

HP to face testy shareholders at annual meeting

March 20 2013, by Michael Liedtke

Hewlett-Packard Co.'s annual meeting will give shareholders an opportunity to vent their frustration over the personal computer maker's botched acquisitions and other follies that have been plaguing the Silicon Valley pioneer for several years.

The meeting, scheduled to be held Wednesday afternoon at a personal computer museum in Mountain View, California, promises to be a tense affair. It will cover one of the most miserable stretches in HP's 74-year history as the once-proud company struggled to adjust to wrenching changes in the technology market and suffered massive losses on a series of acquisitions that were supposed to open new moneymaking opportunities.

Some fed-up shareholders are now trying to overthrow a part of the HP board that was supposed to be looking out for their interests while the company toppled through its pratfalls. John Hammergren and G. Kennedy Thompson, HP's two longest-serving directors, are the main targets of the rebellion. Three other directors, Chairman Ray Lane, Web browser pioneer Marc Andreessen and Rajiv Gupta, are also facing resistance to their re-election.

The backlash against Hammergren and Kennedy appears strong enough to cause at least 40 percent of the shareholder votes to be cast against them, said Bill Patterson, executive director of CtW Investment Group, an HP shareholder that has been at the forefront of the rebellion.

"There is going to be a strong, resolute vote against those directors," Patterson predicted. "The question will then become, 'What is the board going to be about it?' "

HP, which is based in Palo Alto, is supporting the re-election of all 11 of its board members.

The meeting might have turned into an even bigger gripe session if not for a recent upturn in HP's stock price. The shares have surged by more than 60 percent so far this year on the hope that the company is starting a gradual turnaround under CEO [Meg Whitman](#), who won Wall Street's respect during the decade that she ran [eBay Inc.](#)'s online bazaar.

"It's a relief rally that things haven't gotten any worse," Patterson said. "It shouldn't be seen as a vote of confidence."

Even with the recovery, HP's stock is still hovering around \$23, the same level where it stood 18 months ago when Whitman took over. During the same period, the technology-driven Nasdaq composite index and the Dow Jones industrial average, which includes HP, have been climbed by more than 30 percent.

Long-time HP shareholders have another reason to be irritated: The company's market value has been sliced in half since Mark Hurd stepped down as CEO in an August 2010 rift with HP's board of directors. That downturn has wiped out about \$45 billion in shareholder wealth.

Patterson and other HP critics believe Hammergren and Thompson should be held accountable because they have been on HP's board the longest and also chair committees that oversee acquisitions and other financial matters. Two shareholder advisory firms, Institutional Shareholders Services and Glass Lewis & Co., are recommending both men be removed from the board for their lax oversight of HP's

acquisitions and other key decisions. ISS is also opposing Lane's re-election while Glass Lewis has supplemented its arguments against Hammergren and Kennedy by coming out against Andreessen and Gupta, too.

Hammergren, an HP director since 2005, has put together a solid record as CEO of pharmaceutical drug maker McKesson Corp., whose stock price has surged by nearly 40 percent during the past two years.

Thompson, an HP board member since 2006, formerly ran troubled bank Wachovia Corp., which was acquired by Wells Fargo & Co. in a distressed sale put together in 2008 during the financial crisis.

HP is being haunted by past deals negotiated by Hurd and his successor, Leo Apotheker, who lasted less than a year as CEO before he was fired in 2011.

In the past two years, HP has written off more than \$17 billion to account for the diminished value of three major acquisitions: technology consulting service EDS, device maker Palm and business software maker Autonomy. The most vexing of the bunch has been Autonomy, where HP alleges it uncovered financial chicanery that the company says drove up the acquisition price by at least \$5 billion.

Autonomy's former CEO Mike Lynch, who was fired by Whitman last year, has vehemently denied HP's allegations. The claims are under investigation by the U.S. Justice Department and financial fraud authorities in the U.K., according to HP. At least 12 lawsuits revolving around the handling of the Autonomy deal have been filed against HP.

In an apparent attempt to incite HP's shareholders, Lynch urged them to use the meeting to ask Whitman and the rest of the HP's board detailed questions about the circumstances surrounding the Autonomy deal in an open letter distributed Wednesday. Among other things, Lynch's letter

for the first time raised the possibility that HP may have approached U.K. regulators about how the company might be able to back out of the deal before the \$10 billion acquisition closed in October 2011.

"This meeting provides a moment of accountability for HP's board of directors to all its stakeholders," Lynch wrote, adding that he refused to be turned into "a scapegoat for HP's own failings." Lynch won't be at the meeting, according to one of his spokesmen.

Beyond its soured acquisitions, most of HP's other troubles stem from a decline in PC sales as more technology spending shifts to smartphones and tablet computers. The upheaval has caused HP's revenue to fall from the previous year in six consecutive quarters. Whitman has repeatedly warned the slump may persist through the rest of this year. To offset the drop-off in PC sales, Whitman has cut about 15,300 jobs in the past year and is still planning to eliminate about 14,000 more positions..

In the meantime, [HP](#) is expanding its lineup of tablet computers and intensifying its focus on other technology fields, such as business software and data analytics, that are more profitable than selling PCs.

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