



REPORT

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Company Overview

HP Inc (HP) is an information technology company that offers a wide range of products, technologies, software, solutions and services. The company's product portfolio includes personal computing and other access devices; imaging- and printing-related products and services; enterprise IT infrastructure; and multi-vendor customer services. HP provides commercial and industrial solutions to print service providers and packaging converters. It also delivers printing products and solutions for homes, home businesses and micro businesses. HP offers its products to individual consumers, small and medium-sized businesses and large enterprises, including customers in the government, health and education sectors. The company has operations across the Americas, Europe, the Middle East, Africa and Asia-Pacific. HP is headquartered in Palo Alto, California, the US.

Appendix A

HP's Consolidated Balance Sheet			
Consolidated Balance Sheets - USD (\$)	Oct. 31, 2021	Oct. 31, 2020	Oct. 31, 2019
Current assets:			
Cash and cash equivalents	\$ 4,299	\$ 4,864	\$ 4,537
Accounts receivable, net	5,511	5,381	6,031
Inventory	7,930	5,963	5,734
Other current assets	4,430	4,440	3,875
Total current assets	22,170	20,648	20,177
Property, plant and equipment, net	2,546	2,627	2,794
Goodwill	6,803	6,380	6,372
Other non-current assets	7,091	5,026	4,124
Total assets	38,610	34,681	33,467
Current liabilities:			
Notes payable and short-term borrowings	1,106	674	357
Accounts payable	16,075	14,704	14,793
Other current liabilities	11,915	10,842	10,143
Total current liabilities	29,096	26,220	25,293
Long-term debt	6,386	5,543	4,780
Other non-current liabilities	4,778	5,146	4,587
Commitments and contingencies			
Stockholders' deficit:			
Preferred stock, \$0.01 par value (300 shares authorized; none issued)	0	0	0
Common stock, \$0.01 par value (9,600 shares authorized; 1,304 and 1,458 shares issued and outstanding at October 31, 2020, and 2019 respectively)	11	13	15
Additional paid-in capital	1,060	963	835
Accumulated deficit	(2,461)	-1,961	-818
Accumulated other comprehensive loss	(260)	-1,243	-1,225
Total stockholders' deficit	(1,650)	-2,228	-1,193
Total liabilities and stockholders' deficit	\$ 38,610	34,681	33,467

HP's Consolidated Income Statement

Consolidated Statements of Earnings - USD (\$) shares in Millions, \$ in Millions	12 Months Ended		
	Oct. 31, 2021	Oct. 31, 2020	Oct. 31, 2019
Income Statement [Abstract]			
Net revenue	\$ 63,487	\$ 56,639	\$ 58,756
Costs and expenses:			
Cost of revenue	50,070	46,202	47,586
Research and development	1,907	1,478	1,499
Selling, general and administrative	5,741	4,906	5,368
Restructuring and other charges	245	462	275
Acquisition-related charges	68	16	35
Amortization of intangible assets	154	113	116
Total costs and expenses	58,185	53,177	54,879
Earnings from operations	5,302	3,462	3,877
Interest and other, net	2,209	(231)	(1,354)
Earnings before taxes	7,511	3,231	2,523
(Provision for) benefit from taxes	(1,008)	(387)	629
Net earnings	\$ 6,503	\$ 2,844	\$ 3,152
Net earnings per share:			
Basic (in dollars per share)	\$ 5.38	\$ 2.01	\$ 2.08
Diluted (in dollars per share)	\$ 5.33	\$ 2	\$ 2.07
Weighted-average shares used to compute net earnings per share:			
Basic (in shares)	1,208	1,413	1,515
Diluted (in shares)	1,220	1,420	1,524

HP's Consolidated Cash Flow Statement

Consolidated Statements of Cash Flows - USD (\$) \$ in Millions	12 Months Ended		
	Oct. 31, 2021	Oct. 31, 2020	Oct. 31, 2019
Cash flows from operating activities:			
Net earnings	\$ 6,503	\$ 2,844	\$ 3,152
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	785	789	744
Stock-based compensation expense	330	278	297
Restructuring and other charges	245	462	275
Deferred taxes on earnings	(605)	70	133
Defined benefit plan settlement (gains) charges	(37)	214	0
Other, net	440	325	254
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	(80)	575	(761)
Inventory	(2,164)	(386)	(68)
Accounts payable	1,257	(35)	(53)
Net investment in leases	(111)	(152)	0
Taxes on earnings	64	(147)	(851)
Restructuring and other	(205)	(489)	(154)
Other assets and liabilities	(13)	(32)	1,686
<i>Net cash provided by operating activities</i>	<i>6,409</i>	<i>4,316</i>	<i>4,654</i>
Cash flows from investing activities:			
Investment in property, plant and equipment	(582)	(580)	(671)
Proceeds from sale of property, plant and equipment	0	3	0
Purchases of available-for-sale securities and other investments	(28)	(693)	(80)
Maturities and sales of available-for-sale securities and other investments	304	417	771
Collateral posted for derivative instruments	148	(163)	0
Payments made in connection with business acquisitions, net of cash acquired	(854)	0	(458)
<i>Net cash used in investing activities</i>	<i>(1,012)</i>	<i>(1,016)</i>	<i>(438)</i>
Cash flows from financing activities:			
Proceeds from (Payments of) short-term borrowings with original maturities less than 90 days, net	400	0	(856)
Proceeds from short-term borrowings with original maturities greater than 90 days	22	27	0
Proceeds from debt, net of issuance costs	2,099	3,081	127
Payment of debt	(1,245)	(1,849)	(680)
Stock-based award activities and others	(51)	(128)	(61)
Repurchase of common stock	(6,249)	(3,107)	(2,405)
Cash dividends paid	(938)	(997)	(970)
<i>Net cash used in financing activities</i>	<i>(5,962)</i>	<i>(2,973)</i>	<i>(4,845)</i>
(Decrease) increase in cash and cash equivalents	(565)	327	(629)
Cash and cash equivalents at beginning of period	4,864	4,537	5,166
Cash and cash equivalents at end of period	4,299	4,864	4,537

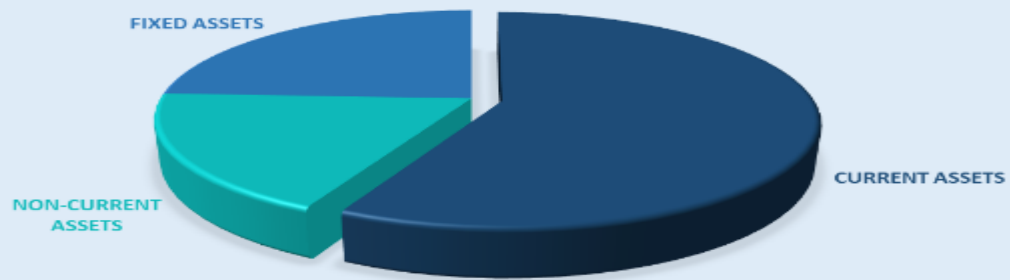
Supplemental Cash Flow Information [Abstract]			
Income taxes paid, net of refunds	1,548	464	89
Interest expense paid	261	227	240
Supplemental schedule of non-cash activities:			
Purchase of assets under finance leases	\$ 0	\$ 19	\$ 366

Appendix B

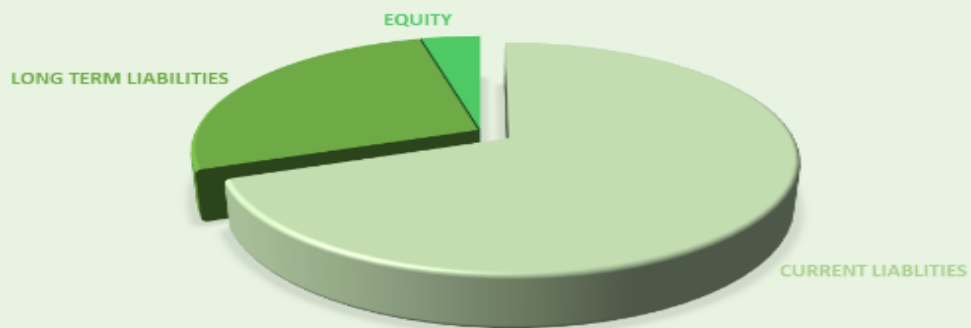
				COMMON SIZE ANALYSIS		TREND BALANCE SHEET	
Consolidated Balance Sheets - USD (\$) \$ in Millions	Oct. 31, 2021	Oct. 31, 2020	Oct. 31, 2019	Oct. 31, 2021	Oct. 31, 2019	AMOUNT	PERCENT
Current assets:							
Cash and cash equivalents	\$ 4,299	\$ 4,864	\$ 4,537	11%	14%	\$ (238)	-5%
Accounts receivable, net	5,511	5,381	6,031	14%	18%	-520	-9%
Inventory	7,930	5,963	5,734	21%	17%	2,196	38%
Other current assets	4,430	4,440	3,875	11%	12%	555	14%
Total current assets	22,170	20,648	20,177	57%	60%	1,993	10%
Property, plant and equipment, net	2,546	2,627	2,794	7%	8%	-248	-9%
Goodwill	6,803	6,380	6,372	18%	19%	431	7%
Other non-current assets	7,091	5,026	4,124	18%	12%	2,967	72%
Total assets	38,610	34,681	33,467	100%	100%	5,143	15%
Current liabilities:							
Notes payable and short-term borrowings	1,106	674	357	3%	1%	749	210%
Accounts payable	16,075	14,704	14,793	42%	44%	1,282	9%
Other current liabilities	11,915	10,842	10,143	31%	30%	1,772	17%
Total current liabilities	29,096	26,220	25,293	75%	76%	3,803	15%
Long-term debt	6,386	5,543	4,780	17%	14%	1,606	34%
Other non-current liabilities	4,778	5,146	4,587	12%	14%	191	4%
Commitments and contingencies							
Stockholders' deficit:							
Preferred stock, \$0.01 par value (300 shares authorized; none issued)	0	0	0	0%	0%	0	0%
Common stock, \$0.01 par value (9,600 shares authorized; 1,304 and 1,458 shares issued and outstanding at October 31, 2020, and 2019 respectively)	11	13	15	0%	0%	-4	-27%
Additional paid-in capital	1,060	963	835	3%	2%	225	27%
Accumulated deficit	-2,461	-1,961	-818	-6%	-2%	-1,643	201%
Accumulated other comprehensive loss	-260	-1,243	-1,225	-1%	-4%	965	-79%
Total stockholders' deficit	-1,650	-2,228	-1,193	-4%	-4%	-457	38%
Total liabilities and stockholders' deficit	\$ 38,610	\$ 34,681	\$ 33,467	100%	100%	\$ 5,143	15%

Note: Ernst & Young LLP has audited the consolidated balance sheets of HP Inc. and its subsidiaries (the company) and the related consolidated statements of earnings, comprehensive income, stockholder's deficit, and cash flows for each of the three years and the related notes. In Ernst and Young LLP's opinion, the consolidated financial statements present fairly, in all material aspects, and in conformity with U.S. generally accepted accounting principles.

HP INC. TOTAL ASSETS 2021



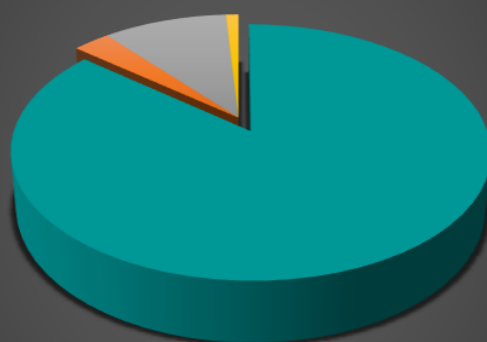
HP INC. TOTAL LIABILITIES 2021



Appendix C

Consolidated Statements of Earnings - USD (\$) shares in Millions, \$ in Millions	12 Months Ended			COMMON SIZE ANALYSIS		TREND INCOME STATEMENT	
	Oct. 31, 2021	Oct. 31, 2020	Oct. 31, 2019	Oct. 31, 2021	Oct. 31, 2019	Change in Amount	Percentage Change
Income Statement [Abstract]							
Net revenue	\$ 63,487	\$ 56,639	\$ 58,756	1	1	\$ 4,731	8.05%
Costs and expenses:							
Cost of revenue	50,070	46,202	47,586	78.87%	80.99%	2,484	5.22%
Research and development	1,907	1,478	1,499	3.00%	2.55%	408	27.22%
Selling, general and administrative	5,741	4,906	5,368	9.04%	9.14%	373	6.95%
Restructuring and other charges	245	462	275	0.39%	0.47%	(30)	-10.91%
Acquisition-related charges	68	16	35	0.11%	0.06%	33	94.29%
Amortization of intangible assets	154	113	116	0.24%	0.20%	38	32.76%
Total costs and expenses	58,185	53,177	54,879	91.65%	93.40%	3,306	6.02%
Earnings from operations	5,302	3,462	3,877	8.35%	6.60%	1,425	36.76%
Interest and other, net	2,209	(231)	(1,354)	3.48%	-2.30%	3,563	-263.15%
Earnings before taxes	7,511	3,231	2,523	11.83%	5.70%	4,988	197.70%
(Provision for) benefit from taxes	(1,008)	(387)	629	-1.59%	-0.68%	(1,637)	-260.25%
Net earnings	\$ 6,503	\$ 2,844	\$ 3,152	10.24%	5.02%	\$ 3,351	106.31%
Net earnings per share:							
Basic (in dollars per share)	\$ 5.38	\$ 2.01	\$ 2.08				
Diluted (in dollars per share)	\$ 5.33	\$ 2	\$ 2.07				
Weighted-average shares used to compute net earnings per share:							
Basic (in shares)	1,208	1,413	1,515				
Diluted (in shares)	1,220	1,420	1,524				

HP's Total Expenses - 2021



■ Cost of revenue ■ Research and development ■ Selling, general and administrative ■ Other Operating Expenses

Appendix D

HP CONSOLIDATED CASH FLOW STATEMENT			
IN MILLIONS	2019	2020	2021
For the Year Ending:	10/31/2019	10/31/2020	10/31/2021
Cash at Beginning:	5,166	4,537	4,864
Cash at Ending:	4,537	4,864	4,299

CASH FLOW FROM OPERATING ACTIVITIES	2019	2020	2021
Net earnings	3,152	2,844	6,503
Depreciation and amortization	744	789	785
Stock-based compensation expense	297	278	330
Restructuring and other charges	275	462	245
Deferred taxes on earnings	133	70	-605
Defined benefit plan settlement (gains) charges	---	214	-37
Other, net	254	325	440
Changes in operating assets/ liabilities			
Accounts receivable	-761	575	-80
Inventory	-68	-386	-2,164
Accounts payable	-53	-35	1,257
Net investment in leases	--	-152	-111
Taxes on earnings	-851	-147	64
Restructuring and other	-154	-489	-205
Other assets and liabilities	1,686	-32	-13
<i>Net Cash Flow from Operations</i>	4,654	4,316	6,409

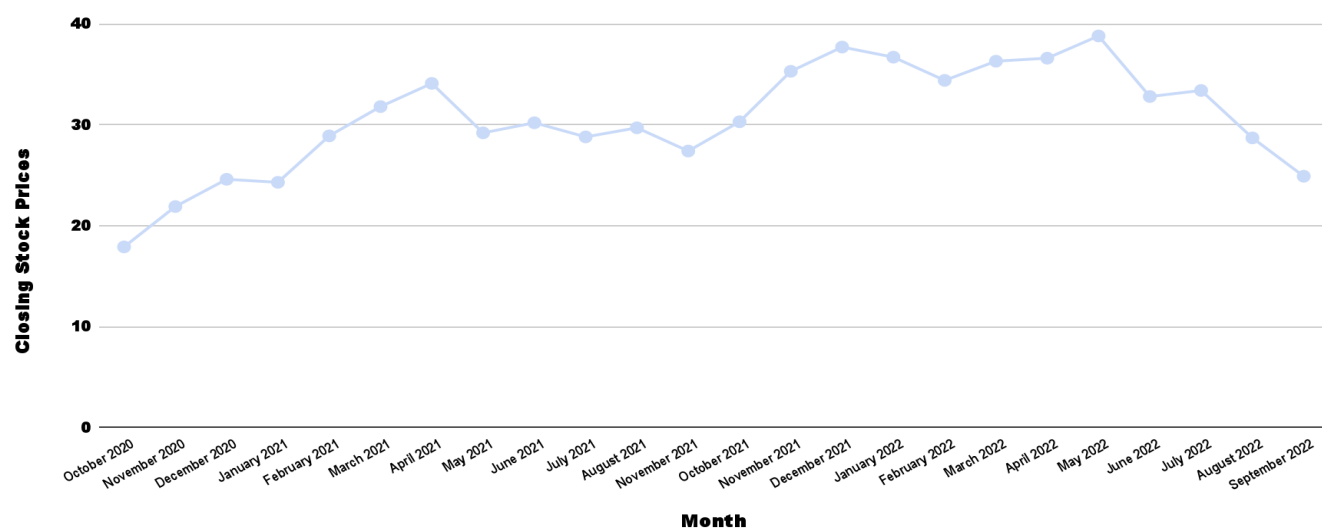
CASH FLOW FROM INVESTING ACTIVITIES	2019	2020	2021
Investment in property, plant, and equipment	-671	-580	-582
Proceeds from the sale of property, plant, and equipment	---	3	---
Purchases of available-for-sale securities and other investments	-80	-693	-28
Maturities and sales of available-for-sale securities and other investments	771	417	304
Collateral posted for derivative instruments	---	-163	148
Payments made in connection with business acquisitions, net of cash acquired	-458	---	-854
<i>Net Cash Flow from Investing</i>	-438	-1,016	-1,012

CASH FLOW FROM FINANCING ACTIVITIES	2019	2020	2021
Proceeds from (payments of) short-term borrowings with original maturities less than 90 days, net	-856	---	400
Proceeds from short-term borrowings with original maturities greater than 90 days	---	27	22
Proceeds from debt, net of issuance costs	297	3,081	127
Payment of debt	-680	-1,849	-1,245
Stock-based award activities and others	-61	-128	-51
Repurchase of common stock	-2,405	-3,107	-6,249
Cash dividends paid	-970	-997	-938
<i>Net Cash Flow from Finances</i>	-4,845	-2,973	-5,962

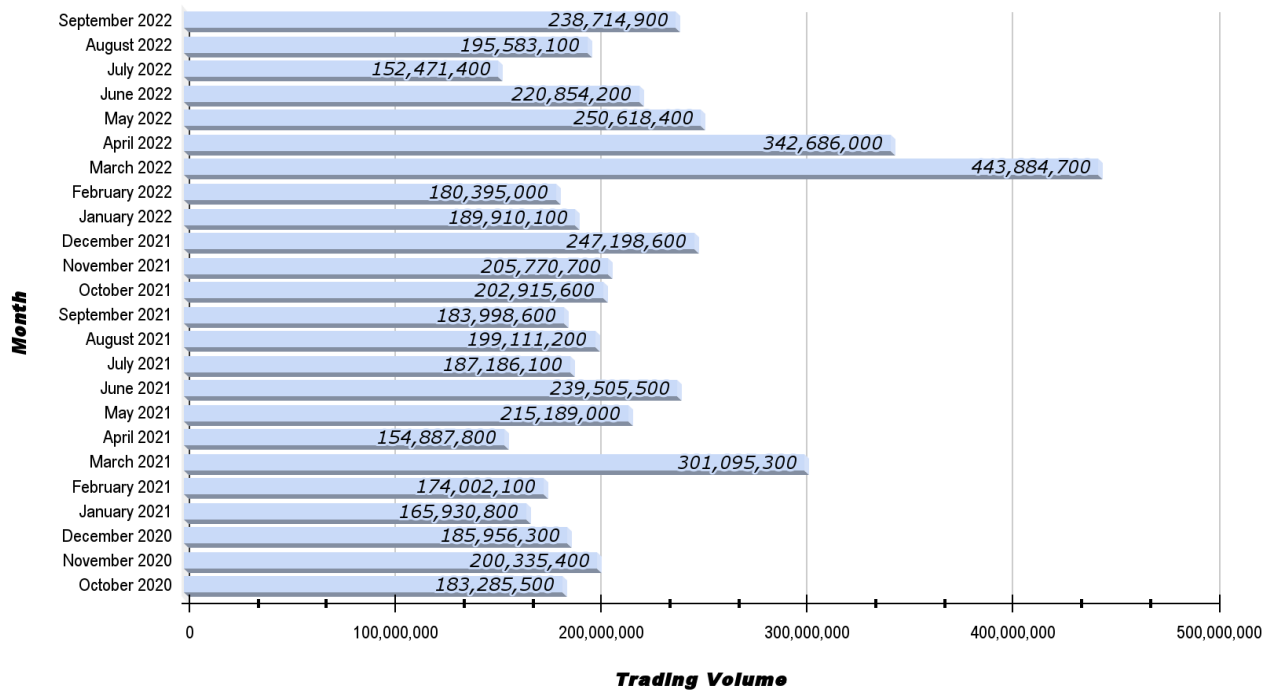
	2019	2020	2021
(Decrease) Increase in cash and cash equivalents	-629	327	-565
Cash and cash equivalents at beginning of period	5,166	4,537	4,864
Cash and cash equivalents at end of period	\$4,537	\$4,864	\$4,299
SUPPLEMENTAL CASH FLOW DISCLOSURES	2019	2020	2021
Income taxes paid, net of refunds	\$89	\$464	\$1,548
Interest expense paid	\$261	\$227	\$261
SUPPLEMENTAL NON-CASH FLOW DISCLOSURES	2019	2020	2021
Purchase of assets under finance leases	\$ ---	\$19	\$366

Appendix E

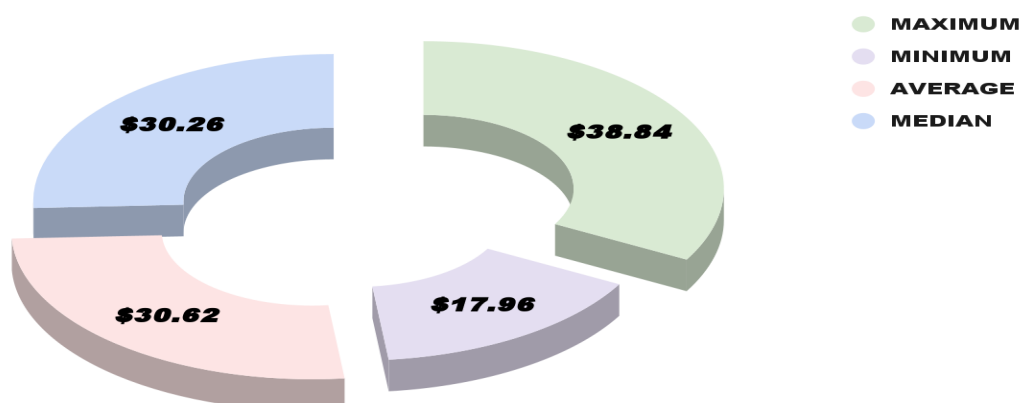
Monthly Closing Stock Price



Monthly Trading Volume



RANGE ANALYSIS: SHARE PRICE (\$USD)



Appendix F

Financial Ratio Analysis - HP inc.			
Ratio	2021	2020	2019
Price/Earnings Ratio	5.64	8.94	8.33
Current Ratio	0.76	0.79	0.8
Receivable Turnover Ratio	11.66	9.93	10.54
Working Capital	-6926	-5572	-5116
Return on assets	0.18	0.08	0.09
Financial Leverage Ratio	-18.90	-19.92	-37.17
Quick Ratio	0.34	0.39	0.42
Total Assets Turnover Ratio	1.73	1.66	1.73
Net Profit Margin	10.24%	5.02%	5.36%
Inventory Turnover Ratio	7.21	7.9	8.07
Primary (Basic) earnings per share	5.38	2.01	2.08
Return on equity	-3.35	-1.66	-3.44

Financial Ratio Analysis - Dell Technologies Inc			
Ratio	2021	2020	2019
Price/Earnings Ratio	7.98	8.48	3.97
Current Ratio	0.81	0.7	0.8

Financial Ratio Analysis - Dell Technologies Inc			
Ratio	2021	2020	2019
Price/Earnings Ratio	7.98	8.48	3.97
Receivable Turnover Ratio	7.46	7.42	7.7
Working Capital	-49280	-15588	-8834
Return on assets	1.82	0.44	-1.95
Financial Leverage Ratio	16.34	37.67	-118.704
Quick Ratio	0.74	0.64	0.72
Total Assets Turnover Ratio	0.70	0.81	0.8
Net Profit Margin	3.45%	5.01%	-2.54%
Inventory Turnover Ratio	19.22	19.56	17.97
Primary (Basic) earnings per share	4.37	6.38	-2.96
Return on equity	0.6106	2.181	-0.2023

1. **Price/Earnings Ratio:** HP's price-earnings per share declined from 8.94 in the prior year to 5.64 in the current year.
2. **Current Ratio:** this reveals that HP's current ratio declined from 0.79 in the prior year to 0.76 in 2021. It means that HP had \$0.76 in current assets for every \$1 in current liabilities at the end of year 2021.
3. **Receivable Turnover Ratio:** HP's receivable turnover increased from 9.93 in the prior year to 11.66 in the current year, which means HP was able to convert its account receivables into cash faster in 2021 compared to 2020.
4. **Working Capital:** In 2021, HP showed a shortage of working capital (-6926), an increase from -5572 in last year. HP didn't maintain adequate working capital to repay its current obligations three years in a row.
5. **Return on assets:** HP generated 18 cents of profit on every dollar invested in assets in 2021, an increase of 10 cents from last year, and above the Industry average ROA (7).
6. **Financial Leverage Ratio:** Shows for every dollar of equity financing, how many dollars invested in total assets. HP's average Total Stockholders Equity in Oct. 2021 and 2020 was \$-1,650 and -2,228 Mil respectively. In 2021, for every dollar of equity financing, HP invested -\$18.9 of total assets. The ratio declined from -\$19.92 in 2020.
7. **Quick Ratio:** HP's quick ratio declined from 0.39 in the prior year to 0.34 in the current year.
8. **Total Assets Turnover Ratio:** Every dollar invested in HP's assets generated \$1.73 of sales revenue during 2021, a slight increase of 7 cents over the prior year.
9. **Net Profit Margin:** Looking at 2021, HP generated 10.24 cents of profit per dollar of sales, an increase of 5.22 cents over the prior year.
10. **Inventory Turnover Ratio:** HP's inventory turnover ratio declined from 7.9 in the prior year to 7.21 in the current year.
11. **Primary (Basic) earnings per share:** HP's earnings per share increased from 2.01 in the prior year to 5.38 in the current year.

12. **Return on equity:** Shows how many dollars earned for every dollar invested. HP's average Total Stockholders Equity in Oct. 2021 and 2020 was \$-1,650 and -2,228 Mil respectively (Accumulated deficit due to its Separation of HP Enterprise that led to the reduction of shareholder's equity). Therefore, HP's annualized ROE % for 2021 and 2020 was negative equity (-3.35 and -1.66).

From the annual reports of the firm of interest and its competitor, find out the following information for HP inc.

1. The amount of bad debt expense was 111 Millions in 2021;
2. Inventory costing method for 2021 was : **FIFO**;
3. Depreciation expense is recognized on a **straight-line** basis over the estimated useful lives of the assets. Depreciation expense was 785 Millions for 2021;
4. The amount of cash paid for PPE was 582 Millions;
5. The company paid dividends at an amount of 938 Millions.

(See Analytical Report below.)

Analytical Report

On the HP's common-size and trend balance sheet (Appendix B), we can see that Cash and Cash equivalent decreased from 14% to 11% in the last three years while the total current liabilities also decreased from 76% to 75% implying the company is capable of covering its current liabilities by its most liquid asset instruments. The mix of current assets that comprise 57% in the current year changed only slightly with a 4% decrease in accounts receivable indicating that the company can collect cash easily from the customers and can use this cash for continuous operations, 4% increase in the ending inventory implying that the company has purchased more goods than it has sold which indicates there is additional outflow of cash which contributes to one of the reasons for decrease in company's cash and cash equivalent. Noncurrent assets include equipment and goodwill both of which declined by 1% in the last three years

On the debt and equity side of the balance sheet, the long-term liabilities climbed by 3% whereas the current liabilities declined by 1% indicating that the company is capable of settling off its short-term debts, which contributes to another element in the decrease of company's cash and cash equivalent. Because the company's short-term liabilities have decreased, the company may be able to obtain favorable interest rates on any new debt it incurs from lenders. The balance sheet also indicates negative shareholder's equity that remains constant from 2019 to 2021 which could be a warning sign that a company is in financial distress or it could mean the company has spent its retained earnings and any funds from its stock issuance on reinvesting the company.

From the common size and trend income statement analysis (Appendix C), it might seem like the company did better in 2021 because sales increased by 4,731 million. However, net income only accounted for 10.24% of 2021 revenue. The Cost of revenue diminished by 2.12% which is better as it indicates a high-profit margin that expanded by 5.22% in 2021. There has been an increase in total operating expenses like selling and administrative, Research and Development, and Amortization of intangible assets. The company should look for ways to cut costs and increase sales in order to boost profitability.

The company's non-operating expenses such as interest expenses paid on the company's debt. The income statement does not tell us how much debt the company has; however, it is reasonable to assume the company has long-term debts. Interest expense in the year 2021 increased as a result by 5.78% which indicates the company's likelihood of qualifying for additional debt financing.

Cash flow statements are one of the three main financial tools among balance sheets and income statements. The purpose of a cash flow statement is to report any changes in cash between balance sheet dates. Cash flow statements are used to summarize the movements of cash and cash equivalents throughout a company using three principal components including operating, investing, and financing activities. This financial tool is used to measure how sufficient an organization is in managing cash positions, in turn, illustrating how a company's operations are running, where its money is coming from along with how money is being spent. In the context of

HP Inc. a composition of the cash flow statements was composed over a three year span from 2019 to 2021 (Appendix D). This financial statement is useful to both creditors and investors in illustrating how much cash is available and whether the company at hand is on solid financial ground. While interpreting the statements, we can conclude that over this period of time, HP Inc. is in a mature stage of life, this is shown in the final net cash calculations for each specific activity. For example, throughout the three year span, HP net operating activities were positive whereas their net cash calculated in investing and financing activities were negative. Although during this time span there was a decrease from 14% to 11% in cash and cash equivalents due to changes in financial interests, the company is still in good financial standing considering their overall cash and cash equivalents at the end of each given period is positive meaning the company has more money moving into it then out which is essential to sustaining long term growth. One can assume that maintaining this financial stability will place HP Inc in an acceptable position for survival and financial longevity.

Appendix E shows the monthly closing stock price over a period of time from October 2021 to September 2022. The closing price is the raw price or cash value of the last transacted price in a security before the market officially closes for normal trading. The starting closing stock price in October 2020 was \$17.90 and as of lately the closing stock price of September 2022 was \$24.90. The data shows that there was an overall steady increase in closing stock price, indicating that HP as a company was doing increasingly well earnings wise, and due to the demand of the stock, the price was on an upward trend. Trading volume is the total number of shares of security that were traded during a given period of time. In this case, the data collected shows the monthly trading volume from the time of October 2020 to September 2022. There was no particular trend and the amount of shares held monthly was very sporadic. The highest number of shares sold was 443,884,700, in March of 2022 indicating a heightened interest in the stock, which makes for higher liquidity. On the other hand, the lowest amount of shares sold was 152,471,400, in July of 2022, indicating a decreasing amount of interest and liquidity. The average amount of shares sold over this time was 219,228,596. While the monthly trading volume was sporadic, the volume never dropped for over two months without increasing again. Therefore, even though there was a loss of interest in the trading sales of the company, they always seemed to recover as quickly as possible. Lastly, a range analysis of share prices from October 2020 to September 2022 was conducted. The minimum share price was \$17.96, the maximum share price was \$38.84, the average \$30.62, and the median share price was \$30.26. As an investor, now may not be the best time to invest in the company as it is trading around its fair value. This implies that mispricing provides less profit. Furthermore, the stock's poor growth prospects raises the danger of keeping the stock.

To compare HP Inc with its competitors, we considered the market capitalization of the companies and chose Dell Technologies Inc as HP's competitor. Both companies have a total market valuation of approx 30 billion USD. Considering the gross profit margin of HP Inc and its competitor Dell Technologies Inc, HP shows a positive trend. The basic earnings per share for HP Inc ranges between \$2.08 to \$3.09, whereas, for Dell, it varies between -\$2.96 and \$4.37, implying the firm's allotment from net income to common stock. While the total assets and liabilities of Dell Technologies are greater compared to HP Inc, when we look at the quick ratio of both firms, Dell has a better liquidity position in the market than HP. It can spend \$0.74 in assets for every \$1 liability compared to HP, which can pay \$0.34 in assets for every \$1 liability. The current ratio is almost the same and trending down for both. The total assets turnover ratio shows that HP Inc efficiently generates revenue from its assets. The RnD expenses of HP suggest that it has invested in the research area, with the potential of yielding higher returns in upcoming years. After

studying the financial statements meticulously of both firms, investing in HP Inc will be an appropriate option.