

# FINAL TRANSCRIPT

**Thomson StreetEvents<sup>SM</sup>**

## **HPQ - Hewlett-Packard Election Results Conference Call - Léo Apotheker Named CEO and President**

**Event Date/Time: Oct. 01. 2010 / 1:00PM GMT**



Oct. 01. 2010 / 1:00PM, HPQ - Hewlett-Packard Election Results Conference Call - Léo Apotheker Named CEO and President

## CORPORATE PARTICIPANTS

**Steve Fieler**

*Hewlett-Packard - VP, IR*

**Cathie Lesjak**

*Hewlett-Packard - CFO & Interim CEO*

**Bob Ryan**

*Hewlett-Packard - Director*

**Leo Apotheker**

*Hewlett-Packard - Incoming CEO*

## CONFERENCE CALL PARTICIPANTS

**Ben Reitzes**

*Barclays Capital - Analyst*

**Katy Huberty**

*Morgan Stanley - Analyst*

**Toni Sacconaghi**

*Sanford Bernstein - Analyst*

**Richard Gardner**

*Citi - Analyst*

**Brian Alexander**

*Raymond James - Analyst*

## PRESENTATION

**Operator**

Good day, ladies and gentlemen, and welcome to the Hewlett-Packard conference call. My name is Crystal and I will be your operator for today's call.

At this time, all participants are listen-only mode. We will be facilitating a question-and-answer session towards the end of this conference. (Operator Instructions) As a reminder, this conference is being recorded for replay purposes.

I would now like to turn the presentation over to your host for today's call, Mr. Steve Fieler, Vice President of Investor Relations. Please proceed.

---

**Steve Fieler - Hewlett-Packard - VP, IR**

Thank you. Good morning, everyone, and thank you for joining us. With me today is Bob Ryan, Leo Apotheker, and Cathie Lesjak. Before we get started, I would like to state that a replay of the call be available for about 30 days on the HP Investor Relations website.

Next, it's my pleasure to inform you that the primary purpose of this call is to provide you with information regarding yesterday's press release. However, some of our comments and responses to your questions may include forward-looking statements. These forward-looking statements are based on certain assumptions and are subject to a number of risks and uncertainties and actual future results may vary materially.

Oct. 01. 2010 / 1:00PM, HPQ - Hewlett-Packard Election Results Conference Call - Léo Apotheker Named CEO and President

I encourage you to read the risk factors described in HP's quarterly reports on Form 10-Q for the fiscal quarter ended July 31, 2010, and other documents filed with HP's annual report on Form 10-K for the fiscal year ended October 31, 2009, for an understanding of the factors that may affect the Company's business and results.

Now I would like to turn the call over to Cathie Lesjak.

---

**Cathie Lesjak** - *Hewlett-Packard - CFO & Interim CEO*

Thank you, Steve, and good morning, everyone. Thanks for joining us. This has been an extraordinary few months during which HP continues to execute our strategy, invest for the future, and move our business forward.

As I have said, my heart is in being a CFO and I think that my family will be pleased that will be going back to being just a CFO again. I am excited about our announcement and I look forward to working with Leo, our leadership team, and the people of HP in executing our strategy. I have never felt more confident about our business.

With that, I will turn it over to Bob Ryan for color on the process.

---

**Bob Ryan** - *Hewlett-Packard - Director*

Thanks, Cathie. I am pleased to be here today. Yesterday we announced the appointment of Leo Apotheker as Hewlett-Packard's Chief Executive Officer effective November 1, 2010, and we are extremely excited to have him joining the great leadership team at Hewlett-Packard.

Before going further, I would like to spend a few minutes on the CEO search itself. The HP Board of Directors led a thorough and deliberate process in which we considered an outstanding pool of both internal and external candidates. We unanimously agreed that Leo is the right and best person to lead this great company and to attack the tremendous market opportunity that we have in front of us with a renewed sense of energy and confidence.

From the day the Board began our search, we have been focused on finding the very best candidate to lead HP forward. We wanted a strategic thinker with a passion for technology. We wanted someone with wide-ranging global experience and proven operational discipline. And most importantly, we wanted a leader who understands that HP's most important asset is its employees. We found all of these qualities and more in Leo.

We talked to a lot of people throughout this process, but that is why he is the only one that we offered the job to. So let me tell you a little bit more about him.

Leo has worked in the technology industry for more than 20 years. He has a proven track record of operational excellence, disciplined execution, and creating shareholder value, and he was a driving force in making SAP the world's largest business software applications company and an important partner to HP and other industry leaders.

Leo helped lead SAP to 18 consecutive quarters of double-digit software revenue growth between 2004 and 2009. During his tenure he transformed R&D and technology platforms and expanded business models and customer segments. Leo has demonstrated success in the US market and also has vast international experience, which will be a major asset as HP continues to expand globally, particularly in high-growth emerging markets.

Leo is customer-focused and knows how to manage a global complex organization. He will be a strong and passionate voice to motivate and energize a diverse global workforce of more than 300,000 people of today's most talented individuals. In short, Leo has a strong track record of driving technological innovation, building customer relationships, and developing world-class teams, and we are confident he will do the same and more here at HP.

Oct. 01. 2010 / 1:00PM, HPQ - Hewlett-Packard Election Results Conference Call - Léo Apotheker Named CEO and President

Before I turn it over to Leo, let me just thank Cathie Lesjak, both on behalf of myself as well as the entire HP Board, for her strong leadership as interim CEO. Under her leadership HP has maintained its focus on serving customers and continued to execute our strategies during the past two months.

Also, on a personal note let me just say how impressed I am with the professionalism and expertise of the HP Board. This is an outstanding group of directors and I am proud to be a member of this team.

Now I am pleased to introduce the new CEO of Hewlett-Packard, Leo Apotheker.

---

**Leo Apotheker** - *Hewlett-Packard - Incoming CEO*

Thank you very much, Bob. It's an incredible honor to speak with you all today and to assume the role of CEO at Hewlett-Packard on November 1.

For me, the decision to accept the position was an easy one. I don't think there is another company in tech that can match HP's opportunity in the marketplace or HP's competitive advantages. Indeed, having spent more than 20 years at SAP during which I served as executive responsible for the partnership with HP, I have a great appreciation for this company, its technology, and its people.

HP has a proven ability to execute and a strong track record of delivering for customers and shareholders. HP is investing in innovation but has a disciplined record to those investments that [turn out] performance over the short and long term.

I see great opportunities to continue building upon HP's unique strengths, its market leadership, and its winning portfolio. Its investments for the future are driving the evolution of the industry and technology. HP is a company with tremendous financial strength and a strong balance sheet, but most importantly the 300,000 employees of HP worldwide are talented and driven. They are hungry to win by delivering customer value and I am eager to help lead them in their vision.

The senior leadership team here at HP is also incredibly talented, deep, and experienced, and they run the business with discipline and consistency. It's in their DNA. I am confident in our ability to deliver on the earnings outlook provided this past Tuesday and we have a tremendous long-term opportunity ahead of us.

I am also looking forward to working with our new Non-executive Board Chairman, Ray Lane, whom I have known and worked with for almost 20 years. Ray's sharp, strategic insights and exceptional industry perspective will be a huge asset to HP.

The technology industry is being fundamentally reshaped today. The various [servers] of the data center, service, storage, networking, and software are converging. I think given HP's diversified products and services portfolio, its financial strength, and its leadership position across markets, no other company is as well positioned to drive the changes on the way in the marketplace.

I have fundamental belief that great technology companies need innovation at the core and accountability around execution and delivering customer value. Again, it's an honor and a privilege to have this opportunity and I look forward to leading this team in execution of that vision. Thank you.

---

**Steve Fieler** - *Hewlett-Packard - VP, IR*

Thank you, Leo. I would now like the operator to open up the line for some questions.

---

Oct. 01. 2010 / 1:00PM, HPQ - Hewlett-Packard Election Results Conference Call - Léo Apotheker Named CEO and President

## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Ben Reitzes, Barclays.

---

### Ben Reitzes - Barclays Capital - Analyst

Thanks a lot. Could you talk, Leo and maybe Cathie, about your background coming for software and obviously Ray's from software? Many are thinking this is a signal that you are going to obviously move further in that area. It's only 3% of sales and obviously moving in the direction more of some of your competitors like Oracle and IBM.

So can you talk about your vision for moving HP further into the software world and is that one of the big reasons you are there?

---

### Leo Apotheker - Hewlett-Packard - Incoming CEO

Good morning, this is Leo Apotheker. Let me maybe try to answer the question the following way. I believe that the Board of HP decided to appoint me to this position for the reasons that Bob has just mentioned and I am not going to repeat those. If you want to talk about the strategy of HP, here are a few points that I would like to share with you.

I believe, and the management team believes, and we all believe, that HP should be more valuable than the sum of its parts. And in order to make that happen, we all believe, and HP has a long-standing commitment to that, that software is sort of the glue to make that happen. Software is how we differentiate on our industry-standard platform. Software is how we can make sure that the various parts of our technology actually fit well together.

It's not only software though. Also higher value-added services are increasingly an important element and an important component in the strategy as well. So you should see us working on all of these elements.

We will continue to execute in the way we are executing. HP has a great strategy and we will be focusing on all of our lines of businesses, including our PCs, including our server business, including our networking business, and of course, including also our software business.

---

### Ben Reitzes - Barclays Capital - Analyst

And then if I could just follow up and my final question is maybe if you could just talk about how you plan on retaining and engaging the rest of the executive team a little bit more. Obviously with the process there were many names thrown around and I just want to understand how you are kind of reaching out to now your fellow managers and plan on retaining them and working with them. Just a little bit more color on that, although you mentioned in your opening remarks a little bit.

---

### Leo Apotheker - Hewlett-Packard - Incoming CEO

Sure, I will be happy to. I believe that HP's senior management team is the best and the brightest in the industry, and HP and I am very privileged to be able to work with such a great team.

The first thing I did when I joined this company was to reach out to each member of the senior executive team; we have talked. These are great professionals. They have HP in their blood and I am sure that as a team we will be working together for many years and do a great job.

---

Oct. 01. 2010 / 1:00PM, HPQ - Hewlett-Packard Election Results Conference Call - Léo Apotheker Named CEO and President

**Ben Reitzes** - *Barclays Capital - Analyst*

Thank you very much. I look forward to working with you.

**Operator**

Katy Huberty, Morgan Stanley.

**Katy Huberty** - *Morgan Stanley - Analyst*

Thank you, Leo. Welcome to the team. You outlined many reasons that you came to HP. Another one is that the stock is well off its highs and Cathie highlighted last week an assumption that the share price will rebound in fiscal 2011. I wonder if you could just outline one or two of the biggest opportunities you see for HP in the near term that investors may not fully appreciate right now.

**Leo Apotheker** - *Hewlett-Packard - Incoming CEO*

You know, we have a, I hope, very interesting and very insightful investors day and analysts day the other day that Cathie lead. Cathie shared a lot of information about what HP is doing, and she has been doing a formidable job in her two months and as the CFO, of course, as well. So you got all of that transparency.

I happen to believe that HP is an undervalued property. HP is a company with great assets, great people, great capabilities, fantastic execution, strong balance sheet. So if I look at it from an outsider in, which I am not anymore but which I was a few days ago, I happen to believe that it's a company that has way more value than what is currently attributed to it.

**Steve Fieler** - *Hewlett-Packard - VP, IR*

Thanks. We will take the next question, please.

**Operator**

Toni Sacconaghi, Sanford Bernstein.

**Toni Sacconaghi** - *Sanford Bernstein - Analyst*

Yes, thank you and welcome, Leo. I have one question for Bob and one for Leo. Bob, you had mentioned that Leo was the only person who was offered the job at HP and that you had conducted a comprehensive search. Can you specifically comment on how many internal and external candidates were formally brought to the Board and reviewed? And then I will ask my question for Leo.

**Bob Ryan** - *Hewlett-Packard - Director*

I will answer your question this way; we cast the net very far and very wide. We had lots of candidates and this was a very desirable job in many, many respects. At the end of the day we ended up with about six that we think could have done this job. And as we went through all of them, Leo came out as the one and the best and the only one that we offered the job to.

Oct. 01. 2010 / 1:00PM, HPQ - Hewlett-Packard Election Results Conference Call - Léo Apotheker Named CEO and President

**Toni Sacconaghi** - Sanford Bernstein - Analyst

Okay, thank you. Leo, I was wondering if you could just talk a little bit about how you plan to better get to know the Company and your approach. Your predecessor started and said I need three or four months to learn about this company and then I am going to provide a readout and it was kind of a fairly discrete inflection point.

Can you comment on when we might be -- when we can expect kind of your readout and early action items on the Company and how you are thinking about the first 90 to 120 days?

---

**Leo Apotheker** - Hewlett-Packard - Incoming CEO

Morning, Toni. Let me start by saying that HP is a very healthy and very dynamic business that is executing extremely well. But the first thing I really want to do in this new job is I intend to hear and learn a lot from the HP people and I am going to do that in the next following weeks and even months. I am going to travel around the world.

I want to meet with as many HP people as I can. I want to learn from them and listen to what they have to say. I want to do the same thing with our customers and, of course, with our shareholders as well, so that is my first focus. And I will try to do this as effectively and as rapidly as possible and then just stay tuned for more news to come.

---

**Steve Fieler** - Hewlett-Packard - VP, IR

Thanks, Toni. We will take the next question, please.

---

**Operator**

Richard Gardner, Citigroup.

---

**Richard Gardner** - Citi - Analyst

Thank you. And, Leo, I would like to add my welcome. Leo, Bob Ryan talked about why the Board thought that your skill sets were complementary to the needs of HP. I would just love to get your thoughts on what you think you bring to HP and how you think you can help to move the Company forward over the next five years or so.

---

**Leo Apotheker** - Hewlett-Packard - Incoming CEO

Well, I have little to add to what Bob has already said but maybe a few more thoughts about this. HP is a company that has great talent and HP is grounded in the hardware business, and there are few companies, if any, on the planet that could even come close to HP's capability when it comes to hardware.

I bring to the table an asset that HP is less grounded in, even though it's a great company in this business as well, and that is software and to a certain extent high added value services. I would like to bring that personal value to HP so that we can actually create that mix and as a team have an even broader portfolio of capabilities that we can bring to bear in the market.

I bring to HP my experience. I bring to HP a lot of international and global experience. And as you know, HP is very much focused, and Cathie said this during the analyst meeting as well, to expand its markets. We want to grow way faster also in the new emerging markets and we will focus on that, and I have a lot of experience in those.

Oct. 01. 2010 / 1:00PM, HPQ - Hewlett-Packard Election Results Conference Call - Léo Apotheker Named CEO and President

HP is a global company and one of the attributes I have is I am a global citizen. Speaking a few languages, that always helps, and I have been doing business globally for the last 20 years now and I will throw this into the balance as well.

**Richard Gardner** - *Citi - Analyst*

Okay. And, Leo, if I could follow-up, since you are a 20-year veteran of the software industry, I was wondering if you would be willing to give your views on the Oracle strategy of having hardware infrastructure and apps under one roof. Do you believe that this is the way that the industry is moving or do you think that this is more of a unique strategy to Oracle?

**Leo Apotheker** - *Hewlett-Packard - Incoming CEO*

Richard, I am ill-placed to comment on Oracle's strategies. There are many spokespeople at Oracle who could do this way better than I can, so I would leave that to them.

I would like to give you maybe a little bit of a broader view on what is happening in the entire technology stack, which is I think the more important question, because HP is acting along all of the parts of the stack and the entire value chain of technology. We see and I think we all agree on this at HP, we see that there is massive disruption happening along all of the value chain and all of the components of the technology stack. We believe at HP that this is a great opportunity for us.

We have the capability, we have the skill set, we have the know-how, we have the strengths, we have the R&D capabilities, we have the talent in-house to be an effective driver of not only each layer of the technology stack interchanges but also to try to pull it all together into a cohesive strategy for our customers and clients worldwide. That is what we are going to focus on and I am sure Oracle will focus on their own strategy as well.

**Steve Fieler** - *Hewlett-Packard - VP, IR*

Great. Thanks, Rich. We will just take one more call here, one more question.

**Operator**

Brian Alexander, Raymond James.

**Brian Alexander** - *Raymond James - Analyst*

Maybe just a follow-up. Where specifically do you think HP needs to have more ownership of the software stack? I guess where are the holes and where do you think the Company needs to invest from a software perspective? Is it database applications, is it middleware? Just any more thoughts on that would be appreciated, thanks.

**Leo Apotheker** - *Hewlett-Packard - Incoming CEO*

You know, HP has such a diversified mix of businesses and products and services that I believe that we are uniquely positioned to be a strong player in every part of the stack. It's a little bit early for me and it would be somewhat presumptuous to say which exact part of which element we are good or even better at, so I am not going to comment on that. But I am sure we will have ample opportunity to discuss what we are going to do in many months going forward.

Oct. 01. 2010 / 1:00PM, HPQ - Hewlett-Packard Election Results Conference Call - Léo Apotheker Named CEO and President

**Steve Fieler** - *Hewlett-Packard - VP, IR*

Thanks, Brian. Leo, do have a few final thoughts you would like to provide here?

**Leo Apotheker** - *Hewlett-Packard - Incoming CEO*

Sure, thanks. I would like to thank you all for your time today. I am truly, deeply excited about being at HP; it's a fantastic opportunity. I very much look forward to getting on the road and meeting our employees, our customers, our partners, and of course our shareholders.

And very sincerely, I don't think there is another company in technology that can match HP's opportunity in the marketplace and I am very excited about having the opportunity to execute on that promise. Thank you very much.

**Steve Fieler** - *Hewlett-Packard - VP, IR*

Thank you, operator. We are completed with the call today. Thanks, everyone.

**Operator**

Ladies and gentlemen, this concludes our call for today. Thank you.

#### DISCLAIMER

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2010, Thomson Reuters. All Rights Reserved.

