

[CNET](#) › [News](#) › [Desktops](#)

December 8, 2004 4:37 AM PST

IBM sells PC group to Lenovo

By [John G. Spooner](#) and [Michael Kanellos](#)
Staff Writers, CNET News

Related Stories

[IBM appears close to PC deal](#)

December 7, 2004

[Big Blue news a sign of PC market's graying temples](#)

December 3, 2004

[IBM said to be eyeing a sale of its PC business](#)

December 3, 2004

[AMD lands deal with China's Lenovo](#)

June 9, 2004

update IBM will sell its PC division to China-based Lenovo Group and take a minority stake in the former rival in a deal valued at \$1.75 billion, the companies announced Tuesday.

The two companies plan to form a complex joint venture that will make Lenovo the third-largest PC maker in the world, behind Dell and Hewlett-Packard, but still give IBM a hand in the PC business. The deal is expected to be completed in the second quarter.

News.context

What's new:

IBM sells its PC group to China-based Lenovo in a deal valued at \$1.75 billion and takes a minority stake in the company.

Bottom line:

The joint venture will make Lenovo the third-largest PC maker in the world, while still giving IBM a hand in the PC business.



[More stories on this topic](#)

Under the deal, IBM will take an 18.9 percent stake in Lenovo. Lenovo will pay \$1.25 billion for the IBM PC unit and assume debt, which will bring the total cost to \$1.75 billion.

Lenovo will pay roughly \$650 million in cash and \$600 million in securities.

Based on both companies' 2003 sales figures, the joint venture will have an annual sales volume of 11.9 million units and revenue of \$12 billion, increasing Lenovo's current PC business fourfold.

Lenovo will be the preferred supplier of PCs to IBM and will be allowed to use

What's Hot

[Discussions](#)[Shared](#)

the IBM brand for five years under an agreement that includes the "Think" brand. Big Blue has promised to support the PC maker with marketing and via its IBM corporate sales force.

Lenovo is the ninth largest PC maker worldwide, according to the latest market share numbers compiled by Gartner.

The combined venture will have roughly 10,000 IBM employees and 9,200 Lenovo employees. It will be headquartered in New York, with operations in Beijing and in Raleigh, N.C.

Executives for both companies trumpeted the significance of the acquisition.

"As Lenovo's founder, I am excited by this breakthrough in Lenovo's journey towards becoming an international company," said Chuanzhi Liu, current chairman of Lenovo.

"Today's announcement further strengthens IBM's ability to capture the highest-value opportunities in a rapidly changing information technology industry," said Sam Palmisano, IBM chairman and chief executive officer.

Stephen Ward, vice president of IBM's Personal Systems Group, will become CEO, while Yang Yuanqing, Lenovo's current CEO, will become president.

In a press conference Wednesday, Yang said that Lenovo and IBM had been in talks for 13 months and that both parties believe the two businesses are complementary. Lenovo has a strong client base and sales infrastructure in the Chinese market, while IBM has a comprehensive network in PC sales on a global basis.

Yang also said that during the first phase of the integration process, Lenovo's and IBM's PC operations will carry on as usual, independent of each other. After 18 months, Lenovo and IBM will use a common brand. He added that IBM's R&D center in Japan will continue to be important to the company.

Separately, one senior IBM executive explained part of Big Blue's motivation for the transaction.

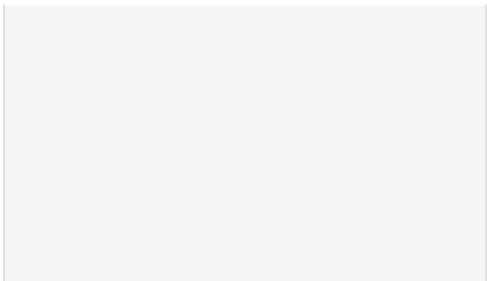
"While we will have less revenue, we will have an improved financial profile," said Mark Loughridge, IBM's chief financial officer. It will also allow the company to sell more services in China.

If it goes through, the deal will let IBM continue its shift from selling so-called commodity products to selling services, software and high-end computers. Although the company helped make PCs a global phenomenon, IBM makes little profit from PCs and often loses money.

During the past several years, IBM has been edging itself out of the commodity hardware business by selling its PC factories in North Carolina to Sanmina-SCI and its hard drive unit to Hitachi. IBM is also likely eyeing new inroads into the Chinese market by working with Lenovo to gain an edge in selling servers and services in China, a fast-growing market targeted by


Key points of the deal

- Creates world's third-largest PC business.
- IBM to take 18.9 percent stake in Lenovo.
- Global business with worldwide reach and powerful brand name.
- Worldwide headquarters in New York.
- Transaction expected to be completed in second quarter.




RSS Feeds


Add headlines from CNET News to your homepage or feedreader.




RSS
Subscribe



my Yahoo
Add this
Feed



Google
Add this
Feed



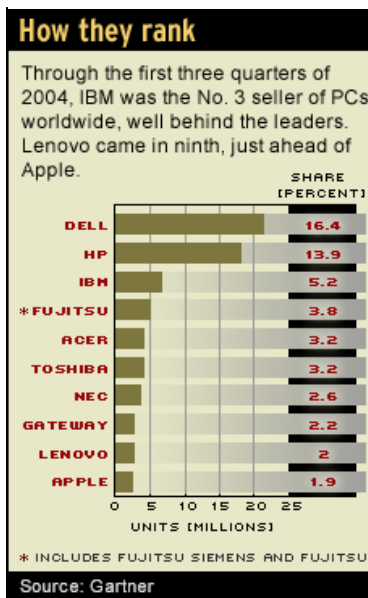
MSN
Add this
Feed

CBSNEWS.comIPHONE APP



The New CBS News iPhone App: Get breaking news, top stories, video and more on your iPhone.

DOWNLOAD NOW ▶



a number of U.S. tech giants.

Financial analysts say selling the PC business to a joint venture with Lenovo could add more than 5 cents per share to IBM's earnings in 2006, or \$85 million in net income.

"We believe a joint-venture structure in PCs makes sense between the companies, as the buyer would collaborate with IBM design teams for a period of a few years and the buyer would assume control of manufacturing," Steven Fortuna, an analyst with Prudential Equity Group, wrote in a report Tuesday.

Meanwhile, it will give [Lenovo](#) the opportunity it has always craved to expand beyond China. In 2002, the company began to slightly expand into Spain and regional European markets but retreated due to market share losses at home.

A major problem, however, is that the deal combines two radically different companies. Lenovo performs very little independent R&D and mostly manufacturers low-end systems. More than half of its sales

CONTINUED: ...

Page 1 | 2

8
comments

Join the conversation!

Add your comment

Once Again, Story Is Late
Wow, another late news story.

This was posted back in November on another news site.

http://www.triangletechjournal.com/news/article.html?item_id=771

Does C/Net just post stories after they are issued as press releases or appear in the New York Times?

Posted by [SleepyHollowUSA](#) (3 comments)
December 7, 2004 7:34 PM (PST) [Like](#) [Reply](#) [Link](#) [Flag](#)

Facts vs. rumors

Maybe the folks at news.com were looking for a story with facts in it vs. one that's just rumors before posting it. There are plenty of other sites out there that

are rumor mills. I'd rather have facts and press releases myself.

Posted by ([1 comment](#))

December 8, 2004 6:12 AM (PST) [Like](#) [Link](#) [Flag](#)

Not Really Late

News.com reported this as a possibility on previous days. It is not significant news until it actually happens, and nobody knows it happens until the press release is available.

Posted by [David Arbogast](#) ([1709 comments](#))

December 8, 2004 7:19 AM (PST) [Like](#) [Link](#) [Flag](#)

cheap PCs!!!

"Based on both companies' 2003 sales figures, the joint venture will have an annual sales volume of 11.9 billion units and revenue of \$12 billion, increasing Lenovo's current PC business fourfold."

11.9 BILLION units? wow, that's a buck each!!! no wonder IBM's getting out.

editor note to self...like my 6th grade teacher taught me, i need others to proofread my papers...

Posted by [tlite722](#) ([160 comments](#))

December 8, 2004 9:40 AM (PST) [Like](#) [Reply](#) [Link](#) [Flag](#)

Another Deal Made With the Devil

I think it is very interesting that US companies are making these enormous deals with companies that are a part of a totalitarian communist regime.

They--the Chinese--do not share our values and are posturing themselves to overtake the world. They won't do it through military means, but will do so via economic means and we will all pay a heavy price someday. Mark my words, it WILL happen.

So as oppression continues, American companies will seek out cheap labor to satisfy its unbridled lust for profits.

Posted by [Big Tsunami](#) ([29 comments](#))

December 8, 2004 9:51 AM (PST) [Like](#) [Reply](#) [Link](#) [Flag](#)

The following message is the answer from Taiwan Ministry of the Interior, as the attached 5 files I sent to them now you received are copies of recommendation in Traditional Chinese from IBM Taiwan for the THSRC Ticketing System.

During the development period, the staffs of IBM Taiwan, like Simon Chen, Archer Hwang, Marty Hsu and Frank Jin cheat and threaten me constantly, for the IBM Taiwan has no such ability to handle that project. That's why the THSRC Ticketing System was hanged up 3 years ago!

Especially Simon Chen and Archer Hwang, after I known they didn't do their job, they start to threaten and insult me in public, they say they are IBMer, and say 'Don't forget your rank!' to me like gangsters many times. However, Marty Hsu and Frank Jin didn't stop it. On the contrary, they joined them, that's the reason why I send this mail to you, because I want to know whether it's case of IBM Taiwan or it's your company's policy like these four said.

????: 0990423

????: 0990069869

????: ???????????

????: laisan86@hotmail.com

? ? ? : 3339

????: ???????????20100418013

????: ???moibox@moi.gov.tw???

??????

??

????

???????????????

?????????

????: ??? ???? : 20100418013

????: laisan86@hotmail.com

?????

????: [[]?????IBM?????????] ???????????????????????????...

????: 2010/04/18 ?????: 2010/04/20

????: ???

?????????????????????????IBM???

??PICA.JPG?PICB.JPG?PICC.JPG?????????????IBM?????????????????????

?1.JPG?2.JPG?????????????????????

?????????????????IBM???

?????????????IBM???

???

???

???

?? David

Cell phone : 0958-325327

????????:

?????:

??9974?18?????????????????????????????????????IBM?????????IBM?????????????

?????????????????????1???

??????????????

???????????

?????02-23565030

????: ???9974?21?????????????

???

?????95?????????????????IBM?????????????????????IBM?????????????????

???

????????? ??

????: ?

I don't know what are you talking about!! Especially the IBM is you American company, you American can't handle your dogs!?

Posted by laisan86 (1 comment)

July 13, 2011 2:40 AM (PDT) Like Reply Link Flag

Maybe if you losers didn't make a bad deal with microjunk, you wouldn't had to sell your computer line up and yes windows best operating system was xp, not vista or the ultimate junk 7

Posted by tim9m (1 comment)

August 24, 2011 12:05 AM (PDT) [Like](#) [Reply](#) [Link](#) [Flag](#)

Hi guys I have a Intel inside Pentium 4 desktop. Microsoft windows xp professional, 1.80 GHZ, 240MB ram speed, Version 2002, Service pack 2, Work in good condition, Student own. More details please contact me: 0775114412 : 0776576011

Price: LKR 30.000

Special Prize: LKR 25.000

Posted by [19980209](#) ([1 comment](#))

September 1, 2011 9:39 PM (PDT) [Like](#) [Reply](#) [Link](#) [Flag](#)

Join the conversation

Comment

Add your comment

The posting of advertisements, profanity, or personal attacks is prohibited. [Click here to review our Terms of Use.](#)





- [Reviews](#)
- [News](#)
- [Video](#)
- [How To](#)
- [Games](#)
- [Download](#)



REVIEWS

All Reviews
Audio

NEWS

All News
Apple

VIDEO

All Videos
Apple Byte

MORE

About CBS Interactive
About CNET

Cameras
Car Tech
Desktops
Laptops
Phones
Tablets
TVs

Crave
Internet
Microsoft
Mobile
Sci-Tech
Security
Tech Industry

CNET On Cars
CNET Top 5
CNET Update
Next Big Thing
The 404
The Fix
XCAR

CNET 100
CNET Deals
CNET Forums
CNET Mobile
Corrections
Help Center
Permissions