

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-03-16** | Period of Report: **1994-01-31**  
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### FILER

#### HEWLETT PACKARD CO

CIK: [47217](#) | IRS No.: [941081436](#) | State of Incorporation: **CA** | Fiscal Year End: **1031**  
Type: **10-Q** | Act: **34** | File No.: [001-04423](#) | Film No.: [94516351](#)  
SIC: **3570** Computer & office equipment

Business Address  
3000 HANOVER ST  
PALO ALTO CA 94304  
4158571501

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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, 1994

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

HEWLETT-PACKARD COMPANY

-----  
(Exact name of registrant as specified in its charter)

California

94-1081436

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(IRS Employer  
Identification No.)

3000 Hanover Street, Palo Alto, California

94304

-----  
(Address of principal executive offices)

-----  
(Zip Code)

Registrant's telephone number, including area code (415) 857-1501  
-----

Former name, former address and former fiscal year, if changed since last report

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 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      X      No  
-----      -----

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at January 31, 1994
-----	-----
Common Stock, \$1 par value	252.9 million shares

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

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Item 1. Financial Statements.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEET

-----

(Millions except par value and number of shares)

<CAPTION>

	January 31 1994	October 31 1993
	-----	-----
Assets	(Unaudited)	
-----		
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$ 1,295	\$ 889
Short-term investments	769	755
Accounts and notes receivable	3,905	4,208
Inventories:		
Finished goods	2,438	2,121
Purchased parts and fabricated assemblies	1,624	1,570
Other current assets	727	693
	-----	-----
Total current assets	10,758	10,236
	-----	-----

Property, plant and equipment (less accumulated depreciation): January 31, 1994 - \$3,313;

October 31, 1993 - \$3,347)	4,179	4,180
Long-term receivables and other assets	2,264	2,320
	-----	-----
	\$17,201	\$16,736
	=====	=====

Liabilities and Shareholders' Equity

Current liabilities:

Notes payable and short-term borrowings	\$ 2,301	\$ 2,190
Accounts payable and accruals	2,801	2,708
Employee compensation and benefits	909	1,048
Taxes on earnings	1,065	922
	-----	-----
Total current liabilities	7,076	6,868
	-----	-----

Long-term debt	671	667
Other liabilities	710	690

Shareholders' equity:

Preferred stock, \$1 par value (authorized: 300,000,000 shares; issued: none)		
Common stock and capital in excess of \$1 par value (authorized: 600,000,000 shares; issued and outstanding: 252,915,000 at January 31, 1994 and 252,713,000 at October 31, 1993)	928	937
Retained earnings	7,816	7,574
	-----	-----
Total shareholders' equity	8,744	8,511
	-----	-----
	\$17,201	\$16,736
	=====	=====

The accompanying notes are an integral part of these consolidated condensed financial statements.

Certain amounts have been reclassified to conform to the 1994 presentation.

</TABLE>

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENT OF EARNINGS

(Unaudited)

(Millions except per share amounts)

<CAPTION>

	Three months ended January 31	
	1994	1993
	----	----
<S>	<C>	<C>
Net Revenue:		
Equipment	\$4,373	\$3,462
Services	1,309	1,111
	-----	-----
	5,682	4,573
	-----	-----
Costs and expenses:		
Cost of equipment sold and services	3,470	2,664
Research and development	466	399
Selling, general and administrative	1,148	1,089
	-----	-----
	5,084	4,152
	-----	-----
Earnings from operations	598	421
Interest income and other income (expense)	3	12
Interest expense	34	32
	-----	-----
Earnings before taxes	567	401
Provision for taxes	199	140
	-----	-----
Net earnings	\$ 368	\$ 261
	=====	=====
Net earnings per share	\$ 1.42	\$ 1.03
	=====	=====
Cash dividends declared per share	\$ .50	\$ .40
	=====	=====

Average shares used in computing net earnings  
per share

259	252
=====	=====

The accompanying notes are an integral part of these consolidated condensed financial statements.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES  
CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS  
-----  
(Unaudited)  
  
(Millions)

<CAPTION>

	Three months ended January 31	
	1994	1993
	----	----
<S>	<C>	<C>
Cash flows from operating activities:		
Net earnings	\$ 368	\$ 261
Adjustments to reconcile net earnings to cash provided by operating activities:		
Depreciation and amortization	227	187
Deferred taxes on earnings	(71)	(46)
Change in assets and liabilities:		
Accounts and notes receivable	293	129
Inventories	(371)	(225)
Accounts payable	(90)	(89)
Taxes on earnings	141	199
Other current assets and liabilities	(10)	42
Other, net	50	(27)
	-----	-----
	537	431
	-----	-----
Cash flows from investing activities:		
Investment in property, plant and equipment	(306)	(287)
Disposition of property, plant and equipment	126	89
Purchase of short-term investments	(419)	(398)

Maturities of short-term investments	405	278
Other, net	40	6
	-----	-----
	(154)	(312)
	-----	-----
Cash flows from financing activities:		
Increase in notes payable and short-term borrowings	105	351
Issuance of long-term debt	22	14
Payment of current maturities of long-term debt	(11)	(100)
Issuance of common stock under employee stock plans	80	73
Repurchase of common stock	(109)	(18)
Dividends	(63)	(50)
Other, net	(1)	(6)
	-----	-----
	23	264
	-----	-----
Increase in cash and cash equivalents	406	383
Cash and cash equivalents at beginning of period	889	641
	-----	-----
Cash and cash equivalents at end of period	\$1,295	\$1,024
	=====	=====

The accompanying notes are an integral part of these consolidated condensed financial statements.

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## HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

-----  
(Unaudited)

1. In the opinion of the Company's management, the accompanying consolidated condensed financial statements contain all adjustments (which comprise only normal and recurring accruals) necessary to present fairly the financial position as of January 31, 1994 and October 31, 1993, the results of operations for the three months ended January 31, 1994 and 1993, and cash flows for the three months ended January 31, 1994 and 1993.

The results of operations for the three month period ended January 31, 1994 are not necessarily indicative of the results to be expected for the full year.

2. In fiscal 1994, net earnings per share are computed based on a method which approximates the use of a weighted-average number of common shares and common share equivalents outstanding during each period. Common share equivalents represent the dilutive effect of outstanding stock options. In previous years, common share equivalents were not included as their effect was considered immaterial.
3. Income tax provisions for interim periods are based on estimated effective annual income tax rates. The effective income tax rate varies from the U.S. federal statutory income tax rate primarily because of tax credits and variations in the tax rates on foreign income.
4. In accordance with Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows," the Company has classified investments as cash equivalents if the original maturity of such investments is three months or less.

The Company paid interest of \$30 million and \$32 million for the three months ended January 31, 1994 and 1993, respectively. For the three months ended January 31, 1994, the Company paid income taxes of \$127 million. For the same period in fiscal 1993, income tax refunds exceeded income taxes paid by \$13 million. The effect of foreign currency exchange rate fluctuations on cash balances held in foreign currencies was not material.

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Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition (Unaudited).

## HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

### RESULTS OF OPERATIONS

- - - - -

Net Revenue - Net revenue for the first three months of fiscal 1994 was \$5.7 billion, an increase of 24 percent from the same period of fiscal 1993. Equipment sales increased 26 percent and service revenue grew 18 percent over the corresponding period of fiscal 1993. International net revenue grew 24 percent to \$3.1 billion, while U.S. net revenue grew 25 percent to \$2.6 billion.

The first quarter growth in net revenue was principally due to strong demand for the Company's personal computer and PC networking products, printer products and related supplies, workstations, multi-user UNIX systems, and optical and tape backup products.

Costs and Expenses - Cost of equipment sold and services as a percentage of net revenue was 61.1 percent for the first quarter of fiscal 1994, compared to 58.3 percent for the first quarter of fiscal 1993. This increase over fiscal 1993 was the result of continued competitive pricing pressures, an ongoing shift in revenue mix to products with higher cost of sales as a percentage of revenue and a growing proportion of sales through indirect channels. Products sold through indirect channels generally carry higher discounts, thereby increasing cost of sales as a percentage of net revenue. The Company believes that these factors are likely to continue to put some upward pressure on cost of sales.

Operating expenses as a percentage of net revenue in the first quarter of fiscal 1994 were 28.4 percent compared with 32.5 percent of net revenue for the first quarter of fiscal 1993, a decrease of 4.1 percentage points over the prior year. This decrease reflects ongoing efforts to adjust expense structures and the effects of the change in the mix of products sold as mentioned above. The level of operating expenses increased 8 percent over the first quarter of fiscal 1993 primarily due to increased research and development expenses. The increased investment in research and development reflects the Company's belief that continued success in a global marketplace requires a continuing flow of innovative, high-quality products.

Provision for Taxes - The provision for taxes as a percentage of earnings before taxes was 35 percent for the first quarter of both fiscal 1994 and fiscal 1993.

Net Earnings - Net earnings for the first quarter of fiscal 1994 were \$368 million, or \$1.42 per share on an average of 259 million shares, compared to net earnings of \$261 million, or \$1.03 per share, on an average of 252 million shares during the first quarter of fiscal 1993. In fiscal 1994, net earnings per share are computed based on a method which approximates the use of a weighted-average number of common shares and common share equivalents outstanding during each period. Common share equivalents represent the dilutive effect of outstanding stock options. In previous years, common share equivalents were not included as their effect was considered immaterial. The

inclusion of these equivalents in fiscal 1994 reduced the first quarter's earnings per share by 4 cents.

## FINANCIAL CONDITION

Liquidity and Capital Resources - The Company's financial position remains strong, with cash and cash equivalents and short-term investments of \$2.1 billion at January 31, 1994, compared with \$1.5 billion at January 31, 1993. Cash flows from operations were \$537 million during the first three months of fiscal 1994 compared to \$431 million for the corresponding period of fiscal 1993. The increase in cash flows from operations for fiscal 1994 was primarily attributable to higher net earnings and collections of accounts and notes receivables. These factors were partially offset by increased inventory levels due to new product ramp-ups, short time-to-market introduction cycles and increased usage of retail channels, which require higher inventory levels to meet the immediate needs of retailers' customers. One of the Company's ongoing objectives is to enhance processes, with a focus on improving inventory turnover, to accommodate business changes such as shorter product life cycles and rapid product ramp-ups.

Capital expenditures for the first three months of fiscal 1994 were \$306 million, compared to \$287 million for the corresponding period in the previous year. The changes in investment and borrowing activities during the first three months of fiscal 1994, when compared to the same period in 1993, resulted from changes in the Company's liquidity requirements to meet short-term working capital needs.

Under the Company's stock repurchase program, shares have been purchased periodically to meet employee stock plan requirements. During the three months ended January 31, 1994, the Company repurchased and retired approximately 1.4 million shares for an aggregate price of \$109 million. During the three months ended January 31, 1993, the Company repurchased and retired 288,000 shares for an aggregate price of \$18 million.

## PART II. OTHER INFORMATION

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Item 4. Submission of Matters to a Vote of Security Holders.

- (a) The Company's Annual Meeting of Shareholders was held on February 22, 1994.

(c) At said Annual Meeting, shareholders voted on three matters: the election of directors, approval of amendments to the Company's Tax Saving Capital Accumulation Plan (the "TaxCAP") and the appointment of Price Waterhouse as the Company's independent accountants. The shareholders elected all members of the management slate in an uncontested election and approved amendments to the TaxCAP and the appointment of independent accountants, by the following votes, respectively. There were no broker nonvotes on any of the matters voted on at the Annual Meeting.

Directors

- - - - -

Director -----	Votes for -----	Votes Withheld/Abstentions -----
Thomas E. Everhart	212,803,415	294,728
John B. Fery	212,796,761	301,382
Jean-Paul G. Gimon	212,745,077	353,066
Richard A. Hackborn	212,775,265	322,878
Harold J. Haynes	212,728,538	369,605
Walter B. Hewlett	212,742,295	355,848
Shirley M. Hufstedler	212,767,305	330,838
George A. Keyworth II	212,798,234	299,909
Paul F. Miller, Jr.	212,801,509	296,634
Susan P. Orr	212,725,776	372,367
David W. Packard	212,723,226	374,917
Donald E. Petersen	212,791,382	306,761
Lewis E. Platt	212,761,455	336,688
Robert P. Wayman	212,753,574	344,569

Amendments

- - - - -

Votes for -----	Votes Against -----	Votes Withheld/Abstentions -----
211,621,522	595,454	881,167

Accountants

- - - - -

Votes for -----	Votes Against -----	Votes Withheld/Abstentions -----
212,609,356	171,344	317,443

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:

A list of exhibits is set forth in the Exhibit Index found on page 11 of this report.

(b) Reports on Form 8-K:

There were no reports on Form 8-K filed during the three months ended January 31, 1994.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

SIGNATURE

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Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HEWLETT-PACKARD COMPANY  
(Registrant)

Dated: March 16, 1994

By: /s/ Robert P. Wayman

-----

Robert P. Wayman  
Executive Vice President  
Finance and Administration  
(Chief Financial Officer)

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

EXHIBIT INDEX

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Exhibits:

- 1. Not applicable.
- 2. None.
- 3. Not applicable.
- 4. None.
- 5-9. Not applicable.
- 10-11. None.
- 12-14. Not applicable.
- 15. None.
- 16-17. Not applicable.
- 18-19. None.
- 20-21. Not applicable.
- 22-24. None.
- 25-26. Not applicable.
- 27. None.
- 28. Not applicable.
- 99. None.