

Transcript
HP Inc. 2020 Annual Meeting of Stockholders
May 12, 2020
2:00 PM Pacific Daylight Time

Operator: Good afternoon, and welcome to the HP Inc. Annual Meeting of Stockholders. I would now like to turn the conference over to Chip Berg, Chairman of the HP Board. Please go ahead, sir.

Chip Bergh: Thank you, and good afternoon, everyone. We're glad you could join us for HP Inc.'s 2020 Annual Meeting of Stockholders. The meeting is now called to order. I'm Chip Berg, Chairman of the Board of HP. I'm joined here by Enrique Lores, HP's CEO, President and Director; and Kim Rivera, HP's President of Strategy and Business Management and Chief Legal Officer.

The past year was a notable one, marked by a number of transitions, including the appointment of our new Chief Executive Officer, Enrique Lores. The planning and execution of a rigorous and seamless CEO transition is one of the Board's most important functions. We as a Board are extremely proud of the process that was undertaken. Through this rigorous process, Enrique emerged as the Board's unanimous choice as successor. Our former CEO, Dion Weisler, remained on our Board until today's meeting, and his insights during the transition process were valued and appreciated. We wish Dion the best, and thank him for his years of service to HP.

As we enter into a new era, we see significant opportunities to create stockholder value at HP by advancing our leadership, disrupting industries, and aggressively transforming the way HP works. We are confident that Enrique will build upon HP's progress and capitalize on new opportunities. We are looking forward to walking you through some of the details of our progress.

Today's virtual meeting is a live audio webcast. We believe in engaging our stockholders and maximizing their ability to meaningfully engage with us. Virtual meetings are one of the many ways we engage with our stockholders. Today's session enables our stockholders to participate in the meeting regardless of their location around the world. Not only can you listen to the meeting, you can also submit questions and vote your shares online before the polls close.

Our Director nominees, HP Executive Officers, and representatives from our registered public accounting firm, Ernst & Young, are attending today's meeting through the webcast. They will be able to assist with questions during the Q&A portion of the meeting. We have received several questions that were submitted before today's meeting in our online pre-meeting stockholder forum, and we welcome your additional questions. Thank you again for joining us, and let me now turn the meeting over to Kim.

Kim Rivera: Thank you, Chip. We're conducting the meeting in accordance with HP's bylaws and meetings rules. In order to ensure that the business of the meeting proceeds in an orderly fashion, we ask that you please observe the meeting rules. These rules are available on the meeting website. We've allocated time in the agenda later in the meeting for Q&A. As a reminder, you may submit questions at any time before the end of the Q&A session. Any unanswered questions will be answered after the meeting, with responses available on our Investor Relations website accessible via investor.hp.com.

Some of our comments and responses to your questions during today's meeting may include forward-looking statements that are based on certain assumptions and are subject to a number of risks and uncertainties. The risks, uncertainties, and assumptions

that could affect these forward-looking statements include risks that are described in HP's SEC reports, including our Form 10-Q for the first quarter of fiscal 2020. I'd also like to point out that the information presented at this meeting may include references to amounts that are expressed on a non-GAAP basis. A reconciliation of such non-GAAP amounts to GAAP and other information related to these non-GAAP measures is available on our Investor Relations website, accessible again via investor.hp.com.

HP's agents have certified that Notice of the Meeting was provided starting on April 13, 2020 to all stockholders of record as of the record date for the meeting, and copies of those certifications are in my possession. I therefore declare that legal notice of the meeting has been duly given. The Board of Directors has appointed Michael Barbera to serve as our Inspector of Election for this meeting. He is present at the meeting today. As required by law, Mike has taken and signed an oath as Inspector of Election. This document will be filed with the minutes of this meeting.

As Inspector of Election, Mike has informed me that the majority of the outstanding shares held of record as of the close of business on March 25, 2020, the record date for this meeting, are represented at this meeting. I declare that there is a quorum present, and that we may proceed with the business of the meeting. Please remember that you may vote your shares online any time during this meeting before the closing of the polls.

There are five items of business on today's agenda. In accordance with HP's bylaws, these are the only proposals to be voted upon at this meeting. The first item of business is a vote on a slate of 12 nominees to the Board of Directors. The 12 people who've been nominated to serve as the Board of Directors and who will be voted on today are Aida Alvarez; Shumeet Banerji; Robert Bennet; Charles Bergh; Stacy Brown-Philpot; Stephanie Burns; Mary Anne Citrino; Richard Clemmer; Enrique Lores; Yoky Matsuoka; Stacey Mobley; and Subra Suresh. Their biographies and detailed information about their experience are included in the proxy statement if you'd like to review it.

The second item of business is the ratification of the appointment of Ernst & Young LLP as HP's independent registered public accounting firm for fiscal 2020. At this time, I'd like to acknowledge Anvita Sahai, a representative of Ernst & Young, who is attending today's meeting. Ernst & Young was responsible for the audit of HP's 2019 fiscal year financial statement.

The third item is an advisory vote on HP's executive compensation. And the fourth item is approval of HP's employee stock purchase plan. Descriptions of those items of business are contained in your proxy statement, so I won't review them here in detail.

The fifth item is a stockholder's proposal requesting stockholders' right to act by written consent. John Chevedden, the proponent of the proposal, will now briefly present the proposal.

John Chevedden: Hello, this is John Chevedden. Can you hear me okay?

Kim Rivera: Yes, we can hear you just fine, Mr. Chevedden. Please proceed.

John Chevedden: Proposal five, Shareholder Right to Act by Written Consent. Shareholders request that our Board of Directors take the necessary steps to permit written consent by shareholders entitled to cast the minimum number of votes that would be necessary to authorize an action at a meeting at which all shareholders entitled to vote thereon were present and voting.

Hundreds of major companies enable shareholder action by written consent. This proposal topic won an outstanding 614 million votes at the 2018 HP annual meeting, representing a majority of the votes cast for and against. The management text next to this proposal describes a magical brand of shareholder engagement at HP. After a majority of shares supported the 2018 shareholder proposal to provide for shareholder written consent at HP, the magical brand of HP shareholder engagement then did an informal poll and supposedly concluded that this majority of HP shareholders did not want the written consent that they actually voted for. This is like a November election in which the incumbent candidate loses and then the incumbent does a poll that shows him winning, and the poll overturns the election.

This is what the magical brand of shareholder engagement does at HP. When HP does a poll of shareholders, HP should be upfront and say that HP is trying to overturn an election. This proposal topic also won majority shareholder support at 13 major companies in a single year. This included 67% support at both Allstate and Sprint. This proposal topic won 63% support at Cigna in 2019. This proposal topic would have received higher votes than 63% to 67% at these companies if more shareholders had access to independent proxy voting advice.

Written consent is gaining acceptance as a more valuable right for shareholders than the right to call for a special meeting. Taking action by written consent in place of a meeting is a means shareholders can use to raise important matters outside the normal annual meeting cycle, like the election of a new Director. This is critically important since our stock has fallen from \$25 in October 2019. This poor stock performance also follows a June 2018 announcement of additional share repurchase authorization up to \$4 billion, which was supposed to increase the price of HP stock even if HP did not perform any better. Dion Weisler is no longer the HP CEO after getting \$27 million in total realized pay in 2018, and there was the October 2019 headline that HP stock tumbled after HP announced plans to cut up to 9,000 jobs.

Please vote yes, Shareholder Right to Act by Written Consent, Proposal 5.

Kim Rivera:

Thank you, Mr. Chevedden.

As described in our proxy statement beginning on page 72, the Board recommends a vote against this proposal. The Board believes that HP's commitment to good corporate governance, including its strong year-round stockholder engagement program and the existing right of stockholders to call a special meeting at a 15% threshold, render the proposal unnecessary. Additionally, the Board believes that there is a clear risk of abuse associated with the right to act by written consent, as such a right is proposed would bypass procedural protections currently provided to our stockholders in the case of a stockholders meeting, such as transparency of the proceedings and advanced notice of the meeting.

You've now heard descriptions of the five items of business that you've been asked to vote on. We will now proceed to voting on the agenda items that I described. The polls have been open for voting on each of the items of business since the beginning of this meeting at 2:00 p.m. Pacific Time and will remain open until I announce their closure later in the meeting. If you previously voted by proxy and do not wish to change your vote, your vote will be cast as you previously instructed, and no further action is needed. If you are a recordholder and wish to change your vote, did not send in a proxy and wish to cash your vote now, or have not already cast your vote using our electronic voting system, you may cast your vote by electronic ballot at www.virtualshareholdermeeting.com/hpq2020 now or at any time until the closing of the polls at this meeting. You'll notice a link to the voting site on your screen.

Access to www.virtualshareholdermeeting.com/hpg2020, requires the control number you received before this meeting. If you do not indicate the number of shares you intend to vote on your electronic ballot, your electronic ballot will automatically represent all shares that you are entitled to vote at this meeting. As you navigate the electronic ballot site and are making your decisions, Enrique is going to discuss where HP's business stands today and what we've accomplished since our last Annual Meeting.

And now, over to you, Enrique.

Enrique Lores:

Thank you, Kim. Let me start by thank you, our shareholders, for your continued support of our company, our Board, and our management team.

This is a time of significant uncertainty as the COVID-19 pandemic has created unprecedented global health and economic challenges. At the same time, it has compelled all of us to change virtually every aspects of our daily lives, from the way we do our jobs to the way our children learn to the way we connect with family and friends. How we respond will shape our society for years to come.

I want to use my time with you today to outline how we are responding at HP. Our founders, Bill and Dave, famously said that the biggest competitive advantage is to do the right thing at the worst time. And that's the mindset we have embraced. From the start of this crisis, our number one priority has been the health and well-being of our employees. We took swift action to restrict travel and mandate working from home. We also stepped up screening, cleaning and sanitization of sites that remain operational. We deferred workforce reductions through the end of May, and we have ensured that hourly employees who are not able to work remotely are still paid their usual wages.

At the same time, we have marshalled our technology and resources to help address urgent needs in our communities. HP and its partners have now produced an estimated 1.5 million 3D printed parts for face shields, face masks, respirators, ventilators, and other items for distribution to hospitals. We have leveraged the scale of our global supply chain to serve and distribute face masks to medical facilities facing shortages.

We have launched a series of global education partnerships to make it easier for teachers and students to connect from a distance. And together with HP Foundation, we are donating millions in products and grants to support response and relief efforts. We have also taken actions to protect the broader HP ecosystem, including a variety of relief initiatives to help our channel partners weather the operational and financial challenges they face. Tough times like this are when the true spirit of HP shines brightest. I am proud of the way our people are stepping up to help those in need.

In this time of great uncertainty, we are focused on controlling what we can control. We have been taking actions to ensure that we have a stable foundation on which to operate in the second half of 2020 and beyond. Relief starts with leveraging our core strength of our company. Our innovation engine, global go-to-market scale and reach, strong balance sheet, and relentless focus on discipline, execution and cost management will help us to navigate the challenging road ahead.

And we're making decisions to put the company in the best position possible, to execute on our priorities, generate long-term value for our shareholders, and stay true to the values of our founders. Tough decisions are unavoidable, and we will always make them with care, empathy, and respect.

Yet, I believe in HP's future, and my confidence comes from our greatest strength as a company - the high performance, purpose-driven culture on which our business is built. Our employees and our partners are united by their shared pursuit of our common goal - empowering humanity through technology and leaving the world better off than we found it. We have a strong track record of overcoming obstacles and delivering results.

In fiscal 2019, we grew net revenue by 2% in constant currency, and we grew non-GAAP diluted net earnings per share 11% to \$2.24. This strong performance enabled us to deliver \$4 billion in free cash flow for fiscal 2019 and return \$3.4 billion to shareholders through dividends and share purchases. In the past three years, HP has grown revenue by \$10.5 billion, grown non-GAAP diluted net earnings per share by 40%, and return over \$9 billion to shareholders. These results demonstrate that we have multiple levers to drive operating profit dollars and create shareholder value.

And it's not just the results we deliver. It's how we deliver them. In the past six months, HP has ranked number six on the Barron's Most Sustainable Companies list, number 11 on the Wall Street Journal List of the 250 Best Managed Companies, and number one on Newsweek's List of America's Most Responsible Companies. Honors like this reflect the character of our company. They demonstrate our consistent ability to create value for all of our stakeholders. And this will be a significant source of strength for HP, moving forward.

As people go back to work, we will have important roles to play in helping people everywhere adapt to new ways of living, working, and learning. As communities recover, we have a responsibility to help them get back on their feet and find new pathways to prosperity. As we look to the future, our sustainable impact framework and objectives, including the ambitious sustainability target we have set, remain at the core of how we do business.

And to ensure we are successful in everything we do; we will continue to champion diversity and inclusion at all levels of the company, from the Board room to the front lines. To that end, I am proud that HP continues to have one of the most diverse Boards of Directors in corporate America, with experience and expertise needed for a global technology leader.

On behalf of entire management team, I want to thank you for your time today and for the confidence you have placed in HP with your investment. While COVID-19 has created significant challenges, we also believe it will create new opportunities, opportunities to reinvent our company in ways that generate shareholder returns and drive long-term value chain. And that's exactly what our focus will remain. I look forward to speaking with you again in two weeks when we announce our Q2 results.

I'll now turn the meeting back over to Kim.

Kim Rivera:

Thank you, Enrique. We'll be closing the polls shortly. Therefore, we would ask that you complete your electronic ballot on www.virtualshareholdermeeting.com/hpq2020 at this time. You must ensure you submit your electronic ballot in order for your votes to be counted. The Inspector of Election will not accept votes submitted after the closing of the polls.

Please note that any votes by electronic ballot submitted today will be subject to final verification by the Inspector of Election. There being no further ballots, I hereby declare that it is approximately 2:24 p.m. Pacific Time, and the polls are now closed for voting on the items of business. Next, we'll move to the Q&A portion of our agenda, which I'll be moderating. You may continue to submit your questions during Q&A.

The first shareholder question will be for you, Enrique. In light of the COVID-19 crisis and manufacturing shutdowns in China, will HP take actions to reduce dependency on one part in the world and build up manufacturing capacity in other areas closer to key markets?

Enrique Lores: HP has a globally diverse manufacturing footprint with a resilient supply chain that shapes one printer every second and two PCs every second. Last year, in response to the trade tariff situation, we took additional steps to diversify our supply chain footprint to mitigate the impact of these tariffs. We're always looking for ways to further optimize and increase the resiliency of our manufacturing footprint.

Kim Rivera: Thanks, Enrique. Next, a question about our print business. What are your plans for consolidation in print? Does a combination with Xerox still make business sense?

Enrique Lores: We continue to believe that industry consolidation makes sense in office print given our scale, technology, our market leadership across home and office printing. M&A is just one way HP can deliver value to shareholders via disciplined, returns-based capital allocation. Any potential M&A would need to meet several key criteria to ensure that it's in the best interests of HP shareholders, including the right terms, the right price, the right synergies, just to name a few.

HP has already established a strong track record of acquiring businesses. In the past several years, HP has acquired Samsung's print business, and also acquired Apogee, the leading independent office equipment dealer in Europe.

Kim Rivera: Thanks, Enrique. The next question is the COVID-19 pandemic is at the forefront of all of our minds. How are your employees doing with Coronavirus, and what steps are you taking to protect and support your workforce around the world?

Enrique Lores: The well-being of HP's community has always been our number one priority. At the start of this crisis, we took swift measures to keep our employees and their families safe. This includes mandating work-from-home even in places where it had not been required by local governments, as well as canceling all in-person meetings and non-essential travel until further notice.

We also took steps to provide employees and partners with some stability during these uncertain times. In the first phase of the crisis, we deferred all workforce reductions and ensure that hourly employees who are not able to work remotely are still paid their usual wages. We also took actions to protect the entire HP ecosystem, including a variety of relief initiatives to help our thousands of channel partners globally to weather the operational and financial challenges they face.

As we move forward and begin to better understand the full impact of the crisis, we will carefully balance the needs of our business with continued support for our people. Tough decisions are unavoidable, but they can always be made with care, empathy, and respect for others.

Lastly, I will say that our teams have been incredibly resilient in using technology to stay connected so that we can continue meeting the needs of our customers. We are taking a very cautious approach when it comes to returning to the office. And speed will never come before the safety of our people.

Kim Rivera: Thanks, Enrique. We're going to conclude our Q&A session at this time. Thank you all for participating today. For questions that were not answered during today's meeting, please

check our Investor Relations website accessible via investor.hp.com, where we will be posting copies of all the questions we received, along with our responses.

As the polls are closed, all electronic ballots and proxies are now in the custody of the Inspector of Election. Chip will now announce the preliminary results of the vote. Over to you, Chip.

Chip Bergh: Thanks, Kim. The results to be announced are based on the preliminary tally provided by our Inspector of Election. All votes are subject to a final count certified by the Inspector.

Let's start with the votes cast for the election of Directors. Mike?

Michael Barbera: Regarding proposal one, the election of Directors; each Director received not fewer than 936,552,295 shares.

Chip Bergh: Based on the vote, I declare that all 12 Director nominees have been elected to serve for the next year to hold office until their successors are duly elected and qualified.

Now, I will ask Mike to announce the results of the vote on the ratification of Ernst & Young as HP's Independent Registered Public Accounting Firm.

Michael Barbera: The ratification of the Independent Registered Public Accounting Firm, Ernst & Young LLP, received 1,105,367,063 shares.

Chip Bergh: Thanks, Mike. Based on the vote, I declare the appointment of Ernst & Young as HP's Independent Registered Public Accounting Firm for fiscal 2020 has been ratified.

Now, I will ask Mike to announce the results of the advisory vote on the executive compensation.

Michael Barbera: The proposal to approve, on an advisory basis, the company's executive compensation received 922,892,767 shares.

Chip Bergh: Thank you, Mike. Based on the vote, I declare that the advisory vote to approve the company's executive compensation has passed.

Now, I will ask you to announce the results of the vote to approve HP's employee stock purchase plan.

Michael Barbera: The proposal to approve HP's employee stock purchase plan received 986,085,651 shares.

Chip Bergh: Thank you, Mike. Based on the vote, I declare that the advisory vote to approve the company's employee stock purchase plan has passed.

Now, I will ask you to announce the results of the stockholder proposal requesting stockholders' right to act by written consent.

Michael Barbera: The stockholder proposal requesting stockholders' right to act by written consent received 535,480,582 shares.

Chip Bergh: Thank you, Mike. Based on the preliminary vote results, it appears that the vote on the stockholder proposal is too close to determine a result at this time. We will report the final vote count for this and all other proposals on a Form 8-K within four business days of this Annual Meeting.

It's now 2:31 p.m. Pacific Time, and I declare that the business of today's meeting is concluded. Thank you all very much for joining us this afternoon. We appreciate your interest and your continued confidence in HP.

Operator:

The meeting has now concluded. Thank you for attending today's presentation. You may now disconnect.