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TECH

Hewlett-Packard Officially Files to Split

Tech giant details its two new companies, HP Inc. and Hewlett Packard Enterprise

Hewlett-Packard CEO Meg Whitman accepted the need for two separate companies after recognizing the 'lightning speed' of market changes. *PHOTO: DAVID PAUL MORRIS/BLOOMBERG NEWS*

By **ROBERT MCMILLAN**

Updated July 1, 2015 7:06 p.m. ET

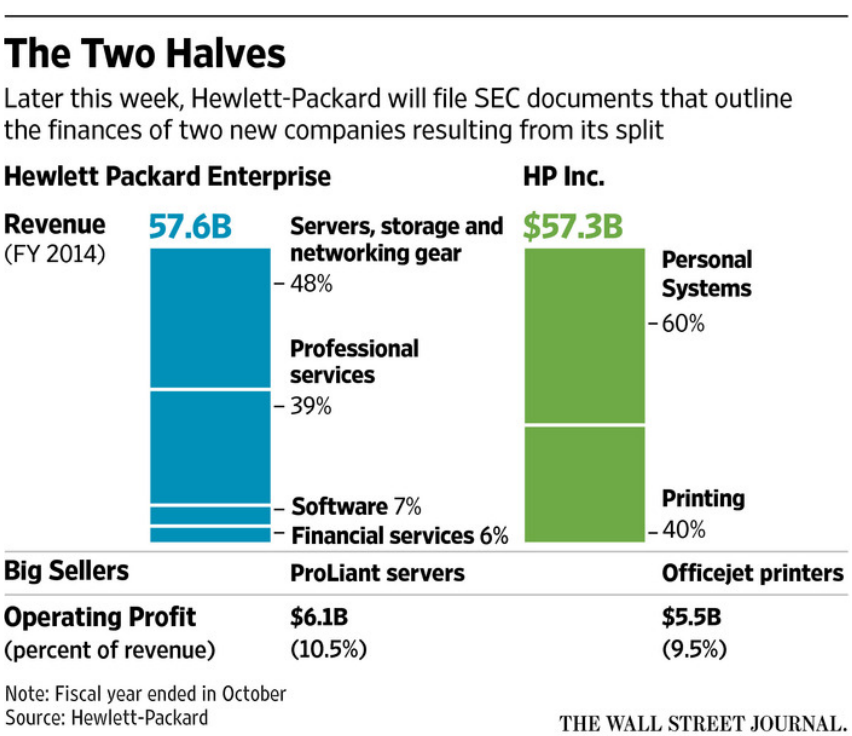
Hewlett-Packard Co. on Wednesday filed paperwork with the Securities Exchange Commission, taking an important step toward the tech giant's breakup on Nov. 1.

The filing outlines the balance sheet, based on the past performance of H-P's Enterprise Group, of a new corporate technology company called Hewlett Packard Enterprise Co. That entity had revenue of about $55 billion and total assets of $65 billion in the fiscal year ended in October, according to the document.

Hewlett-Packard said Wednesday that the second company resulting from the split, HP Inc., isn't required to file a similar disclosure document because it is considered the parent company. H-P said it would issue forward-looking financial statements about HP Inc., which plans to sell PCs and printers, before the November separation.

Hewlett-Packard CEO Meg Whitman's decision to divide in two arose from the company's struggles through much of the past decade with declining revenue, corporate scandals and management changes. H-P stood on the sidelines as companies such as Amazon.com Inc. and Apple Inc. created compelling cloud computing, smartphone and tablet businesses. In the end, H-P's size worked against it, Ms. Whitman said in an interview last week.

"We needed to be smaller, more nimble, we needed to be more focused," she said. "And we needed to have a capital structure for each company that would allow them to pursue their objectives."



Between now and the November deadline, H-P will divide a 300,000-employee company that spans 170 countries and 600 locations. The work began last fall, shepherded by a 500-person Separation Management Office charged with creating the new corporate entities, bank accounts and computer systems that will make up the new companies.

The executive leading this $1.8 billion effort, Bill Veghte, announced his departure from H-P on Tuesday, an unexpected hiccup in what, so far, had been a smooth process.

Ms. Whitman will be CEO of the new Hewlett Packard Enterprise company, while Dion Weisler, who heads HP's PC and printer business, will run HP Inc.

HP Inc. will focus on returning cash to shareholders while expanding into new markets such as 3-D printing, Ms. Whitman said. Hewlett Packard Enterprise, by contrast, will concentrate on growth as it tries to stay relevant in a corporate computing market that is being transformed by the cloud.

That means buying new companies, Ms. Whitman has said.

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"Acquisitions have got to be a part of the future of Hewlett Packard Enterprise," she said. "This market's moving too fast."

Some industry analysts believe that H-P's server, storage and networking businesses have better long-term prospects than its PC and printer groups. Moreover, the split also could revive talks between Ms. Whitman and executives at EMC Corp. , said Jim Osman, CEO of Edge Consulting Group, an equity research firm that specializes in spinoffs. H-P and EMC held off-and-on merger talks last year. The discussions broke down just weeks before H-P announced its spinoff plan, The Wall Street Journal has reported.

H-P was in the midst of exploring a breakup when Ms. Whitman took charge in late 2011. At the time, she said H-P made more sense as a single entity than apart.

But the 2011 split was different from the one described in Wednesday's SEC documents. In 2011, H-P considered spinning off only its unprofitable PC business, much as IBM Corp. had done in 2004.

Rolling the highly profitable printer business into the new HP Inc. creates a company that is more likely to return cash to shareholders, Ms. Whitman said. The current breakup will cost as much as $450 million in "dis-synergies," H-P has reported—extra costs incurred by duplicating internal functions such as legal and human resources and

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creating new product brands.

The PC-only carve-out proposal would have cost even more, Ms. Whitman said. "There was a big dis-synergy of about $1 billion around building an entirely new brand for the PC business," she said.

H-P and its board began investigating the possibility of a split early last year, but it took Ms. Whitman several months to become convinced it was the correct course.

"I was quite convinced that we should keep this company together, really up until this past summer," she said. "What I realized was, this market is changing at lightning speed. I've been in the technology business a long time. I've never seen markets move as fast as this."

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