HP to end mobile products, may sell PC division (Update)

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FILE - In this Feb. 2, 2010 file photo, the Palm Pre Plus, left, and the Palm Pixi Plus are shown in San Francisco. In a dramatic reshuffling, Hewlett-Packard Co. on Thursday, Aug. 18, 2011 said that it will discontinue its tablet computer and smartphone products and may sell or spin off its PC division, bowing out of the consumer businesses. The announcement comes just two years after spending $1.8 billion on smartphone maker Palm, which gave HP the webOS software that has been praised by critics but largely been ignored by the marketplace. (AP Photo/Jeff Chiu, File)

In a dramatic reshuffling, Hewlett-Packard Co. said Thursday that it will discontinue its tablet computer and smartphone products and may sell or spin off its PC division, bowing out of the consumer businesses.

It's one of the most extreme makeovers in the company's 72-year history and signals new CEO Leo Apotheker's most transparent move to date to make HP look more like longtime rival IBM Corp., which now makes most of its money from software and services.

The most apparent result for consumers will be the end of HP's TouchPad tablet, a sales dud, and HP-branded smartphones, also-rans in a booming market crowded with the iPhone and devices based on Google's Android system. By the end of next year, HP computers could be sold under another company's name.

HP will continue to sell servers and other equipment to business customers, just as IBM now does.

It was not immediately known whether any jobs will be cut. HP employs more than 300,000 worldwide.

A decade ago, HP emerged from a bitter fight to spend more than $24 billion on Compaq Computer, setting the stage for HP to become the world's No. 1 maker of personal computers. Now, three CEOs later, HP is changing course - hard.

The PC division is HP's biggest revenue generator but least profitable division. The move has long been rumored, but just six months ago HP dismissed reports of the possibility as "irresponsible reporting" and that PCs are "core to HP's strategy for the connected world."

The PC industry is under pressure from hot-selling smartphones and tablet computers, which have contributed to already weak consumer demand for PCs in the U.S. and Europe.

More striking is that HP plans to shutter its fledgling smartphone and tablet business just two years after spending $1.8 billion on smartphone maker Palm, which gave HP the webOS software that has been praised by critics but largely been ignored by the marketplace. It is here that HP was the victim of the Apple and Google juggernauts, as iPads and iPhones and smartphones running Google's Android software have been hot sellers, while HP devices have languished.

HP also announced that it is in talks to buy Autonomy Corp., a business software maker. Earlier, The Wall Street Journal and Bloomberg News had reported that HP planned to buy Autonomy for $10 billion, which would rank the deal among HP's biggest.

The decision to buy Autonomy also marks a change of course for HP, one that makes HP's trajectory look remarkably similar to rival IBM's nearly a decade ago. IBM, a key player in building the PC market in the 1980s, sold its PC business in 2004 to focus on software and services, which aren't as labor- or component-intensive as building computer hardware.

HP, which is based in Palo Alto, Calif., also announced its latest quarterly results an hour earlier than planned.

HP's net income increased in the fiscal third quarter, which ended July 31, but its lower-than-expected outlook for the current period weighed on the stock.

The company earned 93 cents per share in the latest quarter. That's up from 75 cents per share a year earlier. Its adjusted earnings were $1.10 per share, a penny above analyst expectations.

Revenue climbed less than 2 percent to $31.2 billion, matching analysts' average expectations, according to FactSet.

For the current quarter, HP forecast adjusted earnings of $1.12 to $1.16 per share, below analysts' expectation of $1.32 per share. Revenue should be $32.1 billion to $32.5 billion, short of analysts' estimate of $34 billion.

HP also lowered its full-year revenue outlook. It now expects revenue of $127.2 billion to $127.6 billion, down from its previous estimate of $129 billion to $130 billion. Analysts were predicting $129.1 billion in revenue.

HP's stock fell $1.88, or 6 percent, to close Thursday at $29.51. The stock fell further in extended trading to $28.79, a drop of 72 cents, or 2.4 percent. The announcement came about an hour before the close of market.