

Lenovo Buys Into Brazil

Written by Bob Snyder
06 September 2012

Lenovo Group acquires Brazil's consumer electronics maker **Digibras CCE** to expand into one of the world's largest emerging economies.



It's no secret that No. 2 Lenovo wants to be the Number One maker of personal computers worldwide.

Now Lenovo will pay about \$148 million in a mix of stock and cash (and an additional \$198 million on performance-based metrics over the four years) to add to its global attack on HP's top position as a pc maker.

While HP is recovering from its debate about whether or not to be in the PC business at all, this deal more than **doubles Lenovo's PC market share** in Brazil (world's third-largest PC market), raising its national ranking to third position from seventh.

Brazil's PC market should grow this year by 8% to 17 million units, says IDC.

CCE has nearly 6000 employees, seven factories and-- more importantly--a large sales network with over 20,000 points of sale. The acquisition not only significantly expands Lenovo's presence but **it also adds local manufacturing facilities** in a country famous for its value-added taxes on imported PCs and smartphones-- as high as 43% compared with 2.75% for local products.

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The Digibras purchase adds to Lenovo's earlier announcement to invest \$30 million to build a computer factory and a distribution center in São Paulo.

If this wasn't enough to shake up HP in the region, there's another bonus in the deal for Lenovo: CCE makes **a full suite of consumer products across all four screens** – PC, tablet, smart phone and TV.

Digibras's products include the **Onix** and **Iron** line of laptop computers; the **Mobi** line of handsets; the

Wintouch

tablet that runs Microsoft software; and a range of desktop PCs and televisions.

In the last 5 years, Digibars made approximately 2.3 million computers and 7.4 million televisions. The expectation for 2012 is to produce 633,000 laptops, desktops 254,000 (Oh, yes, did we mention desktops are still alive in Brazil?) and 798,000 TVs.



"It not only helps Lenovo rapidly expand its leadership here, but it also **lays a foundation for our future PC+ vision**," says Yang Yuanqing, chairman and CEO, Lenovo Group (shown here in the center of a photo with CCE executives in a Brazil press conference announcing the deal).

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"CCE is an excellent fit with its four screen product portfolio and a valuable manufacturing base in Brazil. CCE's management, who will become an essential part of our Brazilian operations, know the Brazilian consumer and will immediately help us establish a strong retail presence," he told local press.

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