inc.](#) in the third quarter of 2011 to become the second-largest [PC vendor](#) by shipments worldwide, according to both International Data Corp. and Gartner.

"We are closing the gap with No. 1," held by rival Hewlett-Packard Co., said Chairman Yang Yuanqing.

Gross profit margins dipped in the quarter because of higher prices for hard disk drives. Flooding in Thailand last year shut down production at a swath of hard drive factories, crimping [global supply](#).

The shortage is adding about \$5-\$10 to the cost of each hard drive, Yang said.

Chief Financial Officer Wong Waiming said the impact of the floods on hard drive production will "likely continue to affect global PC supply" into the next quarter and hard drive costs "will continue to stay high in the short term."

Worldwide, Lenovo's PC shipments rose 37 percent even as the global personal computer industry struggled. But Yang signaled that the company is starting to look past that market.

"We are already thinking ahead and preparing for the next steps past the traditional PC," he said.

Lenovo entered the wireless Internet market in 2010 and has launched smartphones and Web-linked tablet computers to compete with Apple

Inc., South Korea's Samsung Electronics Corp. and Taiwan's HTC Corp.

Yang said a "smart" or Web-connected TV running on the Android operating system will be launched in China in April. He said the company aims to partner with many "third parties" to provide content for the TV.

Separately, executives rejected accusations by Taiwan-based rival Acer Inc. that its former chief executive Gianfranco Lanci breached a noncompete clause when he left Acer last year and went to work for Lenovo. Acer is suing Lanci.

Yang said the company would not comment on the lawsuit filed in Italy except to say that Lanci's hiring "meets all legal requirements."

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