HP's Headaches Likely To Vex Fiscal 1Q Results

Michael Liedtke, AP Technology Writer

SAN FRANCISCO (AP) — Investors will be hoping to avoid another shock when slumping personal computer and printer maker Hewlett-Packard Co. reports its latest quarterly result after the stock market closes Thursday.

WHAT TO WATCH FOR: The results are expected to show the HP's revenue sinking from the previous year for the sixth consecutive quarter. Although it's an unsettling trend, it will almost come as a relief if the continuing revenue slide turns out to be the lowlight of this fiscal first-quarter report for the three months ending in January.

That's because of what has happened in HP's previous two quarters. The company, which is based in Palo Alto, Calif., absorbed huge charges to account for troubled acquisitions in each of the last two quarters. The twin blows lumped HP with losses totaling $15.3 billion, by far the worst financial setbacks in the company's 74-year history.

The bombshell that HP dropped three months ago was especially devastating. Besides registering another massive loss, HP traced some of its problems to the alleged financial malfeasance of the management that had been running one of its acquisitions, business software maker Autonomy, before the roughly $10 billion deal was closed in late 2011. Former Autonomy CEO Mike Lynch, who was fired by HP CEO Meg Whitman last year, has vigorously denied any wrongdoing.

U.S. authorities are now investigating whether there was any misconduct within Autonomy and several shareholder lawsuits already have been filed in the fallout.

Whitman, who has now been running HP for 17 months, so far has been focused on cutting costs to offset the revenue decline. She has vowed to revive revenue growth, although she has warned HP might not be firing on all cylinders until 2015 or 2016.

Like other PC makers, HP has been struggling to adapt to a growing preference for smartphones and tablet computers that is siphoning sales away from desktop and laptop machines. Data compiled by independent research firms indicated HP may not have fared quite as badly in the most recent quarter as it did during much of last year, although revenue in its PC division is still expected to be down.

HP's woes have hurt its stock, which has plunged by more than 60 percent in just 2 1/2 years. The shares have rallied from the 10-year lows reached after news of the Autonomy scandal broke, but mostly because investors have been hoping HP might take a cue from rival Dell Inc. and do something really radical.

Dell has agreed to sell itself for $24.4 billion to its CEO, Michael Dell, and a group of investors. That stirred talk that HP might at least decide to spin off its PC and

printer operations from its business software products and technology services, an idea that Whitman so far has indicated that she opposes. Analysts may press Whitman for her thoughts on a potential breakup once again during HP's earnings conference call.

HP stock closed last week at $16.79.

WHY IT MATTERS: HP is a Silicon Valley icon and a major employer with nearly 332,000 workers, down 5 percent, or 17,800 people, from a year ago. The company intends to eliminate about 11,000 more jobs before the end of next year to help boost its earning, but management could decide to jettison even more workers if HP doesn't start showing some signs of improvement.

The company is also part of the Dow Jones industrial average, so its performance sways the widely watched barometer and affects perceptions about the overall health of the stock market.

WHAT'S EXPECTED: After subtracting certain accounting charges, analysts polled by FactSet predict the company will earn $71 cents per share on revenue of $27.9 billion.

LAST YEAR'S QUARTER: HP earned $1.5 billion, or 73 cents per share, on revenue of $30.4 billion. If not for certain accounting charges, HP would have earned 92 cents share last year.

Source URL (retrieved on *07/28/2014 - 9:59pm*):
http://www.impomag.com/news/2013/02/hps-headaches-likely-vex-fiscal-1q-results?qt-digital_editions=0&qt-recent_content=0