

Shares drop at China's Lenovo despite 19% quarterly profit jump (Update)

November 6 2014



A Lenovo logo on display in Hong Kong on February 13, 2014. Shares in the Chinese technology giant drop 5% after it posts weaker than expected revenue figures

Shares in Lenovo dropped by five percent Thursday after the Chinese technology giant posted weaker than expected revenue figures, despite a 19 percent jump in quarterly net profit.

The world's biggest maker of PCs said net profit for the quarter ending

September 30 climbed to \$262 million from \$220 million, a 19-percent growth year-on-year.

The company said it logged strong sales of personal computers and smartphones, according to a statement sent to the southern Chinese city's stock exchange, where its shares are listed.

Overall revenue rose to \$10.48 billion from \$9.77 billion in the quarter, up seven percent, but this was below analysts' projections, according to Dow Jones Newswire.

The company also saw a two percent quarterly drop in revenue in China, its biggest market, compared to a year earlier.

Its shares closed at HK\$10.78 in Hong Kong trading Thursday, down 5.11 percent, while the benchmark Hang Seng Index was down 0.2 percent.

The company also said Thursday it had appointed Jerry Yang, a co-founder of Yahoo! Inc to be an independent non-executive director, according to another statement sent to the Hong Kong stock exchange.

Lenovo last month completed its acquisition of IBM's server unit as well as a deal with Google from which it bought Motorola Mobility, according to Thursday's statement.

In a bid to diversify its business beyond PCs, Lenovo last year announced a \$2.91 billion deal to purchase the mobile unit from the Internet giant and another \$2.3 billion deal to buy IBM's low-end server business.

But company executives have since warned that the purchases will weigh on the firm's bottom line.

Analysts say the impact of the costs of integrating the two businesses will be reflected in the coming quarters.

"Looking forward, the Group will focus on integration of the two deals," one statement signed by group chairman Yang Yuanqing read.

The firm has become a dominant leader of the global PC market, accounting for nearly 20 percent of the market share. PC shipments went up 13 percent from March to September, compared to a drop of one percent globally, the statement said.

— Dow Jones Newswire contributed to the report —

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Citation: Shares drop at China's Lenovo despite 19% quarterly profit jump (Update) (2014, November 6) retrieved 27 April 2024 from <https://phys.org/news/2014-11-lenovo-profit-sales-growth-china.html>

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