

Lenovo's annual revenue up 20% but profits miss target (Update)

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China's Lenovo said Thursday revenue rose 20 percent in its past fiscal year, helped by its purchase of Motorola, but net profit growth slowed to just one percent.

The world's biggest personal computer maker, which is diversifying into the smartphone market, said revenue reached \$46.30 billion for the year ending March 31.

But net profit was up only one percent for the period at \$829 million, owing to increased operating expenses, which increased almost 40 percent at \$5.57 billion, the company said in a filing to the Hong Kong Stock Exchange.

The profit figure was slightly below the net average of \$830.2 million expected by 26 analysts polled by Bloomberg News. It represents Lenovo's slowest net profit growth in five years, Bloomberg said.

The Hong Kong-listed PC maker had seen its net profit rise 29 percent in the previous financial year, driven by record smartphone sales.

"The rise of new technology and market trends, particularly the social mobile Internet, has posed market opportunities and challenges as consumer behaviour is changing," the company said in the filing.

The group's non-PC revenue contribution rose to 28 percent from 18 percent in the same period last year.

Revenue from the mobile business including Motorola increased 71 percent year-on-year to \$9.14 billion, making up about a fifth of the revenue total.

Smartphone shipments worldwide also grew more than 50 percent year-on-year to 76 million, "driven by aggressive business expansion in emerging markets outside of China from Lenovo brand products and strong growth of the Motorola brand products", the company said.

But the group's PC revenue represented the lion's share, or more than 70 percent, of the total revenue—rising five percent year-on-year to \$33.35 billion.

Simsen Financial Group associate director Jackson Wong said the results were a good sign, but investors are hoping the company will speed up the development of its mobile business.

"It's not that bad, it's just that a major part of their profit is still from the PC side," Wong said, explaining that it is an industry that is receding.

"They need to grow their mobile side at almost 100 percent annually so that in three to four years the mobile side will attribute more revenue," he said.

"The industry is transforming so quickly, so they cannot do it slowly."

Lenovo's chief executive officer Yang Yuanqing told reporters at a Hong Kong press conference Thursday that he was not worried about growth in the smartphone business.

"We had a very strong performance from all of our businesses.

"For smartphone business growth is not a problem. Every year every

quarter we are growing rapidly so this is not our concern," he said.

"For the last year it (Motorola) has grown rapidly and it has enjoyed very good momentum. We are also seeing potential for the Motorola business to grow."

Lenovo's share price was up 1.05 percent at the close in Hong Kong at HK\$13.5 (\$1.74), while the benchmark Hang Seng Index was down 0.22 percent.

In its third quarter results published in February, Lenovo said mobile phone shipments had surged almost 80 percent thanks to its \$2.9 billion purchase of Motorola from Google in October.

That buyout happened soon after Lenovo paid \$2.3 billion for IBM's low-end server business as it looked to diversify beyond PCs.

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