

HEWLETT PACKARD CO  
Form 10-Q  
September 08, 2015

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**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: July 31, 2015**

**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**

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**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)

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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 ☐

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 <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
<input checked="" type="checkbox"/>		(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 August 31, 2015 was 1,798,224,792 shares.

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<b>Forward-Looking Statements</b>		

*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, 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, effective tax rates, net earnings, net earnings per share, cash flows, benefit plan funding, deferred tax assets, share repurchases, currency exchange rates or other financial items; any projections of the amount, timing or impact of cost savings or restructuring charges; any statements of the plans, strategies and objectives of management for future operations, including the previously announced separation transaction and the future performances of the post- separation companies if the separation is completed, as well as the execution of restructuring plans and any resulting cost savings, revenue or profitability improvements; any statements concerning the expected development, performance, market share or competitive performance relating to products or services; any statements regarding current or future macroeconomic trends or events and the impact of those trends and events on HP and its financial 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 the need to address the many challenges facing HP's businesses; the competitive pressures faced by HP's businesses; risks associated with executing HP's strategy, including the planned separation transaction; the impact of macroeconomic and geopolitical trends and events; the need to manage third-party suppliers and the distribution of HP's products and the delivery of HP's services effectively; the protection of HP's intellectual property assets, including intellectual property licensed from third parties; risks associated with HP's international operations; the development and transition of new products and services and the enhancement of existing products and services to meet customer needs and respond to emerging technological trends; the execution and performance of contracts by HP and its suppliers, customers, clients and partners; the hiring and retention of key employees; integration and other risks associated with business combination and investment transactions; the execution, timing and results of the separation transaction or restructuring plans, including estimates and assumptions related to the cost (including any possible disruption of HP's business) and the anticipated benefits of*

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*implementing the separation transaction 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 "Risk Factors" in Item 1A of Part II of this report and that are otherwise described or updated from time to time in HP's Securities and Exchange Commission reports. HP assumes no obligation and does not intend to update these forward-looking statements.*

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**ITEM 1. Financial Statements and Supplementary Data.**

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[Table of Contents](#)**HEWLETT-PACKARD COMPANY AND SUBSIDIARIES****Consolidated Condensed Statements of Earnings****(Unaudited)**

	<b>Three months ended July 31</b>		<b>Nine months ended July 31</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>In millions, except per share amounts</b>			
<b>Net revenue:</b>				
Products	\$ 16,760	\$ 18,190	\$ 51,940	\$ 54,712
Services	8,500	9,295	25,428	28,030
Financing income	89	100	273	306
<b>Total net revenue</b>	<b>25,349</b>	<b>27,585</b>	<b>77,641</b>	<b>83,048</b>
<b>Costs and expenses:</b>				
Cost of products	12,890	13,913	40,035	41,902
Cost of services	6,369	6,991	19,016	21,301
Financing interest	58	70	182	211
Research and development	893	887	2,568	2,571
Selling, general and administrative	2,962	3,388	9,096	9,989
Amortization of intangible assets	242	227	685	774
Restructuring charges	25	649	426	1,015
Acquisition-related charges	47	2	70	8
Separation costs	401		750	
Defined benefit plan settlement charges	114		114	
Impairment of data center assets	136		136	
<b>Total operating expenses</b>	<b>24,137</b>	<b>26,127</b>	<b>73,078</b>	<b>77,771</b>
<b>Earnings from operations</b>	<b>1,212</b>	<b>1,458</b>	<b>4,563</b>	<b>5,277</b>
<b>Interest and other, net</b>	<b>(108)</b>	<b>(145)</b>	<b>(421)</b>	<b>(482)</b>
<b>Earnings before taxes</b>	<b>1,104</b>	<b>1,313</b>	<b>4,142</b>	<b>4,795</b>
<b>Provision for taxes</b>	<b>(250)</b>	<b>(328)</b>	<b>(911)</b>	<b>(1,112)</b>
<b>Net earnings</b>	<b>\$ 854</b>	<b>\$ 985</b>	<b>\$ 3,231</b>	<b>\$ 3,683</b>
<b>Net earnings per share:</b>				
Basic	\$ 0.47	\$ 0.53	\$ 1.78	\$ 1.95
Diluted	\$ 0.47	\$ 0.52	\$ 1.75	\$ 1.93
<b>Cash dividends declared per share</b>	<b>\$ 0.35</b>	<b>\$ 0.32</b>	<b>\$ 0.67</b>	<b>\$ 0.61</b>

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Weighted-average shares used to compute net earnings per share:

Basic	1,805	1,870	1,817	1,889
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