

HP Wants to Hug You

Written by Bob Snyder
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HP is in its 2nd year of its business restructuring and does not expect to fully recover (ie., expand) until 2014. In EMEA, HP last reported an 11% decline in business.



In 2013 Q1, software revenue accounted for 926 million in revenue, down 2% from last year with a 17.0% operating margin. Support revenue was up 11% while license revenue fell 16% and services revenue dropped 8% year over year.

Enterprise Group revenue declined 4% year over year with a 15.5% operating margin.

Networking revenue was up 4%, Industry Standard Servers revenue was down 3%,

Business Critical Systems

revenue was down 24%,

Storage

revenue was down 13% and

Technology Services

revenue was down 1% year over year. HP still believes in the growth in convergence and server storage. The company is betting that energy savings in servers will matter to customers.

Codenamed "Project Moonshot," HP is designing servers that are powered by Intel's (INTL) Atom chip.

Enterprise Services revenue declined 7% year over year with a 1.3% operating margin. **Application and Business Services**

revenue was down 9% year over year, and IT Outsourcing revenue declined 6% year over year.

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Last quarter HP managed to improve margins in printing by 3.9%. Printing revenue declined 5% year over year with a strong operating margin of 16.1%. Total hardware units were down 11% year over year. Commercial hardware units were down 6% year over year, and Consumer hardware units were down 13% year over year. Small innovations helped as HP released new multi-function printers in the last quarter. Ink sales grew by 32%. The recent release of Officejet Pro X should help reverse declines in the printing unit in the quarters ahead.

Weak demand in the PC market is still expected throughout 2013, but its impact is minimal because last quarter the \$223 million profit at the Personal Systems Group division contributed just 10% of operating profit.

Two key products in a declining PC market provide an example of HP innovation: the **EliteBook Revolve** and the **Google Chromebook**

. Despite shipments declining by 5%, HP's diversification from Windows 8 should broaden its brand to a wider customer base. HP will be launching an Android-based tablet in April 2013, which under-prices Google's current Nexus 7.

HP Financial Services revenue grew 1% year over year as a 1% increase in net portfolio assets was offset by a 25% decrease in financing volume. The business delivered a 10.6% operating margin.

You can ask yourself what wrong with HP time and time again and you come up with the same answer: its the top of the executive ladder that seems to be missing a rung.

Internet superstar exec Meg Whitman joined the Board of HP in 2011 and 9 months later was thrown into the CEO job after the HP Board had made several disastrous choices.

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