

# Hewlett-Packard Enterprise to spin off assets in \$8.8B deal

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Hewlett-Packard Enterprise CEO Meg Whitman speaks during a press conference in New York

Hewlett-Packard Enterprise Co. will spin off non-core software assets in an \$8.8 billion deal with Micro Focus International PLC in a move to focus on its faster-growing businesses.

The Palo Alto, California, company said Wednesday that it will get a \$2.5 billion cash payment and its shareholders will hold a 50.1 percent stake in the new combined company.

HPE is spinning off units including application delivery management, big data and enterprise security. It plans to focus on hybrid IT, or the combination of in-house and cloud-based information technology services.

Micro Focus, based in Newbury, England, said the surviving company will have annual revenue of about \$4.5 billion.

The deal requires antitrust approval and is expected to close in the third quarter.

Hewlett-Packard Co. last year split into two companies, with Hewlett Packard Enterprise selling commercial tech products and services, while HP Inc., focuses on personal computers and printers.

Separately HPE reported better-than-expected earnings in its fiscal third quarter ended July 31. Net income soared to \$2.27 billion, or \$1.32 per share, thanks to a hefty gain on an asset sale. Earnings, adjusted for the gain and restructuring and other costs, were 49 cents per share.

The results exceeded Wall Street expectations. The average estimate of 10 analysts surveyed by Zacks Investment Research was for earnings of 45 cents per share.

Revenue slipped about 6 percent year over year to \$12.21 billion, missing Street forecasts. Seven analysts surveyed by Zacks expected \$12.59 billion.

For the current quarter ending in October, HP Enterprise expects its per-

share earnings to range from 58 cents to 63 cents. On average, analysts surveyed by FactSet expect earnings per share of 61 cents.

The company expects full-year earnings in the range of \$1.90 to \$1.95 per share. That compares with the average FactSet estimate of \$1.88 per share.

HP Enterprise shares have increased 45 percent since the beginning of the year. In after-hours trading, the stock changed hands at \$22.11, up 2 cents.

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