

HP Inc  
(HPQ)

TAMID at Middlebury



TAMID GROUP  
Middlebury

# Company Overview

- Name: HP Inc
- Ticker: HPQ
- Established in 2015 from a split of the Hewlett Packard Enterprise Company
- HP Inc was the computer hardware portion of the Hewlett Packard Enterprise
- HP Inc is the second largest personal computer producer in the world, but also supplies printers, related supplies, and access to 3D printing



# Management Team



**Enrique Lores**

President & Chief Executive Officer



**Marie Myers**

Chief Financial Officer



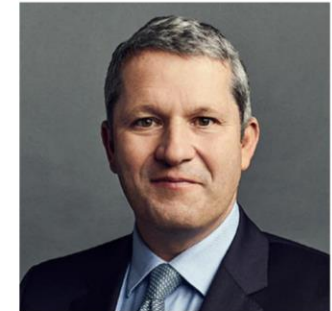
**Harvey Anderson**

Chief Legal Officer & Corporate Secretary



**Sarabjit Singh ('Savi')  
Baveja**

Chief Strategy & Incubation Officer



**Christoph Schell**

Chief Commercial Officer



**Alex Cho**

President, Personal Systems



**Tuan Tran**

President of Imaging, Printing &



**Greg Baxter**

Chief Transformation Officer



**Kristen Ludgate**

Chief People Officer



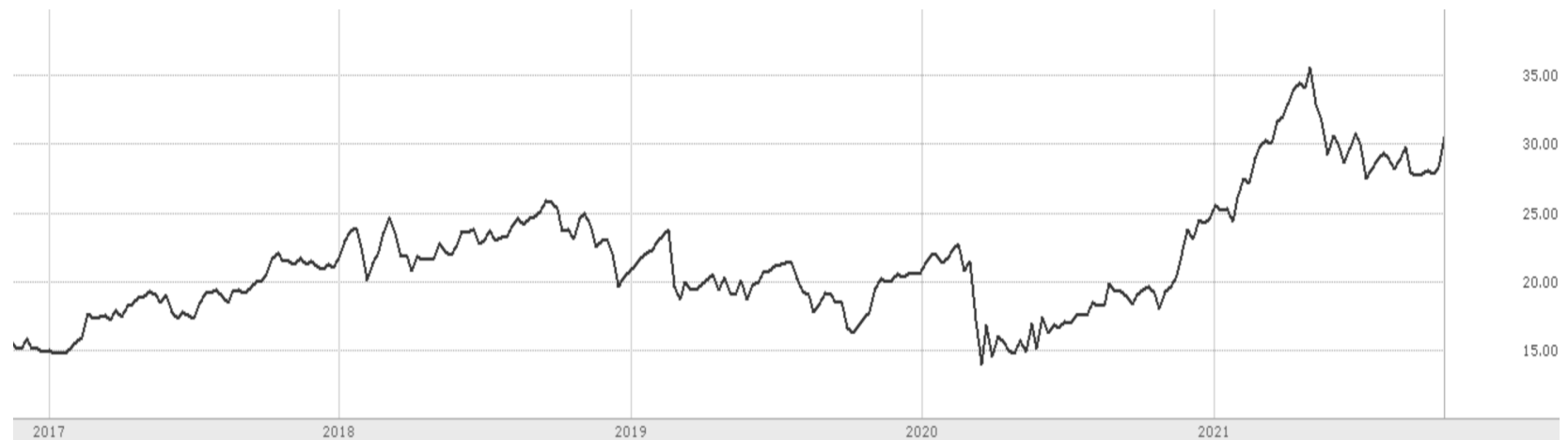
**Antoine Simonnet**

Chief Supply Chain Officer



# HP Inc Quick Stats

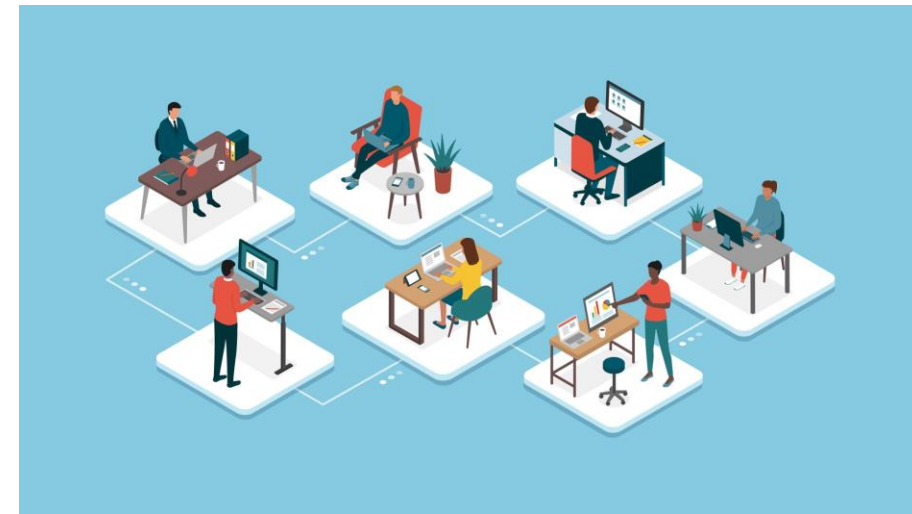
- Price: \$30.47
- 52 Week Range: \$17.25-\$36.00
- Market Capitalization: \$35.1B
- Enterprise Value: 69.6B
- Shares Outstanding: 1.2B
- P/E Ratio: 8.78x
- EPS: 3.23x
- Beta: 1.1



# Investment Thesis

Overall, we believe HP Inc is a buy because it is:

- A value buy both through intrinsic and extrinsic valuations
- In an expanding industry, especially given increasingly remote workplaces
- Expanding to new expanding industries, such as 3D printing



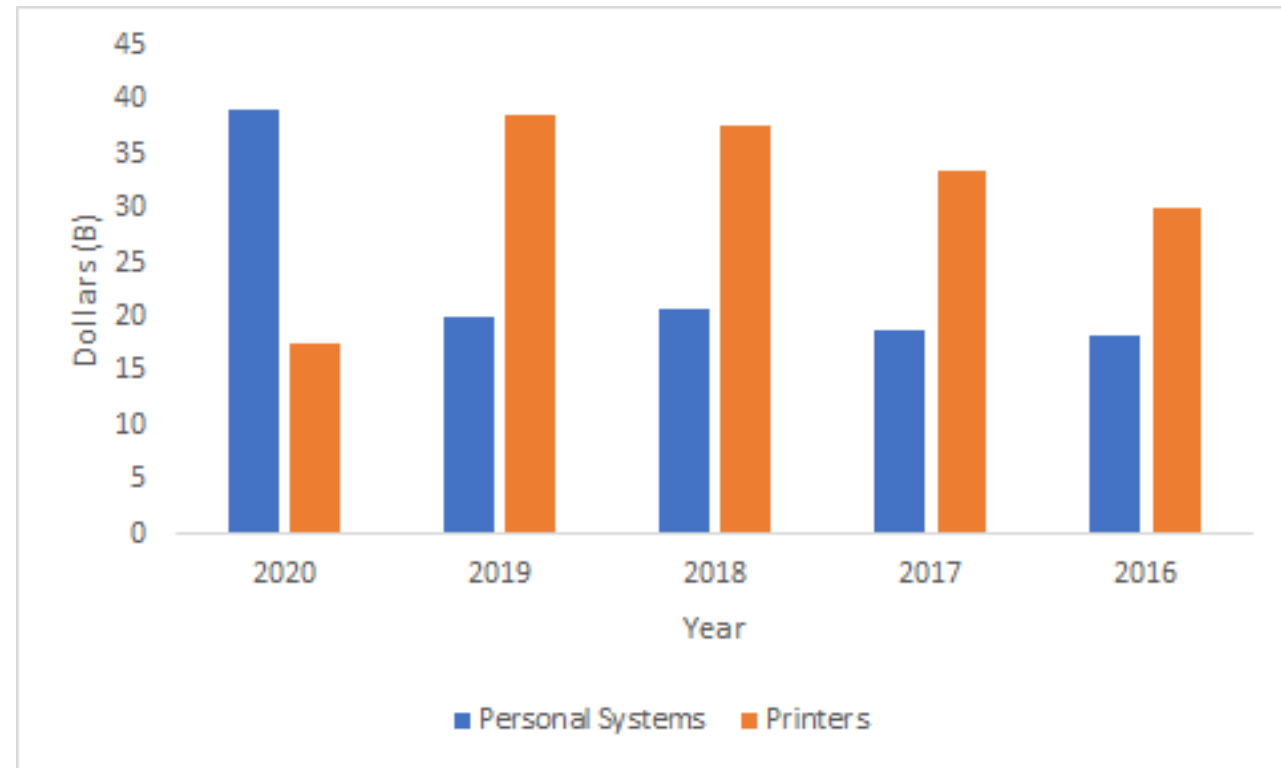
# Business Segment Rundown

- Personal Systems – Commercial and Consumer PCs
- Printing – Office and Home Printing Solutions
  - Graphics Solutions
  - 3D Printing and Manufacturing
  - Hardware
  - Supplies
- Corporate Investments
  - Incubation and Investment Projects



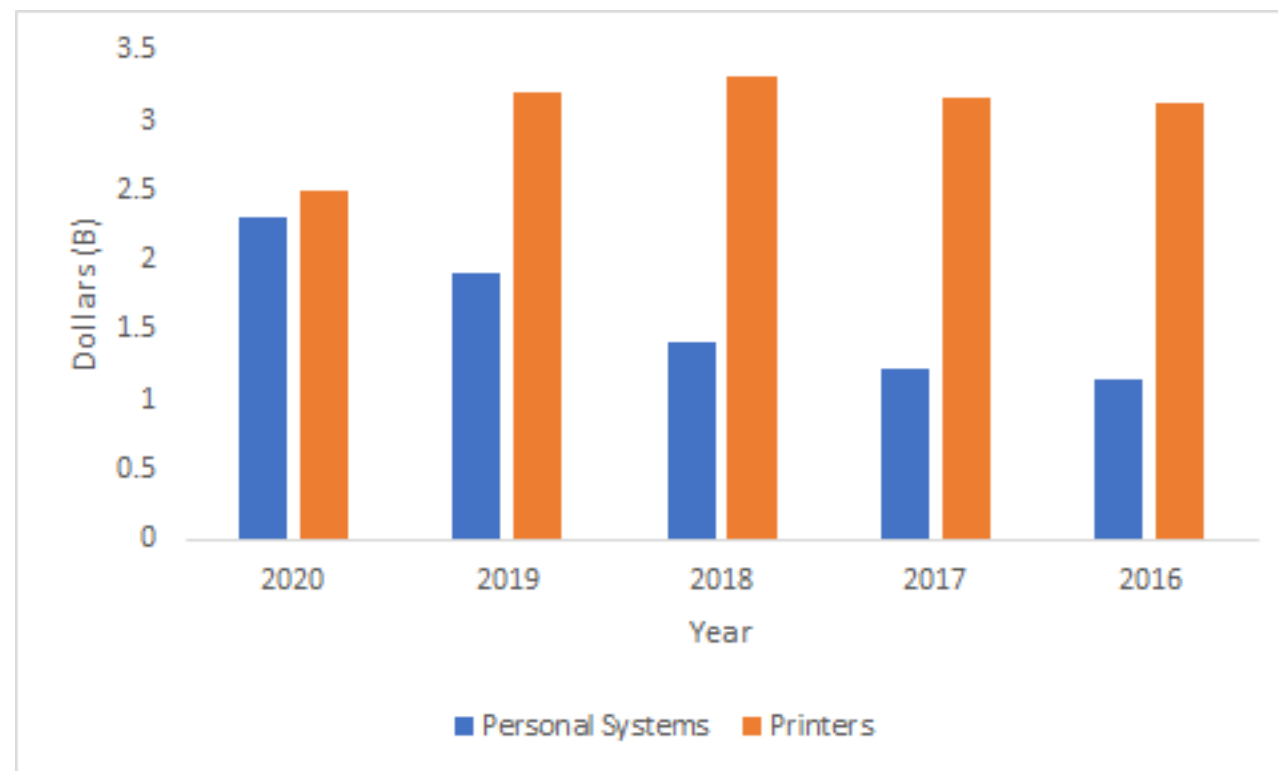
# Revenue by Segment (2020)

- Personal Systems
  - Revenue - \$38.997B
- Printing
  - Revenue - \$17.641B
- Corporate Investments
  - Revenue - \$0.002B



# Earnings by Segment (2020)

- Personal Systems
  - Earnings - \$2.312B
- Printing
  - Earnings - \$2.495B
- Corporate Investments
  - Earnings - (\$0.069B)



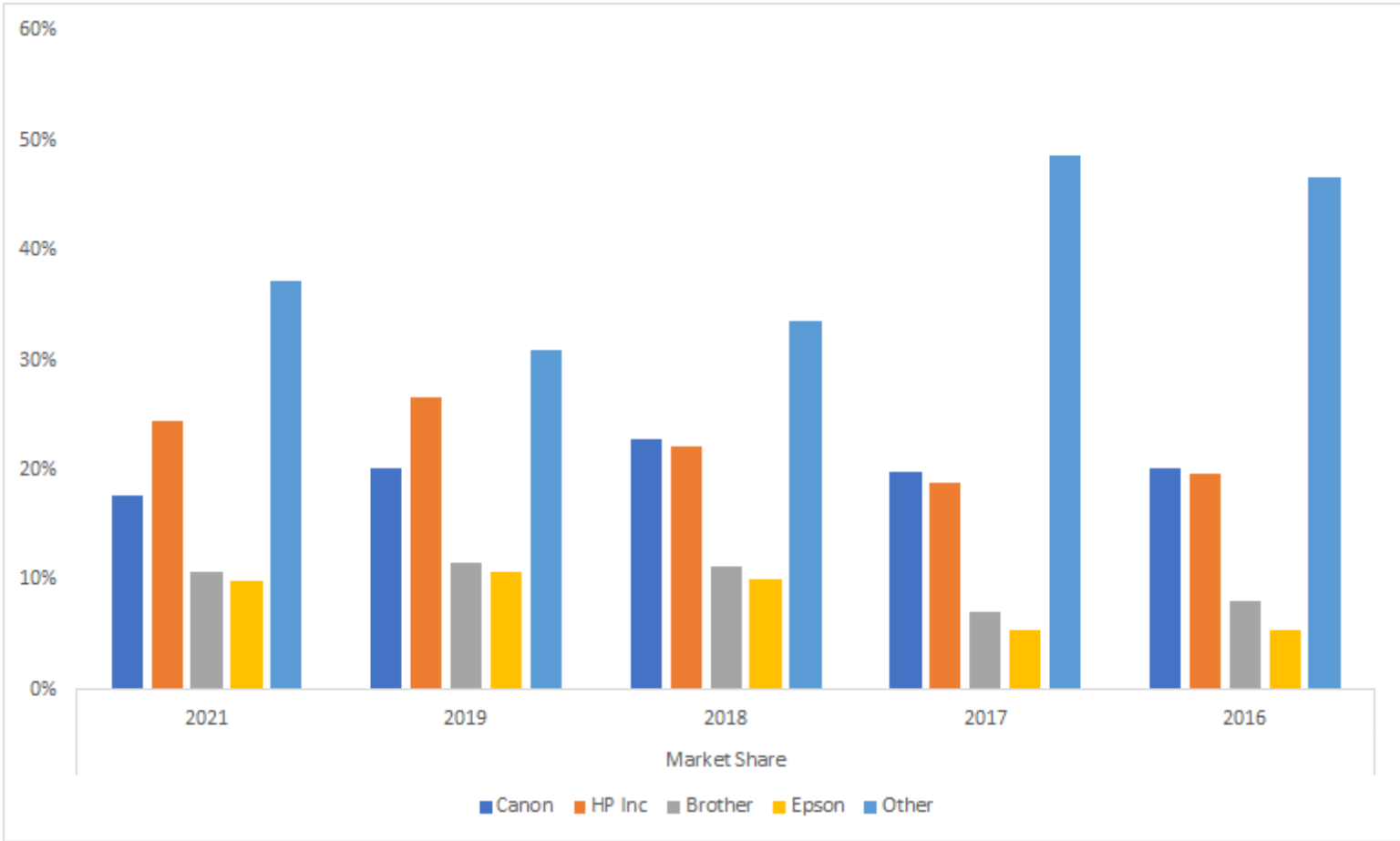


# Industry Overview

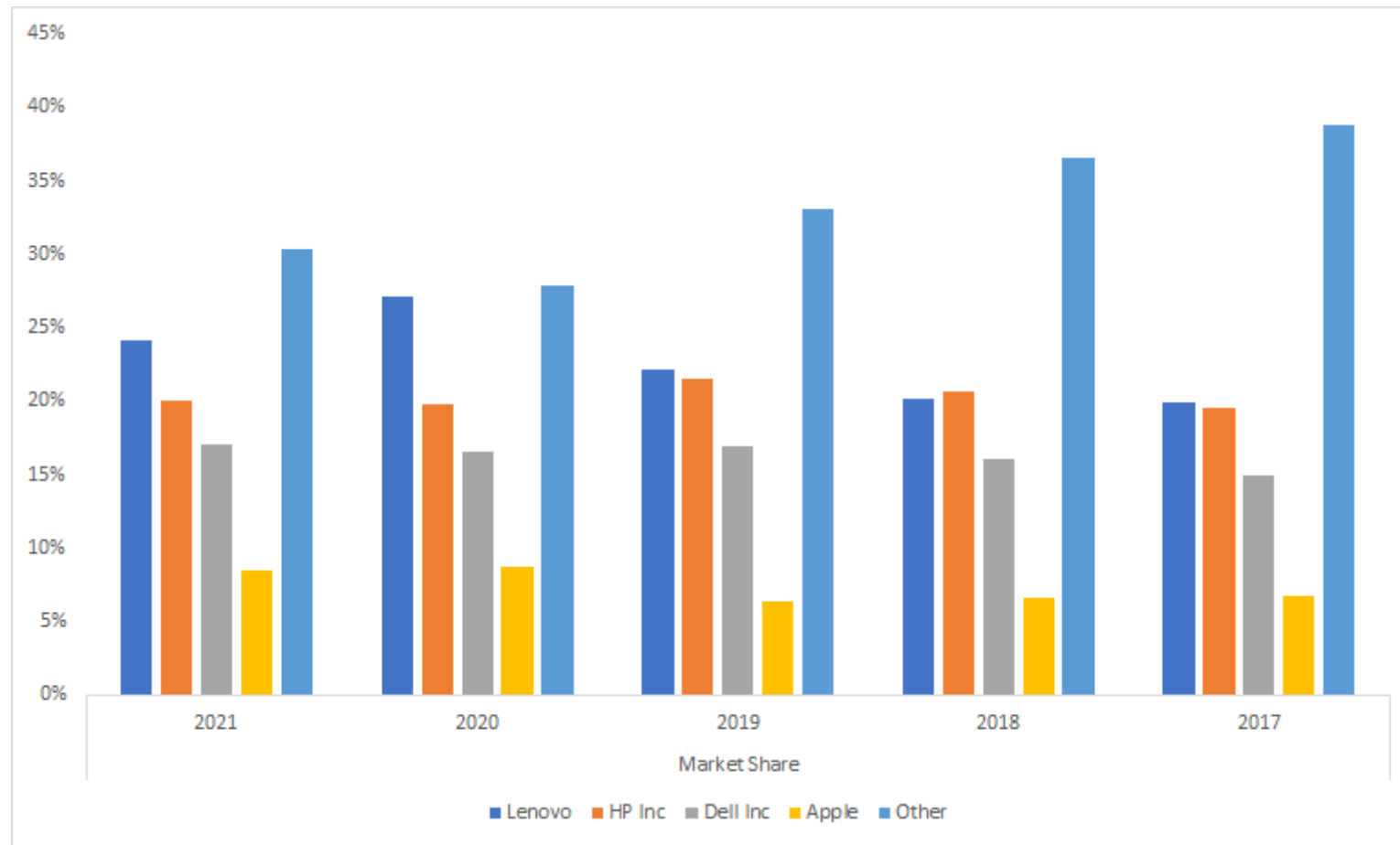
- A spike in laptop sales over the past 18 months, as people shifted working and learning from home.
- The average U.S. household had barely more than one PC when Covid arrived, sending consumers scrambling to buy new PCs, printers, mice, keyboards, and webcams.
- It is estimated that the total addressable PC market and related products and services are now \$560 billion, \$200 billion larger than HP had projected just two years ago. Microsoft's (MSFT) Windows 11 rollout also could bump up 2022 PC sales.



# Market Share of Printers



# Market Share of Personal Computers



# Comparable Companies

Company	Current Price	Market Capitalization	EV	Revenue	Net Income	EBITDA
HP Inc. (HPQ)	\$30.47	\$35.1B	\$69.6B	\$56.6B	\$2.8B	\$4.8B
Dell Technologies (DELL)	\$114.54	\$87.6B	\$193.9B	\$94.2B	\$3.3B	\$11.0B
Xerox (XRX)	\$20.74	\$3.7B	\$10.0B	\$7.0B	\$0.2B	\$0.8B
3D Systems Corp (DDD)	\$26.77	\$3.4B	\$3.6B	\$0.6B	(\$0.1B)	(\$0.04B)
Lenovo (LNVGY)	\$21.12	\$12.7B	\$44.0B	\$60.7B	\$1.2B	\$3.1B



# Comparable Companies

Company	Dividend Yield	EV/EBITD A	P/B	PEG	Trailing P/E	Forward P/E	Interest Coverage
HP Inc. (HPQ)	2.54%	14.6x	N/A	0.42x	8.78x	7.49x	21.49x
Dell Technologies (DELL)	N/A	17.6x	18.16x	3.02x	22.25x	11.44x	4.31x
Xerox (XRX)	4.82%	12.1x	0.71x	0.37x	22.37x	11.90x	6.00x
3D Systems Corp (DDD)	N/A	N/A	7.19x	N/A	N/A	N/A	N/A
Lenovo (LNVGY)	3.73%	14.19x	3.13x	0.74x	10.71xx	7.52x	13.43

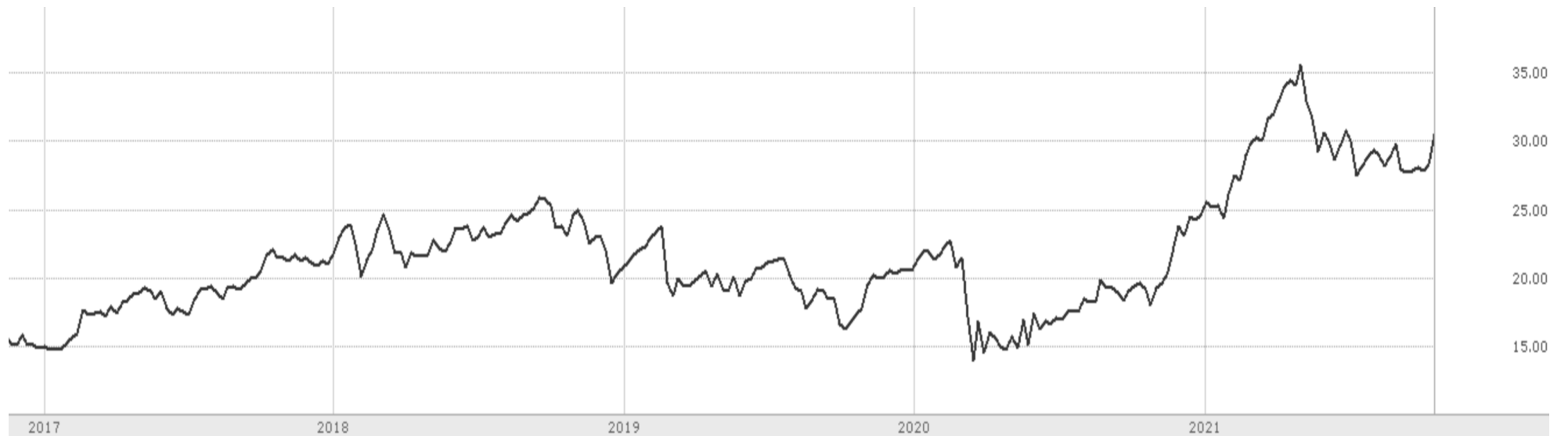


# Comparable Companies (Summary)

	EV/EBITDA	P/B	PEG	Trailing P/E	Forward P/E	Interest Coverage
Mean	14.62x	7.30x	1.14x	16.03x	9.59x	11.31x
Median	14.40x	5.16x	0.58x	16.48x	9.48x	9.72x
HP Inc (HPQ)	14.6x	N/A	0.42x	16.03x	9.59x	21.49x



# HP Inc - Price



Current Price:

**\$30.47**



# Discounted Cash Flow

**Bear Case**

**\$29.02**

**Base Case**

**\$38.92**

**Bull Case**

**\$44.39**

**Implied Upside**

**-5.27%**

**Implied Upside**

**27.08%**

**Implied Upside**

**44.92%**





# Environmental, Social, and Governance (ESG)

- MSCI Rating: AA
  - Top 20% of companies in the Technology Hardware Sector
- Environment
  - While it has little opportunities in clean tech, it does better than its peers with recycling electronic waste
- Social
  - HP scores above its peers for the development of its employees and supply chain labor standards. It is average for its sourcing of materials
- Governance
  - It has the highest of ethics standards compared to other companies
  - The Board of Directors is 91.7% independent of management and 41.7% female



# SWOT Analysis

<p>Strengths:</p> <ul style="list-style-type: none"><li>• Second largest PC seller</li><li>• Positive financial/valuation indicators</li><li>• Diversified products</li></ul>	<p>Weaknesses:</p> <ul style="list-style-type: none"><li>• Negative Book Value</li><li>• Weak track record of acquisitions</li><li>• Low margins in computer hardware</li></ul>
<p>Opportunities:</p> <ul style="list-style-type: none"><li>• Increased demand from remote work</li><li>• Supply chain disruptions set to end sooner than expected</li><li>• Expanding services</li></ul>	<p>Threats:</p> <ul style="list-style-type: none"><li>• Apple's increasing market share</li><li>• Increasing cybersecurity threats</li></ul>



# Relations to Israel

- Israeli Offices:
  - Raanana – Sales and Marketing
  - Nez Ziona – Indigo Division headquarters and R&D center
  - Kiryat Gat – ElectroInk Plant and systems manufacturing
  - Netanya – HP's INdustrial Printing headquarters and R&D center
  - Caesarea – Industrial Printing manufacturing
  - Yahud – Software R&D center
  - Haifa – HP Labs
- Israeli Subsidiaries
  - HP Indigo Ltd – digital press solutions
  - HP Israel Ltd – HP Inc's Israeli subsidiary
  - HP Scitex Ltd – specializes in large format printing
  - HP Technology Israel Ltd

