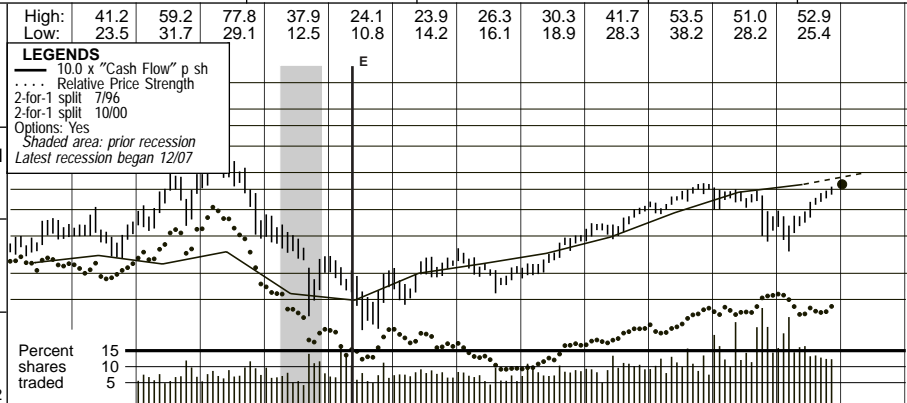


# HEWLETT-PACKARD NYSE-HPQ

RECENT PRICE **52.76** P/E RATIO **14.5** (Trailing: 16.8; Median: 16.0) RELATIVE P/E RATIO **0.85** DIV'D YLD **0.6%** VALUE LINE

**TIMELINESS** 1 Raised 1/1/10  
**SAFETY** 1 Raised 10/10/08  
**TECHNICAL** 3 Raised 8/28/09  
**BETA** .95 (1.00 = Market)



High	Low	52.76	41.2	37.9	24.1	23.9	26.3	30.3	41.7	53.5	51.0	52.9	Target Price	Range	
23.5	31.7	29.1	12.5	10.8	14.2	16.1	18.9	28.3	38.2	28.2	25.4		2012	2013	2014

**2012-14 PROJECTIONS**

	Price	Gain	Ann'l Total Return
High	85	(+60%)	13%
Low	70	(+35%)	8%

**Insider Decisions**

	F	M	A	M	J	J	A	S	O
to Buy	0	0	0	1	0	0	0	0	0
Options	0	1	5	0	5	7	0	4	0
to Sell	0	1	6	1	5	5	8	0	3

**Institutional Decisions**

	12/2009	2/2009	3/2009
to Buy	513	571	529
to Sell	606	556	620
Hld's(mill)	1813114418074921807382		

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
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	49.01	48.44	51.50	Sales per sh <sup>A</sup>	64.50
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	4.84	5.26	6.00	"Cash Flow" per sh	7.70
.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	3.25	3.14	3.70	Earnings per sh <sup>B</sup>	4.75
.11	.13	.18	.21	.26	.30	.32	.32	.32	.32	.32	.32	.32	.32	.32	.32	.32	.32	Div'ds Decl'd per sh <sup>C</sup>	.45
.70	.62	.78	1.09	1.12	.98	.56	.89	.79	.56	.66	.73	.70	.93	1.18	1.24	1.57	1.65	Cap'l Spending per sh	2.00
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	16.13	17.13	19.70	Book Value per sh <sup>F</sup>	27.60
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	2415.0	2365.0	2300.0	Common Shs Outst'g <sup>D</sup>	2100.0
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	14.2	12.0		Avg Ann'l P/E Ratio	16.0
.93	.88	.95	1.14	1.12	1.10	1.58	2.16	1.62	1.22	.93	.84	.75	.87	.88	.89	.80		Relative P/E Ratio	1.05
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%	.7%	.8%		Avg Ann'l Div'd Yield	.6%

**CAPITAL STRUCTURE as of 10/31/09**  
**Total Debt** \$15830 mill. **Due in 5 Yrs** \$13551 mill.  
**LT Debt** \$13980 mill. **LT Interest** \$500.0 mill.  
 (LT int: 19.8; Total interest coverage: 16.8x)  
 (26% of Cap'l)  
**Leases, Uncapitalized** Annual rentals \$949 mill  
**Pension Assets-10/09** \$19.7 bill. **Oblig.** \$24.2 bill  
**Pfd Stock** None  
**Common Stock** 2,364,168,918 shs.  
 as of 11/30/09  
**MARKET CAP:** \$125 billion (Large Cap)

2007	2008	10/31/09
42370	48782	45226
11.9%	10.8%	7.6%
1316.0	1368.0	1369.0
3125.0	3561.0	1739.0
26.0%	23.0%	21.9%
7.4%	7.3%	3.8%
7321.0	8047.0	7341.0
1764.0	3402.0	3729.0
18295	14209	13953
15.8%	20.8%	10.2%
17.1%	25.1%	12.5%
13.5%	20.6%	8.0%
21%	18%	36%

2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
118364	114552	118500	118500	Sales (\$mill) <sup>A</sup>	135500
13.1%	13.0%	14.0%	14.0%	Operating Margin	14.5%
4773.0	4900	4900	4900	Depreciation (\$mill)	5700
7660.0	8880	8880	8880	Net Profit (\$mill)	10450
18.6%	18.6%	21.0%	21.0%	Income Tax Rate	21.0%
7.0%	7.0%	7.5%	7.5%	Net Profit Margin	7.7%
9536.0	9000	9000	9000	Working Cap'l (\$mill)	11115
13980	13000	13000	13000	Long-Term Debt (\$mill)	18000
40517	45300	45300	45300	Shr. Equity (\$mill)	58000
14.5%	16.0%	16.0%	16.0%	Return on Total Cap'l	14.5%
18.9%	19.5%	19.5%	19.5%	Return on Shr. Equity	18.0%
17.0%	18.0%	18.0%	18.0%	Retained to Com Eq	16.5%
10%	9%	9%	9%	All Div'ds to Net Prof	9%

**CURRENT POSITION**

	2007	2008	10/31/09
Cash Assets	11445	10246	13334
Receivables	15927	19242	19212
Inventory (FIFO)	8033	7879	6128
Other	11997	14361	13865
Current Assets	47402	51728	52539
Accts Payable	11787	14138	14809
Debt Due	3186	10176	1850
Other	24287	28625	26344
Current Liab.	39260	52939	43003

**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 op. earnings) in '09: Imaging & Printing, 21% (32%); Personal Systems, 30% (12%); Enterprise Storage & Servers, 13% (11%); Services, 30% (38%); Financing, 2% (2%); Software, 3% (5%); Other, 1% (NMF).

(May not add because of rounding.) R&D: 2.5% of '09 rev.; Foreign sales: 64% of '09 rev. '09 dep. rate: 22.8%. Acquired Compaq Computer 5/02; EDS, 8/08. Has 321,000 employees. Off. & dir. own less than 1%, FMR LLC, 6.6%, of stock (1/09 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.

**ANNUAL RATES**

Past 10 Yrs	Past 5 Yrs	Est'd '07-'09 to '12-'14
8.0%	13.0%	7.0%
7.5%	19.5%	10.5%
7.5%	22.5%	9.5%
1.0%	-	7.0%
6.5%	5.5%	11.5%

**Hewlett-Packard plans to acquire 3Com**, a leading provider of networking switching, routing, and security products with \$1.3 billion of sales in fiscal 2009. It is offering \$7.90 a share in cash for 3Com, in a deal worth \$2.7 billion that is expected to close in the first half of calendar 2010. The purchase is subject to approval by regulators and 3Com shareholders. **The networking products market is more profitable and growing faster than many of HP's other markets**, and 3Com would greatly expand HP's networking offerings for the core of the data center (where rival Cisco is the leader) and its presence in China (55% of 3Com's fiscal 2009 sales). The deal is expected to clip a couple of cents from HP's share net in the first year of combined operations. **Meanwhile, earnings strengthened in the final quarter of fiscal 2009 even though sales declined 8% year to year**, but rose on a sequential-period basis. (Fiscal years end October 31st.) Note that the year-earlier period included only two months of the sales of Electronic Data Systems (EDS), which HP acquired in August, 2008. Operating profits rose 14%, however.

The integration of EDS continues to go well and efforts to lower operating costs by \$3 billion were about a third completed at fiscal yearend. Stock repurchases contributed a few cents to share net. Reported results included \$0.15 a share of "nonoperating" costs compared with \$0.19 in the 2008 October period (\$0.71 for the full fiscal year but only \$0.37 in fiscal 2008). **Prospects for fiscal 2010 are more upbeat.** Management is optimistic that demand for HP's personal computers, printers, and new G6 servers will pick up as economic activity rebounds. Moreover, HP's services signings strengthened in late fiscal 2009, with a healthy mix of new customers, which augurs well for services revenues in the new year. HP probably has more room to lower services costs and, as volume rises, it should enjoy increased operating leverage.

**QUARTERLY SALES (\$mill.)<sup>A</sup>**

Fiscal Year Ends	Jan.31	Apr.30	Jul.31	Oct.31	Full Fiscal Year
2006	22659	22554	21890	24555	91658
2007	25082	25534	25377	28293	104286
2008	28467	28262	28032	33603	118364
2009	28807	27383	27585	30777	114552
2010	29600	28500	28900	31500	118500

**Top-quality Hewlett-Packard shares are ranked favorably for year-ahead performance.** And in spite of the run-up in the share price since early calendar 2009, the issue has worthwhile appreciation potential to 2012-2014.

**Theresa Brophy**  
 January 8, 2010

Company's Financial Strength	A++
Stock's Price Stability	85
Price Growth Persistence	50
Earnings Predictability	90

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