

HP to Split: Joining the Wave of Tech Spinoffs

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Adding to the recent wave of spinoffs in the tech industry, Hewlett Packard Co. (“HP”), the nation’s [largest technology company](#), is splitting up.

On Monday, October 6th, 2014, the company announced its decision to move out its printing and personal systems group, which includes sales of products such as personal computers and printers, into a separate business. [HP Inc.](#) will be the newly split-off part of the original company, and [Hewlett-Packard Enterprises](#) will focus on enterprise hardware and service groups. Dion Weisler, HP’s current executive vice president of printing and personal systems, will become chief executive officer of the new HP Inc. The company’s current CEO, Meg Whitman, will preside as CEO of Hewlett-Packard Enterprises.

Many investors, including HP’s former CEO [Leo Apotheker](#), have long called for this breakup. HP offers a wide range of products and services, from PCs and servers to IT services. But this broad approach has hindered its ability to [achieve aggressive growth in its new businesses while seeking to maintain profitability with its mature products](#). HP has also felt pressure from newer rivals threatening its core business, such as when Lenovo seized HP’s title of [world’s largest PC maker](#) in 2012.

The split is part of a [five-year restructuring plan](#) that Whitman implemented in her first year heading the company. Although HP will divest itself of [half of its sales](#), each company is expected to create more than [\\$50 billion in annual revenue](#). Current HP [shareholders](#) will own shares of both businesses.

“The decision to separate into two market-leading companies underscores our commitment to the turnaround plan,” said [HP CEO Meg Whitman](#). “It will provide each new company with the independence, focus, financial resources, and flexibility they need to adapt quickly to market and customer dynamics, while generating long-term value for shareholders.”

Yet some investors remain [skeptical](#) of HP’s decision. Mainly, investors worry about each business’ ability to succeed on its own. Other analysts see HP’s move part of a larger positioning scheme to set itself up for an [acquisition spree](#).

HP’s move could be part of a growing trend as large tech companies move away from consumer services in favor of enterprise services in hopes of high-margin revenues. Lenovo, for example, in a move to increase its competitive advantage in [enterprise hardware and services](#), recently acquired IBM’s x86 server business. In fact, Apple and IBM’s [newly announced partnership](#) aimed at strengthening their respective enterprise capabilities spurred Samsung’s recent introduction of new enterprise software.

Analysts predict that this year is poised to surpass the spinoff record set at the [peak of the tech](#)

[bubble in 1999 and 2000](#). In fact, HP's news comes on the heels of Ebay's move [last week](#), when it announced the spinoff of its electronic payment division Paypal. Likewise, Symantec Corp [announced](#) Thursday that it also plans to split its business. Other companies that could soon follow suit include [Cisco](#) and [EMC](#).

The split is expected to be complete by the end of [fiscal 2015](#).