

Business Strategy In An Uncertain Economy

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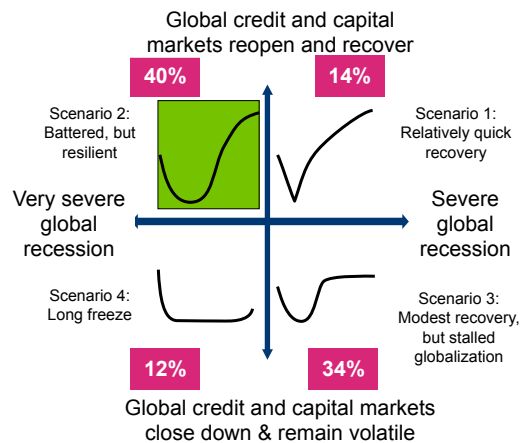


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The recent recession has been severe, but consensus is starting to build on a potential recovery

“Which scenario do you believe is most likely?”

■ = Scenario likelihood (% indicating)



Key Takeaways

- Advanced economies showing signs of bottoming
- Executives anticipating increased geopolitical and/or social risk due to high unemployment and market losses
- Regionally, Asian executives more likely to expect the “long freeze”
- Experts beginning to see risk of a “double-dip” recession

² Source: April 2009 McKinsey Quarterly



HP is the world's largest technology company and has a broad portfolio

HP Org Structure



CEO: Mark Hurd
2008 Rev¹: \$135B
FTEs: 321,000
Locations: >170 countries

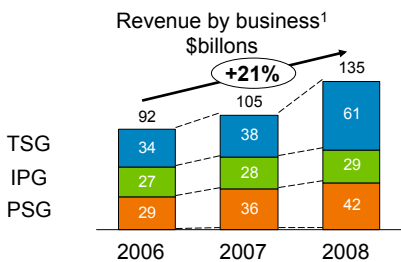
Technology Solutions Group
EVP: Ann Livermore
2008 Rev¹: \$61.4B



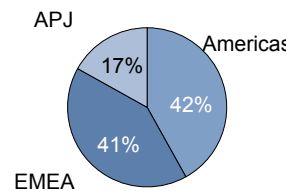
Personal Systems Group
EVP: Todd Bradley
2008 Rev: \$42.3B



Imaging Printing Group
EVP: Vyomesh Joshi
2008 Rev \$29.4B

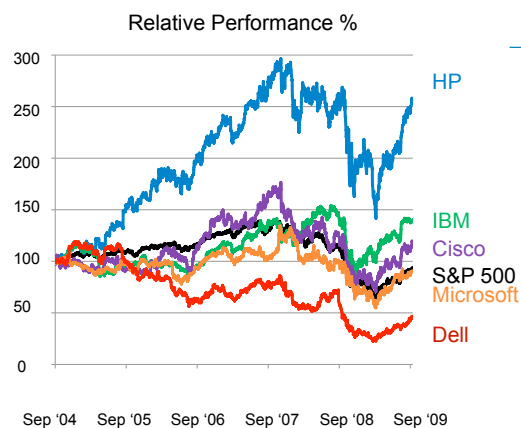


2008 Revenue share by geography



³ Note: (1) FY08 Financial results include full year EDS financial results FY08; EDS acquired 8/26/08
Source: HP financial reports

HP has consistently outperformed competition in the marketplace and beat expectations in the latest quarter



Q3 FY'09 Financial Highlights

- Revenue and Non-GAAP EPS above Q3FY'09 Outlook
- Business showing increasing signs of stability
 - US stable for second consecutive quarter
 - Double-digit growth in China
- Strong margin expansion in Services
- Investing for future growth

Source: HP Q3FY'09 Quarterly Results, Capital IQ, comparisons through 09/15/09



Uncertain economic times threaten existing businesses but also create opportunity

Threat	Opportunity
• Uncertain environment	• Foresight is rewarded
• Weakened competition	• Replace/consolidate and restructure industries
• Changing customer needs	• Identify new products, pricing mechanisms and routes to market
• Lower costs for competition, creating pricing pressure	• Differentiate offering on dimensions other than price
• Pressure to reduce workforce	• Hire key talent

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How do you plan in uncertain economic times?

	Predictive Strategy <i>Assume end state, set goals & allocate resources</i>	Adaptive Strategy <i>Use available market info to set goals ; monitor & reassess</i>
Growth Focus	Place Big Bets	Follow Emerging Opportunities
Maintenance Focus	Maintain Share	React To Competitor Moves

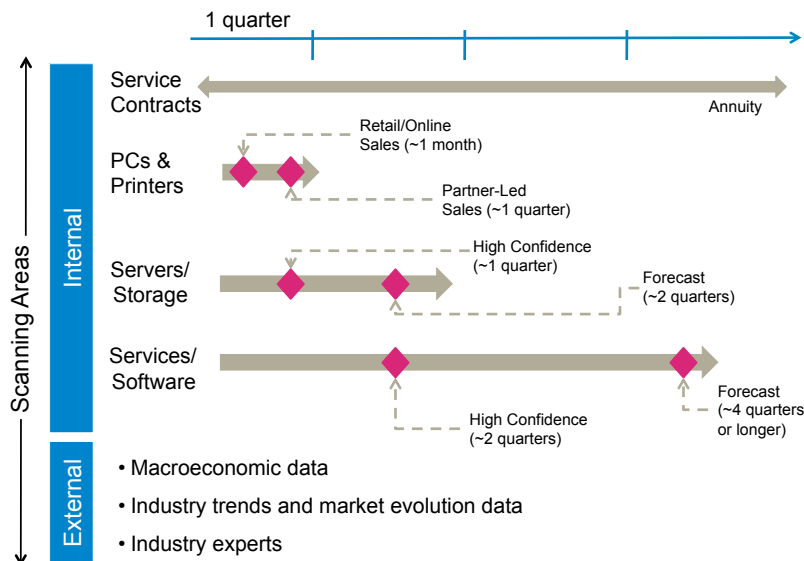
More adaptive approach required in uncertain times

- *What market information should be collected and how often?*
- *How often should goals/resources be reassessed and reallocated?*
- *What processes should be used for business planning?*
- *Who should participate?*

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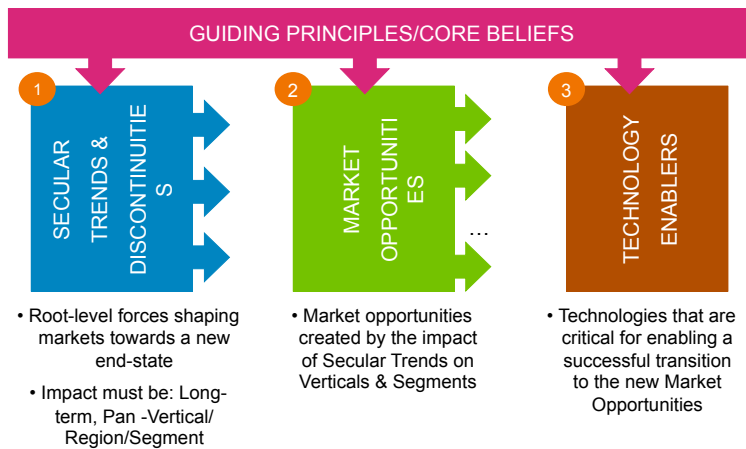


HP's broad portfolio allows us to look out into emerging economic trends



HP's long-term strategy leverages discontinuities created in the market by secular trends

Framework: secular trends create market opportunities that are realized by technology enablers



Historically, businesses have achieved “big wins” in uncertain times by leveraging market discontinuities

- Panic of 1873
 - GE introduced the light bulb, creating a new market
- The Great Depression
 - Kellogg invested heavily in advertising new cereals while competition cut advertising budgets, becoming the industry’s leading player
- 1939 – early 1940s
 - Silicon Valley startup Hewlett-Packard fulfills emerging unmet need among engineers and scientists for high-quality electronic test equipment
- 1973 Oil Crisis
 - Japanese carmakers become market leaders as US-manufactured cars fail to meet higher fuel efficiency standards
- Today
 - Hyundai is gaining US auto market share with heavy advertising and a guarantee to take back cars from owners who lose jobs



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