

Report: H-P bolsters defenses, hires Goldman Sachs

September 29 2011, By JORDAN ROBERTSON , AP Technology Writer

(AP) -- Hewlett-Packard is beefing up its defenses in an effort to fend off activist investors who, with enough shares, could demand drastic changes at the company, according to a published report.

The [Wall Street Journal](#) reported Wednesday on its website that Hewlett-Packard Co. has hired [Goldman Sachs](#) to help formulate a strategy for guarding against shareholder activism. The Journal cited people "familiar with the matter" who were not named in the report.

Asked about the report, an H-P spokesman said only that the company "has long-term relationships with a large number of [investment banks](#)."

With the Palo Alto, Calif.-based company's market value down some \$60 billion since former CEO [Mark Hurd](#) resigned under pressure last year, H-P is under intense pressure to engineer a turnaround.

Last week, H-P fired Hurd's replacement, [Leo Apotheker](#), after less than a year on the job, citing poor communication. Apotheker was replaced by former eBay Inc. CEO [Meg Whitman](#), who got a mixed reaction from Wall Street.

H-P's depressed stock price makes it a target for activists, who could demand changes up to and including the breakup of the company. H-P is already trying to sell or spin off its PC division, but the company has also indicated it may keep the business.

If "H-P were looking for more ways to anger investors, this will fit the bill," Steve Diamond, an associate professor at the Santa Clara University School of Law, said of H-P's reported hiring of Goldman.

The culture of Silicon Valley has generally frowned upon aggressive attempts to thwart shareholder actions because of a widely held view that "a vibrant market for corporate control is a healthy disciplinary device on ineffective boards and management," said Diamond, who specializes in corporate law.

Also Wednesday, [Oracle Corp.](#), an H-P rival and partner whose outspoken CEO [Larry Ellison](#) has publicly mocked the H-P board's latest decisions, tweaked H-P some more with a pointedly worded news release.

Oracle disputed suggestions from Mike Lynch, the CEO of Autonomy, a company H-P is buying for \$10 billion, that Autonomy hadn't tried to sell itself to Oracle. Oracle's Ellison said last week that Autonomy was shopped to Oracle and that Oracle passed. The price H-P is paying is "absurdly high," Ellison said. Lynch appeared to refute that in media interviews, suggesting that Autonomy hadn't been directly shopped to Oracle, but may have been presented as a possible takeover candidate by investment bankers.

In the news release Wednesday, Oracle said that Lynch and his banker met personally with Oracle executives on April 1 to discuss a possible sale, and that Oracle still has the PowerPoint slides to prove it.

Oracle has been a thorn in H-P's side ever since Oracle decided to buy server maker Sun Microsystems last year for \$7.3 billion and Ellison decided to hire his tennis buddy Hurd to serve as an Oracle co-president. [HP](#) is a leading server maker, and Oracle's acquisition of Sun puts the longtime partners into direct competition with each other.

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