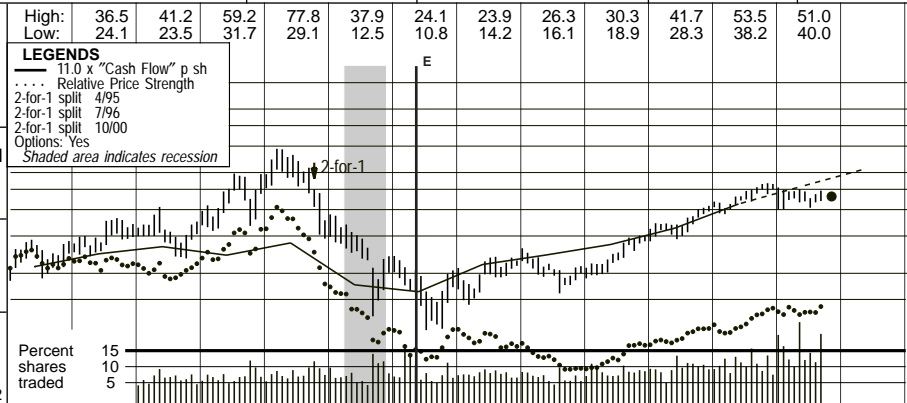


# HEWLETT-PACKARD NYSE-HPQ

RECENT PRICE **46.24** P/E RATIO **13.8** (Trailing: 14.4 Median: 19.0) RELATIVE P/E RATIO **0.96** DIV'D YLD **0.7%** VALUE LINE

**TIMELINESS** 2 Raised 10/10/08  
**SAFETY** 1 Raised 10/10/08  
**TECHNICAL** 3 Lowered 9/5/08  
**BETA** 1.05 (1.00 = Market)



High:	36.5	41.2	59.2	77.8	37.9	24.1	23.9	26.3	30.3	41.7	53.5	51.0	Target Price Range		
Low:	24.1	23.5	31.7	29.1	12.5	10.8	14.2	16.1	18.9	28.3	38.2	40.0	2011	2012	2013

**2011-13 PROJECTIONS**  
 Ann'l Total  
 Price **95** Gain **(+105%)** Return **20%**  
 Low **80** (+75%) **15%**

**Insider Decisions**  
 N D J F M A M J J  
 to Buy 0 0 0 0 0 0 0 0 0  
 Options 1 2 0 2 2 2 2 0 0  
 to Sell 3 5 0 4 2 2 2 0 0

**Institutional Decisions**  
 4Q2007 1Q2008 2Q2008  
 to Buy 570 462 570  
 to Sell 481 628 513  
 Hld's(mill) 19631181863661859722

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC. 11-13	
8.18	10.05	12.26	15.45	18.94	20.60	23.17	21.09	25.05	23.32	23.77	24.01	27.45	30.56	33.55	40.42	<b>47.20</b>	<b>58.35</b>	Sales per sh <sup>A</sup>	77.60
.77	1.00	1.28	1.75	1.96	2.25	2.43	2.21	2.53	1.60	1.49	2.00	2.22	2.49	2.97	3.86	<b>4.70</b>	<b>5.70</b>	"Cash Flow" per sh	8.45
.44	.58	.77	1.16	1.27	1.48	1.44	1.50	1.73	.89	.79	1.16	1.33	1.62	2.03	2.68	<b>3.20</b>	<b>3.65</b>	Earnings per sh <sup>B</sup>	5.50
.09	.11	.13	.18	.21	.26	.30	.32	.32	.32	.32	.32	.32	.32	.32	.32	.32	.36	Div'ds Decl'd per sh <sup>C</sup>	.60
.51	.70	.62	.78	1.09	1.12	.98	.56	.89	.79	.56	.66	.73	.70	.93	1.18	<b>1.25</b>	<b>1.55</b>	Cap'l Spending per sh	1.90
3.74	4.21	4.87	5.80	6.63	7.76	8.33	9.11	7.30	7.20	11.91	12.40	12.90	13.10	13.96	14.93	<b>16.25</b>	<b>17.90</b>	Book Value per sh <sup>F</sup>	23.75
2006.6	2021.7	2038.6	2039.8	2028.2	2082.1	2030.8	2009.1	1947.3	1939.0	3044.0	3043.0	2911.0	2837.0	2732.0	2580.0	<b>2500.0</b>	<b>2400.0</b>	Common Shs Outst'g <sup>D</sup>	2100.0
18.6	15.7	13.4	14.2	18.2	19.5	21.1	27.7	33.3	31.7	22.4	16.3	15.9	14.1	16.2	16.5	<b>16.2</b>	<b>16.5</b>	Avg Ann'l P/E Ratio	16.0
1.13	.93	.88	.95	1.14	1.12	1.10	1.58	2.16	1.62	1.22	.93	.84	.75	.87	.87	<b>.87</b>	<b>.87</b>	Relative P/E Ratio	1.05
1.1%	1.2%	1.3%	1.1%	.9%	.9%	1.0%	.8%	.6%	1.1%	1.8%	1.7%	1.5%	1.4%	1.0%	.7%	<b>1.0%</b>	<b>.7%</b>	Avg Ann'l Div'd Yield	.7%

**CAPITAL STRUCTURE as of 7/31/08**  
 Total Debt \$10219 mill. Due in 5 Yrs \$7650 mill.  
 LT Debt \$6628 mill. LT Interest \$430.0 mill.  
 (Total interest coverage: 25.4x) (15% of Cap'l)  
**Pension Assets-10/07** \$14.1 bill. **Oblig.** \$12.4 bill  
**Pfd Stock** None  
**Common Stock** 2,449,103,728 shs. as of 8/31/08  
**Options Exercisable** 10.9%  
**MARKET CAP:** \$113 billion (Large Cap)

47061	42370	48782	45226	72346	73061	79905	86696	91658	104286	<b>118000</b>	<b>140000</b>	Sales (\$mill) <sup>A</sup>	163000
12.5%	11.9%	10.8%	7.6%	7.3%	9.7%	9.3%	9.1%	9.7%	12.0%	<b>12.0%</b>	<b>11.5%</b>	Operating Margin	13.0%
1869.0	1316.0	1368.0	1369.0	2119.0	2527.0	2395.0	2344.0	2353.0	2705.0	<b>3400</b>	<b>4500</b>	Depreciation (\$mill)	5520
3065.0	3125.0	3561.0	1739.0	2409.0	3557.0	4067.0	4708.0	5761.0	7264.0	<b>8395</b>	<b>9225</b>	Net Profit (\$mill)	12265
28.1%	26.0%	23.0%	21.9%	23.7%	22.0%	18.7%	16.9%	19.9%	20.8%	<b>22.0%</b>	<b>24.0%</b>	Income Tax Rate	24.0%
6.5%	7.4%	7.3%	3.8%	3.3%	4.9%	5.1%	5.4%	6.3%	7.0%	<b>7.1%</b>	<b>6.6%</b>	Net Profit Margin	7.5%
8111.0	7321.0	8047.0	7341.0	11765	14366	14313	11874	12414	8142.0	<b>13000</b>	<b>15245</b>	Working Cap'l (\$mill)	23115
2063.0	1764.0	3402.0	3729.0	6035.0	6494.0	4623.0	3392.0	2490.0	4997.0	<b>8000</b>	<b>7700</b>	Long-Term Debt (\$mill)	6800
16919	18295	14209	13953	36262	37746	37564	37176	38144	38526	<b>42120</b>	<b>42980</b>	Shr. Equity (\$mill)	49890
16.4%	15.8%	20.8%	10.2%	5.9%	8.5%	9.9%	11.8%	14.3%	17.1%	<b>17.0%</b>	<b>18.5%</b>	Return on Total Cap'l	22.0%
18.1%	17.1%	25.1%	12.5%	6.6%	9.4%	10.8%	12.7%	15.1%	18.9%	<b>20.0%</b>	<b>21.5%</b>	Return on Shr. Equity	24.5%
14.4%	13.5%	20.6%	8.0%	4.4%	6.8%	8.2%	10.2%	12.8%	16.7%	<b>18.5%</b>	<b>19.5%</b>	Retained to Com Eq	22.0%
20%	21%	18%	36%	33%	27%	24%	20%	16%	12%	<b>10%</b>	<b>10%</b>	All Div'ds to Net Prof	11%

CURRENT POSITION	2006	2007	7/31/08
Cash Assets	16422	11445	14847
Receivables	13313	15927	16348
Inventory (FIFO)	7750	8033	8160
Other	10779	11997	11681
Current Assets	48264	47402	51036
Accts Payable	12102	11787	14021
Debt Due	2705	3186	3591
Other	21043	24287	24288
Current Liab.	35850	39260	41900

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
of change (per sh)			
Sales	6.5%	7.5%	14.5%
"Cash Flow"	4.5%	10.5%	18.0%
Earnings	5.0%	13.0%	17.5%
Dividends	4.0%	-	11.0%
Book Value	7.5%	9.5%	9.0%

Fiscal Year Ends	QUARTERLY SALES (\$mill.) <sup>A</sup>				Full Fiscal Year
	Jan.31	Apr.30	Jul.31	Oct.31	
2005	21454	21570	20759	22913	86696
2006	22659	22554	21890	24555	91658
2007	25082	25534	25377	28293	104286
2008	28467	28262	28032	<b>33239</b>	<b>118000</b>
2009	<b>34300</b>	<b>34100</b>	<b>33600</b>	<b>38000</b>	<b>140000</b>

Fiscal Year Ends	EARNINGS PER SHARE <sup>A B</sup>				Full Fiscal Year
	Jan.31	Apr.30	Jul.31	Oct.31	
2005	.37	.37	.36	.51	1.62
2006	.42	.51	.48	.60	2.03
2007	.55	.65	.66	.81	2.68
2008	.80	.80	.80	<b>.80</b>	<b>3.20</b>
2009	<b>.87</b>	<b>.88</b>	<b>.85</b>	<b>1.05</b>	<b>3.65</b>

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>C</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2004	.08	.08	.08	.08	.32
2005	.08	.08	.08	.08	.32
2006	.08	.08	.08	.08	.32
2007	.08	.08	.08	.08	.32
2008	.08	.08	.08	.08	.32

**BUSINESS:** Hewlett-Packard Company provides computing and imaging solutions and services to consumers and businesses. Operates in 6 segments. Rev. as a % of total (and % of operating earnings) in '07: Imaging & Printing, 27% (41%); Personal Systems, 34% (18%); Enterprise Storage & Servers, 18% (19%); HP Services, 16% (17%); Financing, 2% (1%); Software, 2% (3%); Other, 1% (d1%). (May not add because of rounding.) R&D: 3.4% of '07 rev.; Foreign sales: 67% of '07 rev. '07 dep. rate: 16.5%. Acquired Compaq Computer 5/02. Has 172,000 employees. Off. & dir. own less than 1%, FMR Corp., 5.6%, of stock (1/08 proxy). Chairman, CEO, and President: Mark Hurd. Inc.: DE. Add.: 3000 Hanover St., Palo Alto, CA 94304. Tele.: 650-857-1501. Internet: www.hp.com.

**Hewlett-Packard has completed a large acquisition.** On August 26th, H-P finalized the buyout of services provider Electronic Data Systems for \$25 a share, a total of roughly \$13.9 billion cash.

**The computer maker has plans in place to integrate the big services provider.** Hewlett-Packard will integrate internal information technology operations, eliminate unneeded real estate, and improve procurement. It also plans to reduce headcount by roughly 24,600 employees, half of whom will be replaced by workers in less-expensive regions.

**Cost savings will be significant.** The company expects to achieve \$2.5 billion in annual savings, \$1.8 billion of which are expected to drop to the bottom line. It will book a one-time, pretax charge of roughly \$1.7 billion related to the acquisition in the October quarter, which we will exclude from our earnings presentation.

**There are other benefits from the deal.** The combined operations will allow for greater automation and standardization of offerings, widen its market presence, and improve account management. The combination also will allow the

company to better compete for big outsourcing deals. H-P estimates EDS will add over \$20 billion to revenues starting next year. There will be dilution of some six to 11 cents a share in fiscal 2009, but the deal should enhance share net by 11 to 16 cents in the next 12-month cycle.

**Meanwhile, on the operating front, things generally are looking good.** Sales have been rising at a solid rate, although the weaker dollar did account for half of the 10% growth in the July quarter. Demand is strong for notebook computers, printing supplies, blade servers, storage products, and software and services. The weakening economies worldwide are a cause for concern. Still, so far, businesses appear to continue to be willing to invest in computing gear, software, and services that will increase efficiency and save money. And H-P's cost-cutting efforts are widening margins. All told, and factoring in a contribution from EDS, we look for share net to advance at a good annual pace out to 2011-2013. This top-quality equity is timely, but it doesn't stand out for the 3- to 5-year haul.

George A. Niemond October 10, 2008

(A) Fiscal year ends Oct. 31st. (B) Weighted average through '93, then diluted. Quarters may not add to total. Excludes nonrecurring losses: '92, 32c; '96, 4c; '98, 6c; '99, 1c; '01,

68c; '02, \$1.15; '03, 33c; '04, 18c; '05, 80c; gain, '06, 15c; gains from disc. ops.; '99, 18c; '00, 7c. Next earnings report due mid-Nov. (C) Dividends historically paid in early January,

April, July, and October. (D) Dividend reinvestment plan available. (E) In millions, adjusted for splits. (F) Compaq acquired 5/02. Includes intangibles. In '07, \$10.02 a share.

Company's Financial Strength	A++
Stock's Price Stability	75
Price Growth Persistence	35
Earnings Predictability	70