

Team #3 Mike Witherill Andy Mack

Agenda

- · Companies background
- · Reason for acquisition
- · Terms of deal
- · Initial reactions
- Winners
- Losers
- · Why HP failed
- Accusations
- · Recommendations

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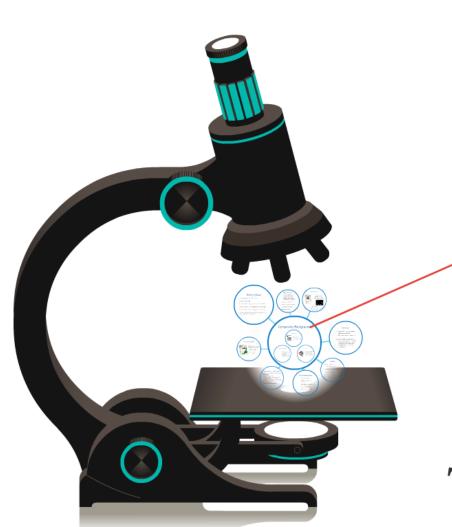


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Terms of Deal

- All cash offer—Offer price of \$42,11 /share
- Enterprise Value of \$11.0B
- Premium of 64% to the closing price of \$25.73/share on 08/17/2011
- Premium of 58% to the 1-month average price of \$26.72 per share
- · Premium of 50% to the 3-month average price of \$28.10 per share
- Unanimous Autonomy Board approval with recommendation that Autonomy shareholders accept the offer

Reasons for Offer

Why HP Failed

- Desperation to make HP profitable

 Assumed inflated benefits of
- · Self-imposed deadline to show progress by Aug. Earnings Report
- New leadership in key positions
- Lack of oversight during acquisition.
- Anditor improper due diligence
- eceived by Autonomy



Mixed depending on which side • HP stocks Gide 17% • Autonousy stocks rully 45% **HP stocks down 30% for your





Companies Background



HP recent events





Winners

- · Autonomy CEO and shareholders
 - · CEO shares = \$834M
- · 64% premium over market value
- · Auditors and investment bankers
- · Barclays, Perella Weinberg, UBS, Goldman Sachs, Citigroup, JP Morgan, Bank of America
- ~\$69M in fees

HP Accusations Unfounded?

- HP has said, "willful effort to mislead investors and

- improper reconsist recognition
 Recording expenses as marketing vice COGS
 Selling to distributors with no end users
 Changing long-term deals into short-term deals
 Whistleblower
- Audited by big companies
 Former CEO Mike Lynch "flatly rejects"

Recommendations

- Don't ignore CFO advice
- · Don't bypass board Finance
- · Don't split board on separate projects.
- · Don't set artificial deadline
- CEO open to other solutions

Losers

- HP shareholders
- Share prices drop to 10-year low
- 3rd consecutive quarter of losses
- · Leo----"You're Fired!"



Companies Background

Autonomy



- · Narrow customer base
- · Total assets: \$3.3B
- · \$870M revenue, \$363M cash flow
- * Software-centric (infrastructure)

HP recent events



e IT software ent HP's

- · Hurd resigns as CEO
- New CEO Leo Apotheker Nov 2010
- · Not meeting expectations in 2011
- · Stock prices sliding
- · PC market struggling
- · \$3.3B write down of WebOS
- · Company looking for profitability

HP



- · Wide customer base, Total assets: \$120B
- · \$127.4B revenue, \$12.6B cash flow
- * PC and access devices
- · Multi-vendor customer services
- · Imaging and printing-related products
- · Enterprise IT infrastructure

- · HP shareholder
 - · Share price:
- · 3rd consecutive

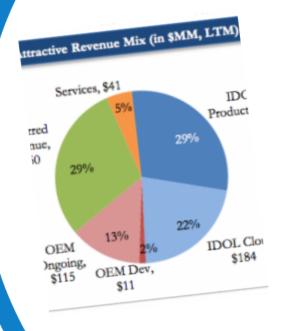
HP





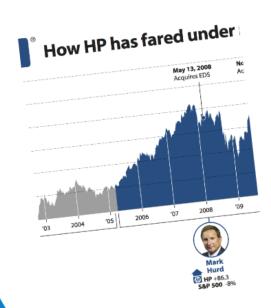
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