

HP Enterprise selling tech services business to rival

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A sign marks the entry way into Hewlett Packard Enterprise Tuesday, May 24, 2016, in Andover, Mass. HP Enterprise is slimming down its business further by selling off its technology-services division to competitor Computer Sciences Corp. (AP Photo/Elise Amendola)

Hewlett Packard Enterprise is continuing to slim down by selling its business services division to competitor Computer Sciences Corp.

Both companies said the deal is worth about \$8.5 billion to shareholders in HP Enterprise, one of two companies formed last year by the breakup of struggling tech giant Hewlett-Packard, Inc.

HP Enterprise, based in Palo Alto, California, will now concentrate on selling data center hardware, software and other commercial tech gear to big organizations. It's spinning off an outsourcing and management services business that includes operations the old HP acquired when it bought Electronic Data Systems Inc., for nearly \$14 billion in 2008.

CEO Meg Whitman said the services division helped bring in customers, but it has lagged other segments of HP Enterprise in growth and profit. Analysts say some of the operations acquired from EDS were outdated.

Whitman announced the deal Tuesday as HP Enterprise reported better-than-expected revenue for its fiscal quarter ending April 30.

Investors liked the news: HP Enterprise stock rose more than 10 percent in after-hours trading after the deal was announced. Shares in CSC surged more than 26 percent.

Whitman has been trying to overhaul a once-mighty tech conglomerate since she became chief executive of the old HP in 2011. Nearly a decade ago, the old HP led the tech industry with annual sales above \$100 billion, boosted by several large acquisitions including EDS and the personal-computer maker Compaq.

But the company struggled to keep up with industry trends, as consumers bought fewer PCs and businesses shifted to new models of commercial computing. Whitman oversaw a split last year that led to the creation of HP Enterprise and a second company, HP Inc., that's focused on selling PCs and printers.

Spinning off the services division will leave HPE with businesses producing about \$33 billion in annual revenue, the company said Tuesday. It said the deal should boost annual revenue for Tysons, Virginia-based CSC to about \$26 billion. HPE shareholders will get a cash dividend of \$1.5 billion and a 50 percent stake in CSC, which will assume about \$2.5 billion in debt and other liabilities.

Including the services division, HPE reported \$320 million in profit on \$12.7 billion in sales for its most recent quarter. Profit rose 5 percent and sales were up 1 percent from a year earlier. Most of the sales growth came from its computer hardware division.

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