

Overall Winner

Treasury Today Asia's Top Treasury Team

Lenovo Group Limited

Ser Mein Koh, ED, Global Treasury



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Lenovo

Lenovo Group Ltd (Lenovo) is a manufacturer of consumer, commercial and enterprise technology. The company has business operations across the Americas, Europe, the Middle East, Africa and Asia Pacific, and is headquartered in Morrisville, USA and Beijing, China.

Lenovo's treasury team facilitates ratings upgrade in turbulent times

Lenovo's treasury team is primarily based in Singapore, with satellite functions in China, USA, Brazil, Hong Kong and various locations in Europe. The team manages an average cash balance of US\$3.9bn, US\$3.8bn of debt and US\$0.5bn of operating cash flow (averages over the past 18 months from its 2024 June-end quarter) across circa 300 entities and more than 30 manufacturing sites in nine countries. The team manages relationships with more than 50 banking partners, and approximately 1,500 bank accounts in more than 50 currencies.

Challenges and S&P upgrade

In 2023, due to the broad industry weakness, Lenovo encountered a setback in revenue and net profit. This imposed challenges on the global treasury team to plan and manage overall working capital to ensure obligations are met and costs are managed at an appropriate level.

To overcome these challenges, treasury shifted to a more conservative liquidity management strategy to have ample buffers when times are difficult. As a result, Lenovo maintains a net cash position for the bulk of the down cycle. It strengthened, expanded and diversified the number of banking partners and cash supply via various channels; a testament to its ability to raise funds that exemplifies its broad and deep access to liquidity due to its solid credit rating and reputation.

Driving fundamental working capital improvements

Beyond the established cash flow forecasting process, the team went beyond the traditional treasury scope and took a proactive approach to provide the business groups with guidance on how to support and improve cash generation within each of its three business groups. For example, working actively with the procurement team to speed up the

credit note application process and lengthening payment terms in 2024.

The team set-up more robust collection practices by reviewing collection efficiency trends on a weekly basis to speed up the collection of cash throughout the company.

It also revamped the company wide payment cycle to ensure a better match between collections and payments to match the collections window to the payments window weekly.

The efficiency of the cash pooling was further enhanced by reducing the buffer cash levels in its local sales and distribution entities.

Driving digital transformation – narrow inefficiencies and drive data intelligence

These include:

1. The Lenovo team is continuously driving improvements in its ERP system, from procurement initiation to payment process.
2. Deeper integration of banking system internally improved payment process efficiency and mitigated operation risk with trackable data source for payments.
3. Improvements in treasury dashboards to give detailed analysis to drive better working capital efficiency.

Liquidity management – diversification of funding sources

Regional diversification through the set-up of US\$1bn of RCF facilities with a debut Middle East-focused US\$500m syndicated RCF (December 2023) and a new Asia-focus bilateral RCF of US\$500m (January 2024) and both are originated at more favourable rates.

Lenovo also increased the use of overdraft facilities towards the last quarter of the FY2024 to capture lower borrowing costs and to better match its cash need timeline.

Driving risk mitigation actions from enhancing insurance policy

The treasury team worked with local teams to implement risk improvements that enhance risk quality and lower loss expectancy of key manufacturing plants, enabling a meaningful uplift in the property insurance policy limit and yet at a few percentage points rate reduction for the next renewal.

Initiated the zero-coupon CB deal in MEA that not only aligns with ESG goals but also saves finance cash cost:

- In May 2024, Lenovo's treasurer was involved in the structuring of the US\$2bn zero coupon convertible bond issuance and the treasury team was involved in the diligence process with ALAT to help them understand the company's financial and business profile. Lenovo's Treasurer and Assistant Treasurer also acted as the overseer of the deal execution by managing the process and directing resources within Lenovo (eg legal, accounting, PR).
- Lenovo treasury team was also responsible for the settlement and funds flow process required to complete the convertible bond issuance.
- This resulted not only in the partnership with ALAT, but also allowed Lenovo to establish new banking relationships with a group of Middle Eastern banks.
- Partnership with ALAT would involve building green manufacturing facilities in the MEA.



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Impressive benefits

- Cost savings.
- Process efficiencies.
- Increased automation.
- Risk mitigated.
- Improved visibility.
- Errors reduced.
- Manual intervention reduced.
- Increased system connectivity.
- Future-proof solution.
- Exceptional implementation (budget/time).
- Improved key performance indicator (KPI) metrics.

Lenovo’s Global Treasury Team extends beyond traditional Treasury functions and responsibilities, and now has oversight over other important functions such as M&A, credit and insurance involving a team of over 200 people to effectively oversee Lenovo’s global scale. Moreover, treasury is also driving the ESG investor engagement for Lenovo, organised annual ESG Investor Day.

The company has strong banking partners to help support it’s various cash requirements.

Lenovo’s Treasurer & Assistant Treasurer are driving all funding aspects of the company, including the US\$500m RCF from new middle eastern banks and also the US\$2bn convertible bond to the ALAT.

As a result of treasury’s resilient liquidity management, S&P upgraded Lenovo’s issuer rating to BBB from BBB- in September 2023 towards the end of the industry downcycle. This is a testament to Lenovo’s

excellence in treasury management to lead the company through tough times and still be able to maintain a strong credit profile and funding ability.

Lenovo’s Treasury has come a long way since it was recognised back in 2017 as our Top Treasury Team. This latest achievement is yet further evidence of the company’s commitment to continuous improvement within its treasury function.



Citi has been supporting Lenovo globally for over two decades, and we are very impressed by the Lenovo Treasury Team’s commitment to excellence and their desire to explore innovative approaches to stay competitive. Through this collaboration, Citi is honoured to have helped Lenovo arrange enhanced liquidity structures which has allowed the company to achieve greater efficiency, real-time visibility of cash positions, enhanced working capital management and strengthened risk governance. Lenovo has an efficient and centralised Treasury Team which is effective in supporting the company’s global business operations as well as its strategic funding and expansion plans. Congratulations to the Lenovo Treasury Team on this well-deserved award! It is our privilege to support you, and we wish you continued success and excellence.

Jianxun Toh, Head of Asia Pacific Technology & Communications, Corporate Banking, Citi

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