

HP awards new CEO Whitman with \$16.5M pay package

February 4 2012, By MICHAEL LIEDTKE , AP Technology Writer

Hewlett-Packard Co. ushered in Meg Whitman as its CEO with a \$16.5 million compensation package that hinges on the one-time politician's ability to lift the stumbling technology company's stock price during the next two years.

Last year's pay consists almost entirely of 1.9 million [stock options](#) valued at \$16.1 million, according to documents filed Friday. Whether Whitman ever gets an opportunity to cash in most the options will depend on whether HP's market value rises substantially from its depressed level when HP fired her predecessor, [Leo Apotheker](#), as CEO last September.

HP disclosed Whitman would be getting the stock options shortly after her hiring, but didn't specify their value at that time.

The company, which is based in Palo Alto, also had previously disclosed Whitman's salary would be limited to \$1 while she tries to rebuild the momentum that HP lost after ousting [Mark Hurd](#) as its CEO in a titillating scandal in 2010.

Apotheker fared even better than Whitman, partly because of a severance package that paid him more than \$12 million in cash and allowed him to keep most of the stock awards that he got while he was CEO. Including the salary and perks that Apotheker received while he was still HP's CEO, his 2011 [compensation package](#) was valued at \$26.7 million. That figure excludes a \$3.7 million stock incentive that HP

canceled as part of Apotheker's severance agreement.

If Whitman succeeds in her mission at HP, she could use the windfall from the stock options to offset her losses from her unsuccessful attempt to become California's governor in 2010. During that campaign as the Republican nominee, she spent more than \$140 million of her own money.

Before entering the political arena, Whitman was best known as the CEO of [eBay](#) Inc. during the dot-com boom. She did so well there that she was a billionaire by the time she left the e-commerce company in 2008.

HP faces challenges on multiple fronts. Its personal computer division is trying to adapt to consumers' growing preference for tablet and other mobile devices. Meanwhile, its operations that sell servers and consulting services to big companies locked in a fierce battle with IBM Corp. and Oracle Corp.

As with most companies, HP says it is trying to tie Whitman's compensation to the company's performance.

Most of the stock options won't become hers to exercise unless HP's stock surpasses certain thresholds before October 2013.

The rights to 800,000 stock options will vest on Whitman's first anniversary as HP's CEO if the company's shares have closed at or above \$28.31 for 20 consecutive trading days. The price target is 20 percent above the options' [stock price](#) of \$23.59. That price requirement hasn't been met yet, though HP's stock has closed above \$28.31 several times in the past two weeks. The shares gained 57 cents to close Friday at \$29.07.

Although the stock has climbed since Whitman took over, it remains 37 percent below its price when Hurd left the company in August 2010.

Another 800,000 options will vest on Whitman's second anniversary on the job if HP's stock has closed at or above \$33.03 for 20 consecutive trading days. That's 40 percent above the exercise price.

The remaining 300,000 options vest in annual increments of 100,000 on Whitman's first three anniversaries as CEO. Those awards aren't tied to HP's stock reaching a certain price.

Whitman, 55, also received more than \$372,000 in additional compensation that stemmed from cash and stock grants that she received last year while she was a non-executive director on HP's board.

This year, Whitman will be eligible for a bonus of up to \$6 million to supplement her \$1 salary if HP does well.

The Associated Press formula calculates an executive's total compensation during the last fiscal year by adding salary, bonuses, perks, above-market interest the company pays on deferred compensation and the estimated value of stock and stock options awarded during the year.

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