

Lenovo looks to expand after IBM acquisition

September 29 2014, by Joe Mcdonald



In this Aug. 15, 2013 file photo, people walk past a Lenovo flagship experience store in Beijing, China. Lenovo Group has received U.S. and European approval to complete its acquisition of IBM Corp.'s low-end server business and plans to use it to grow faster outside its personal computer business, Lenovo's chairman said Monday, Sept. 29, 2014. (AP Photo/Andy Wong, File)

Lenovo Group has received U.S. and European approval to complete its acquisition of IBM Corp.'s low-end server business and plans to use it to grow faster outside its personal computer business, Lenovo's chairman

said Monday.

The \$2.1 billion acquisition is due to close Wednesday following a successful review by a U.S. government security panel and European and Chinese regulators, the company said.

The IBM assets will add a "growth engine" to a growing array of businesses that include computers, [mobile devices](#) and services, chairman Yang Yuanqing said in a telephone interview.

Lenovo, which bought IBM's PC unit in 2005, has carried out a flurry of acquisitions and launched initiatives including creating a smartphone brand to expand into faster-growing businesses.

Also this year, Lenovo bought the Motorola Mobility smartphone business from Google Inc. for \$2.9 billion.

"Our [mobile business](#) and our enterprise business will be growing even faster than our PC business," said Yang.

Lenovo has said the IBM acquisition will propel it from a No. 9 ranking among server manufacturers to No. 3 behind Hewlett Packard Co. and Dell Inc.

Lenovo, with headquarters in Beijing and in Research Triangle Park, North Carolina, passed HP in 2013 as the No. 1 PC maker, though that achievement was tempered by a slowdown in demand as users shift to mobile devices.

Lenovo has said it expects mobile devices to become the bulk of its business in coming years.

In the quarter ending in June, sales of smartphones, tablet computers and

other wireless technology rose 32 percent over a year earlier, Lenovo reported earlier. That helped to boost quarterly profit by 23 percent to \$214 million.

The latest acquisition includes IBM's System x, BladeCenter and Flex System blade servers and switches, x86-based Flex integrated systems, NeXtScale and iDataPlex servers and associated software, blade networking and maintenance operations.

The price was reduced from the previously announced \$2.3 billion due to a change in valuation of IBM's inventory and deferred revenue, according to Lenovo. It said none of the terms of the agreement changed.

The IBM manager in charge of the x86 server business, Adalio Sanchez, will stay in that post with Lenovo, the company said.

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