FINAL TRANSCRIPT

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HPQ - Hewlett-Packard Analyst Meeting

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PRESENTATION

Unidentified Company Representative

Ladies and gentlemen, please welcome Vice President, Investor Relations, Jim Burns.

Jim Burns - *Hewlett-Packard - VP, IR*

Good morning, everybody and welcome to HP's Security Analyst Meeting. I know I speak on behalf of the entire HP management team when I tell you that we're very happy to be here to briefly reflect on our progress, but more importantly, share with you the opportunities that we see ahead.

First, a few housekeeping tips. Today's event is being webcast live. Both the video feeds, as well as the presentations, are available on HP's Investor Relations website. So, you also should have in your financial packets all the slides. The webcast will be available for approximately one year after the event. There's also wireless connectivity in the room. Just to connect to HP Invent and you should be in good shape.

So, I'm going to kick off the event and then ask Mark Hurd to come up and share with you what he sees the opportunities for HP, and Mark will be followed by Cathie Lesjak, who will give you a financial update. And as part of Cathie's presentation, she will be updating our financial model for fiscal year '09. This material is not on the Web and it is not in your packets, but it will be distributed to you at the appropriate time, as well as posted on the Web.

After Cathie's presentation, we'll do 30 minutes of Q&A with both Mark and Cathie, followed by a break. When we reconvene from the break, Ann, Todd and VJ will come up and give you presentations from their respective segments and we'll follow that up with a 30-minute Q&A session with Ann, Todd and VJ.

This year, we are going to -- actually, we brought some more of our management team out here, based on some inputs, we thought that it would make sense to go a little bit deeper into each of our segments, and so we're going to make a few format changes and we're going to actually have smaller group tracks. There will be three different tracks in the afternoon, 30-minute tracks each, and we brought some people from Ann's team, Todd's team, VJ's team out for you to get a chance to do more Q&A in smaller, intimate group settings.

What you'll do at the break is to make sure that you pick up a boxed lunch outside there and proceed to your room. We'll then rotate the executives through the rooms so you don't have to move. And then following the breakout sessions and a 10-minute break, we'll bring you back in the auditorium here and then Mark will close the meeting and we expect the meeting to end at 2:00.

So, and no investor event would be complete without the proper legal disclosures. Please be aware that this presentation may include forward-looking statements that are based on certain assumptions and are subject to a number of risks and uncertainties and actual future results may vary materially. Please refer to the risks described in HP's SEC reports, including our Form 10-Q for the fiscal quarter ended July 31st, 2007.

So, with that, I'd like to welcome Mark Hurd. Thank you.

Mark Hurd - *Hewlett-Packard - Chairman and CEO*

Well, thank you. That applause was deafening, so I appreciate that. The team worked on some funny opening material. I told them, for this crowd, it probably wasn't worth it -- not a very funny group. And I'm going to start off this morning, Todd is actually not up early, but he's going to run through these rows and look for what technology is actually in front of you, so you have a risk.

Well, you guys are not up today, and I'm the one from California, so all right. Let me tell a little about what we're going to do. We're going to talk a little today about 2007, but not much. We're going to talk mostly about the future and the opportunities. And let me move ahead, and I really want you to leave -- I'm not going to be up long, but I want you to have a few simple messages about Hewlett-Packard.

If there's nothing you get over the course of the next several hours, it's these things. And everything you see this morning, I want you to keep in this contextual framework. One, there is a ton of digital content being developed, and you're going to see some statistics and data about it. And this content is -- well, let me not talk about it now. Let me just tell you it's there. And it creates a $1.2 trillion addressable market opportunity by HP.

We can debate how good we are at pursuing it, but it's big. Second, we have a portfolio and a set of capabilities we believe -- and we spent a lot of time over the last 2.5 years building on it, unlike we think anybody else in the industry, to go address it. Third, we believe we have the right people and the right infrastructural investments. We've invested in infrastructure over the course of the past 2.5 years, to build out not just our people but our capability.

And, last, when you do $104 billion worth of revenue and $9 billion of it roughly sticks to your fingers in operating profit, you have $95 billion, $94.7 billion worth of cost. And I can tell you, we spend about $10 million to $11 million an hour. And we've actually proven to be pretty good at that. We have too much cost. We know it. We have a better line on where it is and with all the work we've done, we've got more to do to get our costs out, to get our cost structure right and realign it to shareholder value or invest it to create yet more shareholder value.

There is no -- everything else we talk about this morning will come back to these core points. So, let me start by showing you a video about the evolution of the digital content, before we go to that. Then, I'm going to tell you a little bit about sort of each of these subjects and then I'll have Cathie come up, which I'm sure you'd love to have her talk about how this manifests itself in actual numbers. So, with that, could we roll the video?

(VIDEO PLAYS)

Unidentified Company Representative

From Boston to Beijing, from global economic leaders to emerging markets, the world we know has gone digital and wireless at speeds that seem impossible to comprehend. This digital tidal wave of information provides new opportunities for unprecedented growth. It also creates immense pressure on the existing digital network.

As the volume of digital content multiplies, the different types of devices we use -- PCs, cell phones, printers and mobile devices, also continue to increase at staggering rates. This increase will require creative solutions to adapt and capture the opportunity that digital growth offers.

More companies trust HP, who creates everything from portable devices to the systems that run the largest businesses, to lead them into the digital world. Global enterprise companies look to HP to transform their IT infrastructure with innovations like HP's industry-leading blade technology, data center cooling solutions, which reduce power consumption by up to 45% and management, business intelligence and virtualization software that enable the next-generation data center.

From the world's largest companies to the small business owner, HP has technology for every size dream. HP-integrated small businesses solutions can maintain peace of mind 24/7. HP innovation is helping artists realize their vision by providing more processing power to create the entertainment that families can enjoy on their multimedia devices, PCs and TVs.

HP can help people seamlessly capture and share memories at home, at retail stores, over the 'Net or from their cell phones. As digital content continues to increase, a whole new world of opportunity arises. For companies to prosper, they will need to adapt with innovative thinking, cutting-edge hardware, software, scalable storage and customer-oriented solutions and services. Are you ready?

(END VIDEO)

Mark Hurd - *Hewlett-Packard - Chairman and CEO*

Content everywhere. It's global, it's mobile. And I would add another thing to it -- all these companies, and I run a risk here of there's a plethora of companies creating content. All of this content has to get moved, and the big news is everybody globally wants access to it, whether it's a farmer in China, whether it's somebody in Eastern Europe, whether it's somebody here in New York City. And that creates pressure on IT infrastructure, pressure that turns into opportunity.

And, by the way, the consumers, a younger generation than perhaps mine, is used to getting instantaneous access to this content, which will in turn -- this consumerization of IT will put pressure on enterprises. I've used the example before, I'll use it here. My daughter, who's 12, doesn't understand how you call a company and you don't get instantaneous response. Why is it they don't have a search capability to get the specific answer to the specific question I've got as fast as possible. They must not have insert-name-of-search-tool-here. Why don't companies have that, dad? As I tell her, it's complicated.

There's a large legacy infrastructure built up over years that has to be retooled and rebuilt. So, the implication of this global content stretches far beyond the average consumer. It stretches to how we think about or how our businesses behave and it starts with HP, for us. We have 650 million consumer incidents a year. They last four to 4.5 minutes in duration, where we have the opportunity to get everything we know about that consumer to the person that's handling that call. And, as you know, we had at one time when we started 6,000 applications running HP. That expectation of the consumer puts pressure on all enterprise to rebuild, retool and build a flexible infrastructure. And you're going to hear that not only through how we think about the consumer, but how we think about enterprises.

Numerically, this thing -- well, let's talk a little bit about our framework. You've seen this framework before. We want to grow. We, at the same time want to be efficient, at the same time, we want to apply our capital to bulk. Cathie's going to talk about the capital and a little bit more about the efficiency piece. I'm going to touch on really just the size of the market. It's big. I know that's a very deep, analytical term. It's big and frankly, it's a little bit challenging for us.

When you look at $1.2 trillion, you might say, why don't you just cover the whole thing, and why don't you cover it quickly? Today, we are underrepresented in the marketplace. We added last year roughly 2,000 headcount to our go-to-market efforts. We did that some through acquisition, some through organic hiring. And yet today, we're still underrepresented. And we believe, I believe, if on 3:00 or 4:00 this afternoon, the whole world would get together and realign the $1.2 trillion worth of infrastructure and it would be done efficiently and everybody got a vote, we'd wind up with more than $104.7 billion.

So, it's important for us to get this right. And the reason the chart looks the way it does is it gets a little more complicated than just the biggest company in the world with the consumer. It's different by geography, it's different by product group, different cost to serve, different capability levels and our job is to get the maximum representation at the right cost point at the right capability level.

So conceptually, we want to have the lowest-cost representation at the optimum capability level that covers the breadth of the market, and we're working on it. It is a big opportunity for us to get this right. There is growth for us to go get. At the same time, I've already mentioned our cost structure. We spent $94.7 billion last year. Somebody at one time told me we spend our operating expenses.

I must tell you, let me redefine for you our cost structure. Revenue minus operating profit equals cost, and the cost comes into several buckets, and we even micro-segment it deeper than this. You've heard us talk a lot about our shared services. Cathie's going to talk to you about real estate IT a bit.

But frankly, and this is not drawn to a perfect scale, but it's a representation, we have more cost in product costs than those shared service costs, and more cost than our shared services cost in a thing called business owned. And we're beginning to get under each of these cost areas and a benefit of scale is a benefit of leverage is that we have a lot -- I'm going to say it one more time, a material opportunity to further improve our cost structure, as opposed to the perception that we fixed it one time with a gulp in July of 2005 and forever it's perfect. I have good news or bad news, depending on which lens you look through.

It's not perfect. The best news for us is we have a lot of depth now in understanding where that cost is and we will get it right, and we will realign some of that cost to take advantage of the previous opportunity I described and some of that will turn into shareholder value. At the same time, we want to optimize our portfolio. We talked about getting our cost right, getting our growth right.

At the same time, we want to optimize the mix, because we're going to talk about growth today. It's important we grow, but it's important we grow the right way, with the right mix, software mix, not just our software business but the mix of our software capability within all of our product lines. Attach rates are important to us, so getting the right revenue growth is important, but the mix of that revenue growth in the future, optimizing that portfolio, will be just as important to us as the wall, or, if you will, the revenue growth number that you see from the Company.

So, again for us, we want to do multiple things at the same time, take care of costs and grow, take care of our efficiency in cost, grow the Company, at the same time as we optimize the mix, the attach and the alignment of our business. Scale is important to us. We try to be a leader in most everything we do. Why? That gives us competitive advantage, competitive advantage in that we want to be a very important customer and a very important supplier to everybody that we do business with. You can see these product categories where we lead, but it helps us leverage our cost structure across our entire business.

Now, just before I bring Cathie up, I'm going to close on the same messages that I started with. The market's big. It's a big opportunity for us. Second, we think our portfolio, and the investments we've made -- remember, about $18 billion to $19 billion in R&D in the last five years, 35,000 engineers across the Company. We think we are well positioned -- I will never argue that we can't improve -- to take advantage of that opportunity. We've done a lot of work on our team, feel good about the people in the Company and the infrastructure we've invested to be able to allow them to have tools to do a better job at what they do.

We have costs to work on, costs to get out of the Company. Importantly here, this verb is an action verb. We are building a track record of execution, as opposed to we have built one. It's important for us when we tell you we're going to do something that we do it. It's important when we tell ourselves that we're going to do things that we do them. And when you go to bed at night and you've trusted your money with us from an investment perspective that you know we're working hard to execute on the plans that we've told you about.

Doing what we say is really important to us. It doesn't mean that we're always going to tell you that we're going to do everything, or that we're going to do everything perfect, but doing what we say is very important to us. And we are very focused on creating profitable growth, creating shareholder value. And there's plenty of things we can go work on, but in the end, they have to be in the interest, short and more importantly long term of creating value for the Company and value for our investors.

That's what we're focused on. As you go through the day, and much of the content that we describe to you will be an attempt to show you evidential points supporting the thesis that I described, that we can grow, that we have the right technology and services to address the opportunity, that we know how to align our cost structure to take advantage of it and to give us leverage and opportunity in the marketplace. And I hope you get a chance to see some of our people as you go through the day and understand the quality and capability that they bring to the task at hand.

So that's how I'm going to open. Cathie -- I'm going to have Cathie come up and tell you a little bit about our performance in '07 by segment, tell you a little bit about our outlook for '08, '09, and then, I'll come back and Cathie and I will do Q&A with you.

Thank you, and see you in a couple of minutes.

Cathie Lesjak - *Hewlett-Packard - EVP and CFO*

Good morning, everyone. Welcome to our security analysts meeting. I'm pleased to be here this year with such a strong financial story to tell you, both from the perspective of what we've achieved to date and what opportunities lie ahead. This is what I'm going to cover today, an overview of fiscal '07, a view into where we are with respect to our cost initiatives, as well as our capital strategy, a reminder of our fiscal '08 guidance that we provided at the Q4 earnings call, as well as guidance on our cash flow for operations for fiscal '08, and finally, the real reason you're here, our fiscal '09 business model.

Moving now to the fiscal '07 review. Revenue was up 14% year-on-year, or $12.6 billion, with solid share gain in printers, PCs and servers. On a constant currency basis, revenue was up 14%. Gross margin improved 10 basis points due to the strong commodity and pricing environment in the latter half of 2007, as well as an improving cost structure with respect to cost of services delivery. The unfavorable mix of our outstanding PC revenue growth was entirely offset by our strong performance in software.

OpEx was up 7%, but just 4% when you adjust for currency, in a year in which we substantially improved our sales force and added 10 new companies to our portfolio. This reflects the strong cost discipline at Hewlett-Packard, as well as the improving productivity of our OpEx dollars. Overall, EPS was up 23%, or if you adjust for the one-time tax credit that we had in the second quarter of 2006, up 32%.

Our operating profit grew at a rate more than twice the revenue growth rate and we benefited from a declining share count. HP finished fiscal '07 with balanced performance across all of our operating units, as well as our regions. So, let's quickly take a look at our operating profit trends.

This chart shows five-year trends, where the bars represent operating profit and the lines represent operating profit as a percentage of revenue. In fiscal 2007, HP had record operating profit in every one of its operating segments, with balanced performance across all of them.

Just to give you a sense of what I mean by balanced performance and the improvement that we've made in 2007, let's flip back to 2003. In 2003, IPG's operating profit represented 74% of HP's segment operating profit. In 2007, in a year in which IPG had record operating profit dollars, that percentage dropped to just 41%.

Now, let's specifically look at the chart. I'll start with PSG in the upper left. PSG ended the year with 5.3% operating profit and the increase in operating profit dollars from '06 to '07 was the largest of all of our operating segments. We obviously continue to leverage our scale in that business. IPG achieved 15.2% operating profit in fiscal '07 and you can see the rebound in profitability in '06 and '07 off of a conscious decision that we made in the second half of '05 to aggressively place unit ship -- placements in order to accelerate supplies growth.

Next, let's look at our enterprise businesses across enterprise, server and storage, HP services and software. ESS achieved 10.5% operating profit, continuing on a very nice trend that was begun in 2004. HP Services ended the year at 11%, and there was a rebound in profitability for them as well, starting in '06, when in '05, we made a conscious decision to focus on profitable growth and begin to make improvements in our cost of delivery in the services business.

HP Software continued its up and to the right performance with both in terms of operating profit dollars, as well as operating profit as a percentage of revenue and fully integrated Mercury Interactive in 2007. Finally, HP Financial Services had 6.6% operating profit in 2007.

Let's now look at our region revenue trends. This chart shows four years of revenue growth. The bars represent revenue and the lines represent either local currency growth or U.S. dollar growth. The Americas has seen steady improvement in growth, this year culminating with 10% revenue growth. And if you look under the covers a bit, you can see that the U.S. grew at 8% and Canada and Latin America grew at two and three times the U.S. rate.

Europe, Middle East and Africa and Asia-Pacific accelerated growth in constant currency at the same time as they enjoyed a very positive currency environment. We've been talking a bit about our emerging markets and how important emerging markets are to us, so let me tell you a little bit about our BRIC countries. In Brazil, Russia, India and China, in aggregate grew 33% in fiscal '07, about 2.5 times the average corporate rate and now represent 8% of HP's total revenue.

Overall, we see good growth and balanced performance across all of our regions and the emerging markets. Now, let's take a look at our cash position. This chart shows our gross and net cash, and just as a reminder, net cash is gross cash, less debt. This year, we've added an additional bar, and what it is is it's basically looking at net cash on an operating company basis, by taking out the impact of our leasing business. And this is actually the way Mark and I typically would look at net cash, and we thought it was important for you to see it from this lens, as well.

In prior years, we've talked about the fact that our net cash at Hewlett-Packard was really more than we needed at the Company. This year, with M&A investments, share repurchases and capital expenditures, we have reduced our net cash at the total company level by about $8 billion and if you convert it to an operating company level, about $6 billion.

The $8 billion in debt, which is just coincidence, $8 billion as well, was used primarily to fund our leasing business and to a lesser extent, our U.S. operations. Overall, HP has substantial investment capacity, whether or not we access the cash offshore or we access the U.S. debt markets.

Turning now to share counts and stock options. The chart on the right reflects the work we've done to reduce our share count over the years shown. We've shown good improvement of reducing our dilutive shares outstanding, with strong share repurchases that exceeded the dilution created by employee benefit plans, as well as the dilution as a result of our common stock equivalents increasing with share price.

We had good control over options granted and continue to see good option exercises and that has resulted in a decline in our options outstanding, as well as our option overhang. Going forward, we fully expect that the option overhang will continue its downward trend as we keep good control over options being granted. Overall, we finished fiscal '07 with balanced performance and improvement on a number of different metrics. We still have a lot of work to do. We're not confused about that at all.

So, let me discuss this is in the context of the operating framework that Mark briefly discussed earlier. Mark went into detail about targeted growth, and my talk is going to focus on the efficiency and the capital strategy pieces, but it's really important to understand that all three of these need to be in balance and taken into consideration in order to optimize the performance of Hewlett-Packard. So, let's start first with efficiency.

Mark's talked about how we look at cost. We look at it revenue less operating profit. In fiscal '07, that was approximately $95 billion. We also think about it in the three buckets that Mark talked about, business-owned cost, product cost and corporate shared services. Business-owned costs are a significant opportunity for us, and let me give you just a flavor of what types of things fall into that category, and Ann, VJ and Todd will go into more detail in their presentations.

So the first one, service delivery. We look at improvements, decisions around where we should perform the work, should it be onshore, near shore or offshore, and we need to optimize that mix. We look at process reengineering to make sure that our processes are as efficient as they can be, and frankly, almost more importantly, we've got to automate so we don't have to scale our headcount and our cost structure with revenue growth.

In terms of supply chain initiatives, we're looking at things like SKU optimization and logistics efficiencies. Finally, broadly along OpEx, we look at admin, and we want to make sure that our admin is the lowest level it can possibly be. We want to be world-class in this category.

With respect to marketing and R&D, it's a little bit different kind of lens, because we actually think that the dollars we spend in those categories are about right, but we're not convinced that they're as productive and as efficient as they possibly can be, so we've got initiatives in that area, as well.

Finally, with respect to field selling cost, you heard Mark talk about the fact that we have a total addressable market opportunity of $1.2 trillion, and we need to make sure that we're covering that. So, at the end of the day, field selling cost is where you're going to see the growth in OpEx.

With regards to our product costs, we are probably the largest customer of most of our suppliers and we ought to get the best price on the planet Earth with respect to our purchases there. So, this is an ongoing effort in which we are working with suppliers day in and day out to make sure we are getting the best price.

And it's really important to understand that the efforts made in the business-owned costs and the product costs are really an ongoing series of initiatives designed to keep us with the best, most competitive business models. And a significant portion of these savings will go to driving growth and not necessarily to the bottom line directly.

And while we've made significant progress in our corporate shared services costs, we still have a lot of heavy lifting still to do. So, let me turn -- oops, I'm sorry, I moved the slide by mistake. You need to move back. Let me turn first to where we are with respect to our IT initiative. We're about halfway there relative to the cost savings that we've laid out for you. We've completed the build-out of our six next-generation data centers and we've closed at this point 21 of the 85 original data centers.

These next-generation data centers will increase our processing power by 80%, double our storage capacity, while adding business continuity, will operate at 60% lower energy cost and 50% lower networking cost. This is what drives the $1 billion in savings on a full run rate basis that we will see in 2009.

Now, let's talk a little bit about real estate. Real estate, we're in a different inning. We still have the majority of savings in front of us. Between now and 2010, we expect to reduce our real estate costs by about one-third. We're going to optimize the number of sites, we're going to reduce the square footage per person by taking advantage of the fact that people are mobile and they don't come into the office every day, by taking advantage of the fact that we don't have a lot of file cabinets that are necessary. We have thin displays and efficient and relatively small space needs. And we're also looking at how to run the operations or these sites in the most efficient way by doing more outsourcing and, frankly, optimizing service levels.

To close on corporate shared services, it's important to realize that I've talked about two elements of corporate shared services, IT and real estate, but there are other things in that bucket as well, things like finance, HR, legal and all of us have initiatives to get to be world class in the 2010 timeframe. While we've made progress, we continue to focus on reducing cost at every level of the Company.

When Mark and I have reviews, whether it's with the functions or with the businesses, a key topic is where are we with respect to costs? Does that cost absolutely have to be spent? If the dollars can be repositioned to be more productive or more efficient, we're on that in every instance.

Now, shifting to corporate strategy, our capital allocation priorities have not changed this year compared to last year. Our first priority continues to be to invest in the business. And we think about investing in the business with two flavors. One is to invest to grow. That shows up in R&D, in demand generation. It shows up in M&A and, frankly, it shows up in CapEx that we need to invest to grow and I'll talk a little bit more about that when I get to the CapEx section.

The second flavor is the invest to save, and we've been talking to you about the investments that we've been making in IT and real estate infrastructure so that we can save costs down the road, and we will continue to look at opportunities like that. Our second priority is to return cash to our shareholders. We do that predominantly with share repurchase and, to a lesser extent, with dividends. With respect to share repurchase, our strategy has not changed. We want to offset dilution from employee benefit plans and to buy opportunistically, as appropriate.

The chart on the left highlights how we've deployed our capital over the periods shown. For fiscal 2007, we invested heavily in the business, with approximately $7 billion in M&A and approximately $3 billion in CapEx. We also returned about $12 billion to our shareholders in the form of share repurchases and dividend. We invested over twice our operating cash flow in fiscal 2007. We've been maintaining and we expect to maintain our dividend per share at this level, but we do review it on an annual basis.

Turning to the fiscal '08 guidance, let me remind you what we told you at our earnings call just a few months ago, revenue of approximately $111.5 billion and non-GAAP EPS growth of 13% to 15%, or $3.32 to $3.37, which includes about $0.10 of OI&E.

Turning to our working capital and our operating cash flow for fiscal 2008, the chart reflects our cash flow and working metrics, both historically and what we expect for fiscal '08. Starting with cash flow from operations, we expect cash flow from operations to be approximately $11 billion in '08, up 14%. CapEx in general had been increasing as a result of the investments we've been making in IT and real estate, and that has now peaked in '07 and is starting to come down.

You're probably quickly looking at the chart and seeing that in fact it looks like CapEx is up. It is. But as we are investing to save is coming down, our investing to grow is coming up. So, the investing to grow takes the following format. We're upgrading our data centers and adding new data centers to support our outsourced services business. The supplies growth in IPG requires additional pen lines, and we also need to continue to support our leasing business as more customers want operating leases and therefore, CapEx required as opposed to capital leases. When you put this all together, our free cash flow is expected to increase $8 billion, or up 13%. I did it again, sorry. Back a slide.

Looking at working capital, in '08, we continue to leverage our strong balance sheet to take advantage of lower logistics costs, strategic buys, cash discounts that are offered from our suppliers and ones we negotiate with our suppliers, as well as optimize to terms and conditions with our customers.

All in all, we're managing our working capital by making the right economic tradeoffs between the balance sheet and the income statement to drive shareholder value. Looking at the cash conversion cycle for '08, we expect it to be roughly flat with 2007. And just a reminder that when you model and when we model our cash flow for fiscal '08, you need to remember that in Q1 '08, just as we did in Q1 '07, we will pay a substantial bonus. Now, that's fully accrued in our '07 financials, so it's not a P&L impact. It's simply a cash flow impact.

Okay, now we're ready to show you what our fiscal '09 operating model looks like, which I think might be one of the main reasons why you're here. The next three charts I'm going to show you are not in your packet. We will be handing them out as I go through it.

We expect fiscal '09 revenue growth to be between 5% and 6%. That represents constant currency growth off of our fiscal '08 guidance. The implied revenue in this growth rate is $117.1 billion to $118.2 billion. If you back up from the EPS, the implied operating margin is 10% to 10.4%.

OI&E is estimated at $550 million, and our tax rate will be between 21% and 22%. When you work through your models, make sure that you put the 22% in the high revenue, higher-profit scenario, because it's those increasing profits that's putting pressure on our tax rate. So, the 21% goes at the low end and the 22% at the higher end.

We expect weighted average shares outstanding to be 2.6 billion, approximately. Expect our EPS range to be between $3.74 and $3.84, growing approximately 13% to 14%. Now, let me break that down by segment for you. This is how we see the ranges for the segments for revenue growth and operating profit in fiscal 2009.

Relative to revenue growth, several of these ranges ought to be familiar to you because it's where we've been guiding for a while. However, we've modified the ranges of PSG and HP Software to reflect the growth that we see in those markets, as well as our strong position there. The other thing you should step back and think about and remember is that we are building cost structures based on this revenue growth.

If in fact revenue growth is better than we predict, then there will be upside opportunity. Relative to operating profit, the ranges reflect our ongoing cost initiatives that I've been talking to you about, as well as the business-owned improvements.

Also, these are full-year estimates of revenue growth and operating profit. In any particular quarter, you may see us outside of these ranges, but we believe that these ranges are the right ranges for the full fiscal year. Let me show you the bridge of fiscal '07 EPS to expected fiscal '09 EPS. That waterfall is driven by operational improvements within our segments and further cost reductions across the Company. We see a nice balance between revenue growth and margin expansion as EPS grows 28% to 31% over this two-year period.

Let me conclude with the following thoughts. HP delivered solid revenue and EPS growth, with healthy recurring revenue in 2007. We improved balance across all of our geographies and our operating segments. HP continues to be very well diversified across customer groups, products and geographies. We generate significant cash flow and have substantial investment capacity going into 2008.

We're executing on our promises on cost initiatives and we're not confused. We know we've got more to do. And, finally, HP is returning value to shareholders through share price appreciation, share repurchases and dividend.

That concludes my prepared remarks and Mark will now join me onstage for Q&A. Thank you.

QUESTIONS AND ANSWERS

Mark Hurd - *Hewlett-Packard - Chairman and CEO*

All right, thank you. Is there a process, Jim, that you -- nobody waves?

Shannon Cross - *Cross Research - Analyst*

Shannon Cross, Cross Research.

Mark Hurd - *Hewlett-Packard - Chairman and CEO*

I'm surprised Todd didn't get you before that.

Shannon Cross - *Cross Research - Analyst*

Well, we added one more apple, so next year.

Mark Hurd - *Hewlett-Packard - Chairman and CEO*

Thoughtful.

Shannon Cross - *Cross Research - Analyst*

Anyway, when we look at your EPS guidance, I think it's relatively within the range of where the Street was at. And yet, if you go back over the last several quarters, you've exceeded handily. So, just curious if you could categorize how you're thinking about EPS, how many of the cost-cutting measures that, Mark and Cathie, you talked about are within there and just any more color you can give on the swing factors that could either lead you to meet or exceed the guidance.

Cathie Lesjak - *Hewlett-Packard - EVP and CFO*

So, I'll start today. So, we've included in our guidance clearly the cost initiatives as we think they will roll out in '09. So, we've captured what we think is the appropriate cost initiatives. In terms of upside, I think I'd swing that one to you.

Mark Hurd - *Hewlett-Packard - Chairman and CEO*

Thank you. We have no objective to -- we want to do as well as we can, so there's no objective not to do better than that. I think what we try to balance is to make sure, as Cathie described, we get to a realistic revenue growth number. And I say realistic. We tend to be prudent in putting the growth number that we think makes sense given the dynamics we see in the market. The really important part of the architecture of that planning process is that we don't let our costs get away from us from that perspective, that we put significant pressure on our costs.

Well, our plan architecture is to get a revenue growth that we think we can make, be exceedingly tough on our expense structure, so that we get absolute clarity, but at the same time, Shannon, to put capacity into our plan so that the market opportunity presents itself, then we perform better from a revenue perspective.

So, that's the architecture. So, I think the way Cathie described it in her points is exactly the way we think about the plan. If we do better on the top, likely that we would do better on the bottom.

Ben Reitzes - *UBS - Analyst*

Hi, Ben Reitzes, UBS over here.

Mark Hurd - *Hewlett-Packard - Chairman and CEO*

I know you're here somewhere. Hey, Ben.

Ben Reitzes - *UBS - Analyst*

I'm sitting, but hey, you can't really tell the difference if I stood, anyway. So a couple questions, first for Cathie, then for Mark.

Cathie, just on the IT and real estate, you've previously said for IT about $1 billion in savings, and you said what inning you're in and how should we think of that and when we get to that $1 billion run rate. And then the same thing for real estate. You said -- you gave a framework for 2010. I'm just wondering what the starting point is so we can quantify how much real estate gets better in terms of cost in three years.

Cathie Lesjak - *Hewlett-Packard - EVP and CFO*

So in terms of IT, we expect the full run rate $1 billion to flow in 2009. In terms of real estate, that happens a year later, in 2010, and we have not provided a specific quantification of the real estate savings. Really, I think the best way to think about it is that it's not as large as IT, but it's still a material improvement, and I think I mentioned it was about one-third of where we were in 2005.

Ben Reitzes - *UBS - Analyst*

And you -- recently, there's been this mix shift towards PCs, which has put pressure on your gross margin, but in the last quarter, we saw out performance in your higher gross margin segments, such as software and the enterprise.

I'm just wondering, over the next few years, does that dynamic create an opportunity for you to increase margins both on the gross and operating line that you didn't have? So, do we have a tailwind now because of that mix shift, or how do you see that mix shift changing to create opportunities or headwinds going forward?

Mark Hurd - *Hewlett-Packard - Chairman and CEO*

So I think, Ben, you're on the right point. It's the point I was trying to make earlier, that growth is important but the type of growth is at least as important as the amount of growth we get. And the PC business we want to grow, so there's no calibration we're trying to put on that business or any other business in terms of lowering their growth rate to alter the margin mix, but making sure we're growing in those high-margin segments is an important dimension to us, to your point.

What we've modeled here is really sort of a steady state in the context of mix, at the same time knowing that what we do is put a lot of pressure on these things that affect mix. You only mentioned one of them, which is actually the mix of the revenue by segment. There is actually yet another one, which is the mix within the segments of the business. So, when you get into the context of IPG, VJ is going to talk this morning about not only revenue growth, but really the type of revenue growth that he gets.

Does he get revenue growth from commercial printing? Does he get revenue growth from the software business within IPG, the attach within IPG. So think of us then as trying to work on all of those dynamics simultaneously. Yes, the mix at a macro level, but even the mix within the micro level if you think of it within the segments itself.

Now, what we've modeled is, you've seen the revenue growth and you can do the math simply on the revenue growth at the current sort of margin profile that the Company delivers. We're going to work hard to do the best that we can to deal with the mix not only in aggregate, but within the segments themselves.

Cathie Lesjak - *Hewlett-Packard - EVP and CFO*

But I think it's really important that we want each of our segments to grow as fast and as profitably as they can. And the aggregation at the end will determine whether or not the gross margin rate goes up or down or the operating profit, but the operating profit will go up, because we've got solid, competitive business models and driving the right cost structures in each of our segments.

Bill Shope - *JPMorgan - Analyst*

Bill Shope, JPMorgan. I'll cover up my computer here, because I know Mark's already seen it this morning. Mark, I think we're all very --

Mark Hurd - *Hewlett-Packard - Chairman and CEO*

We're going to replace that, Bill.

Bill Shope - *JPMorgan - Analyst*

We are, we are? The next [refresh cycling], I promised you --

Cathie Lesjak - *Hewlett-Packard - EVP and CFO*

That's what we heard.

Bill Shope - *JPMorgan - Analyst*

So, Mark, we're all comfortable with your philosophy on cost structure management. I think most of us are pleased to date with how the Company's performed in that respect. Can you give us an idea of how that philosophy may or may not change if we do enter a recessionary environment, particularly if the consumer tends to roll over going into next year, God forbid? How would your philosophy on cost structure management change?

Mark Hurd - *Hewlett-Packard - Chairman and CEO*

It wouldn't change one bit, Bill, because whenever I get that question, my reaction is, oh, in today's environment, you must be more lax on the cost structure. And I can tell you that I don't care what GDP looks like, where it's coming from globally, what's happening by segment, if we have inefficiency and waste, we're getting it out of the Company. And to say that we're going to go -- look at these -- to say that we're going to go get yet tougher, we're going to go get everything even if GDP -- even if the market goes the other way. We're going to be just as tough on our cost structure. Because cost structure, excess cost, kills you in a number of dimensions. So, for us, we're going to go get it regardless of what the economic conditions are.

Cathie Lesjak - *Hewlett-Packard - EVP and CFO*

I think the other thing that's just a tangent to that question is just to recognize the fact that HP is very well diversified. So, if you talk about a U.S. softness in the economy, HP is basically 67% of its business is outside the U.S. and we're about one-third in consumer, one-third in SMB and one-third in enterprise. It also gives us a nice kind of way to get through a cycle.

Mark Hurd - *Hewlett-Packard - Chairman and CEO*

I think in addition, philosophically, our view on growth to head to the whole architecture, we're not running around telling people, go gain share, regardless of circumstance. We're out there -- share, as we always talk about it, is the result. It's not the objective. You run a good business, take care of your customers, deliver great products, deliver great service, show up with an appropriate capability, you're going to gain share. But that's the answer, it's not the objective.

So, for us, we never talk, I have no metrics -- Todd, VJ, Ann and their reports, have no metrics on share. They have metrics on running a great business. So for us, when we think of the economy, we think about it in the context of diversification. We think of it in the context of being aggressive on our cost structure regardless of circumstance and making sure we run the business just as well as we possibly can.

David Bailey - *Goldman Sachs - Analyst*

Yes, David Bailey from Goldman Sachs. I was wondering if we could talk about revenue for a minute. What are the key factors that might drive the revenue growth toward the higher end of your range versus the lower end? Is it more macro or HP-specific, and then, which groups within HP have a better opportunity to drive toward the higher end of the range?

Mark Hurd - *Hewlett-Packard - Chairman and CEO*

Refuse to answer the last one on the grounds that it could incriminate me, and so I would just not -- that probably wasn't a good statement to make. So, I'm not going there, though, in terms of the segments with the most opportunity. You know market growth rates, you can look at those.

Certainly one big issue for us is coverage. For us, we have just not gotten the [facts] that we need. And I believe that the Company has delivered fantastic technology, fantastic capabilities. We just are underrepresented in the market. Now, the problem is, it sounds simpler than it is to just hire up a sales organization, as I think we've probably talked before. It is probably the toughest thing we're going to get done at HP with our DNA, which is to build up a go-to-market model that can get us at that $1.2 trillion worth of opportunity.

So, that's if not the biggest, imagine that we can get our technology engine behind our services and our offers even better than today, coverage is probably and channel and distribution, is probably the single biggest thing that comes to mind. Certainly a great macro economy is always great for us. But I think really for us, it's about as much of the stuff that we control, making sure we get to the right place at the right time with the right capability to compete.

Andy Neff - *Bear Stearns - Analyst*

Andy Neff, Bear Stearns. In the middle here, Mark, right.

Mark Hurd - *Hewlett-Packard - Chairman and CEO*

Hey, Andy.

Andy Neff - *Bear Stearns - Analyst*

Hi. Two questions. One's an amplification on something you talked about before -- as you talk to customers, as you talk to large accounts, what do you see they're doing with their spending? And then sort of a variation on that, you're going from 86 data centers to six. What happens if all your customers consolidate data centers? Is that good or bad for your eventual demand?

Mark Hurd - *Hewlett-Packard - Chairman and CEO*

So, Andy, the way I would think of it, it is the thrill of a lifetime. Anything that interrupts current inertia is fantastic for us. So you take the server market, and people talk about things like -- Ann's going to talk about virtualization. It's a $60 billion server market. The more of that market that gets virtualized and interrupted, we get the chance to participate with what we think is the greatest technology on planet Earth. So for us, the more you get interruption in storage, the more you get interruption in the server infrastructure, the more you force change.

And so what I hear from CEOs all the time is, I don't have the best information on the planet. I've got too many applications and I want to get better information at the point of attack when I deal with my customers and my suppliers. Second, I spend too much money.

And we can go through a lot of numbers with you about labor cost and infrastructure costs and how much IT organizations spend on sheer maintenance, keeping the lights on, so to speak, with their IT. They want to get their costs down. They want to be able to get better information. They want to do it without risking the enterprise.

So part of the problem with what Cathie described, you shut down data centers. Nobody wants to go through that if it means they can't close the quarter. So, how do I do it risk free while I take on this transformational exercise. So, those are the pressures that are showing up in enterprises today, and, frankly, Andy, we want to see that accelerate. The more that accelerates and the more that $1.2 trillion -- I meant what I said this morning. If we had everybody going at this one time, efficiently, simple go-to-market model, everybody called up at 4:00 and said we're all going to go at this, we're going to do better than $104 billion, from last year's perspective.

So for us, interruption, any catalyst that creates change, we like our opportunity, and so for us virtualization, data center transformation, modernization of an application suite, all of those are points of interruption that we think give us an opportunity.

Cathie Lesjak - *Hewlett-Packard - EVP and CFO*

It's fair to say that of that $60 billion, we're not addressing 100% of it today, so as virtualization takes place and it gives us an opportunity to address it in the future, we should do very well, especially with the blades technology that we have today and the success that we're having at getting that technology out into our customers.

Mark Hurd - *Hewlett-Packard - Chairman and CEO*

Yes, to Cathie's point, that's one metric, because that's $60 billion, and that's a global worldwide number. It includes mainframes. It includes all kinds of proprietary server technology. The more that that's forced or changed into the world that we're talking about, we like our chances, Andy.

Lou Miscioscia - *Cowen and Company - Analyst*

Thank you, Lou Miscioscia at Cowen and Company. I guess on that same topic, have you fully engaged the sales force with I guess what you've learned as you're transforming your data centers and they are out there trying to sell this transformation to CIOs? And then, what is the sentiment of CIOs, willing to step up and really spend significant dollars in order to save dollars as obviously you all have?

Mark Hurd - *Hewlett-Packard - Chairman and CEO*

So, this is a great question. Yes is the sort of simple answer to your question, but I wouldn't be doing it justice. It's hard, because being able to get this done is not just about technology. It isn't showing up with a blade. It isn't showing up with some techno sort of approach to the product. It's a business product. So for us, it's being able to align the business opportunity with the technology simultaneously.

So, for us, it's been hard. We've got more of our services people that have shadowed this process over the past couple of years, so we've had at any point in time roughly 100 services people shadowing our IT organization, because as Cathie and I make this sound so smooth from an IT transformation perspective, we've had issues. We found out how to shut down data centers. We found out that it's actually a little harder than we thought. In fact, our CIO Randy Mott tells me all the time that you talk about this very quickly, but it's actually like a lot harder to do than what you say. And I told him, that's why we hired you.

And at the end, we have to learn and take all these lessons learned and give them to our customers. So, we think we're doing a good job with that, but we can do better. Secondly, I don't think the CIO in isolation makes the call. So, I can tell you from our experience, this is a CEO decision, executed by a team.

And the team, the CIO even, can't execute. To be very frank with you, if VJ, Todd, Ann and Cathie and the rest of our team don't support the process, it will fail. Because I will promise you, when you start transforming, you will have problems. And the first time the CEO/team blinks, the transformation stops. So, it really isn't just getting to the CIOs.

I think most CIOs sort of get it. I think the question is you've got to get alignment between the CIO, the CEO and at a minimum, the business unit leadership and the CFO, and if not even a broader support through the company.

Did you have more, Lou, just to finish up?

Lou Miscioscia - *Cowen and Company - Analyst*

I did. Okay, here we go. They turned me off. Just as a sentiment question, obviously, you're in the middle of a quarter here, but many other companies have a December year end, and are you getting any hints from CIOs, because of everything that's obviously going on, that they're starting to pull back and obviously, December quarter is always very back-end loaded. So sort of the million-dollar question is whether they start pulling back in and everything is good and your demand seems to be good, or all of the sudden, it's not good and then it's bad?

Mark Hurd - *Hewlett-Packard - Chairman and CEO*

So the implication, Lou, of these hints is you would like me to give a current-period view of the quarter. So, I just wanted to make sure I was clear, right. So, we're not participating in that today, and we're talking about our models and frankly what's transpired. We have no more forward-looking statements on the quarter other than what we talked about on our conference call after Q4. Thanks.

That was good, though. I mean, it was really well delivered, the question.

Rob Semple - *Credit Suisse - Analyst*

Thanks. Rob Semple, Credit Suisse. A question on component costs. It's been a nice tailwind this year for you and frankly some of your competitors. It seems like, in fact, you're taking more of it to the bottom line than you have in years past. And my question is, has there been a philosophical change at HP with how you handle those component cost savings and how do you project handling it in the future in either an up or a down environment?

Cathie Lesjak - *Hewlett-Packard - EVP and CFO*

There's really been no change philosophically in how we handle it. We basically always want try to pass as little through to the customer as possible so we get it to drop to the bottom line, but it really is dependent on the competitive environment in the particular quarter that we're talking about. There's really no change on that.

Mark Hurd - *Hewlett-Packard - Chairman and CEO*

And also, Rob, it fluctuates sometimes not only between commodities, but intra-quarter, you can see changes. So, it's more of an art than anything else. And so, I think to Cathie's point, our ability to predict it has some deviation, so for us, it's really no change.

The only thing I'd say is that we have been thoughtful, I think, in the context of how we do the strategic buys that Cathie talked about and what our projections look like in terms of go-forward commodity pricing and where opportunities might exist. I'd say save that, there really has not been an operational change in the way that we think about it. We would like lower commodity pricing. That would be good.

Cathie Lesjak - *Hewlett-Packard - EVP and CFO*

And we do do strategic buys both from a pricing perspective, but also from an insurance of supply, and that played very well for us in Q4, wherein some of our competitors had more challenges in the panel space than we had because we had done some pretty significant strategic buys.

Toni Sacconaghi - *Sanford Bernstein - Analyst*

Yes, thank you, Toni Sacconaghi from Sanford Bernstein.

Mark Hurd - *Hewlett-Packard - Chairman and CEO*

Toni, now if you stood, I definitely would --

Toni Sacconaghi - *Sanford Bernstein - Analyst*

I have two questions, certainly one for you, Mark, and the second one either for you or for Cathie. The first one is just about your growth aspiration. Mark, you spent a lot of time talking about the growth opportunity. I think as you laid it out, it's a 6% to 7% growth opportunity in terms of the market, that $1.2 billion addressable market. You also mentioned you were underrepresented and this is a focus for the Company going forward. And yet, your revenue guidance for 2009 is five to six. One would have thought given the efforts that maybe that would be higher. Can you try and reconcile those two?

Mark Hurd - *Hewlett-Packard - Chairman and CEO*

Nope. I think at the end, the opportunity is bigger than what we've described in the guidance. There's no question about that. I think the issue, Toni, is again for us how we'll execute, how we'll show up. And execution is by definition an inexact science. And I can tell you, Toni, I've said this before, I'll say it again, Hewlett-Packard at its core is an engineering company. We are a fantastic engineering company, both in the alignment of that engineering capability, the raw technology, and I think burgeoning capability in terms of our alignment of that technology to services. I don't think there's anybody on the planet better than HP.

Second, we have tremendous DNA about servicing our customer. It's in our DNA to help our customer at every turn when there's an issue. The issue that you bring up, that's not quite as deep in our DNA. And so for us, it is the place we've got the most work to do. I agree with the point that the opportunity is significant. We'll see if we can realize it. And what I'm not going to do, back to the earlier question, is go bank on that execution which perhaps might cause some other change in the architecture of our plan.

We will build capacity in our plan to do better if that market opportunity exists, and we will push very hard to build a go-to-market model that represents the same capability we have in other functions across our Company. But within that context, the guidance is what we described.

Toni Sacconaghi - *Sanford Bernstein - Analyst*

Thank you for that answer. If I could ask a second one, Cathie, you had mentioned that the revenue guidance was a constant currency figure. There was no comment on whether it included acquisitions or not. Is that an organic number, yes or no? And then perhaps both of you could talk more broadly about how you see acquisitions as a role in driving growth going forward. Is that something -- I know you've talked about the three criteria for acquisitions, Mark, so I'm not pushing to revisit those. What I'm pushing is to try and understand whether there's an aspiration or an expectation for acquisitions to contribute to growth on an ongoing basis going forward.

Cathie Lesjak - *Hewlett-Packard - EVP and CFO*

So, Toni, what we do in setting our guidance is we put a nominal level of acquisitions, small acquisitions, in the cash flow forecast. As an example, we have about $1 billion of a placeholder in terms of acquisitions that we would make. And I think the best way to think about those are in the context of smaller ones that we've done. And we've done a number of them. We've done 10 total in fiscal '07, some of them pretty small. And so, they kind of add up to about $1 billion. We put a placeholder in and our revenue guidance in essence captures whatever that $1 billion of acquisitions would lead to in terms of revenue.

So, it's not materially impacting the top line. I think it's important, though, that we've been doing that same modeling exercise for the last couple of years. It doesn't reflect whether or not -- that there's a change in our acquisition appetite or suggest that we wouldn't do something larger if the opportunity was there and it met our three criteria, being strategic, financially made sense and that we can operationalize it.

Mark Hurd - *Hewlett-Packard - Chairman and CEO*

It's hard for me to add much to that. That's where we are, and I think the growth is roughly organic, Toni, with smallish acquisitions in it. I would not take -- to Cathie's point -- I shouldn't even repeat it, because I think it was pretty clear, that the fact that we put a placeholder, we have to put something in the model financially to tie off the models. It isn't necessarily a specific predictor of what we do because we'll continue to be dynamic in looking at the market and making decisions, but they're going to have to be acquisitions that fit our criteria or we just won't do it.

Toni, the same way we're not going to go pursue share just for share's sake, we're not going to go buy a company just to go get some revenue. If it doesn't fit those criteria, we're not going to be a potential acquirer. So, it's got to be something that makes sense to us across those three criteria or we won't be a player for it.

Bill Fearnley - *FTN Midwest Research - Analyst*

Yes, good morning, Bill Fearnley, FTN Midwest. Mark, could you provide any additional color here on your investment plans in the channel? And also, wanted to ask a Dell question. Does your view and philosophy of the channel on direct sales change here as Dell and others increase their focus and investment in the channels, especially in retail and with VARs, where you're clearly a leader today? Thanks.

Mark Hurd - *Hewlett-Packard - Chairman and CEO*

So, we're putting more focus on the channel, not less. And so for us, even as we put the kind of HP-badged resource that we've described into the market, much of that is there to help our channel sell, so it's not a statement about direct versus indirect. So, we're very channel-centric, channel friendly and probably increasing that friendliness, more resource, more capability than we've had in the past. So, channel to us equals good.

Now, there are -- obviously, you can imagine, we have 140,000 different partners who help us take our products and services to market and lots of different companies find parts of those markets -- parts of those partners or numbers of those partners as attractive folks to work with.

So, I can tell you, it's taken us as a Company 20 to 25 years to mature our channel programs, our channel relationships and it's a huge commitment of not just money, not just people, but time in listening and helping partners at every turn, sometimes when it doesn't even make economic sense in the short term, because it makes sense for us in a long-term relationship.

And they're a key part of us getting to that $1.2 trillion opportunity. So, I can tell you that the commitment to the channel is something that runs deep inside HP and there's no change of that commitment, if not more energy and more focus.

Keith Bachman - *BMO Capital Markets - Analyst*

Hi, Mark, way in the back. Keith Bachman from BMO. Two questions, one for Mark and one for Cathie. Mark, as it relates to the operating margin guidance, you guys have talked about $1 billion type of dollars coming out in '09 due to the shared services. And I just wanted to see if you could talk a little bit about some of the cost activities as the business unit level, how you're taking cost out as well as leveraging, because if you look at the guidance in '09 relative to taking $1 billion out, compared to what you've recently done in the past few quarters, just under 10% operating margins, just trying to understand how to tie some of that together with the activities at the business unit levels.

And then second, Cathie, just directionally how you're thinking -- thanks very much for the cash flow comments for '08, but just directionally, how should we be thinking about cash flow relative to the '09 type of metrics that you've given us? Thanks.

Mark Hurd - *Hewlett-Packard - Chairman and CEO*

Keith, [explicit], I think the business unit opportunity is significant. It's material. You're going to hear about it from VJ, you're going to hear about it from Ann, you're going to hear about it from Todd, and it's really important for us to look at processes that cross our business units and I would argue to you that -- I'm not going to argue. I'll say to you that the business unit opportunities are certainly in scale, the sheer spending at the business unit level is bigger than anything in the corporate shared services area and we have opportunities that I'll just use the term at least as exciting to us as anything that we've got there.

Now, to your point about IT, Cathie actually used the words, and I think properly, that that's where we see the full run rate savings. You've seen elements of the IT savings so far that have shown up along the way. Real estate's a different picture, as Cathie described. So, all of these things have a sort of a life of their own and a process of their own, and we actually try to align capital to investment in new infrastructure to be able sometimes to take costs out.

There are not many of our costs, to be very blunt, Keith, are not people driven, too. And this is another I think confusing point about the Company, that when you look at our cost structure, some of our cost structure is certainly people driven. But at the end of the day, it is not the bulk of our cost. The bulk of our cost shows up in cost of goods sold or in some sort of process capital that's been deployed, D&A, et cetera, et cetera. So, for us, we've got to get at all of that cost structure. And I hope when we get it all done, and trust me, there's no -- the EPS guidance we give doesn't indicate a relaxed nature going at any of these.

We'll go as fast as we can go while doing things that make sense and aligning to what we think is the best answer, which is to get the revenue growth optimized at the same time as we get the capital structure optimized and we get the cost structure optimized. So, I don't want anything we give you in guidance to let you think we're not going as fast as we think it makes sense to get the Company in the absolute best position that we can.

Cathie Lesjak - *Hewlett-Packard - EVP and CFO*

And, Keith, with respect to our expectations on cash flow from operations for '09, I don't have any specific guidance to provide you. I mean, if you look at our cash flow from operations that I've given you as an expectation for '08, it's growing roughly in line with EPS growth, not a bad way to model it, but I don't have specific guidance for you today for fiscal '09 cash flow from ops.

Nolan Gottsreau - *Colin Stewart - Analyst*

Hi, [Nolan Gottsreau, Colin Stewart]. With the rapid growth in digital content and media going digital, how do you see that affecting the IPG market?

Mark Hurd - *Hewlett-Packard - Chairman and CEO*

So, I think when you get into digital content, it's got to be created, a lot of people doing the creation. It's got to be processed, it's got to be stored. We think there is an opportunity for it to be visualized, shared and printed. So, obviously the more content that exists, we think the more opportunity for that content to be printed.

And when you look at the generation of folks coming behind, I'll say at least me, a very strong propensity to print, with very robust colors and of course, we tend to really like that. So for us, it's an ecosystem. Think of the IT infrastructure as just an ecosystem that has to support that digital content, of which printing is a major part of that content ecosystem.

Cathie Lesjak - *Hewlett-Packard - EVP and CFO*

So, I think we have time for one more question. We have one over here.

Rick Hanna - *Morningstar - Analyst*

Hi, Mark, I'm Rick Hanna with Morningstar. The question I had was do you see any changing competitive dynamics? Because when I look at your financial guidance, it seems a lot of it is consistent with overall market growth and I don't see a lot of upside in terms of the margins. You've done a spectacular job getting your costs in line, but as I look at the guidance, I'm not seeing huge upticks in terms of taking share, and a lot of that falling through improved operating margins. So, I'm curious to hear your thoughts on what you think the competitive dynamics might be going forward.

Mark Hurd - *Hewlett-Packard - Chairman and CEO*

I think the world's competitive, it has been competitive, and I think it will be competitive. So, I don't forecast -- it's always like do you see the IT industry getting more competitive? I just can't remember a day it wasn't. So, every potential revenue dollar out there is contested, and there's strong rivalry for all of it. So no, I don't see it getting yet more competitive, because I can't remember when it wasn't ultra-competitive.

To your point, again, you've got to keep context on how we're trying to build the Company. We don't start building our model saying, let's take share. That's not what we do. The results of taking share are the results of building a great business. If you build a great business, share will come to you. Build a bad business and you will lose share. So for us, when we build the architecture of our model, we build the model in the context of trying to build a solid, fundamentally sound company. And we do that by trying to take our costs from things that we don't think align to our strategic agenda and align it to things that do.

And that causes us to want to take a prudent view on revenue, and this question, and I think to Toni's point which I think was a question which I think was a good one, we have opportunity. The measure of that opportunity will be how well we do many of the things that don't show up in revenue, how we nail our R&D roadmap, how we align our technology to our services, how we work on our go-to-market model, how we deploy globally. There's 100 of these -- there are many dynamics that we have to work on. If we do, is there a chance for us to do better?

The answer is clearly yes, but we've got to go execute. And let me tell you, it's an exciting time to be at HP because we have a number of things that we have to get done, so take nothing I say today -- we're a pretty motivated group. At the same time, we have lot of stuff to get done, so for us, doing those fundamentals right is just key to us getting the Company where we want it to go. And if we do, is there a chance for us to [grow], the answer is clearly yes. I'm telling you, here's the guidance that we want to give right now that we think is the prudent guidance to give for HP. We'll see how we do.

Thank you.

Cathie Lesjak - *Hewlett-Packard - EVP and CFO*

Thank you, and I believe we have a break now. Yes.

Mark Hurd - *Hewlett-Packard - Chairman and CEO*

Okay, we'll have a break and then, Jim, when do you want people back? Sorry?

Jim Burns - *Hewlett-Packard - VP, IR*

9:50.

Mark Hurd - *Hewlett-Packard - Chairman and CEO*

9:50. Okay, all right, thank you.

Cathie Lesjak - *Hewlett-Packard - EVP and CFO*

Thank you.

(BREAK)

PRESENTATION

Unidentified Company Representative

Ladies and gentlemen, please welcome Executive Vice President, Technology Solutions Group, Ann Livermore.

Ann Livermore - *Hewlett Packard - EVP, Technology Solutions Group*

Good morning, everyone. We're going to jump right into our discussion of the Technology Solutions Group with a view towards 2007 and a quick recap of our results. The summary would be it was a year of very solid execution, where we made good progress in a number of areas. Revenue was almost $38 billion, up 10%, operating profit was 11% and that was up 37% year-over-year, so a nice multiple of our operating profit growth compared to our revenue growth.

The other good news was performance was very balanced for us across all the businesses and all the geographies. In each of those areas, the geographies and the business, we saw operating margin improvement year-over-year and in fact ESS, HP Services and HP Software all grew operating profit of multiples of three to four times revenue, so a really great performance across the whole portfolio. And yet at the same time, much as Mark was describing, we know we have lots of opportunity for further improvements.

Why do we think that's the case and why are we confident that we're going to continue to be able to win in the marketplace? There are really four sets of things going on. The first is as set of market disruptions or trends, and, as Mark said, we love it when the market is disrupted, because we believe it makes customers stop, think and give HP a real opportunity to come in and show them why they can do better with our technology.

The content explosion, certainly a huge opportunity for my set of businesses. With the processing that needs to be done, the storage that needs to be done and the management of the information, huge opportunities for us there. Virtualization, I'll talk a little bit more about this, but we clearly believe that HP is very well positioned for virtualization.

And then finally, every CEO in the world, hitting and hitting and hitting and pushing and pushing and pushing on IT to deliver more, whether it's to deliver cost reduction, whether it's to deliver better information or whether it's to deliver reduced risk by having better control of their infrastructure. All of those things play well to HP.

As Mark said, we have a huge market opportunity, growing in mid single digits, and yet we don't cover this market very well. We're working to squeeze every ounce of fat, everything that's non-value add out of our own business expenses, plus the help that we get from the corporate activities, and then be able to take part of that savings and reinvest it in more market coverage.

Last year, we added about 700 sales reps to our team and we also dramatically changed the composition and skill set of our sales force with 1,100 sales reps that came into our software business through M&A activities. So, quite a different complexion than even a year ago, and we'll continue in FY '08 to name more investments in our sales organization, the mid-market and channel coverage, as well as our larger enterprise accounts.

We'll also continue to push hard to ensure technology leadership in a few specific areas. We're blading everything, and we will be the leader in blades and extend that lead. We already are today. We're going to extend that lead in blades. We think it's important because that is the future computing architecture.

Broadly, we wanted every customer to understand that we have the leading position in the IT infrastructure, the management of it and the automation of it and that we're going to take a lot of that same technology skill and be the best in the world at automating services delivery, so it's not just a question of the lowest labor cost, but also a question of the most automated delivery activities.

You'll see us from a technology perspective also investing around information management as a relatively new category for us, and we think a huge advantage for HP from a technology and an R&D perspective is that we have an x86 business model and cost structure and on top of that, we have innovation and we have leadership from a technology perspective. And our competitors don't have the combinations of those two things. We think that's a huge advantage. And then, of course, as I mentioned, we have tremendous opportunity to continue to improve our cost structure to reinvest in sales coverage, in R&D and at the same time, to deliver extra shareholder value.

Lots of you ask questions about what's virtualization going to do to the server market and to the growth of the servers and what does it mean for HP in terms of our business overall. First of all, an important aspect on virtualization. It has a lot more to do not just with servers but with the whole IT infrastructure, whether it's the storage components, the networking components, the software aspects, the services aspects.

There will exist for a long time a combination of virtualized machines and at the same time the physical technologies that we're used to in the past. So, the combination of virtual and physical and being a leader in both is very important and a great opportunity for HP.

As Mark said, a $60 billion server market that's being disrupted and our opportunity to grab more. Blades is an important part of a virtualized world. Bladed deployments of servers are virtualized twice as often as non-bladed and we're the leader in blades. We have our Virtual Connect technology from a networking perspective, and you've seen the acquisitions that Todd has made in the thin client space to as well have virtualized clients.

On top of all of this, we have the management software to manage a virtualized environment, as well as managing today's traditional environment. So, you put this whole portfolio of opportunity together and HP feels very good about our position in a world where virtualization is one of the major trends.

This is a view of our overall portfolio, and you see the set of customer needs outlined there. They're the things I mentioned earlier that every CEO is pushing on every CIO to deliver. It's the same thing that Mark is asking Randy to do, so we're taking our internal experience and taking it to the market. The foundation is having industry-leading products and services and then, we're building on top of that three solution areas to take advantage of the power of the portfolio that we have, to take advantage of our servers, our storage, our services and also our software.

The first is adaptive infrastructure. You've heard us talk about this for several years. It takes the form of delivering a next-generation data center for our customers. In addition to that, our business technology optimization portfolio, the software and the services that deliver the management and the automation of the IT environment and then finally, our whole focus around business information and helping customers optimize the use of their business information. Again, pulling on the power of our servers to process it, our storage to store it, our management software, our archiving software, our storage archiving software and then on top of it, our services capabilities. So, really quite good portfolio areas and areas that resonate with every business customer as problems that they're trying to fix.

What we're going to do now is to show you a video as an example of what does a next-generation data center look like? You've heard me talk about it in the past, but this is a video of one of HP's next-generation data centers, and you'll see inside this video the servers, blades and Integrity servers, our storage products, our software doing the automation work and behind the scenes, some of our services organization who have participated in some of the activities of this transformation.

So, let's roll the video and let you take a look at what a next-generation data center at HP looks like.

(VIDEO PLAYS)

Unidentified Company Representative

Today, businesses must manage an explosion of rich digital content, increasing mobility and access to real-time information. However, in the last 40 years, the data centers that power the world's economies have evolved into a complex patchwork of interconnected systems. Any change requires scores of specialized IT people to manage the process, competing information access, lowering profit margins and introducing business and financial risks.

At the heart of all this is a data center infrastructure in need of transformation. HP's next-generation data center is a highly adaptable, lights-out, 24/7, fully automated, remotely managed environment. At its core is the HP blade system, which consolidates all storage, servers, software and more into a single integrated design.

HP blade systems also include innovations in system management, energy efficiency and interconnect technology, allowing customers to pass more compute and storage capacity into a smaller physical space, with fewer cables. Built-in power and cooling innovations from the fan design, to the enclosures, to HP's Dynamic Smart Cooling technology improves power efficiency by 45% without sacrificing performance.

HP blade systems also incorporate virtualization technology, which can pool IT resources, allowing the system to dynamically move compute loads around, growing and shrinking them as necessary to achieve better overall utilization. HP Software provides greater visibility into a business's technology and processes. It also improves information management and access to help make better business decisions, all through a single pane of glass.

HP Software also helps deliver full IT automation. Customers use HP's business technology portfolio to achieve a 24/7, lights-out, remotely managed data center environment. And HP services professionals are available globally to architect, build, manage and maintain this environment, helping businesses to get better control of their information and infrastructure, lower business and financial risks, lower capital costs, lower management and maintenance costs.

And these savings can be reinvested in growing the business. Technology for better business outcomes.

(END VIDEO)

Ann Livermore - *Hewlett Packard - EVP, Technology Solutions Group*

So, I hope that gives you a good picture of what a next-generation data center looks like and the capabilities that HP has. In your package, we've included a slide that outlines some of our products and services and how they line up with the aspects of a next-generation data center and I hope you also could see and feel how it just exudes technology leadership. And that technology leadership's from a combination of our internal R&D investments and the bets we've made from a technology perspective, combined with some of the M&A activities that we've undertaken.

I hope you noticed our announcement recently about EYP Mission Critical Facilities. It's a services organization that we are in the process right now of acquiring and their focus is around being the best in the world at designing and at building these next-generation data centers. They, in fact, provided services to Randy in the build-out and the design of our center.

In addition to that, Spy Dynamics, which we acquired as part of our security contributions around the next-generation data center, focus on application security. And then on top of that, of course Opsware, which is at the core of the automation technology that we're delivering for these centers. So, clearly a very robust and great area for HP.

The servers. You saw at the core of the next generation our leadership from a server perspective. And many of you have asked the question about, okay, HP, what happens to the profit of this business over time as your industry-standard products, the ISS servers, the blades, the Integrity servers, become a bigger and bigger part of your portfolio? What does that do to your profit level?

Well, the answer between FY '03 and FY '07 is our profit increased fairly substantially. If you look today at our portfolio and the percentage that ISS and blades and Integrity represent, it's almost 90%, a little over 90% of the revenue. And yet, we just delivered last year a 10.5% operating profit overall for ESS, so a nice improvement between the period of '03 and '07 and the overall profitability of the business, and yet at the same time, moving to these more industry-standard infrastructures.

And that was a very purposeful thing for HP to do, to have the advantages and the cost structure to lead in the x86 market and yet at the same time, to have the innovation around being able to deliver mission-critical facilities.

BCS remains an important part of our overall portfolio. You'll see us model this and plan for this as a flat growth market, because that's what the market's doing overall, and yet it's still a big market, it's an important market to us, and we're pleased that our Integrity servers are now representing 15% overall of our server business inside HP.

You know that blades has been a very significant focus for HP. It's a market where we have 43% share and it's growing to be a $10 billion market, so we like our position in this very fast-growing subsegment of the server market. Blades are going to be the future computing architecture. That's what almost every customer in the world is moving to as they're deploying this new architecture inside their environments. It's one of the disruptions that we like in the marketplace. The simplicity of having an enclosure with the cables, the cooling, the management software, the server blades, the storage blades, the network, all inside the enclosure is tremendously a simplifying and cost-reducing move for customers. And there's no question that this is where the market is going.

It's really delivering an adaptive infrastructure and next-generation data center in an enclosure. It's targeted for the mid-market, as well as the enterprise customers. You saw us announce our Shorty product, which is great for small sites of large organizations or mid-market customers, and Shorty is two by two, in terms of the size of this enclosure, certainly a really breakthrough area.

One of the things very unique to HP is we will blade everything. You'll see us blading our Integrity servers, our NonStop servers, of course our x86 servers, our storage products, our workstations, our PCs, all the way up and down the line, and then to have the software that enables the management of it and as well as that the services that wrap around it, so a very critical part of our strategy.

Storage. This is an area where we're pleased with the progress that we've made, but still a lot of work to do. When you look overall at the storage market and the growth rates and then at HP's portfolio, you'll notice we still have 31% of our portfolio that's tape. Now, this is an attractive and profitable business for us, but it's very mature, and so it dampens the overall growth opportunity at the portfolio.

At the same time, you see our SAN business, which is now up to 57% of our storage portfolio, it's a business for us that for the last 12 quarters has grown in double digits. We're going to take our strong SAN position and the EVA momentum and use that to leverage our PolyServe acquisition into the NAS space. You can see we're still very small in the NAS space, which is a fast-growing part of the market, another opportunity for us to do better.

And, finally, storage blades. No one should be in a better market position to take advantage of storage blades than HP. So, these are all areas we're going to continue to focus on. As I said, we feel good about our progress but know that we can do even better in the storage business.

If you look at our market share positions overall, we feel very good about the scale that we have in our server business. We ship a server, one out of every three servers is an HP server that's shipped, and we ship a server every 13 seconds.

So, our scale position is very important to us there, 45 quarters of leadership in the x86 market. You know our blades position here, and from a storage perspective, again, well positioned, but still opportunity to do more.

HP Software, this has been a great story for us over the last two years in terms of the execution and the leadership of our software team. Last year, FY '07, a $2.3 billion business, just under 15% operating profit. The revenue grew 79%, the operating profit grew 308% year-over-year. We're now at a point where this is a healthy business model, it's scaled and we feel good about what we can do and continue to grow it moving forward.

We're focused on three areas. The first, our business technology optimization portfolio. That's the whole IT management and automation space and you can see where the acquisitions we've made fit into that portfolio. The second is the area I mentioned around business information that is a new business that we're investing in and then a third area around our vertical solutions. We're going to be reporting this starting in Q1 for FY '08 in terms of our BTO portfolio and then software/other. If we were to restate '07 to these terms, the BTO portfolio was about 79% of the revenue.

Let me talk a little bit now about the solution areas, where there's a focus, again, not just on the software. The software is a key, key component, but as well our services lined up and our servers and storage. The first is around our business technology optimization, again, a cross-TSG play. It's a strategic area that almost every CIO in the world is focused on, how can they do a better job automating IT. It starts with the strategic initiatives that they have around their portfolio management. It moves to the applications area around performance testing and quality assurance, application modernization and then finally, the operations of IT and how can they take more labor out of the operations of IT.

And here, it's around the operations of the IT itself, as well as the applications. Our services business, lined up in each of these areas, will deploy this software in our services business to run our outsourcing business. We'll also consult around this software, and it's clearly an area for HP leadership.

You can see our market share position in the categories that make up this area, and we've got a number one or a close number two position in each of these key areas. So, we feel very good here. We have every intention to be the leader in this market. We are today and we want to extend and maintain that leadership position. At the same time, lots of customers who have not automated the management of IT yet, so we like the market opportunity in front of us here.

A little bit more about business information. Over the next five years, there's going to be more data created than in the history of mankind, and almost every company in the world is not satisfied with the way they manage and handle their information. Most companies also believe that a source of competitive advantage will be how they manage their information, and being able to do it better.

It's a very key area in terms of IT being able to deliver better business outcomes. There are three strategic areas that most IT organizations are focused on. The first one is business intelligence, and at the heart of that is having a good, well-performing enterprise data warehouse.

A second area, around data management, in terms of being able to manage the content in a better way, the data in a better way, and finally content management. We have software and services capabilities in all these areas. The coloring on the chart represents to you the software and the services capabilities, and in addition to that, as you heard us mention, the storage and servers are a big part of our solutions here as well.

You saw us make an acquisition of a services firm, Knightsbridge. They're the leader in the United States around data quality, data management and helping customers solve these exact problems. So, we added to our consulting skills there.

In terms of our enterprise data warehouse, HP Neoview, it's been deployed by HP inside our organization as our solution. We also have a number of marquis wins, Wal-Mart being one of them, 3M being another, Rabobank being another. So big companies turning to HP, having the solution to help them with this very critical business opportunity. Again, an area of investment and focus for us, an area that we believe has a lot of opportunity moving ahead.

Our HP Services business, now, you've heard me say many times throughout this presentation about HP Services in the same areas where we have technology leadership. In fact, that's core to our strategy. Our strategy is to focus our services business not on the whole broad services market, but on those areas where HP has technology leadership and unique IP and in the areas where some of our key partners, in particular SAP, Oracle and Microsoft, have focus areas, to provide the whole life cycle of services, to use our consulting business to help the design and build, to use our support business to support ongoing operations, to use our outsourcing business if the customer chooses to outsource to HP the operation and management of their desktop, their printing, their applications, their overall data center or IT infrastructure. And so, the whole life cycle of services.

You can see the portfolio is focused, as we discussed, on those same areas that we described as the focus areas for HP, so a very tight alignment around those key areas. One other key point that I wanted to make is around our TS business. As you know, this is about 52% last year of the portfolio. It is very important to us and we think we have a great opportunity to do better in that business by attaching support more often, every time we sell a product. We still don't have the rates we'd like in terms of selling support with our products, so that's a big focus area for us.

And as well on our outsourcing business, you'll see us as part of our strategy be very selective on big deals, because these are deals that it's very important that a whole set of factors in addition to the technology line up to make the deal attractive, so we'll selectively pursue those relationships on the very large outsourcing deals and then in a more focused way, go after some of the smaller subsegments of deals.

Now, in our services business, it's one of the areas you heard Mark and Cathie mention, where we still have potential for cost reduction. It's one of the big focus areas for us across all of TSG and specifically for the leadership team inside the services business. When we look at going after further improvements here, there are four main categories that we're attacking very aggressively. The first one is around the pure labor costs, getting the right mix of skills and the cost of the labor across our whole portfolio.

And, again, it has to do with capabilities, it has to do with location of labor in terms of onshore, near shore and offshore and optimizing, getting to a point where HP has a better unit cost f labor than any of our competitors.

The second key area where we are positioned, without a question, to be the best in the world is around using technology to deliver services. And many of the areas that we're investing in our software business are the very same technology areas that we want to apply to the delivery of services. This is an area where we are investing to save.

Procurement you already heard Cathie talk about, and certainly procuring labor and procuring parts is an important area for us to attack through scale advantages, and finally the overhead inside our services business. We want to take out every bit of non-value activity inside that business and be able to reinvest it again in market coverage and the shareholder value that we create and in the other improvements for the business.

As well, this is an important business segment in terms of the value it gets from the overhead reductions that Mark is driving and that Cathie described. Those overhead reductions apply to this P&L as well, and because this is such a heavy people-based business, the allocations from those overall corporate functions are an important part of our cost structure.

We feel good about the initiatives, but clearly as you can hear from what I just described, we still have a whole lot of work to do, a whole lot of opportunity to make further improvements in our services operational effectiveness.

So, if I tie it all back together again for you, these are the four things that I'd say you should walk away with from this discussion, first of all, that we like the market trends. The market disruptions and the trends are things that are playing very well to HP's capabilities, playing very well to our areas of technology leadership. We've got a big market and we're not covering it very well yet. And inside of that big market, there are substantial areas of subsegments that have very aggressive growth rates.

From an R&D perspective, we want to have as a feature, as a trait, as a strength of HP, that we do have technology leadership and customers can count on the fact we're going to continue to invest in and lead in the technologies that they care about and that underlying this, we still have a tremendous opportunity for further cost structure improvements, process improvements, that we'll reinvest into coverage, reinvest into targeted R&D and then drop some as well to the bottom line.

What I'd like to do now is introduce Todd Bradley and bring Todd up to the stage. As you know, Todd's the leader for our Personal Systems Group. Thank you.

Todd Bradley - *Hewlett-Packard - EVP, Personal Systems Group*

So, thanks, Ann, and good morning, everyone. Thanks for joining us. I'm going to spend some time and briefly look back at what we've accomplished in 2007, talk a little bit about what we see as driving the PC industry at large, and then of course, talk about the strategy that we have in place to continue to succeed and continue to drive profitable growth in PSG.

PSG ended 2007 with approximately a little over $36 billion in revenue. I think it's very fair to say that our growth was both strong and well balanced, balanced geographically, with clearly lift in our consumer, our notebook and our emerging markets segments, but at the same time balanced between our channels and our commercial business.

And I think it's very fair to say that we followed a very disciplined approach to growth, an approach that's focused on both profitable growth and metered investment and how we continue to drive that growth. We showed investment in our emerging markets as we expanded our sales coverage. We showed investment in verticals in our established markets as we moved into segments like education.

And while these investments clearly drove growth for our business, at the same time, we know we took share and took business from competitors. So, both growing in the established markets, expanding and driving growth in the emerging markets, helped us succeed, as we did in the past year.

As we look at next year, 2008, and look at how we'll continue to drive growth, we see lots of those same opportunities, and I'm going to speak about those throughout the next 20 minutes. But I think Mark said in his comments on share, clearly what we believe and what we focused on, it really goes back to one of the tenants that David Packard laid down for the business many years ago, when he said that market share is the reward for doing things well and that's clearly the way we view our business, our achievements, and very much our objectives for next year.

The past year is really just the latest, I think, in a string of successes that's driven by very focused execution, focused execution against delivering our strategy, delivering our strategic objectives that are all focused on profitable growth.

So, if we look at how do we balance, how did we balance both growth and profit last year, I think there are a couple of things that we should take into account. The first, since 2002, we've seen more concentration in the five largest PC vendors. 2002, the five represented about 46% of the total market. Today, it's over 53%.

And we still see a large part of the market in that, quote, "other" category. So, when we look at other, clearly we see an enormous opportunity. We see other predominantly made up of white box vendors, vendors who do well, do okay, in the commoditized desktop space, vendors who don't actually do well in the growth markets that we're focused on. White box vendors who have specific local strength, local market strength, but an inability to compete in the broad global space that we participate in, that we lead, an inability to provide that breadth of product and services that HP offers, an inability to take advantage of the scale that we have, that we use to drive our cost base, to drive our supply chain and really drive value to customers.

We are in the number one spot in the market this year, but we still see enormous opportunities to grow, enormous opportunities for us to win business, both as we continue to look at geographic expansion, we continue to look at vertical focus, and we continue to look at product improvements that drive demand. And what this trend chart on the right shows is that we've been very successful in driving top-line, at the same time driving bottom-line improvement and actually executing on the strategy of profitable growth.

So, I thought I'd take a minute and talk about some of the industry trends. Mark's video and Ann's video clearly showed the amount of infrastructure that will go into place to support the enormous amount of digital content that' going to be produced, shared, stored and displayed throughout the world. And we believe this opportunity is just going to be exponentially large over the years. And as we look at our business, PCs have become pervasive, whether you look at the family in western China who's buying their first PC, or you look at the average household in the United States that now has three PCs.

And the drivers to this are a couple of things, notebooks, emerging markets, to a lesser extent -- to a lesser extent, consumers, with an umbrella around connectivity that allows that household in western China, three PCs in the United States, the consumer at Starbucks, to connect to that content that's important to them, to connect to what they want, where they want, when they want, in a very safe and secure way.

And the consumer has clearly moved, and the small business has moved, from a focus on just speeds and feeds. Right, the latest processor size, the latest memory amounts, and they value the reliability that we're able to provide around connectivity, around securely connecting and sharing content with friends, with families, using that content that drives their small businesses to take advantage of the same productivity opportunities that we see broadly.

We also see enormous demand in the combination of both form and function. We see enormous focus on our own industrial design, to drive products that are not only excellent from a performance standpoint but desirable from an industrial design standpoint, products that have a common language that encompasses HP and speaks to the value and the extension of the personality that people want them to be.

We're seen an expansion of price points throughout the year, as we look at from entry level and an emerging market to powerful processing, powerful computing platforms in our workstations and our gaming machines. And frankly, we've got the advantage of both scale and sharing of technology between those high-end and low-end platforms that none of our competitors can take advantage of.

I think it's fair to say that it has been a volatile component pricing environment. It's not new to us. It's an opportunity for us to leverage our scale and our supply chain expertise to take advantage of advance buys, to take advantage of creating some differentiation and frankly, some barriers to some of our smaller competitors and really a focus on how do we mitigate the risk in the marketplace, but at the same time continue to drive cost out of our inventory model.

I think we've seen some trends to consolidation in the industry overall. But what our strategy is focused on is how do we drive superior execution to win in the marketplace? How do we drive superior execution from product development to our go-to-market models to our service and support to our ability to retain those customers that we've earned.

And superior execution is what you'll see us continue to focus on and drive to throughout the year. So, I thought I'd talk again about the strategy that we've put in place and that we'll continue to keep in place and execute to throughout 2009, because it's built on a foundation of operational efficiency across the entire business, how are we more aggressive in taking cost out of our supply chain and logistics environment? How are we more effective from a marketing perspective to take our cost per revenue dollar down and drive demand up? How do we continue to drive ongoing warranty reduction?

Not through just outsourcing labor, but using software and our engineering expertise to drive better products and eliminate that warranty requirement. And all these things give us the ability to price to win, to price aggressively in the marketplace and still drive our bottom-line performance, but at the same time profitably grow our business.

Well, clearly, efficiency is critical for us to price to win and to grow profitably in our large core. We see that enormous opportunity in that other category, which represents nearly 50% of the market to expand our core PC business. We intend to drive very tactical expansion of our product categories, our geographic coverage and our customer segmentation to continue to grow in the core, to continue to take business from our competitors, because we're confident that we can apply these same business principles in some of these under-penetrated markets and segments that will lead us to profitable growth going forward.

And we'll continue to pursue adjacent opportunities. We'll continue to leverage the intellectual property that we've created, to acquire where it makes sense and to use HP Labs as a competitive weapon. It's fair to say of those five major players, no one has the either capability, focus or ability to leverage a technology platform like our Labs platform. And you'll continue to see us do that over time.

We've talked many times about the innovation program office that we put in place. That's driven our movement into the thin client acquisition. That's driven our movement into gaming and has a robust pipeline of products that both enhance and expand the performance computing platforms that we offer. And it's really looking at how do we create opportunities in some of the emerging markets, in some of the rural spaces that we want to compete and how do we really drive into that next set of business opportunities.

The fourth and kind of the umbrella, the encompassing piece of our strategy, is about our go-to-market model, because it continues to be based on customer choice. Broad choice in technology, broad choice in channel representation, broad choice in availability, be it direct or indirect, for customers to shop, learn and buy where they want.

Now, it's clear to say, we have I think significant opportunities to improve pieces of our go-to-market model. We believe we have opportunities in coverage. We know we have opportunities in our direct business, and frankly, we will continue to focus on those channel and retail partners that are most supportive of the broad platform, the broad set of products that we offer, and we'll go to market together aggressively to win in that marketplace.

I think it's fair to say that in the past year, we've applied these same concepts very aggressively in verticals and in what we view as some of the most attractive segments, be it consumer, notebooks and international markets to help us achieve our objectives and frankly, grow the base of HP customers.

So, I thought it would be worth a few minutes just to give you a visual look around the world at how we've executed this strategy. So, if you would, could you please roll the video?

(VIDEO PLAYS)

Unidentified Company Representative

Let's see, what else?

Unidentified Company Representative

I always go online and I find out the new cheat codes.

Unidentified Company Representative

Our computer is all business.

Unidentified Company Representative

But I'm always looking for new places.

Unidentified Company Representative

I track my competition online.

Unidentified Company Representative

I have thousands of [processes] in here.

Unidentified Company Representative

This is a business lunch.

(END VIDEO)

Todd Bradley - *Hewlett-Packard - EVP, Personal Systems Group*

So, that's the fuel that powers this engine. That fuel is really the global scale that we bring to the marketplace, the global scale that we take advantage of, whether it's from supply chain efficiency or to the breadth of our marketing reach that we continue to expand. If you do it in the simplest terms, we're in over 90 countries today, we're in over 81,000 retail outlets. Selling one more notebook in each store delivers $80 million in incremental revenue.

It's an amount of scale that's very unique and very difficult to replicate. At the same time, I think what you've seen from a marketing perspective, in that vein of efficient operations, is that we've driven a framework in all 90 countries that's consistent from a visual standpoint but executed very locally and our ability to do that has driven enormous growth.

At the same time, the cost advantages our scale give us from a supply chain, from a unit perspective, is enormous. As we look at how we reduce complexity, how we continue to take cost out of individual units, the same math, right, $1 of unit cost equals about $0.01 of EPS. So, enormous leverage is out there for us to continue to go and get.

And to add to Mark's points this morning, we believe that this is work that's never done. We will never be efficient enough. Our costs will never be low enough. Our service will never be high enough. And it's the quest to continue to achieve excellence that really drives us. So, the combination of cost discipline and efficiency has helped us drive our OpEx down over 20%.

Delivering more value to customers has helped us improve gross margins a little over 20%. And that balanced approach is what's driving us to win, what's making us more competitive in the marketplace and helping us compete more aggressively than ever.

Now, we talked a lot about consumer and emerging markets, but it's fair to say that that momentum has carried over into our commercial business. And for all the buzz around the strength of consumer, our commercial business grew at two times the market. We grew revenue in that space by 16%. And those same efficiencies that fueled our consumer business, that same breadth of distribution, has also helped us drive and win in the commercial space. That same expansion of coverage that Mark and Cathie and Ann spoke about is helping us penetrate customers more broadly and deeper than we ever have.

And our engineering capabilities in looking at the product itself has helped us reduce the combination of chassis, motherboards, power supplies, by over 50%. And we've used those savings to both drop to the bottom line, price more competitively, and frankly, invest in product enhancements that are creating differentiation in the marketplace. And this is all a result of just rigorous analysis, rigorous portfolio management, and frankly, a focus on products and engineering that we're uniquely positioned to do.

Just a couple of specific segment comments. Our workstation business has above-average revenue -- has both above-average revenue, ASPs and margin contributions. And as we look at the market moving from 2D to 3D, we see enormous opportunities, enormous requirements for power computing.

As images move from standard to high definition and pressure increases to speed up cycles, our workstation products will be the engine that enables companies to do that. And we've invested to expand both that product offering and our sales coverage to take advantage of this to teach customers and make them aware of the breadth of that product portfolio to drive our opportunity.

Thin clients, with the acquisition of Neoware, we are now the market leader in this very emerging, enormous opportunity, and we'll continue to look at how do we move this from a small segment to one that drives gross margins for HP overall.

We're now number one in both Linux thin clients, Windows CE and XPE products in the world. And as this overall segment matures, we've built that very strong foundation that will help us go forward and win, and we believe there's enormous growth in front of us as we execute. Lastly, the U.S. education market, it's a $5.5 billion market that we hold a distant third position in.

And worldwide, we believe that opportunity is even larger. And as we look at the opportunity in the classroom itself, it presents enormous challenges but challenges that we're uniquely positioned to execute in. Via thin clients, entry-level price points, or power computing platforms, we know we can do better in this marketplace. We know an expansion of coverage, an expansion of go-to-market activities with our retail partners will allow us to win and gain share in this marketplace that's so important.

Lastly, I thought I'd spend a few minutes just talking about the customer experience and Mark and VJ and myself are very focused on how do we continue to expand the number of touch points? And as we look at this slide, we see opportunities for improvement at virtually every point on the spectrum. From a Web perspective, we need to continue to drive our Web business to be more of a sales engine than just an information engine.

From the retail perspective, how do we create more of a presence and an experience around HP products and HP services? We will not let ourselves be minimalized into a corner of a store. We will not let ourselves just be part of an ecosystem around computing and printing. But we will focus on presenting the value propositions that we offer. We'll focus on presenting an HP experience. User interfaces are clearly a place where we know we can differentiate, and you've seen us do it with products like TouchSmart, where we focus on the simplicity of access to the content that's so important to people.

I think it's fair to say we've taken our advertising campaign of the computer is personal again and in essence, changed the way people think about personal computing, clearly changed the dynamics in the industry overall and taken that position that we own as market leaders and driven it very aggressively. And frankly, with all the success we've had, I will tell you, we still have a great deal of work to do, whether it's in these categories on the screen, whether it's in sales coverage, whether it's in product performance. Our continued focus on operational excellence, on ongoing improvement, is what will help us and drive us to win in the marketplace.

So, I thought I'd close with a strategy slide going back to kind of where we started that really sums up how we think about this marketplace, how we think about our ability to win. And, as you look at this, this strategy is summed up in four words -- efficiency, expansion, innovation and inspiration.

And those four key words are drivers across the business. From the way I look at PSG globally to the way the sales executive here in New York approaches his customer. Because by driving those four things, we are uniquely positioned to win in the marketplace. And I can tell you, we're laser focused on continuing to drive profitable growth and use that as the tool that help us lead this market. It's a position that we've worked very hard to earn and we'll work even harder to keep.

So, with that, I'd like to thank you for your time and I'd welcome VJ to the stage. Thank you.

(VIDEO PLAYS)

Unidentified Company Representative

In a world of personal and business technology that is ever changing, HP is constantly looking toward the future, innovating and redefining the marketplace. Whether it's creating memories or enabling businesses to grow and thrive, HP is helping the world tell its story.

When it comes to capturing images and transforming them into something unforgettable, anything you can imagine, HP can make it happen, at home, in store or online, helping business owners realize their potential through creative solutions that are truly state of the art.

Whether you're an office of one or thousands, no matter what the need, HP's innovative technology and marketing resources are helping companies save time and money. HP is also constantly engaging new customers and expanding to new markets around the globe.

In this nonstop on-demand world, the needs of our customers are constantly evolving. And to meet this need, HP is helping our customers and leading the industry with cutting-edge innovation that lets you print what you want when you want, and encourages young minds to think beyond the page, making their dreams come to life.

From personal photos to professional printing, from postage stamps to building wraps, HP is helping the world tell its story. What do you have to say?

(END VIDEO)

VJ Joshi - *Hewlett-Packard - EVP, Imaging and Printing Group*

Good morning, everybody. What I want to do today is talk about how we can continue to grow our business, as Cathie mentioned, 4% to 6% in revenue and make 14.5 to 15.5 operating profit. When you look at 2007, our revenue was $28.5 billion, growth of 6.3%, and when you look at the market, clearly, we grew faster than the market.

We gained shares in the important segments. We are very focused on where the high usage is. It's very important for us to really gain the share where it matters. The important part also, 60 million printers sold, 11% unit growth.

As Mark and I talked about in 2005, we wanted to invest in getting the unit growth, the right unit growth, not the low end, the right unit growth was very, very important to us. So, that 11% growth is going to fuel the supplies growth and our supplies grew 9%. It's also very important for us that we are a good balance. We are a good balance [for] the segment, in the consumer, small and medium business, enterprise and graphics segments.

It's very important for us as we move forward, we move from units to pages. It's very important to shift from PC-centricity to a Web-centric world. As Mark talked about, tremendous explosion of the content. It's very important for us to really think about not our great market share we have in units, 46%, but what's the market share in pages? There are 50 trillion pages going to be printed in 2010 and our market share is lousy 1.6%. Lousy, 1.6%. If you double it, we could double the business. That's what we need to think about.

So, we are very focused on the opportunity, and as Mark mentioned, we have a lot to do. Our coverage is not there. Our technology needs to be improving, our go-to-market machine needs to be improving. That's what we need to think about.

So, when we look at market dynamics, we want to focus from just thinking about technology to what's happening to the customers. What's happening with the customer? What's really happening that we, as HP, can make a contribution?

So, let's start with the consumer segment. As we know, tremendous explosion of the Web, consumers are becoming producers of the content. Mark talked about the content explosion. And when you think about blogs, think about YouTube phenomena, what's happening? Consumers are empowered to create the content, and what we need to do is how we can help them so that printing will become an important part of their process.

When you think about all the social networking, what is the number one thing that they are doing? They are exchanging messages and photos, and we love photos, because they use a lot of ink, as you all understand. And we think that as the re-purposing of pictures is happening, there's tremendous opportunity for us. So, we need to make sure that not only we think about the emerging geographies -- as Todd talked about, tremendous growth in China, India, Brazil, Russia, but our core business, so we can connect to those great laptops and great PCs that HP is shipping.

But we also want to make sure that we think about the Web. I'll give you a very important research that we have done. Last year, 48% of printing was done directly from the Internet, not from the PC application, from the Internet. That means we need to also pay attention to all the great websites popping up and making sure the printing is very powerful. But from the consumer point of view, continue to drive photo printing, continue to drive looks] at the Web, emerging geographies are important. That's what we are working on.

And let's talk about the small and medium business. The same Web explosion is happening in small and medium business. Most of the small and medium businesses use their website is for the yellow pages. When you think about, what's the first thing they want to create? They want to create a business card, they want to create their stationery, they want to create their website.

So, how can we help them not only to build up IT infrastructure, but go after their marketing dollars? We want to expand in terms of the opportunity that we can go after, a great opportunity from an IT point of view, but a bigger opportunity, maybe in some cases for small and medium business, to help with their marketing dollars.

Give you a simple statistic. In the United States, a small and medium business will spend $17,000 in creating their marketing collateral. If you can print that in house for those 2,000 to 4,000 pages catalog or your product data sheet, you could save 50% of cost if you print them on your inkjet or LaserJet printer in house. Again, if you can think about not just the IT dollars but marketing dollars, small and medium business, understanding what's happening with the Web, tremendous opportunity for us.

The other thing is, still, emerging geographies, as Todd talked about, in India, in China, every customer there, micro-business customer, will need a printing capability. We have the world-class innovative products with which they could rely on our printing product, emerging geographies, Web, marketing dollars.

The other opportunity we have, it's just like what w have done in photos, is to go after the quick-print market. In the United States, the mom-and-pop copy shops, which are still using analog, unreliable copiers, are going to transform. What happened to the photo market is going to happen to the quick-print market. In the United States, a $10 billion market that we could go with our relationship with the retailers, just like we are going after our photo finishing market, we can go after the print market, so from small and medium business, emerging geographies, go after the marketing dollars, go after the quick-print market.

Let's move to the enterprise customer segment. Now, when you think about HP and when you think about where we have tremendous success, we have great success in consumer markets, small and medium business markets, in single-function printing markets for enterprise, but for the copying dollars, the CRD dollars, services, software, we were not there. This was what Mark was talking about.

It's a big market, a $120 billion market in 2010, and we can participate there. And because of all of our assets that we have in PSG, we could leverage that. Tom Hogan's team, doing great job in software side. We could leverage that.

The services, John McCain's organization doing HP Services in Ann's organization, we could leverage that. And we could go after that tremendous opportunity and for that reason, we hired 300 salespeople. We have a lot of work to do, tremendous opportunity for the enterprise market.

Let's go to the graphics market. Now, when you saw in the video, you want to go from stamps to building wraps. When you walk into Times Square and we love all these billboards, so this is not CCs of ink, this is liters, liters of ink. And when you have liters of ink, that's beautiful. That's beautiful. We love that, and we want to go after those liters of ink that we could use of the building wraps.

The graphics market in 2010 is going to be a $34 billion market growing at 10%. And we don't have -- you know, it's small but a very important business for us. We need to go aggressively, aggressively as these things are going from analog to digital. And as Mark talked about, we love interruptions. We love when things go from analog to digital because the market is coming in HP's direction.

So, by customer segment, market dynamics is creating the opportunity. The thing that we need to work on is how do we go after that? How do we really capitalize on that opportunity, because we are very good in transactional business. We need to do a much, much better job when we go out to the enterprise and graphics markets, because it's a solution-led, service-led business model, a different go-to-market. We need to get better at that.

So, when we think about how we can continue to grow, the number one we think about, how do we reduce costs? With the scale that we have, when we ship 16 million printers, when we have 30 million or more PCs that we are selling, we have a tremendous opportunity to scale as a Company.

We want to make sure that, as Cathie mentioned, we get the best cost for our components on the planet of Earth. We want to make sure that our supply chain, shipping 60 million printers and another big number in cartridges. I don't want to talk about the number, but it's a big number. We are shipping all over the world these things. We want to make sure we get the best pricing from all our supply chain vendors.

We need to make sure that our logistics suppliers are thinking about HP, because we are really helping them. We need to make sure we get the fair share of the cost savings. We want to make sure that the businesses which are not going to grow -- give you an example, mono-laser business, single-function inkjet business. These businesses are going to decline from the revenue point of view. We want to make more money on those things.

So, what we are doing is for example, take the mono-laser business, not only we are outsourcing and moving R&D, we are moving the whole business to Shanghai, marketing, R&D, all that business management, because that's where the market is. China is becoming number one mono-laser business for us in APJ. We want to design for China, because once you design for China, you could sell it in Brazil, Russia, India, everywhere.

We want to take our cost structure in a very different way. So, when we think about it, it's not just about the material cost, the supply chain cost, the overall business cost, as Mark talked about. We think about revenue minus operating profit. That's the cost, and we want to go after single every opportunity that we have so that we can take cost. And we can take that cost out, and as Cathie talked about, two parts. We want to invest to save because this is going to be hard.

Our business has been very successful and everybody's going to say, hey, we are successful. Why are you asking these questions about the cost? But we are saying, unless we take the cost out, we can't reinvest. It will take some time to take these costs out because we want to invest to really sell and invest to grow. Now, when we think about cost savings, nothing, nothing, is a sacred cow.

Inkjet supplies, we have been very, very successful in inkjet supplies. We want to maintain our intellectual property. This is extremely important for us in gaining share there. We want to make sure that the basic rates we have, the way we build our innovation engine, we want to keep that. But some processes we'll go really look at how can we outsource, how can we really take costs out of inkjet supplies? We should be making more money in the inkjet business.

So, cost focus is extremely important. When I talk to our team, they all help us take a zero-based approach. Take a clean sheet of paper and write down, where are all these costs and then we are going to go after each and every one. As Cathie and Mark talked about, every business review, first thing, where are the costs and what are we going to do about that? Very, very important to us.

Then, what we are doing is making sure [expanding] our core business, because core business, even if we say we want to grow $1.8 billion, that's a 6% growth, all that growth is not going to just come from graphics business and enterprise business. We need to make sure that we grow faster than the market in the core business. We need to make sure that we don't have any, any portfolio where it's not going to create the shareholder value. So, the decision that we made on the digital camera business was exactly an important decision for us, because we want to make sure that we rationalize our portfolio.

Now, it will hurt revenue in the short term, but we will save cost. We will put our investment dollars and resources where the growth is going to come from, extremely important, spend on the core, take the cost out and have very few but big growth opportunities. And those big growth opportunities, supplies. We want to gain share. For the first time, in 2007, IDC information talks about, our [lab] research talks about, we gain share in supplies. We want to make sure we continue to invest in that.

It's a high-margin business, as Mark talked about it. Within IPG, we want to be very selective where we invest, where we figure out how we're going to continue to increase our profitability. That's the reason we're going from 14 to 15 in 2009, 14.5 and 15.5, and continue to grow our revenue.

Three key important growth opportunities for us -- supplies, enterprise market and graphics. So now, that really shows our growth strategy. In the core business, going after emerging geographies, home photo printing, the first slide I showed, I talked about 17% photo media growth. That means people are printing and people are printing photos in the home. We just to continue to innovate that.

Now, the retail photo is also growing. That's why we are participating in that, so what we call our core business, home photo printing is good. We need to continue to make sure we have the easiest and the fastest solution for home photo printing. Emerging geography is very important -- take the cost out, invest appropriately so we could go after the emerging geographies.

We want to make sure that color and office is going to be a tremendous opportunity. I have been talking about the color LaserJet, our color inkjet. We have the portfolio with which we can continue to drive this color adoption in the office, and it's very profitable for us.

I had mentioned last time that when you think about color toner, 3X, three times more usage with color toner and they buy color LaserJet, doing this marketing collateral I talked about compared to mono-laser, extremely important for us.

And the other thing is this whole trend about copier and printer merging, and it's coming in our direction, from procurement to IT, and there is one company, not other competitors, because they don't have IP assets, only one company in the world, imaging and printing company, who can make this thing happen. We can save the cost, improve the productivity and help them to build IT infrastructure with which they can put everything on the network.

The important part is we have been working for the last three to four years in making our devices, our imaging and printing devices more intelligent so you can put them on the network and then figure out what's happening, how much color they are printing, how much monochrome they're printing.

When we have CIO sessions, Mark always asks us to go, okay, every other one, make sure you talk to these customers. And when we go there and we ask them, raise your hands, how many people do you know, how much do you spend on imaging and printing, 90% have no idea. And we tell them, it must be between 3% to 4% of your revenue you're spending on imaging and printing, and we can save 30% of that cost. We improve your productivity while doing that by 30%.

The [industry] is coming in our direction. The good thing is -- three years ago, you would have asked me, how many times we show up and our copier vendors show up? Probably 10% to 30% of the time. Right now, 90% of the time. And the good news is, 33% of the time to 40% of the time, we win the business. That means we are becoming a player.

Now, we have a lot of work to do in building our go-to-market [value]. We have a lot of work to do in our services and solutions, but tremendous opportunity for us. In the graphics market, as things go analog to digital, as we improve our printing speed and cost of operation, all these liters of ink are going to come towards us. It's a beautiful thing.

So, let's talk about by customer segment then. The consumer segment, $24 billion, big market, we have very high share. Let's make sure we go after the photo printing in the home. On the Web, printing is very important. We are gaining share. We need to make sure we do the right thing.

The photo media, where I talked about 17% growth, extremely important for us. Now, the other important part is there was a question in Mark's session about -- and then Mark talked about the ecosystem. This is very, very important to us. We acquired Snapfish. We had only 11 million customers. Right now, 45 million customers. The same Snapfish architecture is used by Wal-Mart, by Walgreen's, by Staples, by companies globally to drive the customers so that they could make a decision if they wanted to print in the home, in the retailer or with a print service provider.

That means we are helping our channel and retail partners to go to digital, because that's what they want to do. They want to take lower risk and drive more opportunity for them. Another good thing is 95% of the customers who order online, they pick it up from the retail locations. That means more profit from the retailer, more business for the retailer. This thing has really worked.

The interesting thing also, Indigo, which also produces 80% of all the photo books, and I know, for your Christmas, this Christmas selling season, that's going to be huge. People are going to print lots and lots of photo books to tell their story. And we love that because it's going to create printing opportunity for Hewlett-Packard.

The same approach of having an online way where customers can take their content, mash it up with the professional content, print anywhere, anytime, printing in home or in house, in retail, or with a print service provider who works for small and medium business.

Small and medium business, as I said, the core business is growing, the color in the office is really the fuel for the growth, the in-house marketing. But when you think about the ecosystem, we bought a company like Logoworks. So, what Snapfish is to the photo, Logoworks is to the internal marketing. So, you could create your business cards, your stationery, and then print it on your color LaserJet or inkjet, or you can go to a retailer and say, hey, I ordered these things, can I get that?

The great thing about building that relationship with small and medium businesses is it's like their first-born child. The thing that they want to do is they want to create their logo, they want to create their stationery, they want to create their business card, and then you help build that relationship forever with the small and medium business.

This is very, very important for us. Again, the same thing, you could print in house, print with a retailer or print service provider, same approach. Any content, professional, personal, mash it up. Actually, we are going to give away that platform. We don't want to charge them. We want to empower the customer so they can create lots and lots of content. And then, they can make a decision, print in house, go to a retailer or with a print service provider.

Let's talk about enterprise. This strategy of really coming from optimizing their infrastructure, managing the environment and improving workflow is really working. What we are also doing, we are having a horizontal solution approach like security. Everybody wants to make sure that their printing is secured, because that could be the weakest link.

E-mail leaks, a lot of trouble. We want to help them to secure their printing infrastructure. We want to help them in making sure the compliance point of view, the discovery point of view, we are having the right solution. What we have done, we have really said the horizontal solutions like security and compliance are important and then we have vertical solutions by industry.

So, what we can do with our software and services assets, we could develop very specific solutions for retail industry, for media industry, for financial services industry, for our public sector, because we know the security is going to be very important there and we know that they are also interested in transforming their IT infrastructure to take costs out. So, having horizontal and vertical solutions is going to be very important.

Last year, we hired 300 salespeople, because we want to cover the top 2,300 accounts with HP-badged salespeople, so we could have a conversation, hey, what's happening to your imaging and printing spend? Can you save the cost? Can we help you to manage the environment? If you have capability, all the power to you, we will give you tools and all the processes to manage your environment.

Now, if you already saving the cost, if you're already embedded in an environment, let me help you to improve the workflow for paper-based processes. Because we know that information to paper, paper to information, were all invented in the '80s, and those are very unstructured processes. We could structure that and we can help you to really get that streamlined. That's the opportunity we have.

We will start with bottom up. A lot of software companies the last 10 years talked about we could improve your workflow. They couldn't do it, because the infrastructure was not done right, because the tools were not there. You start from the bottom up, we think we can make that happen. What we want to do next year is not only look at 2,300 accounts, but we want to expand our go-to-market to 15,000 accounts. And here, as Mark mentioned, channel becomes extremely important for us.

As you know, Imaging and Printing point of view, we are very channel-centric. We absolutely believe in a global world, you can't reach the customers without the help of channels. So, what we want to do from 2,300 to 15,000 accounts, we know all these accounts and they, as I mentioned here, 93% of Imaging and Printing spread happens with those 15,000 accounts. We want to join the forces with the channel partners to say, okay, let's go talk to them together. That way, we will add salespeople, same numbers this year, so that we can have that connection. Because we want to have HP people and the channel people go together to those top 15,000 enterprise accounts and get our fair share of share of the wallet. That's what we are working on. A lot of work, but we can make this thing happen.

And that's the reason we will take the cost out, so we could invest into these opportunities. The other important part is software will become very important. When I talk about improving the workflow, software is the key thing. That's the reason we hired David Murphy. He comes from IBM. He also was the CFO of Mercury. We needed in IPG the right people who could understand how to manage software business. We are very good in doing imaging and printing technology, but we are not software people.

So, as Mark said, it's all about right people, right strategy and execution. So, we are hiring the right people in our organization in making that happen. We absolutely believe that software will be a high-margin opportunity for our profitable growth. We think that this will give us a tremendous asset and go after that $120 billion market and get our fair share.

Graphics is also extremely important. Now, here, this is about technology. Just to show you the picture here, the picture on the top is our Designjet. These are CCs of ink. Look at the picture down there. See that big production thing going on and little human beings, so we can see the scale? That's liters. The high end of Scitex, just to give you an interesting number, 500 liters of ink per month. Liters, not CCs, liters. And we love that.

And as we get more and more of these machines, you're going to get more and more of ink and we need to get more and more revenue and margin growth, extremely important for us. So, from Designjet to Scitex to [color spend], we did the acquisition that we talked about yesterday, the [Noor]. These things are going after all these wraps that I talk about. We want to wrap every truck. Anywhere you see a printed material, HP has the opportunity. It's not about the opportunity, how do we convert that, it's our go-to-market engine and our technology, tremendous opportunity. Plus, these are very profitable, profitable segments.

So, the graphics ecosystem, same thing. If I am a wedding photographer and I want to really have an album for my customer and they are going to pay me, how do I do that? So right now, we are working with our partners, where you could upload all the wedding pictures and then create an album that nobody else will have that, nobody else, because this is all designed for you, and you could really make -- this is not about getting an album and then stick these four-by-six pictures.

You could create that. Your wedding photographer is going to impress you, because now you have one-of-a-kind photo album for you, but how do you really use the Web, where you could upload that? And there, we have a print service provider who could make that happen. A lot of people want to publish their books. Now, we could do that.

The important part here is as the printing speed improves, cost of printing goes down, every single media type is going to flip from analog to digital. It started with photo. We got the same quality as silver halide. We got the right cost of operation. We improved the speed, things are going to flip.

We absolutely believe that inkjet is going to replace silver halide in every aspect of it from mini-labs to micro-labs to home printing. The same thing will happen as you improve the speed to books, to magazines, to newspapers. Essentially, we have to get the right speed and right cost of operation, a very big opportunity. We are very excited.

Still, it's a small business for us, but tremendous opportunity. When you think about technology portfolio, we have inkjet, scalable printing technology, Edgeline, Indigo, Scitex, all the way to the LaserJet. And we can cover all these segments. That's the beauty of Hewlett-Packard.

As Mark said, we are a technology company, we are an engineering company. Once we put and bolt the right go-to-market and the right kind of investments there, I think we can transform all these industries. That's what we want to do, but we have work to do and that's the reason we do take cost out. And it is extremely important to make sure that supplies is also growing.

We had a very clear strategy. We want to have differentiated products, communications strategy where we talk about our value propositions, that hey, if you would use reman or refill, you're going to have quality problems. You're going to have reliability problems. And if you try to break the law, we're going to come after you, because it's very important to protect our intellectual property. This has been working. We are gaining share, and now please pay attention not just about the units, but pages, not about just thinking about how units and supplies are, think about pages and how that's going to grow the supplies.

We need to make sure that we communicate that very clearly today. This is working. We're gaining share, very important, very profitable business for us. The important part here is take the cost out now. Take lots and lots of cost out and make sure that we can reinvest in here.

What I talked about today, we have never done a world-class cost structure. We want to continue to take cost out. We want to be ahead of everybody. We want to make sure we get our core business [trend] in it, and then go after three simple big opportunities, supplies, enterprise and graphics. Thank you very much.

I'm going to invite Ann and Todd and we'll take questions. Okay.

QUESTIONS AND ANSWERS

Ben Reitzes - *UBS - Analyst*

Thank you very much, Ben Reitzes from UBS. Todd, obviously a lot has been made about Dell's new announcements about getting into the channel and some people think they might see success overnight. I'm wondering what you think and what HP's counterattack will be and just a little more background is. You've had other guys try to get in the channel, like Gateway, when they bought eMachines, et cetera, and maybe any historical perspective here might help us get a picture on what you think you'll do to fight off this threat.

Todd Bradley - *Hewlett-Packard - EVP, Personal Systems Group*

Well, first, I think it's fair to point out that we have significant history and significant success in the channel over more than 25 years. And I think we compete broadly with lots of people in the channel across the spectrum, white box guys to other branded players. And whether anybody enters or leaves, believing we certainly impact, but we don't change our tactics or our strategies around profitable growth.

We assume people will try and emulate the success that we've had, copy what we've done, but I'm very confident that our execution model, both from a product and a channel strategy perspective, will win out in the long run. So, I think as we see people kind of continue to enter the channel or copy what we've done, it won't change the long-term view of how we attack and win in that marketplace.

And VJ can certainly add to the channel comments, retail comments.

VJ Joshi - *Hewlett-Packard - EVP, Imaging and Printing Group*

I think really what Todd is saying, we have a complete portfolio that no other competitor has. When you think about all the way from PCs to printers to supplies, that's what our portfolio is all about, and what we need to do is continue to strengthen our relationships. And, as I talked about it, we are going to go after the second-tier cities in China, and we are going to make sure that we invest with our channel partners because we have the whole portfolio. The other important part is if some other competitors come and they take away share from some third-tier, fourth-tier partner, hey, that's okay. What we need to do, focus on our customers and continue to invest.

Ann Livermore - *Hewlett Packard - EVP, Technology Solutions Group*

Ben, it's interesting, because a lot of times people think of the set of businesses we have more as enterprise and direct selling, but for our server and storage business, we've got 58,000 channel partners inside the broader HP channel network, and so the channel is very effective for us in our server business, our storage business and the attached services associated with it as well, and that's been a strength for us for a long time.

Todd Bradley - *Hewlett-Packard - EVP, Personal Systems Group*

I think the last point is that we don't make a lot of noise about this. We continued to win in the channel, in spite of any competitor that's entered the space. We continued to grow. We haven't given up shelf space or share to any of them. So, we'll continue to execute the plan that we have.

Andy Neff - *Bear Stearns - Analyst*

Hi, it's Andy Neff at Bear. A question for all three of you and then I have specific questions, two specific, quick questions. Just as -- and HP's a big company. How do you encourage innovation? How do you motivate people to make a difference with such a big company, and you've got a lot of interesting initiatives, but how are people going to make a difference and you've got projects like Halo and things like that. How do you encourage that sort of innovation?

VJ Joshi - *Hewlett-Packard - EVP, Imaging and Printing Group*

So, I'm going to start. I think the great thing that Mark has done is given us empowerment within the business. We control 80% of our costs and except for the shared services. What we need to do is to really make sure that we look at our business and look at the market trends that I talked about and really, we spend $3 billion in R&D, and we need to make sure that we are understanding the customer needs and the market trends and continue to innovate.

So we, within our own businesses, we look like a small company, and if you talk to our R&D engineers and if you talk to our future product marketing, they will tell you that the innovation engine is continuing, even though we are a big company, because the way we are organized and the way we are structured, this is really helping us.

Ann Livermore - *Hewlett Packard - EVP, Technology Solutions Group*

Yes, and our teams are very well integrated with the labs organization that Shane leads and the Chief Technology Officers that we have. And we allow ourselves through HP Labs to experiment with a few things that never make it to market, and that's what we want. And then, my team's job is to work with the labs, figure out which ones have a market capability for when and get them out to the market as fast as we can.

You look at our blades with the power and cooling technologies, the Virtual Connect and all of the things we did with blades and there was a meshing just like this with the labs, working on things that we wanted to bring to market. And that's a big differentiation for HP. A lot of people don't have the labs structure that we have.

Todd Bradley - *Hewlett-Packard - EVP, Personal Systems Group*

Okay, I'd just kind of echo what Ann and VJ said. I think the challenge is not to get people interested in innovation. I mean, we have lots of opportunities. The business is focused on innovation that matters to their customers, innovation that supports the growth of our business initiatives. And I think there is no one better positioned to create differentiation, to create competitive advantage than our businesses in conjunction with HP Labs.

Mark Hurd - *Hewlett-Packard - Chairman and CEO*

I don't know, Andy, maybe inherent in your question and maybe it's worth bringing up here, when you talk about our size and how you get people motivated, you can almost think of HP as a market in and of itself from a job perspective. And this really gets to the core of how we want to run the Company, how we want to measure the Company.

And we talk all the time about every time we reward somebody, every time we recognize somebody and every time we promote somebody, we deliver a really important message to our entire employee base and that's what we value. So, we've been very focused on showing clarity to our people about what we value. We value performance. We value innovation, we value changing an answer, changing inertia. And the more that we do that, we create tremendous motivation in the organization for people to rotate into new jobs. We have no short of six -- depending on how you look at them -- separate business models in the Company, in 179 countries.

The facts say internal promotion is the most successful way to build a company. We get to put somebody in a job for three years and we get to sort of have a three-year job interview, as opposed to the external metrics. So, we're very focused, Andy, on accountability, measurement and where it makes sense, internal promotion.

I would say internal to HP, it is such a strong motivational factor that as long as they can see consistency from us in how we measure, how we reward and how we recognize, that scale that we've discussed is a tremendous opportunity for us.

Todd Bradley - *Hewlett-Packard - EVP, Personal Systems Group*

Did you have another question, Andy?

Andy Neff - *Bear Stearns - Analyst*

Okay. The question was just in your presentation, Todd talked a lot about wireless, and you didn't talk at all about really wireless printing. Can you give some thoughts on that?

VJ Joshi - *Hewlett-Packard - EVP, Imaging and Printing Group*

Well, I think we are a leader in wireless printing. We invented a lot of [R&D] and Bluetooth printing and we are going to continue to drive wireless, because mobility is extremely important for the whole Company, and we are going to continue to drive at a much, much lower price point.

The other important part is it's not just about the capability, it's the reliability and ease of connecting. When you buy a wireless all in one from us, it's just, snap, you just connect it and it works, and that's what we are very focused on. So. I think we're going to continue to see wireless a very important part of our printer portfolio.

Lou Miscioscia - *Cowen and Company - Analyst*

Okay, thank you, Lou Miscioscia, Cowen and Company, over here. So, I've got two questions, one for Ann and one for VJ. Ann, one of the most attractive areas in services is application development and maintenance outsourcing generally to India, or some of the low-cost areas. Could you maybe comment where HP is right now in that area? I mean, how strong are you and are you focusing on that and view that as a significant growth driver for you all?

Ann Livermore - *Hewlett Packard - EVP, Technology Solutions Group*

We do see that as a market opportunity. With the outsourcing, we tend on the application outsourcing to take on those assignments when they're part of a broader overall IT infrastructure and applications associated with it. We don't as often bid on the direct just pure applications outsourcing and modernization, but instead when it's packaged. P&G would be a good example of one of the contracts where we took on both the IT and a number of their applications inside the environment.

We do have a big presence in India and an organization there doing work for us and for some of our customers from that business. So, applications modernization, as well as some of the work on the outsourcing are segments for us.

Lou Miscioscia - *Cowen and Company - Analyst*

Okay, any plans to get more aggressive in that area, given obviously fantastic growth and margin opportunity?

Ann Livermore - *Hewlett Packard - EVP, Technology Solutions Group*

Well, I'm not sure how to interpret your more aggressive part of the question. It is an area that we go after and we bid on. Again, in services, we believe it's very important to be great at whatever you do, so you won't see us broadly go after everything, but instead bid on those application areas where we have deep expertise, and that's key to our strategy overall.

We want to play in those areas where we have differentiated capabilities, unique IP and be very, very deep, because we think customers pay for and buy expertise, as opposed to paying for a services company that's just big and does lots of different things.

Lou Miscioscia - *Cowen and Company - Analyst*

Okay, thank you. I guess for VJ, as a follow-up, I've been coming here a couple of years now and you've talked about growth strategies in IPG. And many of the other areas within HP have seen a significant acceleration in growth. When do you think your growth initiatives are really going to kick in and hopefully accelerate growth in your area?

VJ Joshi - *Hewlett-Packard - EVP, Imaging and Printing Group*

Well, I think clearly when you are looking at a market, the core market not growing and finding the opportunity, it's not going to be overnight. But when we are growing and gaining share in the core market, 6% growth for a $28 billion business is pretty good.

But, at the same time, I believe that the opportunity we have identified in graphics and in enterprise market is going to start kicking in in the coming years. The important part here also is cost structure. We are not relying on big growth. We want to really have the right cost structure, thinking that the growth is going to be lower.

And then, as Mark talked about it, that will give us the ability to grow both the top line and the bottom line. So, I believe we have the right growth strategies. This is a tremendous opportunity.

Shannon Cross - *Cross Research - Analyst*

Shannon Cross, Cross Research. A question for VJ to start with, and then one for Ann and Todd. With regard to -- a sort of follow-up with what you were just talking about in terms of growth opportunities. Can you talk a bit, though, about the margin and how we should think about for the various sectors -- you talked about consumer, SMB, enterprise, graphic arts -- and how the margins all play together to hit the 14.5% to 15.5% range while balancing growth, because it seems to me you can take your foot off the gas pedal a little bit and see the margins shoot up if you wanted to. But in order to keep everything sort of steady state, just if you can give us any color there.

VJ Joshi - *Hewlett-Packard - EVP, Imaging and Printing Group*

Well, I think that's not the intention. You could easily say let's not ship hardware, and then you could actually make a lot more money. That's not what we are trying to do. I think if you think about what we want to do is our businesses which are not growing in the revenue, we want to make higher than IPG profit. So, that's how you should look at it. The businesses which are not growing, we want to make higher than our average profit. The businesses which are growing, you want to make close to or a little bit lower than IPG profit.

And then, we have a couple of big bets that we are making where we are going to invest to save and invest to grow. That's how you would think about our portfolio.

Shannon Cross - *Cross Research - Analyst*

Okay. And then, VJ, you talked about the opportunity to work with Ann and Todd's group to really expand. I know Bruce Dahlgren's been very focused on this in terms of leveraging HP's assets. I'm curious from Ann and Todd's perspective on how they are working with IPG to try to make sure that the enterprise strategy is more successful and that cross-sales work.

Ann Livermore - *Hewlett Packard - EVP, Technology Solutions Group*

One of the key areas where VJ and our team work is around what we call the managed print services. It's the outsourcing business for the print environment. And that's a key area of cooperation for us where VJ's team is really focused on the placement of the units, the standardization of the fleet, the printing and usage of the environment and our team on the services surrounding that. So, that's one key area.

Another key area is around the foundational support services. It's really critical for us to generate on an ongoing basis high customer satisfaction, because that drives their propensity and desire to buy more products from us. And that's something that we work on with Todd's team, as well as VJ's team, so both of those two areas are very fundamental for us.

Todd Bradley - *Hewlett-Packard - EVP, Personal Systems Group*

Yes, I can't add much more to what Ann said. We have broad go-to-market capabilities in PSG, IPG or TSG, clearly our people take advantage of the opportunity to sell that broad bundle of services and to differentiate with that bundle.

Ann Livermore - *Hewlett Packard - EVP, Technology Solutions Group*

And you'll see my team has a lot of sales relationships with different people in the environment. We tend to have our relationships with the CIO and the IT organization. And more and more, as printing is part of the network, those people play a bigger role in the choice points, so those relationships, we're very focused on making those relationships door openers, opportunities for VJ's team.

VJ Joshi - *Hewlett-Packard - EVP, Imaging and Printing Group*

2,300 accounts are exactly the same accounts between Ann and us, so they have all the understanding of the relationship and we want to leverage that.

Todd Bradley - *Hewlett-Packard - EVP, Personal Systems Group*

All the way in the back. Yes.

Rich Gardner - *Citigroup - Analyst*

Rich Gardner from Citi. VJ, I wanted to ask you, some industry forecasts show the home photo printing market growing X growth next year as more people either don't print at all or they print online or in retail. I was just wondering if you believe that forecast and, number two, if you do believe it, whether you can ramp retail and kiosk and online quickly enough to offset that and still grow your home inkjet business.

VJ Joshi - *Hewlett-Packard - EVP, Imaging and Printing Group*

So, I think I mentioned in the slide here that our home photo printing and the proxy that we have is our home photo paper, the media growth grew 17%. So, what we are seeing with our better technology in terms of ease of use and speed, actually our home photo printing is growing. So, I don't know about the other competitors, but for an HP point of view, our home photo printing is growing.

But at the same time, the dynamics is you'd start it at 70% of printing was done in the home. It has gone down to 63%, and retail has gone up, and that's the reason that we are investing into the retail. But, for us, home photo printing is still an opportunity for us. And as we develop, and which I showed you, just to give you an example, Meijer's, which is a very big 181 store, Midwestern photo specialty, they are using HP retail photo finishing. So, we think that we want to continue to focus on home photo printing while we grow our retail photo finishing market.

Todd Bradley - *Hewlett-Packard - EVP, Personal Systems Group*

Yes.

Toni Sacconaghi - *Sanford Bernstein - Analyst*

Thank you, Toni Sacconaghi from Sanford Bernstein. I have one for Todd and one for the group, please. Todd, I wanted to follow-up on the question about Dell's increased thrust in the retail channel. They're now in over 10,000 locations. You're in 81,000. I think if you read the tea leaves, they may net out at 20,000 or 25,000 locations.

My understanding is that retailers don't expand shelf space for the category, they typically replace one SKU with another SKU. In some places, Dell may be placing as many as six to eight SKUs on the shelves in some of the relationships that they've established. Can you comment on whether you believe shelf space is static, so a new SKU coming in would necessarily displace another SKU. You mentioned you hadn't felt any displacement yet, but is that at all a possibility, or why wouldn't it be?

Todd Bradley - *Hewlett-Packard - EVP, Personal Systems Group*

So I think, and I'll get VJ to help me with this a little bit because he spends as much time as me in retail, but shelf space is relatively static. We have not seen any reduction in our shelf space. We have not seen any reduction in the share of our product, in fact, our volume through retail is growing.

So, as we look at the broad set of people that have either entered or are trying to enter the retail space, we see kind of share shifting going on at the bottom end of the category. And at the same time, noise in the circulars every week, but we continue to execute the strategy that we've talked about. We continue to look at how we drive an HP experience broadly in that retail category, and frankly, we're supportive of those retailers who are most supportive of that HP experience throughout the world.

And you can see various tactics that we've used, be it the store-in-store experiences, excuse me, we've created in Europe, some of the things we've done in Asia. You'll see some things here in the U.S. that leverage that broad set of HP experiences.

So, we don't intend to become any less aggressive. I think it's clear we continue to see broad opportunities to grow in that retail space. We spend a lot of time looking at the breadth of retail coverage and where there are holes that we should be driving aggressively in to fill. And I think anyone who chooses to try and compete with us in that space will have the same reaction. We'll aggressively compete where we need to.

VJ Joshi - *Hewlett-Packard - EVP, Imaging and Printing Group*

Well, you know, it's important to understand it's a win-win. At the end of the day, retailers have the same pressure to show their comps going up year-over-year. And now, with our very exciting innovation and the marketing campaign and creating that excitement and opportunity, customers are coming into the stores asking for HP. So, for their good and for our good, you are going to not see us really losing any shelf space. We are actually the talk of the town right now and we need to invest into it and we need to have this win-win approach with our channel partners.

So, I think we are very bullish about actually penetrating more and maintaining to gaining share, our HP share, on the aisles globally.

Todd Bradley - *Hewlett-Packard - EVP, Personal Systems Group*

I think, again, people get kind of excited about the latest press release of churn in the retail space. We have, again, very consistent, very aggressive execution, very consistent and aggressive supply chain management and continue to have room to improve, but no shortage of focus on how we improve.

Ann Livermore - *Hewlett Packard - EVP, Technology Solutions Group*

Okay, we have time for one last question.

Katy Huberty - *Morgan Stanley - Analyst*

Thanks, Katy Huberty, Morgan Stanley. A question for Todd and then a quick follow-up for Ann. Todd, on the PC discussion, what was somewhat absent is the opportunity in mobility beyond traditional notebooks, and just going back to Mark's video, there was a clear focus on tablets and the size of the handset market. So as an investor, should we think about that as a clear market opportunity going forward? If so, what investments might you have to make and when do you see an inflection point in that opportunity?

Todd Bradley - *Hewlett-Packard - EVP, Personal Systems Group*

Couple -- yes, a couple different points. So, we've actually expanded our notebook tablet offering with the first, if not the only, consumer tablet in the marketplace that has been very, very aggressively adopted. New tablets that have come into the commercial space like the 2710 that are thinner than they've ever been and really function both as a tablet and a slate. So, we're very focused on execution in that marketplace.

From a handheld perspective, you shouldn't expect to see us compete in just the handset market. Our focus is on data applications and mobility around those applications. We're spending a lot of time looking at the ultra-mobile market and trying to find the combination of product and service that makes the most sense. We see a lot of breadth of opportunity there from the commercial space to the education space to the emerging market space. So, we have no lack of investment or focus there.

From an investment perspective, those dollars are very much built into the models that we've shown you. Ted Clark, who runs our notebook business, will be in the breakout sessions with me later today, but we feel like we're adequately funded and have a very robust roadmap to cover not just mobility from a product perspective but connectivity more broadly.

I think she had a follow-up question.

Jim Burns - *Hewlett-Packard - VP, IR*

No, I think we're good. Okay, well, thank you everybody for your questions. I just wanted to quickly run through the afternoon session. So, if you're confused where you're going for your breakout, look at your little name badge. There should be a track on there. You see the PSG track will be starting first in this room, which is the Metropolitan Room. The Empire West and Empire East are just across the hallway.

Make sure you grab a boxed lunch out there and we'll start promptly at 12:00. And again, just stay put in the rooms. We'll rotate the execs through so that you don't have to move. But we'll see you at 12:00 in your respective rooms. Thank you.