



Wednesday 19th November 2008

DAILY COMPANY NOTE — Hewlett-Packard See page 2 & 3 for full details

Daily Market Comment

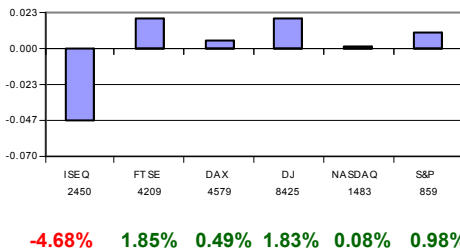
Yesterday's Summary : The Irish banks were the centre of market speculation once again yesterday on the ISEQ. Anglo Irish Bank followed Bank of Ireland's lead from Monday's session, closing below the key €1 mark down 25% to €0.83. Rating agencies Moody's added to the pessimism by placing both AIB and Bank of Ireland on negative watch. Elsewhere, Glanbia announced its interim management statement which came in line with analyst expectations. Despite releasing a relatively positive outlook, its share price closed down 6% at €2.24. ISEQ: -4.7% at 2,450.

Overnight News : In yet another volatile evening session, Wall Street posted a late rally which was initially sparked by better than expected results from Hewlett Packard. This negated further fears over the state of US financials, as Citigroup's shares continued their recent drop losing another 6% to close at \$8.36. Gloom over US carmakers continued driving the autos sector lower, led by General Motors whose share price shed another 2.8% closing at \$3.09. Dow Jones: +1.8% at 8,425, S&P 500: +0.98% at 859, NASDAQ: +0.08% at 1,483.

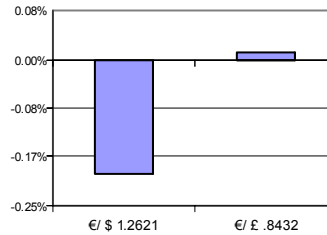
Breaking News : British Land announced an interim dividend of 18.75 pence per share this morning, as the company reported a 22% reduction in NAV. The company's quarterly loss has widened as its values decline due to the current weak economic backdrop. **Grafton Group** released its interim management statement this morning, in which it reported that 10-month sales were down 14.5% to €2.35bn. Despite this Grafton reiterated a strong balance sheet, which it says is supported by prudent borrowing.

General Electric announced that it is to shrink GE Capital, its finance arm, in a move that could lead to \$2bn in cost cuts, the sale of \$90bn in highly leveraged assets and thousands of redundancies among its 75,000 employees.

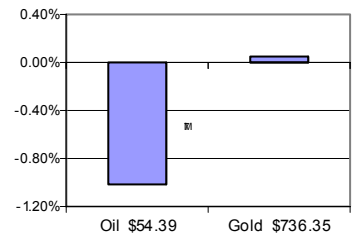
Equity Indices change on day



Currency daily % change



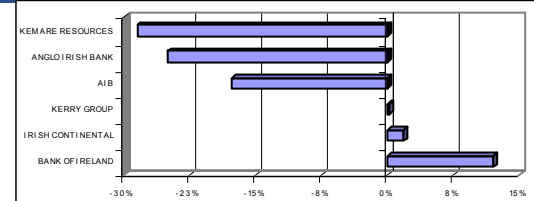
Oil/Gold daily % change



News

- "Government in talks over foreign cash injection for banks"-(The Irish Times)
- "FBD revises earnings outlook downward by 10%"-(The Irish Times)
- "IN&M to shed 90 jobs at two London-based newspapers"-(The Irish Times)
- "Lenihan to sanction huge bank rescue plan"-(Irish Independent)
- "United Drug acquires TSL in £20.1m deal"-(Irish Independent)

ISEQ Performers/Losers 19/11/08



Market Themes & Movers

US Consumer prices decline : The US Labor Department will issue its latest consumer price report today and economists are forecasting a month on month decline of 0.8%, the largest monthly fall in six decades. With fuel and food prices plummeting, and a recession that may become the worst in decades, policymakers have now become increasingly worried about the prospect of a prolonged period of deflation. Mounting job losses and record foreclosures are causing American consumers, who account for more than two thirds of the economy, to retrench. And with the US commerce department confirmed that retail sales fell by the most on record last month, business leaders the US, Europe and Asia are calling for increased government spending to make up for the loss of such purchasing power. Meanwhile US auto executives have warned US congress that their industry is in dyer straights and that it is in urgent need of \$25bn aid package. The weakened economy and global credit crisis pushed the US government into bailing out major companies including American International Group. However some Senators are rubbishing the prospect of further bailouts, with one Republican Senator from Alabama stating the automakers are "failed models" and they should just file for bankruptcy.



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Hewlett-Packard

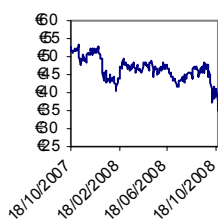
Stephen Taylor
Buy
Target:
\$48.00
Previous:
\$60.00
Current:
\$33.00
Nasdaq
Technology

Company Profile

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

Statistics

Price Performance



Revenue by Geography



International 67%

US 33%

Fundamental view

- Yesterday, Hewlett-Packard pre-released a stronger than expected fourth quarter results for 2008 and issued guidance for 2009 that was also well ahead of analyst expectations. The group reported a fourth quarter EPS that increased by 20% to \$1.03 on revenue that increased by 19% to \$33.6bn beating analyst expectations of \$1.00 and \$33.1bn respectively. For 2009, HP expects its own prospects to remain strong despite the current global slowdown. The company expects to report EPS between \$3.88 - \$4.04 beating analyst expectations of \$3.85
- HP's strong results are a welcome relief for the tech sector given recent profit warnings from Intel and Nokia last week. Our preference for HP as one of our preferred technology picks in the sector in addition to Microsoft is due to its strong cashflow generation and diverse business model. While there is no doubt that the slowdown in the global economy will effect IT spending from corporates and individuals, we believe that HP's geographic footprint, diversified product range and reoccurring revenue stream will help to insulate the company from the downturn. HP generates 67% of its revenue from outside of the US with an increasing focus on emerging markets.
- Like the majority of large cap technology companies, HP also benefits from a strong balance sheet. At the end of the group's third quarter it had a net cash position of c. \$4.5bn. HP's strong balance sheet has allowed it to recently complete the purchase of Electronic Data (EDS) for \$13.9bn (deal announced in May) and also authorise an additional \$8bn share buyback program in September in addition to the remaining \$3bn authorisation of its previous share buyback program. Given the current dislocation in credit markets, HP's strong balance sheet provides the company with flexibility in relation to its business strategy of both organic and acquisitive growth prospects.

Valuation

- Following HP's strong earnings release yesterday we reiterate our buy rating on the stock. Our new price target of \$48 is based on the company trading at the low end of its historical price to earnings ratio of 12x-18x.

Next Catalyst

- The next catalyst for HP will take place when its closest peer Dell reports its third quarter results after the US market closes on 20/11/2008. We expect Dell to provide a cautious outlook given its larger exposure to the US market and the fact that HP continues to dominate it in the PC and notebook market. HP will provide the full report for its 2008 financial year on 24/11/2008.

Major Shareholders	%	Peer Group Multiples			
State Street	4.74%	Company name	P/E 08	P/E 09	EPS Growth 08-09
Barclays Global	4.24%	Hewlett-Packard	9.1	8.3	10.50%
Vanguard Group	3.11%	Dell	7.9	7.9	0.00%
Fidelity Management	2.99%	Intel	11.6	13.5	-14.07%
Shares Outstanding		2,449			

Share Data		Financial Data	Oct 2007a	Oct-08	Oct-09
Current Price (\$)	33.00	Revenue (\$m)	104,286	118,400	130,000
Mkt Cap (\$m)	80,800	Operating Profit (\$m)	9,562	11,900	13,105
Reuters	HPQ.N	EPS (\$)	2.93	3.62	4.00
Bloomberg	HPQ US	P/E(x)	11.26	9.12	8.25
Sector	Technology	DPS (\$)	0.32	0.33	0.34
CEO	Mark Hurd	Dividend Yield	0.97%	1.00%	1.03%
CFO	Catherine Lesjak				
Website	www.hp.com				


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