



**DAILY COMPANY NOTE - Hewlett-Packard** See page 2 for full details

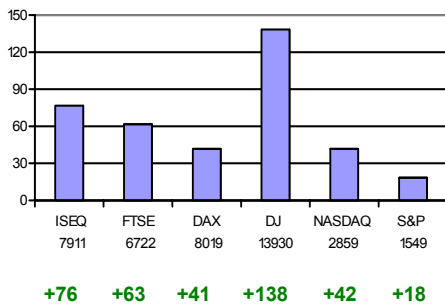
## Daily Market Comment

**Yesterday's Summary :** European stocks rose yesterday boosted by the financial sector after Deutsche Bank said that its fourth quarter began 'very positively' and reiterated its pretax profit target for 2008. Markets were also helped by M&A activity after Garmin said it will make a cash offer for Tele Atlas, while there were also rumours that DSG International may receive a bid from Best Buy in the US.

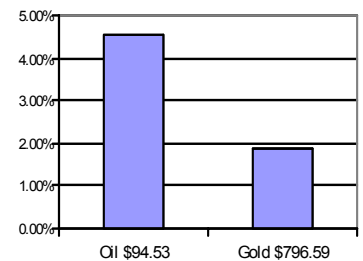
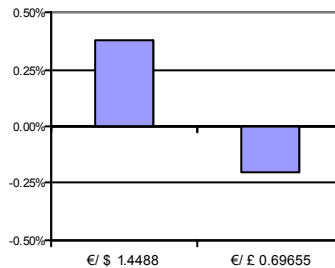
**Overnight News :** Asian stocks hit record highs overnight boosted by exporting stocks such as Canon following the Fed's decision to lower interest rates and data that showed the US economy grew at 3.9% during the third quarter.

**Breaking News :** Credit Suisse reported 3Q net profit that fell by 31% to CHF1.3bn. Recall that at the start of October Credit Suisse said it expected net profit to fall within a range of +/- 20% of CHF1.3bn. The group's investment banking unit took a CHF2.2bn charge due to underperforming mortgage assets. Credit Suisse noted that it saw 'encouraging signs' that the credit markets were improving, although it was impossible to say when they may make a full recovery.

### Equity Index's change on day



### Currency daily % change Oil/Gold daily % change



## Paper Headlines

- Dollar tumbles following Fed decision - (Financial Times)
- Bank of Ireland notches up 3.8% gain - **Bank of Ireland** - (Irish Times)
- Tesco shares on a high after regulator report - **Tesco** - (Irish Independent)
- Elan sues over patent infringement in US - **Elan** - (Irish Independent)

## Market Themes and Movers

**Fed could be finished cutting rates :** Last night, the Federal Reserve (Fed) lowered both its benchmark and discount interest rates by 25 basis points to 4.50% and 5.00%, which was in line with what the market had been expecting. The Fed pointed out that risks of higher prices and slower growth are 'roughly balanced' and that they will not be surprised by further housing weakness. The Fed warned that energy and commodity prices may place 'renewed pressure on inflation' which is currently at 1.8% and within its 1%-2% range, however could force the Fed to pause in its current easing stance on monetary policy.

**Oil set to hit \$100 a barrel?:** Crude oil climbed to over \$94 a barrel yesterday and is now closing in on the psychological \$100 mark. The rise yesterday was driven by an unexpected decline in US inventories and a report on the US economy that showed it expanded at its fastest pace in more than a year. Oil ministers from Iran, Qatar and the United Arab Emirates also put pressure on the oil price after commenting that they see no need for OPEC to raise production.

**Gold closing in on \$800 :** Gold moved closer to the \$800 level yesterday as investors continued safe-haven purchases and on expectations of further weakness in the dollar. Commodities prices across the board are continuing to soar boosted by surging demand from emerging markets such as China and India. Both wheat and copper have hit records recently climbing 61% and 21% so far this year.

## Dolmen Squawk Box

- Today ten years ago Indonesia received a \$23-billion credit rescue. The Indonesia rescue package was then the second largest international assistance plan after the \$50 billion put together to aid Mexico in 1995. Indonesia's currency had plummeted 35% during the year and the Jakarta Stock Exchange plunged 21.5%.



Dolmen Securities  
75 St. Stephen's Green, Dublin 2, Ireland.  
45 South Mall, Cork, Ireland  
Theatre Court, Mallow St, Limerick, Ireland.

Website : [www.dolmenstockbrokers.ie](http://www.dolmenstockbrokers.ie)  
Tel : +353 1 633 3800/1890 400 300  
Tel : +353 21 422 2122  
Tel : +353 61 436 500

E-mail: [info@dsl.ie](mailto:info@dsl.ie)  
E-mail: [cork@dsl.ie](mailto:cork@dsl.ie)  
E-mail: [Limerick@dsl.ie](mailto:Limerick@dsl.ie)

# Hewlett-Packard

**Target**
**\$59.00**
**Current**
**\$51.50**
**NASDAQ**
**Computers**
**Company Profile**

Hewlett-Packard is a technology company that operates in more than 170 countries around the world. The company provides imaging and printing systems, computing systems, and information technology services for business and home. The group's products include laser and inkjet printers, scanners, copiers, faxes, personal computers, workstations and storage solutions.

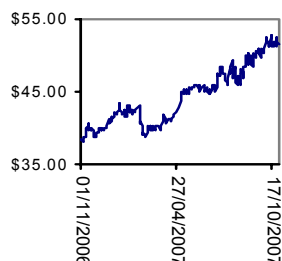
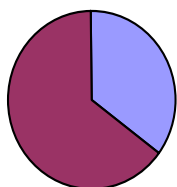
**Earnings catalyst :** On 19/11/07, Hewlett-Packard (HP) is due to release its fourth quarter results for the period ending 31/10/07. The group is expected to report a 21% rise in EPS to \$0.82, while revenue is expected to show an 11% increase to \$27.4bn. Gross margin is also forecasted to remain stable at c. 24%. With strong demand for PCs expected to continue for the foreseeable future, we expect HP to again beat expectations for this quarter as it has done every quarter since the group's CEO, Mark Hurd, took over in 2005.

**Diversification :** HP is diversified both geographically and operationally. A breakdown of its annual revenue for 2006 shows that 65% is generated from outside the US with no one single country outside the US representing more than 10%. As a result, HP should be well positioned to benefit from the recent weakness in the dollar. With regard to its product range, HP is also well diversified. The company generates revenues from 4 business divisions with its total solutions group (servers and systems) representing the largest portion at 37%, while its Personal Systems Division (PCs & notebooks) equates to 32% and its third major division is at its Imaging and printing unit representing 29% of overall group revenue.

**Positive sentiment :** Recent results from large cap technology companies have been extremely strong and there is no reason why HP cannot replicate these results. Microsoft's recent first quarter results for 2008 showed that its two largest divisions Microsoft Business and Client posted sales growth in excess of 20% driven by robust demand for Windows Vista and Servers and as a result Microsoft raised its guidance for 2008. Intel also produced a strong set of results for its third quarter and like Microsoft the company's guidance also came in ahead of analyst expectations due to strong demand for PCs and notebooks, which should provide a natural read across for HP's results.

**Capital position :** We estimate that HP currently has a cash position of c. \$7bn which in current turbulent credit markets is a favourable position to be in. In addition to its cash position, HP also announced in March that it was increasing its current share buyback program to \$14bn from \$8bn previously.

**Upside potential :** In light of HP's strong growth prospects through its international business and significant exposure to the fast growing PC and notebook markets we believe that the company deserves to trade in line with its closest peer Dell at 18x 2008 earnings. As a result, we generate a price target of \$59 based on 18x consensus EPS for 2008 of \$3.26 and initiate coverage of HP with a buy rating.

**Statistics**
**Price Performance**

**Revenue by Region**


■ US 35%  
■ International 65%

Major Shareholders	%
Barclays	4.95
Fidelity	4.72
State Street	4.22

Shares Outstanding	2,578m
--------------------	--------

Share Data	
Current Price (\$)	51.50
Mkt Cap (\$m)	132,770
Reuters	HPQ
Bloomberg	HPQ US
Sector	Computers
CEO	Mark Hurd
CFO	Catherine Lesjak
Website	<a href="http://www.hp.com">www.hp.com</a>

Peer Group Multiples			
Company name	P/E 07	P/E 08	EPS Growth 07-08
<b>Hewlett-Packard</b>	<b>17.9</b>	<b>15.8</b>	<b>13.28%</b>
Dell	21.3	17.8	19.28%
Sun Microsystems	26.7	17.2	50.00%

Financial Data	2006a	2007e	2008e
Revenue (\$m)	91,568	103,323	109,316
PBT (\$m)	7,191	9,871	10,884
EPS (\$)	2.46	2.88	3.26
P/E(x)	23.6	17.9	15.8
DPS(\$)	0.32	0.32	0.32
Yield	0.62%	0.62%	0.62%



## Disclosures

This report has been prepared by Dolmen Stockbrokers ('Dolmen') for information purposes only to assist investors to make their own investment decisions and is not intended to and does not constitute personal recommendations nor provide the sole basis for any evaluation of the securities discussed. Specifically the information contained in this report should not be taken as an offer or solicitation of investment advice or, encourage the purchase or sale of any particular security, option, future or other derivative investment. Not all recommendations are necessarily suitable for all investors and Dolmen recommend that specific advice should always be sought prior to investment, based on the particular circumstances of the investor.

Although the information in this report has been obtained from sources, which Dolmen believes to be reliable and all reasonable efforts are made to present accurate information Dolmen give no warranty or guarantee as to, and do not accept responsibility for, the correctness, completeness, timeliness or accuracy of the information provided or its transmission. Nor shall Dolmen, or any of its employees, directors or agents, be liable to for any losses, damages, costs, claims, demands or expenses of any kind whatsoever, whether direct or indirect, suffered or incurred in consequence of any use of, or reliance upon, the information. Any person acting on the information contained in this report does so entirely at his or her own risk.

All estimates, views and opinions included in this report constitute Dolmen's judgment as of the date of the report but may be subject to change without notice. Changes to assumptions may have a material impact on any recommendations made herein.

Unless specifically indicated to the contrary this report has not been disclosed to the covered issuers(s) in advance of publication.

Past performance is not necessarily a guide to future returns. The value of investments and the income from them can fall as well as rise. Investments denominated in foreign currencies are subject to fluctuations in exchange rates, which may have an adverse affect on the value of the investments, sale proceeds, and on dividend or interest income. Investors may not necessarily recoup the full value of their original investment. Investors should be aware that forwarding looking statements and forecasts may not be realised.

This report may not be reproduced (in whole or in part) altered, transmitted or made available to any other person without the prior written permission of Dolmen.

Dolmen Securities is a Member Firm of the London Stock Exchange, and is authorised by the Financial Regulator under the Investment Intermediaries Act 1995. Dolmen Stockbrokers is a Member Firm of The Irish Stock Exchange, The London Stock Exchange, and is authorised by the Financial Regulator under the Stock Exchange Act 1995.

## Conflicts of Interest & Share Ownership Policy

Dolmen, its employees, directors or related companies, may have a shareholding in the securities (or related investments/ derivatives) of certain companies covered in this report, or may provide/ solicit investment banking or other services to/ from them.

It is noted that research analysts' compensation is impacted upon by overall firm profitability and accordingly may be affected to some extent by revenues arising other Dolmen business units including Corporate Finance, Fund Management and Stockbroking. Revenues in these business units may derive in part from the recommendations or views in this report. Notwithstanding, Dolmen is satisfied that the objectivity of views and recommendations contained in this report has not been compromised.

Dolmen permits research analysts to own shares and/ or derivative positions in issuers they publish research, views and recommendations on and accordingly analysts involved in the production of this report may own stocks in a company covered in it. Any own account staff trading is undertaken in strict compliance with Dolmen's own account internal rules and therefore Dolmen is satisfied that the impartiality of research, views and recommendations remains assured.

## Analyst Certification

Each research analyst responsible for the content of this report, in whole or in part, certifies that: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report. Stuart Draper, Carl Bourke and Stephen Taylor are responsible for the production of this report. Stuart Draper is Head of Research and Carl Bourke & Stephen Taylor are equity analysts.

## For US Persons Only

This report is only provided in the US to major institutional investors as defined by s. 15 a-6 of the Securities Exchange Act, 1934 as amended. A US recipient of this report shall not distribute or provide this report or any part thereof to any other person.