

# Hewlett Packard Shoots Their Other Foot

Hewlett Packard (HPQ), a company that is earning records for large and expensive strategic errors, plummeted to new depths of incompetence today with their \$8.8 BN write down of Autonomy, a software company they acquired in 2011. The list of enormous acquisitions about which nothing much positive subsequently emerged is shockingly long: Compaq in May 2002 for \$25 BN; P&G IT in 2003 for \$3BN; Mercury Interactive in 2006 for \$4.5BN; Opsware in 2007 for \$1.6BN; Electronic Data Systems in 2008 for \$13.9BN; 3Com for \$2.7BN, Palm for \$1.2BN, 3PAR for \$2.35BN and ArcSight for \$1.5BN all in 2010; Autonomy for \$11BN in 2011. And these are just the \$1Bn or greater deals. \$66.75BN in acquisitions over the past ten years and the company's market cap is less than half of that. None of today's board members have served since 2002, but several joined in 2009 since when HPQ has spent \$18.75BN including on the ill-fated Autonomy deal. Among those board members who have been around long enough to be responsible are G Kennedy Thompson and John Hammergren (both since 2005), and Marc Andreessen and Rajiv Gupta (both since 2009). There are only eleven board members including CEO Meg Whitman, and she was on the Board when they bought Autonomy prior to becoming CEO.

When you write a check for \$11BN and subsequently find you were ripped off, you can't seriously blame anyone but yourselves. Pointing the finger at the former management of Autonomy or the auditor just further confirms that none of these people should be managing anybody's money but their own. For our part, while we're thankful to have never been investors, we're going to add the HPQ Rule to our investment process that rejects any investment in a company with one of these value destroyers on its board of directors.