

HP INC

Form 10-Q

March 05, 2019

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

(Mark  
One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the quarterly period ended: January 31, 2019

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 1-4423

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HP INC.

(Exact name of registrant as specified in its charter)

Delaware	94-1081436
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)
1501 Page Mill Road, Palo Alto, California	94304
(Address of principal executive offices)	(Zip code)
(650) 857-1501	
(Registrant's telephone number, including area code)	

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

(Do not check if a smaller reporting company) Emerging growth company

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes  No

The number of shares of HP common stock outstanding as of January 31, 2019 was 1,539,371,597 shares.

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HP INC. AND SUBSIDIARIES

Form 10-Q

For the Quarterly Period ended January 31, 2019

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In this report on Form 10-Q, for all periods presented, “we”, “us”, “our”, “company”, “HP” and “HP Inc.” refer to HP Inc. (formerly Hewlett-Packard Company) and its consolidated subsidiaries.

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Forward-Looking Statements

This Quarterly Report on Form 10-Q, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 2 of Part I, contains forward-looking statements that involve risks, uncertainties and assumptions. If the risks or uncertainties ever materialize or the assumptions prove incorrect, the results of HP Inc. and its consolidated subsidiaries (“HP”) may differ materially from those expressed or implied by such forward-looking statements and assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including, but not limited to, any projections of net revenue, margins, expenses, effective tax rates, net earnings, net earnings per share, cash flows, benefit plan funding, deferred taxes, share repurchases, foreign currency exchange rates or other financial items; any projections of the amount, timing or impact of cost savings or restructuring and other charges; any statements of the plans, strategies and objectives of management for future operations, including, but not limited to, our sustainability goals, the execution of restructuring plans and any resulting cost savings, net revenue or profitability improvements; any statements concerning the expected development, performance, market share or competitive performance relating to products or services; any statements regarding current or future macroeconomic trends or events and the impact of those trends and events on HP and its financial performance; any statements regarding pending investigations, claims or disputes; any statements of expectation or belief, including with respect to the timing and expected benefits of acquisitions and other business combination and investment transactions; and any statements of assumptions underlying any of the foregoing. Risks, uncertainties and assumptions include the need to address the many challenges facing HP’s businesses; the competitive pressures faced by HP’s businesses; risks associated with executing HP’s strategy; the impact of macroeconomic and geopolitical trends and events; the need to manage third-party suppliers and the distribution of HP’s products and the delivery of HP’s services effectively; the protection of HP’s intellectual property assets, including intellectual property licensed from third parties; risks associated with HP’s international operations; the development and transition of new products and services and the enhancement of existing products and services to meet customer needs and respond to emerging technological trends; the execution and performance of contracts by HP and its suppliers, customers, clients and partners; the hiring and retention of key employees; integration and other risks associated with business combination and investment transactions; the results of the restructuring plans, including estimates and assumptions related to the cost (including any possible disruption of HP’s business) and the anticipated benefits of the restructuring plans; the impact of changes in tax laws, including uncertainties related to expected regulations of the U.S. Department of the Treasury implementing the Tax Cuts and Jobs Act of 2017 on HP’s tax obligations and effective tax rate; the resolution of pending investigations, claims and disputes; and other risks that are described herein, including, but not limited to, those discussed in this Quarterly Report on Form 10-Q, and in particular, the risks discussed in Part I, Item 1A “Risk Factors” in our Annual Report on Form 10-K, for the fiscal year ended October 31, 2018, and that are otherwise described or updated from time to time in HP’s other filings with the Securities and Exchange Commission (“the SEC”). HP assumes no obligation and does not intend to update these forward-looking statements.

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## HP INC. AND SUBSIDIARIES

Consolidated Condensed Statements of Earnings  
(Unaudited)

	Three months ended January 31	
	2019	2018
	In millions, except per share amounts	
Net revenue	\$14,710	\$14,517
Costs and expenses:		
Cost of revenue	12,098	11,935
Research and development	344	347
Selling, general and administrative	1,248	1,229
Restructuring and other charges	55	31
Acquisition-related charges	10	42
Amortization of intangible assets	29	20
Total costs and expenses	13,784	13,604
Earnings from operations	926	913
Interest and other, net	(26)	(8)
Earnings before taxes	900	905
Provision for taxes	(97)	1,033
Net earnings	\$803	\$1,938
Net earnings per share:		
Basic	\$0.52	\$1.17
Diluted	\$0.51	\$1.16
Cash dividends declared per share	\$0.32	\$0.28
Weighted-average shares used to compute net earnings per share:		
Basic	1,556	1,650
Diluted	1,567	1,669

The accompanying notes are an integral part of these Consolidated Condensed Financial Statements.

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## HP INC. AND SUBSIDIARIES

Consolidated Condensed Statements of Comprehensive Income  
(Unaudited)

	Three months ended January 31	
	2019	2018
	In millions	
Net earnings	\$803	\$1,938
Other comprehensive loss before taxes:		
Change in unrealized components of available-for-sale debt securities:		
Unrealized losses arising during the period	—	(3 )
Gains reclassified into earnings	—	(5 )
	—	(8 )
Change in unrealized components of cash flow hedges:		
Unrealized losses arising during the period	(107 )	(551 )
(Gains) losses reclassified into earnings	(179 )	70
	(286 )	(481 )
Change in unrealized components of defined benefit plans:		
Amortization of actuarial loss and prior service benefit	11	12
Settlements and other	(2 )	1
	9	13
Change in cumulative translation adjustment	(5 )	—
Other comprehensive loss before taxes	(282 )	(476 )
Benefit from taxes	40	65
Other comprehensive loss, net of taxes	(242 )	(411 )
Comprehensive income	\$561	\$1,527

The accompanying notes are an integral part of these Consolidated Condensed Financial Statements.

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HP INC. AND SUBSIDIARIES

Consolidated Condensed Balance Sheets

(Unaudited)

As of  
January    October  
31,        31,  
2019      2018

In millions,  
except par value

ASSETS

Current assets: