

# **Hewlett-Packard Company**

**Company Profile** 

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# **COMPANY OVERVIEW**

Hewlett-Packard Company (Hewlett-Packard) is a global provider of personal systems, imaging and printing products, and technology solutions. The company is the largest player in the inkjet printer and laser printer market. Hewlett-Packard is one of the major companies in the enterprise storage and servers market. The company is also one of market leaders in the global PC market.

Hewlett-Packard generates revenues primarily through seven business divisions: personal systems group (34.4% of the total division revenues generated during fiscal year ended 2007), imaging and printing group (26.9%), enterprise storage and servers (17.8%), HP services (15.7%), HP financial services (2.2%), software (2.2%), and corporate investments (0.7%). The US, the company's largest geographic market, accounted for 33.4% of the total revenues in fiscal 2007. Non-US operations accounted for 66.6% of the total segment revenues in the fiscal year 2007.

The company recorded revenues of \$104,286 million during the fiscal year ended October 2007, an increase of 13.8% over 2006. The operating profit of the company was \$8,719 million during fiscal year 2007, an increase of 32.9% over 2006. The net profit was \$7,264 million in fiscal year 2007, an increase of 17.2% over 2006.

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Web Address	http://www.hp.com
Ticker	New York: HPQ
# Employees	172,000
Turnover (US\$ Mn)	104,286
Financial Year End	October

# **KEY FACTS**



# **BUSINESS DESCRIPTION**

Hewlett-Packard offers a complete product portfolio spanning across personal computing, imaging and printing related products and services, and technology solutions. The company operates through seven business segments: enterprise storage and servers, HP services, software, the personal systems group, the imaging and printing group, HP Financial services and corporate investments. The enterprise storage and servers, HP services and software segment are aggregated under the technology solutions group.

The company operates in over 170 countries around the world. The US is the largest geographical market (33.4% of the total revenue during 2007). Hewlett-Packard is headquartered in Palo Alto, California.

Technology solutions group (TSG) includes three segments, enterprise storage and servers, HP services and HP software. TSG provides servers, storage, software and information technology services for enterprise and mid-market business customers to manage their current IT environments. Enterprise storage and servers ESS provides storage and server products to both small and medium sized businesses.

Industry Standard Servers Industry standard servers include entry-level and midrange ProLiant servers, which run primarily on the Windows, Linux and Novell operating systems, and Intel Corporation (Intel) and Advanced Micro Devices (AMD) processors. Its product lines span across pedestal-tower servers, density-optimized rack servers and HP's BladeSystem family of blade servers. Business Critical Systems

Business critical systems include Itanium-based Integrity servers running on the HP-UX, Windows, Linux and OpenVMS operating systems including the high-end Superdome servers and fault-tolerant Integrity NonStop servers. Business critical systems also include the Reduced Instruction Set Computing (RISC)-based servers with the HP 9000 line running on the HP-UX operating system, HP AlphaServers running on both Tru64 UNIX and Open Virtual Memory System, and MIPs-based NonStop servers. The company has planned to phase out its Alpha server product line in recent times.

Storage Hewlett Packard's Storage Works offerings include entry-level, mid-range and high-end arrays, storage area networks, network attached storage, storage management software and virtualization technologies, as well as tape drives, tape libraries and optical archival storage.



The principal areas in which HP services operate are technology services, consulting and integration, and outsourcing services. It serves industries such as communications, media and entertainment, manufacturing and distribution, financial services and the public sector, and government and education services. It provides solutions to Hewlett Packard's customers in collaboration with enterprise storage, servers and software groups. It also collaborates with third-party system integrators, and software and networking companies. It also collaborates with imaging and printing group and personal systems group to provide managed print services, end user workplace services, and mobile workforce productivity solutions to enterprise customers.

Technology Services The technology services ranges from standalone product support to high availability services for multi-vendor environments and business continuity and recovery services. It also manages the delivery of product warranty support through its own service organization as well as through authorized partners.

#### Consulting and Integration

This segment provides consulting and integration services to implement technology and industry-specific solutions for customers. Consulting and integration also provides cross-industry solutions in the areas of architecture and governance, infrastructure, applications and packaged applications, security, IT service management, information management and enterprise Microsoft solutions.

#### **Outsourcing Services**

This segment offers IT management and outsourcing to support infrastructure, applications, business processes, end user workplace, print environment, and business continuity and recovery requirements.

HP Software provides management software solutions including support, that allow enterprise customers to manage their IT infrastructure, operations, applications, IT services and business processes under the brand, HP OpenView. It also delivers comprehensive, carrier-grade software platforms for developing and deploying nextgeneration voice, data and converged services to network and service providers under the HP OpenCall brand. Hewlett Packard acquired Mercury Interactive Corporation, Bristol Technologies, SPI Dynamics and Opsware in fiscal 2007, which added transaction monitoring, applications security testing and data center automation capabilities to its portfolio.

Personal systems group (PSG) is one of the leading providers of personal computers (PCs) in the world based both on volume and annual revenue. Its product line includes commercial PCs, consumer PCs, workstations, handheld computing devices,



digital entertainment systems, calculators and other related accessories, and software and services. The commercial PCs include the HP Compaq business desktops and business notebooks and Tablet PCs. This segment targets small and medium sized businesses. Consumer PCs include the HP Pavilion and Compag Presario series of multi-media consumer desktop PCs and notebook PCs, and HP Media Center and Voodoo Gaming PCs targeted at home users. Workstations are individual computing products designed for users demanding enhanced performance such as computer animation, engineering design and other programs requiring high-resolution graphics. HP provides workstations that run on UNIX, Windows and Linux-based operating systems. HP provides a series of HP iPAQ Pocket PC handheld computing devices that run on Windows Mobile software. These products range from value devices such as music or Global Positioning System receivers to advanced devices with voice and data capability. PSG's digital entertainment products include HD DVD, RW drives and DVD writers, plasma and LCD flat-panel televisions, and HP Digital Entertainment Center, which allow consumers to access their music, movies, home videos and photos from a single device via remote control.

Hewlett-Packard is the leading imaging and printing systems provider in the world. The segment's portfolio of offerings include consumer and commercial printer hardware, printing supplies, printing media and scanning devices. The segment also provides imaging solutions in the commercial markets, from managed print services solutions to addressing new growth opportunities in commercial printing in areas such as industrial applications, outdoor signage, and the graphic arts business. The groups its inkjet printer units and digital photography and entertainment products and services into consumer hardware, LaserJet printers and graphics and imaging products into commercial hardware, and break out printer supplies separately. Inkjet systems include desktop single function and inkjet all-in-one printers, photo, and business inkiet printers and scanners. Digital imaging products and services include photo specialty printers, photo kiosks, digital cameras, accessories and online photo services through Snapfish. The digital imaging solutions of the company are differentiated to traditional imaging in terms of quality, cost and ease of use. The company announced to have an alternative business model for its HP-branded cameras in November 2007. LaserJet systems include monochrome and color laser printers, printer-based multi-function devices and total print management solutions for enterprise customers. A key initiative in this area of business has been to drive color printing in office segment. Graphics and Imaging products include large format (DesignJet) printers, Indigo and Scitex digital presses, digital publishing solutions and graphics printing solutions. A key initiative for IPG is to capture high-value pages by developing compelling solutions for the industrial, commercial printing and graphics segments. This segment includes LaserJet toner and inkjet cartridges and other printing-related media. These supplies include HP-branded Vivera and ColorSphere



ink and HP Premium and Premium Plus photo papers, which are designed to produce faster prints with increased print quality.

The HP Financial services offers leasing, financing, utility programs and asset recovery services, financial asset management services for large global and enterprise customers. It also provides specialized financial services to small and medium sized businesses, and educational and governmental entities. This group provides innovative and customized services to counter technology obsolescence.

Corporate investments segment is better known for its brand ProCurve Networking, an Ethernet switch product that enhances computing and enterprise solution. Corporate Investments derives revenues from licensing specific Hewlett Packard's technology to third parties. This segment is managed by the Office of Strategy and Technology. Hewlett-Packard Laboratories is a part of the company's corporate investments.



# HISTORY

Hewlett-Packard Company (Hewlett-Packard) was promoted in January 1939 by Bill Hewlett and Dave Packard, classmates at Stanford University. The company's first product was a resistance-capacitance audio oscillator (HP 200A), an electronic instrument used to test sound equipment. The Walt Disney Studios, one of the first customers of Hewlett-Packard, purchased eight oscillators to develop and test the sound system for Fantasia movie.

Hewlett-Packard was formally incorporated on August 18, 1947. Mr. Packard was appointed as the President and Mr. Hewlett as the Vice President. After the successful acceptance of its product and surging demand from the US government for electronic equipment on account of World War II, the company moved from a garage behind Mr. Packard's house to a building in Palo Alto.

The company ventured into the field of microwaves in 1943. It developed signal generators for Naval Research Laboratory and a radar jamming device. Hewlett-Packard continued in the field of microwaves, which became an important and growing segment of the company's business after the world war. Later, the company became a leader in signal generators.

Hewlett-Packard invented the high-speed frequency counter (HP 524A), which was extensively used in Radio stations. Over the years, the high-speed frequency counter (HP 524A) accounted for billions of dollars in revenues. In 1956, the company produced its first oscilloscope, a test and measurement product. It also commenced the construction of its Headquarters in Palo Alto, California.

The company went public in 1957 at \$16 per share. Hewlett-Packard acquired F.L. Moseley Company of Pasadena, California, a producer of high-quality graphic recorders in 1958. This was the first acquisition made by the company and was the forerunner to Hewlett-Packard's printer business. Hewlett-Packard went global by establishing a manufacturing plant in Boeblingen, Germany and marketing operations in Geneva, Switzerland 1959.

Hewlett-Packard was listed on New York Stock Exchange for the first time in 1961. The company ventured into the medical field with the acquisition of Sanborn Company, Waltham, Massachusetts. The company entered the Asian market in 1963 through a joint venture with Yokogawa Electric Works, Yokogawa Hewlett-Packard in Tokyo, Japan. It also established a manufacturing plant outside Palo Alto in Loveland, Colorado. The company introduced the 5100A frequency synthesizer in 1963.



In 1964, Mr. Packard was elected to the post of Chief Executive Officer and Chairman of the board and Mr. Hewlett was appointed to the post of the President. Furthermore, the company acquired F&M Scientific Corporation, Avondale, Pennsylvania and ventured into the field of analytical instrumentation. Later, in 1966, the company established its central research facility HP Laboratories and introduced its first computer, the HP 2116A. It also introduced the first desktop scientific calculator, the HP 9100 later in the decade. In 1969, Hewlett-Packard marketed its first time-shared operating system on a minicomputer with support for up to 16 users.

Hewlett-Packard introduced an array of new products like HP-35, the first scientific handheld calculator; HP 3000, the first general purpose computer and the laser interferometer in the 1970s. The company developed the first electronic calculator to print Japanese characters in 1973. Further, in 1974, it introduced the first minicomputer based on 4K dynamic random access memory chips instead of magnetic cores and the world's first programmable pocket calculator: HP-65. The company crossed the \$1 billion milestone in sales in 1976 and crossed the \$2-billion mark in sales in 1979. The company witnessed a significant change in the top management in the late 1970s. Mr. Hewlett retired from the post of President and Chief Executive Officer and was succeeded by Mr. Young to the post of Chief Executive Officer.

Hewlett-Packard introduced the first personal computer, the HP-85; the first handheld computer HP 75C, and HP-150, the first touch screen personal computer.. It developed the electronic mail system in UK in 1982 and progressed in the field of business computing with the introduction of the HP 9000 technical computer with 32bit superchip technology. The company also entered the printer market with the launch of the inkjet printers and laser printers. The first hi-tech joint venture with China, China Hewlett-Packard was established in 1985. The company's joint venture, Yokogawa Hewlett-Packard, won the Deming prize for quality in 1982.

Mr. Hewlett retired as Vice Chairman of the Hewlett-Packard board of Directors and was named as Director Emeritus in 1987. The company also began a hardware recycling program in the same year. Hewlett-Packard was listed for the first time on the Tokyo stock exchange in 1988. This was the first listing of the company outside United States. The company was ranked at No. 49 on Fortune 500 listing.

Hewlett-Packard made advancements in the field of portable computing with the introduction of HP 95LX palmtop personal computer. It introduced Deskjet 500C, an inexpensive color printing option. It also initiated the recycling program for LaserJet print cartridges in 1991 and later expanded it to incorporate the HP inkjet print cartridges. In 1992, it introduced the HP Corporate systems. The company introduced a super portable personal computer, the HP OmniBook 300 in 1993. It further expanded its printer and personal computer product array with the introduction of light

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emitting diode, HP OfficeJet personal printer-fax-copier and HP Pavilion PC, among others.

Hewlett-Packard's Board of Directors decided to spin off its measurement, components, chemical analysis and medical businesses into a new company: Agilent Technologies. The company retained the computing, printing and imaging businesses. Agilent made its initial public offering of common stock on November 18, 1999. Hewlett-Packard retained 84.1% of common stock.

Mr. Young retired from the post of Chief Executive Officer and was succeeded by Lew Platt, an engineer and head of the Computer Systems Organization. He was elected as the President, Chief Executive Officer and a member of the Board of Directors in 1992. Subsequently, in July 1999, Mr. Platt retired from the post of Chief Executive Officer and was succeeded by Ms. Fiorina as President and Chief Executive Officer. The co founder of the company Mr. Packard passed away on 26th March, 1996.

Hewlett-Packard introduced the iPAQ Pocket PC in April 2000 and high end Superdome server line in September, 2000 adding to the array of products. The company completed the divestiture of Agilent technologies in 2000. The company established a new business segment, the HP services. Its businesses included consulting, outsourcing, support, education and solutions deployment.

Hewlett-Packard completed the acquisition of Bluestone Software in an all stock deal in January 2001. Bluestone Software is a leading provider of B2B, B2C and wireless open platform solutions. It helps clients develop, integrate, deploy and manage open systems applications for services-based computing to support trading communities and mobile transactions and devices.

StorageApps was acquired by Hewlett-Packard in an all stock deal for \$350 million in July 2001. StorageApps is a leader in virtualization storage software. The company announced plans to acquire Indigo, a leading commercial and industrial printing systems company in 2001, accelerating its plan to lead the digital publishing market. Hewlett-Packard owned 13.4% of Indigo's outstanding shares prior to September 2001. The company acquired the remaining outstanding shares of Indigo, for approximately \$629 million in Hewlett-Packard's common stock and future cash payment of up to \$253 million.

Hewlett-Packard acquired Compaq computer in a stock swap deal for \$25 billion, in 2001. Compag Computer is a leading provider of enterprise technology and solutions. Compaq computer designs, develops, manufactures and markets hardware, software, solutions and services. The co-founder of the company Mr. Hewlett passed away in 2001.



In 2004, the company rolled out an array of products in the imaging and printing category like HP Deskjet 5550, the HP Photosmart 7960, HP DVD Movie Writer dc3000. Other digital entertainment products launched by the company include Vivera inks, plasma and LCD flat-panel TVs, and the HP Digital Entertainment Center, which enabled consumers to manage music, movies and photos from a single device in a living room setting. Hewlett-Packard acquired the interest of Canadian Imperial Bank of Commerce (CIBC), one of North America's leading financial services companies in the INTRIA HP joint venture, in 2002.

Hewlett-Packard acquired Pipebeach, a provider of speech-based products and technology in July 2003. Pipebeach is a Sweden based provider of speech based products and technology that enable the delivery of interactive voice solutions.

Extreme Logic was acquired by Hewlett-Packard in 2003. Extreme Logic is a privately held company, specializing in the design, development and delivery of innovative business solutions based on the Microsoft platform. Talking Blocks was acquired by Hewlett-Packard during the same period. Talking Blocks is a privately held service oriented architecture and web services management software company based in San Francisco.

Hewlett-Packard completed the acquisition of Consera Software in 2004 for an undisclosed amount. This acquisition added data center planning and modeling capabilities to Hewlett-Packard's OpenView software portfolio for unified management of the complete enterprise IT environment. The company also acquired Triaton during the same year. Triaton was spun off from ThyssenKrupp Group.

Hewlett-Packard acquired TrueLogica, a provider of IT user-provisioning software in 2004. TruLogica is a privately held company headquartered in Dallas, United States. Hewlett-Packard completed the acquisition of Novadigm, a provider of policy-based change and configuration management software during the same year for \$121 million in cash.

Riverstone Networks, a leader in carrier Ethernet routers, sold its XGS enterprise technology platform and the associated software licenses to the ProCurve Networking Business unit of Hewlett-Packard Company for \$28 million. Hewlett-Packard acquired Synstar, a leading independent provider of information technology (IT) services in 2004, for \$293.3 million.

Ms. Fiorina resigned in 2005. Subsequently, Mr. Mark Hurd was appointed as Chief Executive Officer and President of Hewlett-Packard. Further, Hewlett-Packard acquired online photo service Snapfish in 2005. Snapfish is a leading online photo service, based in San Francisco and has operations in the UK. The company acquired Scitex Vision, a market leader in industrial wide-format digital printing in 2005, to attain

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leadership in the industrial applications including wide-format graphic arts, packaging and textiles. Hewlett-Packard completed the acquisition of Snapfish, a leading online photo service, in 2005.

The company acquired Peregrine Systems in 2005, in a cash deal valued at \$425 million. Peregrine Systems, founded in 1981, develops enterprise solutions that enable organizations resolve business specific problems. Hewlett-Packard acquired RLX Technologies, a leader of blade hardware and management technologies, in 2005, for an undisclosed amount. RLX Technologies delivers management software for blade environments. From the acquisition, the company will gain access to the expertise of the RLX Technologies in managing Linux environments. This will accelerate Hewlett-Packard's ability to deliver simplified management of Linux-based blade infrastructures for lower operational costs to customers.

Hewlett-Packard acquired AppIQ, in 2005. AppIQ is a leading provider of open storage area network (SAN) management and storage resource management (SRM) solutions. The company also acquired Scitex Vision for \$230 million in 2005. The company acquired Scitex's businesses located in the US, Belgium, China, Israel, Mexico and South Africa, which was later, integrated with Hewlett-Packard's imaging and printing group.

Hewlett-Packard acquired Trustgenix in 2005. The financial terms of the transaction were not disclosed. Trustgenix is a leading provider of software federation solutions that establish secure, privacy-protected exchange of user data among cooperating organizations.

Hewlett-Packard acquired OuterBay in February 2006, for an undisclosed amount. OuterBay is a leader in information lifecycle management solutions for applications and databases. This acquisition was a part of the company's strategy to strengthen its server, storage and software offerings. The company acquired Silverwire Holding, a commercial digital photography solutions and software provider, with a strong presence in the retail photo market in June 2006, for an undisclosed amount. Hewlett-Packard acquired Mercury Interactive, a leading IT management software and services company in November 2006. This was a part of the company's strategy to become a leader in end to end enterprise IT management.

Hewlett-Packard acquired Mercury Interactive, a leading IT management software and services company for a cash consideration of \$4.5 billion. The company also acquired VoodooPC, a high-end gaming PC provider located in Canada in October 2006. VoodooPC specializes in high power gaming notebook and desktop personal computers.



The company was involved in a number of legal investigations in fiscal 2006 due to questionable procedures adopted to identify the identity of board members leaking confidential information to media. Hewlett-Packard also faces a formal inquiry from the Securities and Exchange Commission, as well as shareholder lawsuits. This scandal resulted in the resignation of Ms. Dunn from the post of Chairwoman in September 2006 and subsequently appointment of Mr. Hurd to the post of Chairman of the Board of Directors.

Hewlett-Packard entered a definitive agreement to acquire Knightsbridge Solutions, in December 2006, for an undisclosed amount. The Knightsbridge Solutions is a leading professional services consultancy focused on the information management disciplines of business intelligence, data warehousing, data integration and information quality.

Hewlett Packard and Wataniya Telecom Algeria launched advanced billing solution in January 2007, to support new mobile services. The company signed a seven year agreement with Rockwell Collins, valued at \$175 million to provide solutions for IT infrastructure management, including help desk, desk-side support and server management. Hewlett-Packard expanded its presence in growing economies in January 2007 with the establishment of research laboratory in St. Petersburg, Russia. HP Labs Russia is the third research facility that the company has opened in the past five years.

Hewlett-Packard entered a definitive agreement to acquire Polyserve, for an undisclosed amount in February 2007. This acquisition will provide a strong platform for the company to enter the enterprise network attached storage (NAS) market. It also entered a definitive agreement to acquire Bristol Technology, for an undisclosed amount in February 2007. Hewlett-Packard completed the acquisition of Bitfone in February 2007. Bitfone is a private mobile device management software company headquartered in California, the US. Anglo American selected Hewlett-Packard BT alliance to outsource IT, connectivity and voice services in February 2007.

Hewlett-Packard entered two new contracts with Johnson Controls, a global leader in building efficiency and facilities management in March 2007. In March 2007, ABN Amro selected HP Halo Collaboration Studio to conduct meetings in different locations around the world. In February 2007, Hewlett-Packard decided to withdraw its listing from NASDAQ to reduce the costs of exchange listing fees and administrative burdens associated with a dual listing. The company shall retain its listing on the New York stock exchange.

Hewlett-Packard entered a definitive agreement to acquire Tabblo, a privately-held developer of web-based software located in Cambridge, Massachusetts in March 2007, for an undisclosed amount. Tabblo's custom template engine allows people to efficiently arrange and print text, graphics and photos from the web. The company

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plans to leverage Tabblo's technologies to make printing from the web easier and more convenient. Hewlett-Packard has filed a patent infringement lawsuit against Acer, a Taiwan based computer maker, in the Texas federal court in April 2007. In order to extend its service offerings to the small business segment, Hewlett-Packard entered a definitive agreement to acquire Logoworks, a leading distributed web-based graphic design service provider. In May 2007, Hewlett-Packard filed print cartridge and ink formulation patent infringement case against Pelikan Hardcopy. Hewlett-Packard was awarded seven-year contract worth \$5.6 billion by National Aeronautics and Space Administration (NASA) for providing varied technology services required by the US federal agencies.

In June 2007, Hewlett-Packard signed a definitive agreement to acquire SPI Dynamics, a leading provider of web application security assessment software and services. This acquisition is expected to strengthen the company's position in the IT application management markets. Hewlett-Packard entered a definitive agreement to acquire Opsware, a provider of data center automation software. This acquisition would enable the company to control the increasing complexity and cost of managing the data center for its customers. As part of its strategy to expend in the personal computing, Hewlett-Packard signed an agreement to acquire Neoware, a provider of thin client computing and virtualization solutions.

Expanding its presence in the quick printing markets and enabling itself to become one stop partner for printing services, Hewlett-Packard signed a definitive agreement with MacDermid Printing Solutions to acquire MacDermid ColorSpan, a manufacturer of wide-format digital inkjet printers in September 2007. In the same month, HP completed its tender offer for Opsware.

In October 2007, HP completed its acquisition of Neoware, a provider of thin client computing and virtualization solutions, for approximately \$214 million. In the same month, HP entered into agreements with 30 content providers who would license their libraries, including more than 4,000 movies, television, documentary and other titles, for production and distribution via HP Video Merchant Services. In addition, Commerzbank, Germany's second-largest bank, outsourced to HP the management of 33,000 workstations and 12,000 printers as part of a five-year information technology services deal.

HP planned to build a global delivery center in Panama City in October 2007, to provide services to help customers better manage business information and optimize their technology infrastructures. In the same month, HP acquired the Atos Origin Middle East group, one of the Middle East's systems integrators, to broaden its consulting and integration capacity in the region.



In November 2007, HP signed a definitive agreement to acquire EYP Mission Critical Facilities, a consulting company specializing in strategic technology planning, design and operations support for large-scale data centers. In the same month, 3M purchased the HP Neoview data warehousing platform to enhance its global business intelligence capabilities. Subsequently, HP introduced HP Automated Operations 1.0, an integrated set of products that automates IT operations across all technology and organizational domains.

The company acquired NUR Macroprinters, a manufacturer of industrial wide-format digital inkjet printers in December 2007 to broaden its presence in wide-format printing. During the same month, the company reported two major clients including Microsoft which was installing the ProCurve wired and wireless networks at its eight MTCs in North America and global locations in China, Dubai, France, Germany, India, Ireland and the UK; and New York Stock Exchange (NYSE) has selected HP servers to improve the efficiency of its online stock trading system, the NYSE Hybrid Market.

In January 2008, HP expanded entry-level server portfolio for midsize companies four new HP ProLiant server platforms that help midsize customers with limited space, budgets and IT staff. During the same month, HP signed a letter of intent to transfer responsibility for parts of Deutsche Post World Net's global IT operations to HP Services. Also in January 2008, HP and Sony Pictures Home Entertainment (SPHE) announced that SPHE would license select catalog titles from its home video library for production and distribution through HP's DVD manufactured-on-demand service.

During the same month, HP signed a definitive agreement to acquire Exstream Software, a privately-held leading provider of enterprise software that streamlines the creation and delivery of personalized documents and other communications materials.



# **MAJOR PRODUCTS & SERVICES**

HP is a leading global provider of products, technologies, software, solutions and services. The company's major products and services include:

Enterprise storage services:

Industry standard servers Business critical systems Storage

HP services:

Technology services Consulting and integration Managed services Software Management software solution

Personal systems group:

Commercial computers Consumer computers Workstations Handheld computing Digital Entertainment

Imaging and printing group:

Inkjet printers Digital photography and entertainment Laser jet printers Graphics and imaging Printer supplies

Corporate investments:

ProCurve networking

HP financial services:

Leasing and financing Equipment take out and disposition

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# **REVENUE ANALYSIS**

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Hewlett-Packard generates revenues from seven business divisions: personal systems group (34.4% of the total division revenues generated during fiscal year ended 2007), imaging and printing group (26.9%), enterprise storage and servers (17.8%), HP services (15.7%), HP financial services (2.2%), HP software (2.2%), and corporate investments (0.7%).

#### Revenue by Division

During the fiscal year 2007, the personal systems group recorded revenues of \$36,409 million, an increase of 24.8% over 2006. The increase in revenue was due to strong unit volumes growth across all regions. The unit volume increase was the result of strong growth in notebooks, with significant improvements in emerging markets; desktops and workstations. The group's other revenues also increased due to extended warranty sales. The revenue increase was partially offset by decreases in handhelds revenue due to decline in the Personal Digital Assistant (PDA) product market.

The imaging and printing group recorded revenues of \$28,465 million in fiscal year 2007, an increase of 6.3% over 2006. The growth in the group's revenue was due to increase in the revenue from printer supplies and commercial hardware, and to lesser extent from consumer hardware. The printer supplies revenue increased due to higher volumes of supplies as a result of the continued expansion of printer hardware placements and supplies for color-related products. The growth in commercial hardware is attributed to unit volume growth in multifunction printers, and digital press and large format printing products. The increase in consumer hardware is attributed to increase in unit volumes and improved average revenue per unit performance and a mix shift from single function products to All-in-Ones, which was partially offset by the continued shift in demand to lower priced products and strategic pricing decisions.

The enterprise storage and servers division recorded revenues of \$18,769 million in fiscal year 2007, an increase of 8.4% over 2006. The group's revenue grew owing to increase in revenues from industry standard servers due to strong growth in blade revenue and units and increased option attach rates in the ProLiant server line; and storage revenue increased driven primarily by mid-range EVA products and commercial products within the storage area networks offerings, and storage software. This increase was partially offset by the revenue declines in business critical



systems due to PA-RISC product line and the planned phase out of Alpha server product line.

The HP services division recorded revenues of \$16,646 million in fiscal year 2007, an increase of 6.6% over 2006. The increase in the division's revenue was due to a 4% growth in technology services, 10% growth in outsourcing and 9% growth in consulting and integration. The technology services grew owing to favorable currency impacts, growth in the IT solution support services and extended warranty revenue, which partially offset by competitive pricing pressures and revenue erosion from installed base contracts. The outsourcing services increase was driven by favorable currency impacts, existing account growth and new business, which were partially offset by installed base revenue erosion and pricing pressures. The consulting and integration grew due to acquisitions made in fiscal 2007 and favorable currency impacts.

The HP financial services division recorded revenues of \$2,336 million in fiscal year 2007, an increase of 12.4% over 2006. The increase in the revenue was primarily driven by operating lease growth and higher end-of-lease activity, and to a lesser extent due to financing lease growth and increased used equipment sales.

The HP software division recorded revenues of \$2,325 million in fiscal year 2007, an increase of 78.7% over 2006. The division recorded a strong growth owing to favorable currency impact and inclusion of revenue associated with the acquisition of Mercury in the results of OpenView. OpenView revenue growth also was the result of increases in revenue from license and support contracts. Additionally, the revenue from OpenCall, the division's telecommunications solutions product line, decreased due to a platform shift that resulted in a transfer of the hardware revenue to enterprise storage and servers division.

The corporate investments division recorded revenues of \$762 million in fiscal year 2007, an increase of 34.6% over 2006. The majority of corporate investments division's revenues are from network infrastructure products sold under the brand, ProCurve Networking. The increase in revenues was due to growth in network infrastructure products owing to new product introduction which have driven the sales of enterprise class gigabit Ethernet switch products.

#### Revenue by Geography

The US, Hewlett-Packard's largest geographical market, accounted for 33.4% of the total revenues in the fiscal year 2007. Revenues from the US reached \$34,814 million in 2007, an increase of 8% over 2006.



Non-US revenue accounted for 66.6% of the total revenues in the fiscal year 2007. Revenues from Non-US reached \$69,472 million in 2007, an increase of 16.9% over 2006.



# **KEY EMPLOYEES**

Name	Job Title	Board	Total Annual Comp.
Mark V Hurd	Chairman, Chief Executive Officer and President (Since: 2006)	Executive Board	10,540,132 (USD)
Lawrence T Babbio	Director (Since: 2002)	Non Executive Board	-
Sari M Baldauf	Director (Since: 2006)	Non Executive Board	-
Richard A Hackborn	Director (Since: 1992)	Non Executive Board	-
John H Hammergren	Director (Since: 2005)	Non Executive Board	-
Robert L Ryan	Director (Since: 2004)	Non Executive Board	-
Lucille S Salhany	Director (Since: 2002)	Non Executive Board	-
G Kennedy Thompson	Director (Since: 2006)	Non Executive Board	-
Joel Z. Hyatt	Director (Since: 2007)	Non Executive Board	-
John R. Joyce	Director (Since: 2007)	Non Executive Board	-
Todd Bradley	Executive Vice President, Personal Systems Group (Since: 2005)	Senior Management	-
Jon Flaxman	Executive Vice President and Chief Administrative Officer (Since: 2007)	Senior Management	-
Michael J Holston	Executive Vice President and General Counsel	Senior Management	-
Vyomesh Joshi	Executive Vice President, Imaging and Printing Group (Since: 2002)	Senior Management	3,195,838 (USD)
Cathie Lesjak	Executive Vice President and Chief Financial Officer (Since: 2006)	Senior Management	-
Ann M Livermore	Executive Vice President, Technology Solutions Group	Senior Management	3,661,319 (USD)
Randall D Mott	Executive Vice President and Chief Information Officer	Senior Management	-
Marcela Perez de Alonso	Executive Vice President, Human Resources (Since: 2004)	Senior Management	-
Shane Robison	Executive Vice President; and Chief Strategy and Technology Officer	Senior Management	3,385,088 (USD)
Prith Banerjee	Senior Vice President, Research, and Director, HP Labs	Senior Management	-

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Michael Mendenhall	Senior Vice President and Chief Mar-	Senior Management	-
	keting Officer		



# **KEY EMPLOYEE BIOGRAPHIES**

#### Mark V Hurd

Board: Executive Board Job Title: Chairman, Chief Executive Officer and President Since: 2006 Age: 49

Mr. Hurd has been the Chairman a President and Chief Executive Officer of Hewlett-Packard since September 2006. He has been the Chief Executive Officer, the President and a Director since early 2005. Prior to joining Hewlett-Packard, he held executive position in NCR. He spent twenty five years in NCR. He had served as the Chief Executive Officer and President of NCR for two years. Prior to becoming the Chief Executive Officer, he served in numerous positions like management, operations, sales and marketing roles.

Mr. Hurd is a member of the Technology CEO Council, an association of Chairman and Chief Executive Officers of IT companies. He holds a Bachelors degree in Business Management from Baylor University in 1979.

## Lawrence T Babbio

Board: Non Executive Board Job Title: Director Since: 2002 Age: 62

Mr. Babbio has been a Director of Hewlett-Packard since 2002. He is a Senior Advisor to Warburg Pincus, a private equity firm, since June 2007. He served as Vice Chairman and President of Verizon Communications, (formerly Bell Atlantic Corporation), a telecommunications company, since 2000. He was the Director of Compaq Computer Corporation from 1995, prior Hewlett-Packard's acquisition of Compaq in 2002. Mr. Babbio is also a Director of Aramark Corporation.

## Sari M Baldauf

Board: Non Executive Board Job Title: Director Since: 2006 Age: 51

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Ms. Baldauf has been a Director the Board of Directors of Hewlett-Packard since 2006. She served as the Executive Vice President and General Manager of the Networks business group of Nokia Corporation from 1998 to 2005. Prior to becoming Executive Vice President, she served in numerous positions in Nokia Corporation since 1983. Ms. Baldauf also serves as a Director of Sanoma WSOY, F-Secure, and VIT Corporation. She is also a Chairman of Savonlinna Opera Festival and member of the Global Board of the International Youth Foundation.

# **Richard A Hackborn**

Board: Non Executive Board Job Title: Director Since: 1992 Age: 69

Mr. Hackborn has been a Director of Hewlett-Packard since 1992. He has served as Lead Independent Director of HP since September 2006. He also served as the company's Chairman in 2000. He held various top management positions in Hewlett-Packard in his service to the company. Mr. Hackborn was responsible for the Hewlett-Packard's PC and personal information product business from 1990 until his retirement in 1993. He served as the General Manager and then Vice President of the printing business of Hewlett-Packard in 1979.

# John H Hammergren

Board: Non Executive Board Job Title: Director Since: 2005 Age: 47

Mr. Hammergren has been a Director of Hewlett-Packard since 2005. He has served as the Chairman of McKesson Corporation, a healthcare services and information technology company, since 2002; and as President and Chief Executive Officer of McKesson since 2001. He also served as the Co-President and Co-Chief Executive Officer of McKesson from 1999 to 2001. Mr. Hammergren is also a Director of Nadro (Mexico) and Verispan.

# **Robert L Ryan**

Board: Non Executive Board Job Title: Director Since: 2004 Age: 63

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Mr. Ryan has been a Director of Hewlett-Packard since 2004. He served as the Senior Vice President and Chief Financial Officer of Medtronic, a medical technology company, from 1993 until his retirement in 2005. Mr. Ryan is also a Director of UnitedHealth Group, General Mills, Black and Decker Corporation, and Citigroup.

## Lucille S Salhany

Board: Non Executive Board Job Title: Director Since: 2002 Age: 60

Ms. Salhany has been a Director of Hewlett-Packard since 2002. She has served as President and Chief Executive Officer of JHMedia, a consulting company, since 1997. Ms. Salhany has been a Partner and Director of Echo Bridge Entertainment, an independent film distribution company since 2003. She was President and Chief Executive Officer of LifeFX Networks from 1999 to 2002.

Ms. Salhany was the Chief Executive Officer and President of United Paramount Network, a broadcasting company from 1994 to 1997. Prior joining United Paramount Network, she was Chairman of Fox Broadcasting Company, a national television network, from 1993 to 1994. She served as the Chairman of Twentieth Television, a division of Fox Broadcasting Company, from 1991 to 1993. Ms. Salhany was a Director of Compag from 1997 until it was acquired by Hewlett-Packard in 2002. She is also a Director of Ion Media Networks

## **G** Kennedy Thompson

Board: Non Executive Board Job Title: Director Since: 2006 Age: 56

Mr. Thompson has been a Director of Hewlett-Packard since 2006. He holds various positions in Wachovia Corporation. He has served as the Chairman of the company since 2003. President since 1999 and Chief Executive Officer since 2000. He was the Chairman of the company for a short period in 2001. He also served as the Vice Chairman of Wachovia Corporation prior to 1999. He has been a Director of Wachovia since 1999.

# Joel Z. Hyatt



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Board: Non Executive Board Job Title: Director Since: 2007

Mr. Hyatt is a Director of Hewlett-Packard since 2007. He has served as the Chief Executive Officer of Current Media, a cable and satellite television company, since September 2002. From September 1998 to June 2003, he was a Lecturer in Entrepreneurship at the Stanford University Graduate School of Business. Previously, he was the founder and Chief Executive Officer of Hyatt Legal Plans, a provider of employer-sponsored group legal plans.

## John R. Joyce

Board: Non Executive Board Job Title: Director Since: 2007

Mr. Joyce is a Director of Hewlett-Packard since 2007. Earlier he has served as a Managing Director at Silver Lake since July 2005. From 1975 to 2005, he served in multiple roles for IBM, a global technology firm, including Senior Vice President and Group Executive of the IBM Global Services division; Chief Financial Officer; President, IBM Asia Pacific; and Vice President and Controller for IBM's global operations. He is also a Director of Gartner, Avago Technologies Limited and Serena Software.

## **Todd Bradley**

**Board: Senior Management** Job Title: Executive Vice President, Personal Systems Group Since: 2005

Mr. Bradley has been Executive Vice President of Hewlett-Packard's Personal Systems Group since 2005. Prior joining Hewlett-Packard, he served as the Chief Executive Officer of PalmOne, a mobile computing company from 2003 to 2005. He has held senior positions in numerous companies like GE Capital, The Dun & Bradstreet, Gateway, FedEx and PalmOne. He earned a Bachelor of Science in business administration from Towson University in Maryland. He is also a member on the Board of Visitors of Towson University, Maryland.

## Jon Flaxman

**Board: Senior Management** Job Title: Executive Vice President and Chief Administrative Officer



Since: 2007 Age: 49

Mr. Flaxman has been the Executive Vice President and Chief Administrative Officer of Hewlett-Packard since March 2007. He joined the company in 1981. He was Controller and Senior Vice President and is principal Accounting Officer of the company since 2001. Prior to that, he worked in a variety of controller and finance assignments within HP's computer business as well as the former test and measurement business, since spun off as Agilent Technologies.

## Michael J Holston

**Board: Senior Management** Job Title: Executive Vice President and General Counsel

Mr. Holston is the Executive Vice President and General Counsel for Hewlett-Packard. Prior joining Hewlett-Packard, he was a Partner in the litigation practice at Morgan Lewis. Prior to joining Morgan Lewis, he served as a Prosecutor in the criminal division of the US Attorney's Office for the Eastern District of Pennsylvania. He is also a fellow in the American College of Trial Lawyers; and he teaches and lectures on trial advocacy for the National Institute of Trial Attorneys. He holds J.D. from Villanova University School of Law and a B.S.M.E. from the University of Notre Dame.

## Vyomesh Joshi

Board: Senior Management Job Title: Executive Vice President, Imaging and Printing Group Since: 2002

Mr. Joshi has been the Executive Vice President, Imaging and Printing Group of Hewlett-Packard since 2002. He has been the Vice President since 2001. He joined Hewlett-Packard in 1980, as a Research and Development Engineer and has held various leadership positions since then.

Mr. Joshi also served as Chairman of Phogenix Imaging, a joint venture between Hewlett-Packard and Kodak, from 2000 until 2003, when Phogenix was dissolved. He has been a Director of Yahoo since 2005. He holds a master's degree in Electrical Engineering from Ohio State University.

## **Cathie Lesjak**



Board: Senior Management Job Title: Executive Vice President and Chief Financial Officer Since: 2006

Ms. Lesjak has been the Executive Vice President and Chief Financial Officer of Hewlett-Packard since December 2006. She was the Senior Vice President and Treasurer of Hewlett-Packard in 2003. She was Vice President of Finance for Enterprise Marketing and Solutions and Vice President of Finance for the Software Global Business Unit from 2002 to 2003. She was Controller for the Software Solutions Organization from 2000 to 2002. She has a Bachelor's degree in biology from Stanford University; and a Master of Business degree in finance from the University of California, Berkeley.

#### Ann M Livermore

Board: Senior Management Job Title: Executive Vice President, Technology Solutions Group

Ms. Livermore is the Executive Vice President, Technology Solutions Group of Hewlett-Packard. She joined HP in 1982, and has held a variety of management positions in marketing, sales, research and development, and business management before being elected a Corporate Vice President in 1995. She previously served as Executive Vice President, Vice President of HP.

Ms. Livermore was Director of United Parcel Service in 1997. She also serves on the board of advisors at the Stanford Business School. She holds a Bachelor's degree in economics from the University of North Carolina at Chapel Hill and a Master's degree in Business Administration from Stanford University.

## **Randall D Mott**

Board: Senior Management Job Title: Executive Vice President and Chief Information Officer

Mr. Mott is the Executive Vice President and Chief Information Officer of Hewlett-Packard. Prior to joining Hewlett-Packard, he served as the Senior Vice President and Chief Information Officer of Dell, which he joined in 2000. Prior to joining Dell, he spent 22 years at Wal-Mart Stores holding variety of technical and management positions. He was appointed as the Senior Vice President and Chief Information Officer of Wal-Mart in 1994. He became a member of the Executive Committee of Wal-Mart in 1996. He has a bachelor of science in mathematics from the University of Arkansas, Fayetteville.

## Marcela Perez de Alonso

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Board: Senior Management Job Title: Executive Vice President, Human Resources Since: 2004

Ms. Alonso has been the Executive Vice President, Human Resources of Hewlett-Packard since 2004. She was Division Head of Citigroup North Latin America Consumer Bank, in charge of the retail business operations of Citigroup in Puerto Rico, Venezuela, Colombia, Peru, Panama, the Bahamas and the Dominican Republic from 1999 to 2004. She was also responsible for the deposit products for the international retail bank until 2002. She received an advanced degree in organizational psychology from the Catholic University in Chile. She attended the Business Executive Program of the Columbia University Graduate School of Business and received a certificate in finance and accounting.

Ms. Alonso is on the advisory board of the Marshall Business School, University of Southern California. She is a member of the board of Next Door Solutions to Domestic Violence, a charitable organization serving Santa Clara County in Northern California.

## Shane Robison

**Board: Senior Management** Job Title: Executive Vice President; and Chief Strategy and Technology Officer

Mr. Robinson is Executive Vice President; and Chief Strategy and Technology Officer of Hewlett-Packard. He was Senior Vice President and Chief Technology Officer of Strategy and Technology at Compaq. Prior to joining Compaq, he was President of Internet Technology and Development at AT&T Labs. He was also the President of the Design Productivity Group at Cadence Design Systems and prior to that, he was the Vice President and General Manager of the Personal Interactive Electronics Division of Apple Computer. He also held a research management position at Schlumberger's artificial intelligence lab in Palo Alto. He earned Bachelor's and Master's degrees in computer science from the University of Utah.



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# **COMPANY VIEW**

A statement by Mark V. Hurd Chairman, Chief Executive Officer and President of HP has been given below. The statement has been taken from the company's 2007 annual report.

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If one word can best describe HP's performance in fiscal 2007, it is growth. For the year, we added more than \$12 billion of new revenue, grew non-GAAP operating profit dollars 30 percent and returned more than \$12 billion to stockholders through share repurchases and dividends. We grew revenues across all of our business segments and in each of our regions. Overall, it was an impressive performance by HP's employees and partners around the world.

Many factors contributed to that growth, but three stand out because of the major impact we expect them to have in the years ahead: the explosion of digital information and content; the growing need for technology that enables people to create, store, share and print that content; and the rapidly growing demand for information technology (IT) in emerging markets around the world.

The volume of data today is growing faster than our ability to capture and use it. According to Forrester Research, the world's data doubles approximately every three years, which is expected to lead to a more than sixfold increase in data between 2003 and 2010.

Feeding the worldwide demand for information and rich digital content is the enormous expansion of search engines, blogs, social networks, e-mail, text messages and online video and images.

To complicate matters, this content often lacks authentication and proper security, and it is increasingly global and mobile. Potentially hundreds of millions of new users in emerging markets are coming onlinefrom small business owners in China to farmers in Brazil to consumers in Eastern Europe.

At the same time, the expectations of consumers have changed. People want instantaneous access to content. They expect this accessibility regardless of what kind of device they are using or where they happen to be. And their tolerance for complexity is low.

#### Opportunities



Dealing with all this dataand rising consumer expectations is a huge and disruptive challenge for our customers and their IT environments and a major opportunity for HP. It puts pressure on businesses to rebuild, retool and deploy a flexible infrastructure so they can get the right information to the right people at the right time.

Customers will need systems, software and services to create, store and analyze content; PCs and handheld devices to access and share it; and monitors, TVs and printers to view and print it. Many companies can do some of these things, but we believe that HP is the only company with the portfolio and partnerships to do them all.

It adds up to an enormous addressable market for HPa \$1.2 trillion global market. Today HP has about 9 percent of this market, so we have a lot of room to grow. We are working hard to expand our market coverage and to profitably increase our market share.

To capitalize on these opportunities, we continue to align the company around an operating framework with three key elements: targeted growth, efficiency and capital strategy.

Targeted Growth

HP's businesses are targeting the most promising, high-growth markets and positioning themselves to take advantage of the explosion of digital content.

In our Technology Solutions Group, we are helping customers manage and transform their IT environments. We had a particularly strong performance in blade servers during fiscal 2007. Our innovative c-Class blade systems helped drive year-over-year blade revenue growth of 67 percent, and we increased our industry-leading market share.

In our Personal Systems Group, we continue to benefit as demand shifts toward mobility, consumers and emerging markets. For example, our sales of notebook computers increased 47 percent during fiscal 2007. And our PC business in China nearly doubled, making it our third largest market for personal systems.

In our Imaging and Printing Group, we are extending our leadership in our core printing business while also taking advantage of new, high-growth opportunities in supplies, graphic arts and enterprise printing. We are expanding our sales coverage to accelerate growth in the enterprise business, which we expect to be a \$121 billion market by 2010.

In each of these businesses, we are using our scale to become even more competitive. We have more than double the scale of each of our printer competitors and all but one of our PC and server competitors. We are leveraging this scale to



consolidate share and improve profits while continuing to reinvest to maintain our technology leadership.

We expect continued growth in developed countries but much higher growth in what are commonly known as the BRIC countriesBrazil, Russia, India and Chinaand in other emerging economies. Our revenue in the BRIC countries grew 33 percent in fiscal 2007 and now represents 8 percent of HP's total revenue.

As we reduce costs, we are shifting our investments to capitalize on these market opportunities. While it is important that we grow, it's also important that we grow the right way with the right mix. For example, HP hired 1,000 sales professionals in fiscal 2007 to expand our coverage in key accounts and markets, and the company added more than 1,000 salespeople through acquisitions.

We also are investing in higher-margin categories such as software and services. We spent more than \$6 billion across our businesses in fiscal 2007 to acquire 10 software, technology and service companies. We expect that each one will add significant capabilities and technology to our portfolio, as well as new opportunities for growth.

Between acquisitions and organic growth, revenue in our software business nearly doubled in fiscal 2007 making HP the sixth largest software company in the world. Software is a critical differentiator for HPnot only in our standalone software business but in each of our businesses as well.

#### Efficiency

We have made great progress in reducing costs, which allows us to compete more aggressively and win in the market. But we have an opportunity to further improve our efficiency.

We look at everything between revenue and non-GAAP operating profit as a cost. From that perspective, HP had almost \$95 billion in costs in fiscal 2007. That is too much. Even with all the work we have done, we must become more efficient, further reduce costs and invest the savings to create more stockholder value.

We assess our costs in three areas.

The first is corporate overhead, including IT, real estate and other corporate expenses. We are reducing our IT costs by consolidating and modernizing our data centers and operations. We also are becoming more efficient in our use of real estate, which is a significant expense for a company of HP's size. During the next two years, we plan to reduce our number of sites worldwide by almost 25 percent.



Second are our product costs. HP is the largest customer for most of our suppliers, and we are continually working with them to make sure we get the best terms, including the best price.

Third are the costs owned by each of HP's businesses. The businesses have detailed plans to reduce their costs, and we have launched new efforts to identify more savings.

Capital Strategy

We align our capital strategy with our operations to maximize stockholder value.

The first priority is to continue to invest in our businesses. We do that in two ways. One is to invest to grow, which shows up in research and development, demand generation and mergers and acquisitions. The other is to invest to save. We have made significant investments in our IT and real estate infrastructure so we can reduce costs in the future.

Our second priority is to return cash to stockholders, predominantly with share repurchases and to a lesser extent with dividends. Last year HP returned more than \$12 billion to stockholders. We will continue to balance repurchase and dividend levels with other capital allocation priorities.

#### **Global Citizenship**

As HP has grown to become one of the world's largest IT companies, our commitment to global citizenship has remained integral to our business strategy. It is an important part of our heritage and the values engrained in HP by Bill Hewlett and Dave Packard. Today, our citizenship efforts are built on a foundation of strong corporate accountability and governance, a commitment to environmental responsibility and active investment and involvement in the communities in which we do business.

We are focused primarily on three global citizenship priorities: climate and energy, product reuse and recycling, and supply chain responsibility.

HP is committed to reducing our own environmental impact as well as that of our customers, partners and suppliers. We launched our Design for Environment program in 1992, and we have been investing in energy-efficiency programs for more than a decade. Innovations such as our Dynamic Smart Cooling and Thermal Logic technologies offer advanced, energy-efficient solutions for customers. We expect these technologies to contribute to a 60 percent reduction in energy consumption in our new data centers. We also are expanding our use of renewable energy, including solar power for our San Diego facility and wind power for several of our facilities in Ireland.

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We believe we have reached a tipping point where the price and performance of IT are no longer compromised by being green; they are enhanced by it. Our goal is to reduce the combined energy consumption of our operations and products by 20 percent in 2010 compared to 2005 levels.

During 2007, we met our goal of recycling 1 billion pounds of electronic productsincluding 500 million pounds between 2004 and 2007. We plan to recycle another 1 billion pounds of electronic products and print cartridges by the end of 2010.

At the same time, we are working to ensure that our suppliers and vendors meet HP's high standards for social and environmental responsibility. HP was the first IT company to formally launch a supplier code of conduct. We continually work with our suppliers and with companies inside and outside the technology industry to raise standards for labor and human rights, health and safety, environmental responsibility and ethics. We do extensive onsite auditing to engage our suppliers, identify performance gaps and help them to build their capabilities to meet our expectations.

We believe that HP has an unparalleled ability to drive simplicity, innovate and influence industry actions in a way that is good for customers, good for business and good for the planet.

#### Conclusion

We made solid progress in 2007demonstrating that HP can cut costs and increase revenue at the same time. However, we are not complacent about our success, nor do we underestimate the strength of our competitors.

We see significant opportunities to take advantage of the explosion of digital content and address our \$1.2 trillion market opportunity. We believe that we have a portfolio and a set of capabilities unmatched in the industry.

We are investing in the right people and infrastructure, and we are continuing to leverage our scale and reduce our costs to improve our operating performance.

Our goal is simple: to make HP the partner of choice for our customers, the investment of choice for our stockholders and the employer of choice for our employees.



# SWOT ANALYSIS

Hewlett-Packard Company (Hewlett-Packard) provides hardware, software, solutions and services. Hewlett-Packard has a strong market position in most of its product segments. The company has a leading market position in several segments of the computer hardware market. Hewlett-Packard wrested market leadership from Dell in the global PC market in 2006 and managed to sustain it in 2007. Strong market position in different market segments enhances the brand image of the company and provides economies of scale in procurement. The company faces intense competition across all business segments in terms of price, quality, brand, technology, reputation, distribution and range of products. Stiff competition could adversely affect the company's revenues and profitability.

Strengths	Weaknesses
Strong market position	Weak internal controls
Robust financials	Lack of in-house management consulting division
Good brand equity	Flat R&D spending
Opportunities	Threats
IT initiatives	Intense competition
Opportunities in BRIC countries	Economic Slowdown in US and Europe
Opportunities in imaging and printing	Supply disruptions and product recalls

# Strengths

#### Strong market position

Hewlett-Packard has a strong market position in most of its product segments. The company has a leading market position in the global PC market in terms of shipments. Hewlett-Packard wrested market leadership from Dell in the global PC market in 2006 and managed to sustain it in 2007 with 19% market share.. Furthermore, the company made strong gains in the premium end of the PC market through the acquisition of Voodoo PC, a provider of high-end gaming PCs.

The company is the second largest entity in the servers market behind International Business Machines (IBM), with its server range extending from low-end systems to high-end systems. In particular, the company is the market leader in x86 Blade and UNIX based servers.

Hewlett-Packard has a leading market position in printers, which primarily comprises two segments: laser and inkjets. It also has a strong competitive position in the storage market. In most of the segments of the storage market, the company is the



second largest player behind the market leader, EMC. The company, for instance, is the second largest player in network disk storage market with 13.2% share. The company is also among the top five players in storage software, replication software and SRM software. Hewlett-Packard is the market leader in distributed performance and availability management software market. The company also led the industry in thin client unit shipments with approximately 34% market share. Moreover, the company is one of the major IT services companies in the world. Strong market position in various market segments enhances the brand image of the company and provides economies of scale in procurement.

#### Robust financials

Hewlett-Packard has reported strong financials in recent years. The company has reduced its long-term debt over the last few years from \$6,494 million in 2003 to \$4,997 million in 2007 lower than IBM's \$13,780 million for fiscal year ended December 2006. Hewlett-Packard's long-term debt ratio stood at 0.1 for the fiscal year ended October 2007 compared with IBM's long-term debt ratio of 0.22 for fiscal year ended December 2006.

Further, the company's revenues recorded a CAGR of 9% from \$73,061 million in 2003 to \$104,286 million in 2007, while IBM recorded a CAGR of 3% for 2002-2006. At the end of fiscal 2007, Hewlett-Packard had cash and cash equivalent of \$11,293 million compared to IBM's \$8,023 million for fiscal year ended December 2006.

Strong financial position provides the company the flexibility of expanding its geographical coverage and product portfolio through organic and inorganic initiatives.

#### Good brand equity

Hewlett-Packard has high brand equity. The company is one of the leading brands in the technology sector along with Microsoft, IBM and Intel. Hewlett-Packard figured in 'The 100 Top Brands 2007' of BusinessWeek magazine and Interbrand, a branding consultancy, at the 12th position in 2007. Hewlett-Packard was ahead of Cisco, Samsung, Canon, Dell, Oracle, SAP and Apple. The company's brand was valued at \$22,197 million in 2007, up 9% from \$20,458 million in 2006.

Hewlett-Packard markets several products such as personal computers, inkjet printers and digital cameras to consumers. A strong brand image plays a critical role in consumer markets. Consumers are more than willing to experiment with the products of a well-established company rather then a new or unknown company. High brand equity provides Hewlett-Packard with an edge in the consumer market place. A strong brand image also helps the company in securing business from corporate customers.



#### Weaknesses

Weak internal controls

Hewlett-Packard has weak internal controls. The company is being currently investigated by a number of agencies for employing questionable methods to identify the board member, who was leaking confidential information to the media. The company is accused of using private agencies, which used illegal methods such as pretexting (impersonation) to obtain the phone records of its board members and select journalists. The boardroom leak scandal has already forced George Keyworth, a board member and Patricia Dunn, the Chairwoman of the board, to resign. The company's general counsel, Ann Baskins also resigned.

In November 2006, the US Securities and Exchange Commission initiated a formal investigation into the tactics employed by the company to identity boardroom leaks. In December 2006, the company signed an agreement with the California Attorney General to resolve civil claims arising from the investigations. Several other agencies are investigating the processes employed by the company to identify leaks from its boardroom. In addition, four stockholder derivative lawsuits have been filed in California on behalf of its stockholders claiming damages for alleged breach of fiduciary duty. The boardroom leak scandal reflects poorly on the internal control at Hewlett-Packard.

Lack of in-house management consulting division

Hewlett-Packard lacks in-house management consulting division. Instead the company has formed partnerships with the likes of Accenture and Capgemini to provide management consulting services to its customers. Increasing number of IT services companies are establishing management consulting divisions in order to provide a more comprehensive and integrated range of services. Both IBM and Accenture have strong management consulting practices. Even Indian companies such as Infosys Technologies are adding management consulting services and also earn better margins. Lack of in-house management consulting division puts the company at a competitive disadvantage when compared with companies such as IBM.

#### Flat R&D spending

The research and development (R&D) expenditure of Hewlett-Packard has remained flat in recent years. The company invested \$3,643 million in R&D in each year of 2006 and 2007 compared with \$3,492 million in 2005. R&D as a percentage of revenues declined over the last three years from 4% in 2005 and 3.9% in 2006 to 3.5% in 2007.



During the same period, the company's revenues have increased from \$86,696 million in 2005 to \$ 104,286 million in 2007. In contrast, IBM spent \$5,874 million, \$5842 million and \$6,107 million on R&D in 2004, 2005 and 2006 respectively. IBM's R&D expenditure as a percentage of revenues was 6.1%, 6.4% and 6.7% during 2004, 2005 and 2006 respectively. Flat R&D expenditure is likely to affect the product pipeline of Hewlett-Packard adversely, which in turn would have negative implications for its growth prospects and competitiveness.

## **Opportunities**

#### IT initiatives

Hewlett-Packard has undertaken an ambitious revamp of its IT operations, which it hopes will not only improve its effectiveness but also serve as a showcase for its technological capabilities. The company has recruited Randall Mott from Dell to head the restructuring of its IT operations. Mr. Mott was earlier with Wal-Mart where he pioneered retail and supply chain systems automation. Under Mr. Mott, who is designated as the Executive Vice President and Chief Information Officer, Hewlett-Packard has taken up five classes of IT initiatives: portfolio management, IT workforce effectiveness, world-class IT, enterprise data warehouse and global data centers. The portfolio management initiatives of the company include reducing active projects from 1,200 to 500 and reducing the number of applications. For improving IT workforce, the company is reducing its IT core sites from 100 to 29 among other initiatives. To become world-class IT operation, Hewlett-Packard is not only benchmarking its cost structure with competitors but also improving operational efficiency. Under the enterprise data warehouse initiative, the company has been shifting from over 762 datamarts to one enterprise data warehouse. Hewlett-Packard is also consolidating its over 85 data centers into six data centers.

These initiatives will be spread over the next few years. The enterprise data warehouse strategy of the company, for instance, is to reduce over 762 data marts in phases to one enterprise data warehouse by July 2008. These initiatives will not only help the company to improve its operational effectiveness and reduce costs but also serve as showcase for its technologies.

#### Opportunities in BRIC countries

IT spend in Brazil, Russia, India and China (BRIC) nations is expected to grow at a compounded annual growth rate (CAGR) of 13.9% to reach more than \$100 billion by 2009. Rapid economic growth of BRIC countries is resulting in higher demand for information technology. Customers in these regions are demanding regional vendor presence and local capabilities such as design and solution centers, authorized training centers, and research and development facilities. The company has already



established Linux Expertise Center in Bangalore, India, and the new HP Labs in Beijing.

In January 2007, the company announced plans of establishing a research laboratory in St. Petersburg, Russia. Researchers at HP Labs India demonstrated technologies in 2006 designed to help economies like India, China, Russia and Brazil grow rapidly. These technologies include gesture keyboards, pen-based solutions, printsupplemented television broadcasts and secure paper documents. The company is one of the primary technology infrastructure providers for ChinaGrid, a grid initiative by the Chinese government to extend information technology resources and services to thousands of researchers and more than 290 million students in the country's university system. The company is in a position to capitalize on opportunities in BRIC countries.

#### Opportunities in imaging and printing

Hewlett-Packard is focused on extending its leadership in imaging and printing. The company acquired Snapfish, online photo service, to dominate the sharing and printing of digital images over the internet. Hewlett-Packard is expanding Snapfish in Europe and Asia. It is also focused on delivering integrated retail solutions from kiosks to online services and back-office order management. The company hopes to leverage its acquisition of Swiss commercial digital photography company, Silverwire, to initiate retail integration across new and existing assets.

Additionally, Hewlett-Packard unveiled its 'Print 2.0' strategy aimed at capturing the shifting personal and professional content market from the desktop to the web. The company is making use of several channel programs to capture the digital printing market. This market it forecast record 53 trillion digital printed pages in 2010 with a valued of \$296 billion.

Moreover, Hewlett-Packard is also exploring opportunities in industrial printing, which is expected to be worth nine billion dollars by 2010. The company's acquisition of Scitex and NUR Macroprinters strengthened its industrial ultra-wide format digital printing and high-end digital commercial printing capabilities. The company is also focused on disrupting the copier market, which is expected to reach \$73 billion by 2010 through its multifunction printers. Hewlett-Packard could leverage the growing imaging and printing market to expand its revenues.

#### Threats

#### Intense competition

Hewlett-Packard faces intense competition in all its business segments in terms of price, quality, brand, technology, reputation, distribution, range of products etc. The

Hewlett-Packard Company

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company faces stiff competition in the PC market. The company has become the market leader in the PC segment in the third and fourth quarter of 2006, relegating Dell to the second position. With Michael Dell returning as Chief Executive Officer, Dell is likely to come back strongly and make a fierce bid for market leadership. Other significant competitors in the PC market include Acer, Apple Computer, Gateway, Lenovo Group and Toshiba Corporation. Moreover, Acer's acquisition of Gateways has made it the third largest PCs supplier in the world. In some regions, the company faces competition from local companies and from generically-branded or white box manufacturers. The company's competitors in enterprise servers and storage include broad solutions providers such as IBM, focused competitors such as EMC Corporation in storage, Dell in industry standard servers and Sun Microsystems in UNIX-based servers.

The imaging and printing group's key competitors include Canon USA, Lexmark International, Xerox Corporation, Seiko Epson Corporation, Samsung Electronics and Dell. Hewlett-Packard's inkjet market share expanded as Lexmark and Epson discontinued their unprofitable printer bundling arrangements with personal computer and retail partners, under which printers were given free with PC purchases. However, Lexmark and Epson are aggressively attempting to regain market share by reestablishing their positions in the inkjet market with improved product offerings. Some competitors such as Xerox in copiers and Heidelberger Druckmaschinen Aktiengesellschaft in publishing have greater market share than the company.

In the printer supplies segment, Hewlett-Packard competes with re-manufacturers including private label brand stores such as Office Max, supply stores such as Cartridge world, internet vendors and original equipment manufacturers such as Lexmark. The re-manufacturers buy the original cartridges from customers, refill them with their own ink and resell them at a discount to the branded original equipment manufacturers. Hewlett-Packard's financial services segment faces stiff competition from captive financing companies IBM Global Financing and Sun Microsystems. Intense competition could adversely affect the revenues of the company.

#### Economic Slowdown in US and Europe

The European markets and the US economy are forecast to decline in coming years. The real GDP growth rate for the US is declined from 2.9% in 2006 to 1.9% in 2007. This decline was due to recent turmoil in financial markets, very weak housing market indicators and consumer sentiments. The GDP projections for the US in 2008 are also lowered by 0.9% to 1.9%. Moreover, the US government has announced cut down the bench mark interest rates by three fourth of a percent to 3.5% from 4.25% on 22 January 22, ahead of the schedule to cope up with the worsening situation.



Eurozone is also forecast to slow from 2.5% in 2007 to 2.1% in 2008. The UK economy is forecast to be weak in the coming years. The UK's GDP growth rate is forecast to be stagnated at 2.7% till the year 2008. Moreover, the Bank of England has increased interest rate by 0.25% points in July 2007 to 5.75%. The unemployment rate in the UK is also forecast to grow from 5.4% in 2006 and 5.6% in 2007 to 5.7% in 2008. Rising interest rates and increasing unemployment would negatively affect the consumer spending in the UK. Weak economic outlook for the company's major geographic markets would negatively impact the revenues as reduced spending on the IT products and services by the individuals, corporate and governments.

Supply disruptions and product recalls

Hewlett-Packard is dependent on contract manufacturers, component suppliers and original design manufacturers for its supplies, which makes it vulnerable to supply disruptions and product recalls. For certain supplies, it is dependent on one supplier as in the case of laser printer engines, laser jet supplies and other supplies with short life cycle. The company is dependent on Intel for processors and Microsoft for software products. Intel meets about 65% of the company's processor requirement. Moreover, Hewlett-Packard is fully dependent on Canon for laser engine and supplies.

If there is any disruption, high dependence on third parties will have a negative impact on the company's operations. In the mid to high-end server segments, for instance, Hewlett-Packard relies on Intel's Itanium MPU. While this strategy has certain advantages, it also makes the company dependent upon Intel's execution. Itanium execution, however, has been subject to multiple product performance issues and schedule delays. Dependence upon third party suppliers also makes the company vulnerable to product quality issues. In June 2006, the company had to recall R707 digital cameras, which were prone to overheating and catching fire if used with nonrechargeable batteries. In April 2006, the company had to recall about 4,100 notebook computers that were made in China, owing to overheating of batteries. The company's high dependence on third party suppliers, while conferring significant benefits, exposes it to the risks of product recalls and supply disruptions.



# **TOP COMPETITORS**

Accenture Ltd Acer Inc. Apple Computer, Inc. BMC Software, Inc. CA, Inc. Canon Inc. Dell Inc. **EMC** Corporation **Electronic Data Systems Corporation** Gateway, Inc. Heidelberger Druckmaschinen AG **IBM Global Services** International Business Machines Corporation Lenovo Group Limited Lexmark International, Inc. **Microsoft Corporation** Samsung Electronics Co., Ltd. Seiko Epson Corporation Sun Microsystems, Inc. **Toshiba Corporation Xerox Corporation**