

What is the Cost of the HP Split?

Written by Marco Attard
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\$2 billion is the price of HP's split into two companies, as divided in \$1.3bn in pre-tax separation costs for its current fiscal year (2015), another \$500 million for fiscal 2016 and around \$750m in foreign taxes.



"The scale of this separation is unprecedented in its size and complexity," HP CFO Cathie Lesjak explains at the company's fiscal Q1 2015 earnings conference call. Meanwhile CEO Meg Whitman remarks "we are separating into two Fortune 50 companies. It's hard to imagine that there are two Fortune 50 companies embedded inside HP."

The price comes from a lot of one-time costs, including the building of two individual IT systems, consulting fees, legal fees, real estate expenses and, of course, taxes. As a result there will also be an unspecified amount of layoffs.

As for fiscal Q1 2015 the company reports revenues reaching \$26.8bn with a -5% Y-o-Y decline, with either flat or declining results across all HP segments. Personal Systems revenues are flat (if with a 9% Y-o-Y increase in unit shipments), Printing revenues drop by -5% Y-o-Y, Enterprise Group revenues are also flat, Enterprise Service revenues are down -11% Y-o-Y and Software revenues drop -5% Y-o-Y.

Partly to blame for such results are currency rates, as a currently strong dollar makes for expensive conversions to other global currencies, especially the euro.

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However the HP bottom-line gets at least one positive for the future-- the company won a "multi-billion" deal with Deutsche Bank in the building of an HP Helion-powered private cloud.

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