

China's Lenovo posts first revenue fall for six years (Update)

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Lenovo has suffered from a decline in global demand for PCs, which account for around a third of its revenue despite its efforts to diversify into other sectors

Chinese technology giant Lenovo on Wednesday posted its first revenue decline for six years due to slowing growth in the smartphone market and falling PC sales, sending its shares plummeting.

Lenovo said revenue for the October-December quarter declined eight

percent year-on-year to \$12.9 billion.

Its shares had fallen 10.19 percent at the close in Hong Kong, while the overall Hang Seng Index dropped 2.34 percent.

"The biggest problem is that their handsets are still not a profitable business," said financial analyst Francis Lun, referring to Lenovo's multi-billion dollar purchase of Motorola.

"Lenovo planned to turn around Motorola within one or two years but so far it hasn't happened and I think the handset business is too competitive," Lun, CEO of Geo Securities, told AFP.

Revenue for the company's PC business was down 12 percent for the quarter and revenue for its mobile sector was down four percent compared to the same period in 2014.

But the firm posted a surprise gain in net profit for the third quarter.

Lenovo said net profit for the three months ended December 31 was \$300 million, a 19 percent increase year-on-year. Analysts polled by Bloomberg had predicted a decline in profit to \$242.5 million.

Lenovo announced plans to slash costs by \$1.35 billion and cut 3,200 staff from its non-manufacturing workforce when it announced first-quarter results last August.

"The competitive cost structure across all of its businesses... positions the group well to sustain its growth even in the current challenging market environment," it said in a statement to the Hong Kong Stock Exchange Wednesday.

Lenovo added that it was on track to achieve \$650 million in total

savings for the second half of its fiscal year.

The Beijing-based company bought Motorola from Google for \$2.9 billion in October 2014, soon after its purchase of IBM's low-end server business, as part of a strategy of broadening the business beyond PCs.

It has been hit by a decline in global demand for PCs, which account for around a third of its revenue, despite efforts to diversify into other sectors including smartphones.

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