

# In HP split, each unit to face a test

October 10 2014, by Russ Mitchell And Andrea Chang, Los Angeles Times

---

If you cut one slow-moving mega-company in half, do you get two fast-moving innovators? Not even Meg Whitman, chief executive of Hewlett-Packard Co., is promising that. Whitman [announced Monday](#) that the computer industry giant will cleave itself in two: one company for its personal computer and printer business, another for its "enterprise" computing operations.

The split will provide each new company with "the independence, focus, financial resources and flexibility" they need to compete for customers and generate long-term shareholder value, Whitman said in a prepared statement.

The reaction from industry analysts was more like a golf clap than the standing ovation they gave to eBay's announcement last week that it would carve out PayPal into a separate firm.

"Although we are less bullish on this split than on the eBay/PayPal split announced a week ago, we still think that this development is a small net positive for the stock," FBN Securities analyst Shebly Seyrafi wrote in a research note. "The split creates more focused companies that can arguably become more nimble vs. the competition."

No one would use the word "nimble" to describe today's Hewlett-Packard, whose revenue has practically flat-lined for the last five years.

Whitman will run the business services company, to be dubbed Hewlett-

Packard Enterprise. ("Enterprise" is an industry buzzword that means selling stuff like computer servers, storage systems, software and services to global corporations.)

The other company, to be named HP Inc., will compete in the cutthroat, low-margin businesses of printers and personal computers: desktops, laptops, tablets and the like. HP veteran Dion Weisler takes on that challenge as [chief executive](#), while Whitman will look over his shoulder as non-executive chairman.

They'll both have to prove themselves as innovators.

Since Whitman took charge in September 2011, HP's stock price has appreciated 62 percent. But that's largely due to cost-cutting and stock buybacks.

In 2011, HP employed 349,600 workers. By 2013, it was down to 317,500, with more layoffs to come. Barclays analyst Ben Reitzes said in an investor note that HP's PC business is stabilizing and that the business has healthy cash flow. He believes shares of HP are still undervalued.

Whitman has a mixed record at boosting stock value. Famously, she led eBay as its CEO from startup status to an online shopping behemoth, a record she trumpeted in her unsuccessful run for California governor in 2010 as a Republican. She was defeated by Democrat Jerry Brown.

Little mentioned at the time, or since, was her record at a more mature eBay, from 2005 until she left in early 2008, when eBay stock plunged 48.7 percent as the tech stock sector gained 4 percent. She took heat for troublesome acquisitions such as Skype and for a disastrous attempt to expand in China.

HP stock is unlikely to take so dramatic a drop, short of a market crash:

Its businesses may not be growing, but revenue is at \$112 billion annually, and the product lines throw off a lot of cash.

Whether either HP company can produce bold new products and services is a different story. In its announcement, the company noted that 3D printing provides a ripe area for innovation in a growing market for HP Inc., as well as undefined "new computing experiences."

Meanwhile, it said, Hewlett-Packard Enterprise will "define" the products and services for what it calls "the New Style of IT," although that marketing label was left unexplained.

Hewlett-Packard [stock](#) rose 4.74 percent on Monday, to \$36.87.

It will take a while to determine whether two companies can move faster than one: The split won't happen, the [company](#) says, until some time next year.

©2014 Los Angeles Times  
Distributed by MCT Information Services

Citation: In HP split, each unit to face a test (2014, October 10) retrieved 2 May 2024 from <https://phys.org/news/2014-10-hp.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--