

HEWLETT PACKARD CO
Form 10-Q
March 11, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: **January 31, 2010**

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-4423

HEWLETT-PACKARD COMPANY

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

94-1081436
(I.R.S. employer
identification no.)

3000 Hanover Street, Palo Alto, California
(Address of principal executive offices)

94304
(Zip code)

(650) 857-1501
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes No

The number of shares of HP common stock outstanding as of February 28, 2010 was 2,345,093,045 shares.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES
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This Quarterly Report on Form 10-Q, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 2 of Part I of this report, contains forward-looking statements that involve risks, uncertainties and assumptions. If the risks or uncertainties ever materialize or the assumptions prove incorrect, the results of Hewlett-Packard Company and its consolidated subsidiaries ("HP") may differ materially from those expressed or implied by such forward-looking statements and assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including but not limited to any projections of revenue, margins, expenses, tax provisions, earnings, cash flows, benefit obligations, share repurchases, acquisition synergies, currency exchange rates or other financial items; any statements of the plans, strategies and objectives of management for future operations, including the execution of cost reduction programs and restructuring plans; any statements concerning expected development, performance or market share relating to products or services; any statements regarding future economic conditions or performance; any statements regarding pending investigations, claims or disputes; any statements of expectation or belief; and any statements of assumptions underlying any of the foregoing. Risks, uncertainties and assumptions include macroeconomic and geopolitical trends and events; the execution and performance of contracts by HP and its customers, suppliers and partners; the challenge of managing asset levels, including inventory; the difficulty of aligning expense levels with revenue changes; assumptions related to pension and other post-retirement costs; expectations and assumptions relating to the execution and timing of cost reduction programs and restructuring plans; the resolution of pending investigations, claims and disputes; and other risks that are described herein, including but not limited to the items discussed in "Factors that Could Affect Future Results" set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 2 of Part I of this report, and that are otherwise described from time to time in HP's Securities and Exchange Commission reports, including HP's Annual Report on Form 10-K for the fiscal year ended October 31, 2009. HP assumes no obligation and does not intend to update these forward-looking statements.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Consolidated Condensed Statements of Earnings

(Unaudited)

	Three months ended January 31	
	2010	2009
	In millions, except per share amounts	
Net revenue:		
Products	\$ 21,003	\$ 18,629
Services	10,067	10,089
Financing income	107	89
Total net revenue	31,177	28,807
Costs and expenses:		
Cost of products	16,347	14,168
Cost of services	7,636	7,819
Financing interest	79	86
Research and development	681	732
Selling, general and administrative	2,932	2,893
Amortization of purchased intangible assets	330	412
In-process research and development charges		6
Restructuring charges	131	146
Acquisition-related charges	38	48
Total operating expenses	28,174	26,310
Earnings from operations	3,003	2,497
Interest and other, net	(199)	(232)
Earnings before taxes	2,804	2,265
Provision for taxes	554	409
Net earnings	\$ 2,250	\$ 1,856
Net earnings per share:		
Basic	\$ 0.95	\$ 0.77
Diluted	\$ 0.93	\$ 0.75
Cash dividends declared per share	\$ 0.16	\$ 0.16
Weighted-average shares used to compute net earnings per share:		

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Basic	2,358	2,410
Diluted	2,427	2,464

The accompanying notes are an integral part of these Consolidated Condensed Financial Statements.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Consolidated Condensed Balance Sheets

January 31, October 31,
2010 2009

In millions, except par value
(Unaudited)

ASSETS

Current assets:

Cash and cash equivalents	\$ 13,547	\$ 13,279
Short-term investments	60	55
Accounts receivable	14,503	16,537
Financing receivables	2,765	2,675
Inventory	6,630	6,128
Other current assets	14,192	13,865
Total current assets	51,697	52,539

Property, plant and equipment	11,164	11,262
Long-term financing receivables and other assets	11,423	11,289
Goodwill	33,068	33,109
Purchased intangible assets	6,266	6,600
Total assets	\$ 113,618	\$ 114,799

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Notes payable and short-term borrowings	\$ 1,862	\$ 1,850
Accounts payable	13,557	14,809
Employee compensation and benefits	3,038	4,071
Taxes on earnings	983	910
Deferred revenue	6,412	6,182
Accrued restructuring	899	1,109
Other accrued liabilities	14,122	14,072
Total current liabilities	40,873	43,003

Long-term debt	14,009	13,980
Other liabilities	16,845	17,052 ⁽¹⁾

Commitments and contingencies

Stockholders' equity:

HP stockholders' equity

Preferred stock, \$0.01 par value (300 shares authorized; none issued)		
Common stock, \$0.01 par value (9,600 shares authorized; 2,349 and 2,365 shares issued and outstanding, respectively)	23	24
Additional paid-in capital	14,158	13,804
Retained earnings	30,391	29,936
Accumulated other comprehensive loss	(2,944)	(3,247)
Total HP stockholders' equity	41,628	40,517
Noncontrolling interests	263	247 ⁽¹⁾

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Total stockholders' equity	41,891	40,764
Total liabilities and stockholders' equity	\$ 113,618	\$ 114,799

(1) Reflects the adoption of the accounting standard related to the presentation of noncontrolling interests in consolidated financial statements.

The accompanying notes are an integral part of these Consolidated Condensed Financial Statements.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Consolidated Condensed Statements of Cash Flows

(Unaudited)

Three months ended
January 31

2010 2009

In millions

Cash flows from operating activities:		
Net earnings	\$ 2,250	\$ 1,856
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	1,162	1,214
Stock-based compensation expense	181	160
Provision for doubtful accounts accounts and financing receivables	51	85
Provision for inventory	41	83
In-process research and development charges		6
Restructuring charges	131	146
Deferred taxes on earnings	(192)	(63)
Excess tax benefit from stock-based compensation	(128)	(13)
Other, net	87	3
Changes in operating assets and liabilities:		
Accounts and financing receivables	1,875	1,780
Inventory	(543)	156
Accounts payable	(1,268)	(3,089)
Taxes on earnings	479	263
Restructuring	(400)	(209)
Other assets and liabilities	(1,319)	(1,252)
Net cash provided by operating activities	2,407	1,126
Cash flows from investing activities:		
Investment in property, plant and equipment	(821)	(816)
Proceeds from sale of property, plant and equipment	112	152
Purchases of available-for-sale securities and other investments	(9)	
Maturities and sales of available-for-sale securities and other investments		46
Receipts (payments) in connection with business acquisitions, net	7	(345)
Net cash used in investing activities	(711)	(963)
Cash flows from financing activities:		
Issuance of commercial paper and notes payable, net	78	57