

## **HP triples stock buyback plan, profit up 14 percent**

Mon Nov 23, 2009 7:36pm EST

By Gabriel Madway

SAN FRANCISCO (Reuters) - Hewlett-Packard Co tripled the size of its share repurchase program to \$12 billion as China sales and better profit margins on its services boosted quarterly earnings.

The fiscal fourth-quarter results released on Monday were in line with preliminary figures that HP gave two weeks ago, which had topped Wall Street's estimates at the time. Shares of HP fell slightly in after-hours trading.

HP, a hardware and technology services company that is a bellwether for IT spending, has been more cautious than some of its peers in predicting an economic turnaround.

But Chief Executive Mark Hurd sounded somewhat more optimistic, noting pockets of returning demand, including in its closely watched printer business, which has struggled this year.

"The economy remains challenging, but we do see encouraging signs of recovery in certain markets," Hurd said on a conference call with analysts.

"They're basically pointing to year-over-year growth in the January quarter," said Kaufman Bros analyst Shaw Wu. "It's a good sign."

Hurd cautioned that Europe remains weak, if stable, and it was not clear when a recovery will take hold in the region.

HP's diversification, recurring revenue, and cost controls have provided it with a solid cushion during the downturn.

HP bought EDS last year to become the No. 2 provider of IT services, behind IBM. HP said it has now cut 19,000 jobs as it continues to integrate the company.

HP's services revenue rose 8 percent, and the company said signings were "strong," positioning it well for next year.

PC unit sales rose 8 percent, although revenue fell 12 percent as prices across the industry continue to fall.

HP, the world's No. 1 PC maker, continues to engage Acer Inc in a price war, analysts say, particularly on consumer laptops. HP said it made big gains in the enterprise PC business in the United States, and PC revenue in China jumped 40 percent.

"Although growth has slowed down to a certain extent in the U.S, emerging markets, where consolidation is taking place, is providing new opportunities for HP to broaden its reach," said **Unni Narayanan, chief executive of Primary Global Research, an investment research firm.**

## BIG BUYBACK

Earlier this month HP announced a \$3 billion deal to acquire 3Com Corp, as it moved to take on network giant Cisco Systems Inc. As competition in the corporate data center heats up and industry consolidation continues, analysts expect HP to remain aggressive in M&A.

"The No. 1 thing we get back from customers is they'd like us to do more, they'd like us to have a broader portfolio with more capabilities," Hurd said.

HP raised its stock repurchase plan by \$8 billion, the company said. About \$4 billion remained of an \$8 billion share buyback program approved in September 2008.

Chief Financial Officer Cathie Lesjak said the authorization was part of its normal strategy.

HP reported a net profit of \$2.4 billion, or 99 cents a share, in its fourth quarter, up from \$2.1 billion, or 84 cents a share, in the year-ago period.

Excluding items, HP earned \$1.14 a share. Revenue fell 8 percent to \$30.8 billion.

As it forecast earlier this month, HP expects fiscal 2010 earnings, excluding items, of \$4.25 to \$4.35 a share on revenue of \$118 billion to \$119 billion.

Shares of Palo Alto, California-based HP closed at \$51.02, up 1.96 percent, on the New York Stock Exchange and fell to \$50.71 after hours.

(Reporting by Gabriel Madway and Paul Thomasch; Editing by Richard Chang)