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Hello, everyone, and good afternoon. My name is Orit Keinan-Nahon and I'm the new Head of Investor Relations. You might be able to tell from my accent that I am from Israel. I've been with HP for more than 15 years, most recently heading the Corporate FP&A Group. I'm looking forward to getting to know all of you in the coming days and weeks. Let me start with a formal welcome to HP 2021 Virtual Securities Analyst Meeting. Thank you for taking the time to be here with us today.

Before we go to the agenda, please turn your attention to the slide for some important announcement. As always, elements of this presentation are forward-looking and are based on our best view of the world and our businesses as we see them today. These statements are subject to certain risks, uncertainties and other factors that may cause actual results to differ. HP assumes no obligation and does not intend to update any such forward-looking statements. For financial information expressed on the non-GAAP basis, please refer to the slide presentation accompanying today's meeting for more information and the associated reconciliation to the comparable GAAP measure.

Let me now turn to the agenda for today. We will start with Enrique Lores, our President and CEO, who will talk about HP's business progress and strategic priorities. Then, you will hear from Alex Cho, President of Personal Systems, who will talk about how we plan to drive growth in the PC business. After a short break, we will have Tuan Tran, President of Imaging & Printing, who will talk about our evolving business model for the Printing business. Then, we'll have Didier Deltort, President of Personalization & 3D Printing, who will talk about how we're disrupting key verticals in 3D printing. Right after, we'll have Marie Myers, our CFO, who will talk about our financial performance and our fiscal year 2022 outlook. After a second break, we'll have the entire team rejoin for a live Q&A that also includes Christoph Schell, our Chief Commercial Officer.

Today's webcast and presentation will be available on the HP investor relations website. The presentation for each speaker is posted at the beginning of their presentation. Marie Myers' presentation will be posted at the end of today's session.

Now, I'm pleased to welcome HP President and CEO, Enrique Lores.
family together was a gift during those tough days. And it also provided an up close look into the future of work, which is a topic we will talk with you about today as we share our plans to continue building a stronger HP.

But let me first recap the progress we have made to position our business for sustained growth. During the past 24 months, we have navigated a complex and dynamic environment. We have accelerated our transformation and we have delivered exceptional financial performance. Comparing our last four reported quarters with equivalent period in fiscal year 2019, we grew revenue 6%. We grew non-GAAP operating profit 29%. We grew non-GAAP EPS 60%. And we grew free cash flow 13%.

We have also continued to execute against the value creation plan we announced 18 months ago. The plan was designed to drive operating profit, free cash flow, return of capital and EPS. And we are on track to meet or exceed our key targets. These results show that our advance, disrupt, transform strategy is working. It is driving growth in our core businesses, disrupting industries and transforming our infrastructure. Most importantly, it is creating a stronger company.

Let me explain what I mean. A stronger HP has a stronger core. At our last SAM, we said we would advance our leadership in Personal Systems and Print. Specifically, we said we would drive innovation, expanding for adjacencies and evolve our business models, while strengthening our value propositions. This is exactly what we have done. It is allowing us to drive profitable growth and accelerate progress in the growth businesses we have created.

I will give you a few examples. In Personal Systems, our market leadership in commercial PCs and notebooks positions us very well as offices reopen. Our gaming business is now more than $2 billion in revenue and growing double digits. Our acquisition of HyperX strengthened our position in gaming peripherals. This is an important growth business with estimated gross margins twice the Personal Systems’ average. And we are managing 1 million of PC units in our Device as a Service business.

In Print, we have exceeded our original goals and adopted our plan to a very different environment emerging from the pandemic. A key topic at our last meeting was protecting our supplies share and reducing the number of unprofitable customers. Our supplies share is now growing again for ink and for toner, and we have already achieved our goal to reduce our mix of unprofitable customers by 10 percentage points. We have done this by driving more profit upfront and recurring revenue models. 20% of our worldwide transactional shipments are already HP+ enabled. Instant Ink is a $500 million business expected to grow over 30% this year, and we continue to build our MPS business, while driving synergies from tuck-in acquisitions.

A stronger HP has also more growth-oriented portfolio of adjacent business. Last SAM, we talked about accelerating the shift from analog to digital and disrupting strategic vertical markets. Today, industrial graphics, which is a key segment of our broader graphics portfolio, is about $2 billion in revenue and expected to grow double digits.

In 3D, we have built strong positions in the two fastest growing segments of the market, production plastics and metals. We have printed more than 100 million parts with volume growing over 30% annually. And we have launched end-to-end solutions for key vertical markets where we can capture much more value. And in microfluidics, we have recruited key talent and begun incubating new applications in areas like healthcare that can create new growth businesses.

A stronger HP is a more digital company that delivers operational excellence. This is a key enabler of everything I just mentioned. Last SAM, we shared an aggressive agenda to transform the way we work. This has made us a
much leaner company. We have simplified our operating model to reduce management layers. We have also
driven structural cost savings and operational efficiencies by creating centers of excellence reducing our real
estate portfolio and optimizing our manufacturing footprint. At the same time, we are building new operational
capabilities. This is important because we are now operating in a supply-driven environment. We expect this will
remain the case for the next several quarters as we navigate component shortages and manufacturing disruptions
in Asia.

I have previously outlined some of the operational improvements we are making. We have entered into long-term
agreements with many suppliers, while establishing new direct relationships with others. We're also simplifying
our portfolio to increase commonality of components across product lines. At the same time, our investments in
software and data science are providing better end-to-end visibility. This will allow us to further optimize supply
against demand, while strengthening our collaboration with strategic partners.

We are working to make gradual progress each quarter, even if the situation will remain tough at least through the
first half of 2022. This is part of our broader digital transformation across HP that is enabling us to innovate faster
and transform our go-to-market. Data sharing with our channel partners is also helping us to improve demand
shaping and advance new business models. I have invited Christoph Schell, our Chief Commercial Officer, to join
us during the Q&A to talk more about this.

As we transform our go-to market, we are mobilizing our ecosystem around our Sustainable Impact agenda,
because a stronger HP is a more purpose-driven company and ESG leader. The past 18 months have shined a
spotlight on deep inequities in our society. At the same time, climate change is harming many communities and
threatening future generations. HP is taking action to address these challenges.

Our ambition is to become the world's most sustainable and just technology company. And we announced
aggressive new goals this year. We are working to double our number of black and African-American executives
by 2025, reach 50/50 gender equality in management by 2030 and achieve net zero greenhouse gas emissions
across our entire value chain by 2040.

We are also the first technology company to set a goal addressing deforestation beyond our own fiber sourcing,
which supports our vision to make every page printed forest positive. Our leadership in these areas has been
consistently recognized. And beyond being the right thing to do, it is also driving new business. For each of the
past two years, our Sustainable Impact programs have contributed to more than $1 billion in new sales wins.

This is a much stronger HP than you saw in 2019, and we are getting stronger. We have a clear strategy to
advance our core business, accelerate in valuable adjacencies, drive disruptive new businesses and deliver
attractive financial results. At the same time, we are benefiting from secular trends that have accelerated due to
the pandemic. Let me cover three that are catalysts for growth.

I will start with one we are all living today, hybrid. We are seeing a profound shift in the role technology plays in
people's lives. Traditional boundaries have been erased and work has forever changed, creating significant long-
term tailwinds for our categories. The hybrid offices of the future will be more distributed. More than two-thirds of
office workers expect to work from home three or more days per week next year. This aligns with the approach
we are taking at HP where a majority of employees will have hybrid roles. To prepare for this shift, many IT
departments are planning to deploy multiple devices per employee, and they are exploring ways to enable
workers to collaborate and print remotely. This broad-based proliferation of devices is also driving demand for
peripherals that create more immersive experiences.
Alongside the rise of hybrid, the lines between traditional, commercial and consumer segments are blurring. This is creating a lot of complexity for IT departments. They are under pressure to set up, deploy, manage and secure hybrid IT ecosystems. It is also leading to a range of new consumption models. That is why you are seeing companies across virtually every industry seeking to put digital subscription on services at the heart of their growth strategies. HP's broad portfolio, capabilities and leadership across both consumer and commercial positions us well in the growing digital services market.

Just as traditional office work is entering a period of profound change, so too is industrial production. The pandemic has shown how fragile the current supply chain ecosystem is. There is a clear need to increase flexibility and resilience by producing closer to customers. At the same time, innovation in material science, automation and data analytics will pave the way towards the mass production of personalized solutions. This will disrupt large industries. And similar to the point I just made in the context of hybrid, industrial markets will also embrace data-driven business models and services.

These trends play to HP's strength. Our trusted brand and global scale provide a powerful platform to grow our core and expand into adjacencies. Our innovative portfolio of hardware, software and services is tailor-made for the hybrid world. We have a proven ability to create new growth businesses. Collectively, we expect that our gaming, peripherals, workflow solutions, consumer subscriptions and industrial graphics and 3D businesses will grow double digit and represent more than $10 billion in revenue in fiscal year 2022.

Across everything we do, we bring disciplined execution and financial management. And it's all enabled by the HP's high performance, purpose-driven culture. Let me also highlight that in the last two years we have built a strong leadership team comprised of both HP leaders and top talent we have recruited from the outside. These strengths give us confidence in our ability to drive sustainable revenue growth and long-term value creation.

I'm going to focus on the strategic priorities guiding us forward, and Marie will be sharing the specifics of our financial outlook. In Personal Systems, we expect our TAM to grow to $560 billion by 2024. This has increased by over $200 billion since our last Analyst Day. And moving forward, we expect Personal Systems to contribute more strongly to our overall company performance, driven by continued revenue and operating profit growth.

Our PS strategy is built on three pillars. We will continue to advance our compute leadership by delivering premium experiences. Our strength in commercial PCs as well as our momentum in growth markets like gaming positions us well for success. We will create peripherals leadership by focusing on key segments. In addition to gaming, this includes video conferencing and retail point of sale, and we will further expand our portfolio of software-led digital services.

We also see attractive opportunities to advance our leadership in the print market. The pandemic has shown the power of HP Print portfolio and we have a clear strategy to deliver revenue at least in line with the market, while continuing to drive operating profit dollar growth. We will do this by continuing to modernize core Print. This work is focused on rebalancing system value towards hardware, accelerating the shift to subscriptions and overlaying new digital services.

We also plan to win the hybrid office. We are designing printers specifically for hybrid work, driving new digital workflows and extending our MPS offerings to remote workers. And we will innovate in industrial segments by driving the continued shift from analog to digital, while also moving these businesses to more of as-a-service model.
I have mentioned services a few times, and I want to take a moment to talk more about this. While services have long been part of our strategy, the opportunity today is fundamentally different than it was pre-COVID. The market is bigger, growth is accelerating, and the role we can play is greater than ever before. Given our strength in MPS and DaaS, HP has built a workforce solution business of approximately $4 billion. While this is significant, it is more compared to the $150 billion services TAM. We plan to go after this opportunity by integrating and expanding our existing MPS and DaaS offerings. We can take advantage of opportunities to automate new workflows for customers, and we will add additional services such as managed video conferencing and remote computing solutions.

Beyond the enterprise, we also have nearly 50 million monthly active users of HP Smart App and a rapidly growing subscription business with Instant Ink. They represent a great platform to grow subscription services for consumers and micro businesses. Collectively, our B2B and consumer offerings form the foundation of a strong digital ecosystem. This creates significant opportunities to drive greater recurring revenue across our core businesses.

Another driver of our strategy is disrupting industries with new digital solutions. I already mentioned the opportunity in industrial graphics. Let's talk about 3D. We are leading this business into its next phase of development. Specifically, we are creating integrated end-to-end solutions that can allow us to capture 10 times more value than 3D hardware and supplies alone, and we are focused on the packaging, orthotics and footwear verticals where we can drive the most immediate impact. Our momentum in molded fiber is a great example. Our solution disrupts the single use plastic packaging space, while allowing us to expand in the $10 billion sustainable fiber-based packaging market. And we will be operating these businesses with increased structural flexibility to accelerate value creation.

These strategies provide multiple levers to deliver both short- and long-term value creation, and they are supported by a rigorous financial management approach across the entire company. We will continue to be disciplined stewards of capital. We have a robust returns-based framework that we apply to every aspect of our capital allocation. We will continue to invest in areas where we see growth opportunities, while continuing to return capital to our shareholders. As we have shared previously, we expect to return at least 100% of free cash flow unless opportunities with a better return on investment arise. And we expect M&A will continue to play an important role. Specifically, we plan to pursue deals that accelerate our strategies and drive profitable growth. HyperX and Teradici are two great examples.

For all the reasons I have shared, HP is a compelling investment. We're continually strengthening our core business by innovating at the heart of hybrid. We're accelerating our growth in gaming, peripherals, workforce solutions, consumer subscriptions and industrial graphics. These are areas where we can scale large growth businesses, and we are not currently reflected in our valuation. We are driving disruptive innovation across 3D printing and microfluidics. And we are becoming a more digital company to drive operational excellence, enable new business models and achieve structural cost savings. Most importantly, we are confident in our ability to deliver sustained revenue, operating profit, EPS and free cash flow growth.

I look forward to continuing to share our progress. And I want to thank you again for your investment in HP. There are many reasons to be excited about the future of our company, starting with the opportunities across Personal Systems. To tell you why, I am pleased to hand it over to Alex Cho.

Alex Cho
President-Personal Systems, HP, Inc.
Thank you, Enrique. And hello, everyone. Thank you for taking the time with us. It is great to be back together. At our last meeting, I remember I shared how I had just taken my first child to college. Since then, I have taken two more. And as I'm sure you can imagine, the experience for them was very different. From how they get set up in their dorms to how they are attending classes, to how they work on group projects, everything is different. And what's especially noticeable is how much more technology has come to play a central role in all of it.

COVID has changed our lives for the long run, and that brings me to where Enrique just left off. The world has changed, and that makes us a great time to be in the Personal Systems business. As you have just heard, HP technology is more central in people's lives than ever before, and this is paving the way for sustained Personal Systems growth. I'm going to use my time with you to outline the drivers of this growth as we build a larger and more profitable Personal Systems business.

Let me start by recapping our strong performance since we last met. We have delivered on the top and bottom line. Revenue has grown over 9% since 2019. And we have now grown revenue for the past four years. We have also grown operating profit significantly. In 2019, I shared that we have made steady progress in growing our operating profit rate by 1 point, and since then, we have added another 2.3 points.

We have also scaled in the high value segments. We are the leader in the important commercial PC market. And in the fast growing PC gaming segment, we have gained share, outgrowing the market since 2019. And we have accelerated our strategy in the services space, growing our contractual services revenue 34%. All of this has been powered by incredible innovation. We are not simply creating products. We are creating experiences, designed to enable new ways for people to create, consume, collaborate and stay connected in a hybrid world. Have a look.

[Video Presentation] (00:26:44- 00:27:41)

As much as we're innovating, we have only scratched the surface. The changes driven by a more hybrid world are catalysts for a dramatically larger opportunity for us as we look forward. Last SAM, I shared that the PC was becoming more relevant with usage increasing. And today, it continues to increase, with PC usage now at 130% of what it was pre-pandemic.

But beyond just more time spent digitally, what is significant is that a more hybrid world is driving structural shifts in how people work and live that are creating new opportunities for us, more than working from home because their offices are closed and majority of people are planning to continue working from home on a regular basis. And as a result, they are spending more to set up permanent, productive home offices.

Corporate real estate is being reconfigured for a world where conferencing rooms are more important than cubicles. And companies are investing more to update conferencing spaces around the world. Companies are also reducing travel spend in favor of more virtual collaboration, and they will need to invest more in new video collaboration technology to be significantly better for their employees in the office and at home so that it becomes an effective alternative to travel.

And new workforce segments are emerging for the growing freelancer segment and fully remote employee, the PC, as well as services to keep them productive and secure when they don't have an IT staff or an office to go into will be business critical investments. The common thread across all these trends is not just that computing adds to these new behaviors, it is what enables them. And this is what's driving the Personal Systems' market expansion you heard about earlier.
Starting from the core, the PC market has expanded substantially and we believe it will continue to grow. The first factor driving this is rising PC penetration rates. The PC is now essential and there is long-term upside as the world moves to one PC per person, which we are far from today. Second, refresh rates are accelerating across most segments. This is an important and favorable shift with Windows 11, a further catalyst to drive refresh for a large installed base of aging PCs. And third, the market mix is shifting to higher value notebook categories, which have even shorter refresh than desktops.

We anticipate these changes to lift the core PC market to $330 billion in 2024, over $100 billion larger than projected in 2019, and we expect it to continue growing off of this larger base. The peripherals market adds to this large opportunity driven by a few key factors, secular growth and high engagement activities where peripherals are essential. For instance, gamers need great audio and video to connect with and play with friends. Additionally, people spend more on peripherals overall to get more immersive digital experiences and that will continue to grow with a substantially larger PC installed base.

Services is also a more attractive opportunity. It now includes a growing digital services segment that increases the total services market to $120 billion. This is driven by the increasing opportunities in security, collaboration, device management and cloud productivity and remote compute. As a result of all these tailwinds, we anticipate our market to be 1.5 times larger in 2024 than we projected two years ago. This is not a market that will slow down, but will continue to grow. And here’s how we’re going after it.

First, we intend to capitalize on the growing PC TAM by delivering premium experiences that accelerate penetration and refresh. Second, we plan to expand into the large and profitable peripherals market, leveraging our PC scale to deliver richer experiences in growing high value segments. And third, we will take advantage of our combined personal systems and print services platform to deliver modern digital services, we believe, offer more value for customers and recurring revenue for HP.

Let me start with advancing our compute leadership. We are operating in a market that is substantially larger, yes, but at the same time, one that is supply constrained with components that are not only shared across the computing segment but with many other industries.

So while demand continues to be very strong for HP, these industry-wide constraints have limited our ability to grow. As we said at Q3 earnings, this has resulted in a large and increased backlog, the majority of which is in commercial. This is a different macro context we are working within. We understand it. We've taken concrete actions and still have more to do.

Let me share with you some of the progress we are making. We are developing more direct supplier relationships and long-term agreements for critical commodities. This is important so that we can orchestrate among suppliers in a more effective way. We have expanded supplier coverage in just the past few months and we plan to continue doing so.

Also, we have improved commonality of key parts and reduced [ph] unique (00:33:44) components by up to 30%. We are going further in increasing design leverage between commercial and consumer products to reduce the number of unique platforms and displays. We are driving aggressive simplification here, which will be a strong benefit. We have completed the launch of one of the world's largest ERP systems. This company-wide digital initiative to consolidate platforms is helping us optimize how we use supply to meet growing customer demand.

And additionally, we recently introduced a new channel data insights platform, the most robust data insight program in the industry, which helps predict customer purchase patterns and recommends actions to improve
selling motions. These are important actions for simplifying, strengthening, and digitizing our processes, which is making us more nimble and agile across the entirety of our business. We have already started to see benefits and expect to see more in the coming quarters.

In addition to strengthening our execution, we've improved our position in high-value market segments. We continue to state that we don't chase share for share sake, but are focused on where there is most value. In the commercial segment, we continue to be strong. We are number one in commercial, which is the largest segment of the market and where the market is continuing to move to. Also, we're number one in commercial all-in-ones, which is an important category as people are setting up their home offices. And as a result, our commercial position remains a significant competitive advantage for us.

Gaming. The gaming segment is especially attractive because gamers refresh their PCs twice as fast as the rest of the market. Here, we have grown even faster, fueled by innovations like our OMEN Tempest Cooling technology that delivers 62% more airflow for enhanced performance, the most important criteria for gamers. Being experience-led is really the key asset here. In 2019, I talked about how we had improved our Net Promoter Score, helping us to be number one in the Windows-based consumer premium segment. We have continued to make progress here, improving our NPS score 10 points in the first half of this year. Central to all of this is our ability to innovate at the heart of hybrid, and one of the most meaningful is how people show up digitally.

With the heavy increase in video conferencing, three-quarters of people now judge you based on your audio and video quality. And this is important because if you're a freelancer, the quality of how you show up will be just as important as the quality of your work for landing that next job. And to meet this need, we are innovating in video collaboration. Leveraging HP's deep imaging expertise in hardware and software engineering, we're delivering intelligent face tracking, dynamic lighting and AI-based clear voice, so you can be heard more clearly, even by the way, while you're wearing a mask, something we've all made a healthy habit of.

These new innovations make up our new set of HP Presence technologies, and we plan to deploy them across our entire portfolio of PCs, peripherals and services and both across commercial and consumer categories. Collaboration features are now the top reason for driving PC refresh and we expect our strength here will be an advantage for us going forward.

And as the line between consumer and commercial blurs dramatically, no one is better positioned to deliver what people want. We are bringing the strength of our award-winning consumer design capabilities to commercial. You can see this in devices like Elite Dragonfly, a laptop that people love as much for its design elegance as its enterprise-grade engineering.

And we're doing the reverse as well. We are planning to bring our commercial security and manageability leadership into our consumer devices next year. Security and privacy are critical for all customer segments, which makes our leadership here a strong advantage. We are a stronger personal systems and engineering like this positions us to continue growing in the expanded PC market.

We are also innovating beyond the PC and that brings us to the second part of our strategy, creating peripherals leadership. We are expanding into the attractive peripherals market by delivering rich ecosystems in the large segments of retail, gaming, and hybrid working and learning. And this is all upside for us because we have single-digit share of the market today and the margins in peripherals are higher than our PC average. As well, people refresh their peripherals up to five times faster than their laptop on average. So even those who have recently purchased peripherals are likely to be upgrading again soon. And our approach in retail is a good example of what we can do where we take peripherals and computing to grow segment share. Today, we are the number one
retail point-of-sale compute provider. We achieved this with our HP Engage portfolio that is purpose built to enable modern capabilities like curbside delivery, touch-less check out and secure payments. As COVID altered retail business models significantly, we have gained share as retailers retool for the future.

We are also adding new fuel to our growing gaming business. Or to deliver the best experience, we are going beyond a great PC to deliver great headsets, microphones, keyboards, mice and beautiful displays, all specifically designed for gaming. Here our recent acquisition of HyperX gives us several unique advantages. With HyperX, we are the number one player in gaming audio peripherals in the US. And by leveraging our HP scale, we intend to accelerate outside the US. We are bringing HyperX to thousands of new stores by the end of this year and expanding their online presence in more countries around the world including across Europe and Asia.

HyperX also gives us great engineering and IP across audio, wireless and mechanical switches which we will leverage across the broader HP portfolio. What is exciting about progress in gaming is that it connects into the broader segments of social and entertainment, additional areas of long-term secular growth. We are stronger with the talent, capabilities and brand we have added through HyperX. Our integration is on track and already executing better than planned. And yesterday, we announced significant new offerings for hybrid working and learning. With people setting up more permanent offices at home and companies redesigning the traditional office for improved video collaboration, this is a tangible example of where new structural changes are driving growth.

To capture this, we are introducing new peripherals and room systems starting with our new 4K streaming webcam. With the world's widest viewing angle on a 4K webcam in its class, this is more world-class HP engineering focused on where the market is hottest. And to address the new role of the office as a collaboration hub, yesterday, we announced our new conferencing room solutions and peripherals. To deliver the world's most advanced conferencing service with speaker auto framing, picture-in-picture and dynamic voice leveling, people can be seen and heard clearly from anywhere in the room and remote team members can focus on the speaker while also watching the group.

This is important because one of the largest challenges when working from home is feeling disconnected when others are together in the office conferencing room. This new offering helps people feel engaged wherever they are. So we are building a powerful peripherals growth engine by leveraging the technology and scale of our massive PC business, delivering leading ecosystem experiences in key high value segments and accelerating our capabilities through acquisitions like HyperX which we have integrated into a new standalone peripherals organization for maximum focus and speed.

And let me be clear on one additional important element of our peripheral strategy. This is a different approach from our PC attach focus that we have had in the past. We are going after the larger peripherals market across all PC vendors as well as gaming consoles, and we're not done. We are positioning ourselves to grow in a structurally larger PC market, yes; expanding into the large peripherals market in high value segments, yes. And third, we are delivering new digital services, particularly in the commercial space where we can help address the complexities of remote and hybrid work. This is a tremendous opportunity that plays to HP’s strength.

Our core services business has now reached meaningful scale that provides competitive advantages in this larger services opportunity. First, we have huge scale across the hybrid ecosystem. We are working very closely with the Print team, and our combined PC and print workforce solutions business is over $4 billion, giving us a large endpoint device service footprint to work from. Second, we have more data than ever before, with over 24 million PCs providing rich telemetry through TechPulse, more than 4 million managed PCs and printers in our commercial installed base, as well as 10 million Instant Ink printers, which give us substantial insight into the
home. This gives us a large services management platform to draw valuable data and insights in a hybrid world to drive outcomes with our customers.

And third, we have built new digital capabilities, software-enabled security, manageability, remote computing, usage analytics, which we have now scaled in the past two years to modernize how companies enable their employees. We are using the power of the cloud to improve the customer experience in a significant way. Our new digital services are helping IT simplify the complex task of keeping employees productive across both redesigned offices and at home. And this starts with unified offerings that make it easier to get employees the devices and services they need.

This month, we launched our new HP work-from-home offering. This is a simple, predictable and cost effective integrated solution that includes PCs and printers delivered to their home or office, auto replenishment of supplies, proactive insights on how their devices are doing and leading security protection. This integrated offer is made possible by the scale of our combined portfolio and addresses what all companies are needing to address, employees working from home on an ongoing basis. And once employees are equipped, our new software-enabled services help IT tackle a new set of challenges for enabling remote productivity.

Remote onboarding of new employees is now the pain point, which we now have a new platform to enable. Remote security is now an issue that must be addressed where we are bringing leading commercial solutions to those working from home. And you can't be less productive remotely than in the office, especially if it will be in an ongoing place of work. With the recent addition of Teradici, we are going beyond traditional PC computing to deliver the best in remote computing solutions for any device or operating system, Windows, Chromebook, Mac, or Linux. We are in the center of enabling productivity, whether from home or across distributed offices. When entertainment studios shut down during the pandemic, Teradici helped teams keep productions on track even when they were sent home, leaving their more powerful computing systems physically at the office. I can tell you that my family is thankful that among the examples is the award-winning documentary of Michael Jordan, The Last Dance.

And on the other side of hybrid work, companies are investing in enabling productivity in the office. Our new conferencing room solution is more than hardware. It is a digital services platform for office spaces, enabling cloud-based remote configuration of the meeting room system, customized room health analytics, and real-time monitoring. And finally, whether in the office or remote, employee engagement is now the senior metric for IT. Our TechPulse platform can now conduct direct employee surveys and correlate this with device and software performance data to provide an early warning system and specific opportunities on how to improve employee experience. This is the future of software-driven services, which we now have strong capabilities in and we are investing further into.

With our substantial footprint in the commercial segment, the scale of a combined PC and print services platform, and meaningful new software-enabled services, we plan on being the leader in the hybrid office and this accelerates our progress in services which we expect to be margin accretive and to deliver recurring revenue. A final strength we have is one that enhances every aspect of our business. 41% of IT decision makers believe sustainable materials and sourcing have become a more important factor in choosing PCs for their employees. This is another key decision point for customers and we take this seriously.

We have the industry's most sustainable PC portfolio, and we are extending our leadership to peripherals as well as service-driven contributions. In fact, HP was the only PC player to be included in Fortune's 2021 Change the World list. We don't consider sustainability optional. We know it is a strong driver of growth. I am proud of the progress we have made and passionate about taking this to the next level.
So let me sum up. This is a stronger personal systems and we are well positioned to capitalize on the growing PC market by delivering premium experiences that accelerate penetration and refresh, expand into the large and profitable peripherals market, leveraging our PC scale to deliver richer experiences in growing high value segments, and leverage our combined personal systems and print services platform to deliver modern digital experiences and services to enable new recurring revenue for HP. This is a significantly larger market, and we are confident in our ability to drive a higher value mix, which enables sustained profitable growth. And even more, we will emerge as more than a PC player, but an experienced leader who will define how people work, learn and stay connected in a hybrid world.

We're now going to take a short break, and when we come back, you'll hear from Tuan Tran about how our Print business is also benefiting significantly from these trends. Thank you.

[Break] (00:51:10)

Tuan Tran  
President - Imaging, Printing and Solutions, HP, Inc.

Welcome back. It's great to have an opportunity to talk with all of you today. Before the break, Alex talked a lot about the hybrid world and the opportunities that it's creating. Personally, I can relate. I don't know about you, but I miss travel. I miss getting to see my teams around the world and meeting them face to face. It's hard to replicate a handshake or fist bump over video calls, but I'm also grateful for the opportunity to spend the extra time with my family. My kids are now in high school, and before I know it, they'll be out of the house.

But we don't know where this recovery will ultimately shake out. What we do know is that the world won't go back to the way it was. Hybrid is here to stay. And at HP, we're unlocking tremendous opportunities within the hybrid world. I can tell you that it's truly an exciting and transformational time to be in Print. And this is what I want to talk about today, coming out of the pandemic, where the Print category is heading, and why HP is going to win.

But first, let me start with the progress that we've made. When we last met in 2019, I outlined our strategy to advance our leadership in printing. We've been aggressively executing against this plan and the results show. Overall, our business has performed well. This is despite the office and graphics markets being significantly impacted by the pandemic. While our top line revenue declined 1.5%, we were able to deliver a solid 7.5% operating profit growth.

We also made great progress against our strategic priorities to evolve our business model and accelerate services. Since 2019, we improved the core hardware gross margins by 18 points. Instant Ink subscribers now exceed 10 million and our new end-to-end printing system, HP+, is rolling out across 35 countries. While the pandemic slowed our progress in office and graphics, we continued to innovate across our hardware services and solutions portfolios. Now that these markets are beginning to recover, we are well positioned to capture and drive long-term growth. I'm proud of what we delivered. We're outpacing the industry by focusing on operational excellence, evolving our business model, and accelerating services, all while reducing our cost structure.

Let's take a look.

[Video Presentation] (00:53:40-00:54:46)

As you could see, we're fired up and excited about the opportunities ahead. We've all experienced the incredible speed at which our home lives and work lives have blended. Enrique talked about this earlier. And while the
printing habits of our customers have changed, the one thing we've learned is that print is essential. Printing is essential at home for people to work, learn and create. Home printer sales were actually up. In fact, the home printer market grew by almost 3 million additional units in the first three quarters compared with the same period last year. This is despite a supply-constrained environment. Not only are people buying new printers, they're using their existing printers even more. Printing is also essential for business. As companies adapt to the new hybrid world, they're struggling to keep their workforce productive and their information secure. It's no surprise that 70% of IT decision makers are placing a high priority on providing printers for their employees working remotely.

With many offices and stores closed globally, home delivery and subscription services are clearly essential. We saw this ourselves with the unprecedented demand for Instant Ink service. The convenience that ink delivered to your home before you run out has been a great value proposition to our customers during the pandemic. With global supply chains disrupted, businesses have also had to adapt to find new ways to connect with their customers. On-demand localized printing has become essential, particularly labels and packaging. These insights clearly show the importance of print and the huge opportunity for HP ahead.

So let's take a close look at the market opportunities starting with home. Compared to 2019, the home market is bigger and has benefited strongly from a world where we work, learn, and create from anywhere. This has led to a partial shift from what we consider traditional office to the home market, driving increased demand, new innovations, and additional services. The shift has also helped to slow the market decline from a negative 4% to a negative 2% as we look to 2024.

Our diversified portfolio puts us in a strong position to capitalize on this opportunity. As anticipated, the office market is smaller than 2019, driven by business shutdowns and the rise of hybrid work. Looking ahead, we expect the office market to stabilize and remain around $80 billion over the next three years. This is partially driven by the shift from office to the home. We also expect the office to look very different when it returns. It will be more distributed and highly digitized, playing to our strengths. On top of this, the office market is an area we're currently under-indexed and where we see opportunities to gain share.

Similar to office, the graphics market was also impacted by the economic slowdown. However, there were pockets of growth, particularly industrial graphics with demand for digital labels and packaging surging. As commercial activities and infrastructure investments resume, we see the overall market poised to [ph] grow (00:58:10) even faster than we expected before the pandemic. With our industry-leading technology and ecosystem, we're positioned to shape the future of this market.

All of this adds up to an overall print market that is growing slightly at roughly 1% CAGR over the next three years. Against this backdrop, we have a clear strategy to advance print and it's working. It all starts with modernizing print. We continue to rebalance system value towards hardware, accelerate Instant Ink and overlay additional services. This is not only delivering more value to our customers, but also increasing the lifetime value to HP. Continuing to reshape our business is how we plan to offset the home market decline and maintain profitability.

Second, we intend to win in the hybrid office. We believe that we have the broadest portfolio, we're expanding our workflow solutions business and we're driving digital services. We're working closely with our personal systems team to deliver the best hybrid work experiences.

Finally, we're disrupting industries with graphics and 3D. In graphics, we will aggressively pursue key growth segments such as labels and packaging. And you hear more from Didier Deltort shortly about how we're disrupting new industries with our 3D printing technology. Underpinning all of this is our relentless focus on
security, sustainability and costs. Security has and will always be a key differentiator for HP. With HP Wolf Security, we have further enhanced our position as having the most secure printer in the world. As you heard from Enrique, our customers care about sustainability. I am particularly proud of the work that we're doing to make printing for us positive.

We aim to lead the printing industry towards a more sustainable future, one where printing is seen to have a positive impact on the planet. At the same time, we'll continue to focus on reducing our complexity and cost structure by simplifying everything that we do. You'll hear more from Marie shortly about the savings that we generated from our transformational efforts.

Let me share how we are executing at each one of our strategic pillars in more detail. When we were last together, I talked about our intent to evolve our Print business model, reduced our reliance on supplies, and delivered improved print experiences for our most loyal customers. I'm pleased to say that two years on, we are making great progress and still have room to grow.

This is an important part of our strategy. So, I want to spend a fair amount of time on this today. First, by optimizing our hardware placement, we've successfully grown hardware average selling prices 27% since 2019. This is 6% higher than the industry average. This uplift reflects the strength of our technology innovation, portfolio optimization, and disciplined pricing execution. And we expect to maintain a pricing premium as the industry pricing normalizes.

Next, we made significant progress in evolving our business model. First, we doubled the number of HP Smart Tank and HP Neverstop units shipped since 2019. We also continue to maintain our premium hardware models in countries like China. Together, these profit upfront systems have grown to 20% of our units shipped this year and are helping us rebalance system value towards hardware.

Second, we introduced a new end-to-end business model with HP+. The HP+ products deliver great value upfront and use 100% HP original supplies. We start with a great printer, add six months of free printing and extended warranty and advanced version of our HP Smart app. Customer feedback has been very positive and we're on a steep ramp with 20% of new units shipped this year HP+ enabled. By achieving all of this, we've grown our hardware gross margins 18 points since the pandemic and have become less reliant on transactional supplies.

I'm also happy to report that to date, we've been able to manage this transition effectively with minimal impacts the hardware unit share. But we're far from done. Over the next three years, we'll continue to evolve our portfolio mix and improve system profitability. During this time period, we have aggressive plans to grow our mix of profit upfront in HP+ systems from the 40% we have today to 85% of our transactional units further reducing our reliance on transactional supplies.

With these actions, we're reducing the number of unprofitable customers. In fact, we've already hit our value plan target of a 10 percentage point reduction. Of course, this is a very dynamic environment but we feel confident in our ability to navigate ongoing pricing, mix and supply challenges.

Another part of modernizing our core is driving the shift to Instant Ink. Here, we've made tremendous progress. Year-over-year, we successfully grown subscribers and revenue roughly 30% and we're expecting to generate approximately $500 million in subscription revenue this year alone. It's easy to see why. Customers appreciate the convenience, cost savings and closed loop recycling benefits. With Instant Ink, our subscribers print more pages, keep their printers 40% longer and have higher overall satisfaction. They also stay engaged longer. Our churn is amongst the lowest in the subscription industry.
Instant Ink is not only good for our customers it's also good for our business. The direct connection with customers unlock an opportunity to simplify our business and overlay additional services and that's exactly what we intend to do. Over the next 12 months, we intend to use the incredible foundation we built with Instant Ink to deliver new strategic services and offerings. We will also leverage our HP Smart app, mobile printing and scanning platform with its nearly 50 million monthly active users to accelerate the rollout.

Let me share some of the new experiences you'll see in the coming months. First, we're expanding Instant Ink subscriptions to include toner and paper, so our customers get the same savings and convenience from our laser printers and HP branded paper. And while Instant Ink was originally designed for a single user and a single printer, it is just as appealing to small and micro businesses. That's why we're on a path to extend Instant Ink with prepaid plans, consolidated management and billing, and supplies shipped to multiple remote workers and offices.

We see a significant opportunity to integrate hardware, both HP printers and PCs into their subscriptions. Nearly half of surveyed customers tell us that they want the option to get their PC, printer, supplies and services consolidated into one monthly bill. On top of this, we intend to offer photo services to Instant Ink customers, making it simple to create and order products like photo books, posters and canvas prints delivered directly to your door. Over a third of our customers and more than half of HP Smart app users say they would use this service today.

Okay. So I've thrown a lot of numbers at you. So let me try to summarize the financial benefit of modernizing our Print business with an example. We start with an average value of a consumer in a developed market. As I said before, today we're benefiting from a favorable pricing and mix impact given the industry-wide shortages. We expect that some of this benefit will normalize over time.

The normalization of this pricing mix benefit will be offset by our continued transition to our new business models. We expect this will drive roughly a 10% to 15% increase in customer value. In addition, the shift to Instant Ink and business simplification will add roughly 15% to 20% more. Finally, as we overlay additional services, we can further improve the profitability of each customer.

As you can see, we are fundamentally reshaping the print business model by creating multiple ways to purchase and engage with print, we're reducing our reliance on transactional supplies while driving services and improving overall system profitability. Of course, these actions will have an impact on our standalone supplies business.

As we laid out in our value plan, we've been executing our playbook to gain share in both ink and toner. In particular, we've been able to reverse the trajectory of our toner share. Although we're happy with the progress of our share plans, we expect supplies to decline in the mid- to low-single digits, driven by a smaller home market and by our business model evolution. Even with these headwinds, we plan to grow overall profitability in our Print business.

As we modernize printing, another area we intend to lead is the hybrid office. Let me start by saying that the office printing market has started showing signs of recovery, although inconsistent across hardware, supplies and geographies. In Q3, we grew in units, revenue, and total contract value of deals, all by double digits year-over-year. Of course, this is on an easy compare, but it does demonstrate that the market is coming back. At the same time, we see attractive opportunities to capture growth in segments where we're currently under indexed.
But the shift to the hybrid office opens up even more possibilities. As Alex pointed out, the office of the future will look very different. Work will happen from more locations. For some companies, this literally means tens of thousands of new endpoint devices to secure and manage. At the same time, workers need to access their data so [ph] that they can do their jobs from anywhere, meaning digitizing workflows to enable speed and efficiency. Our goal here is simple, to make it easy for customers to manage and secure more distributed PCs and printers. We plan to leverage our combined strength between Print and Personal Systems to deliver the best workforce solutions, starting with the HP work from home solution that we launched earlier this month.

There are three reasons why I’m convinced we’re well-positioned to win the new hybrid office market. First, we believe we have the broadest portfolio. Our ability to scale our portfolio is a key advantage in meeting the needs of hybrid work. Our printers are everywhere, work happens today: at home, in small satellite offices, in large enterprises, and on the go. We have solutions from consumer to commercial and everything in between. They’re cloud-connected, award-winning, and come with the industry-leading security and manageability.

We're also designing for the hybrid world. Remote workers don't want a giant office printer in their house. Our HP LaserJet Pro 400 is a great example of our meeting the need for small, secure, sustainable, and easy-to-manage devices.

The second reason is that we're expanding our workforce solutions to adapt to the hybrid work environment. We've built a solid services foundation. As Alex shared, we already have a combined PC and print solutions-led business of approximately $4 billion. As part of this, we have the best managed print service in the industry, ranked number one for security, manageability, and customer satisfaction. This gives us an incredible competitive advantage and a platform in which to build on.

We’re now expanding our managed print service to employees working from home. With HP Flexworker, remote workers can order printers and supplies from their customized company portal and have it delivered straight to their doorstep. And IT can manage these remote devices essentially with enterprise-level protocols and a consolidated bill. Although still in the early days, we’ve seen strong interest. We’re in the process of deploying units and supplies to tens of thousands of remote workers, and we’re seeing significant growth in our funnel.

The third reason is that we excel at delivering connected devices and driving digital services. This is a key competitive advantage for HP. Our printers are smart devices. By utilizing HP Smart Device Services, our customers and partners are able use machine learning and predictive analytics to better service our printers. In fact, our channel partners who deployed HP Smart Device Services have reduced in-person service visits, improved their first time fixed rates and reduced their overall service costs close to 25%.

But the future of print is about more than just connected devices. It’s about bridging the gap between our physical and digital worlds and that’s why we introduced HP Workpath. The beauty of our Workpath apps is that they accelerate business processes by making it easier to upload documents directly to your system of record. We have a growing ecosystem of customized apps covering an expanded number of industries and job functions. To date, they are already installed on more than 20% of our A3 devices.

And we continue to innovate. We know that digital workflows are the critical glue enabling employees to work together from anywhere. And that’s why in the coming months, we will partner with Upland to launch HP Intelligent workflows. This is a powerful workflow engine with the cloud at its center. It automatically captures and routes documents to help accelerate business processes, manage and secure sensitive data and meet proper business controls and compliance. This is why I believe HP is the best at delivering cloud connected devices and digital workflow solutions.
Now, let me turn to graphics. While this market represents close to a $50 billion opportunity for HP, it's the $15 billion labels and packaging segment we're really focusing on. As we look ahead to 2024, the digital labels segment is projected to grow over 10% and digital packaging over 30%. These are attractive opportunities where we are uniquely positioned to win. With the power of our HP Indigo technology, we currently have over 70% share of the digital labels, flexible packaging, and folding carton segments. This is driven by our ability to provide our customers with superior versatility, quality, and productivity. And in the fast-growing corrugated space, we have 45% digital share with our PageWide industrial technology. We are the leader in the market with solutions that address different customer sizes and manufacturing process. Here, our game-changing innovations deliver the highest level productivity and help our customers stay ahead of the competition.

To talk more about how our disruptive technologies are helping customers grow their businesses, let's hear from Haim Levit, our Global Head of HP Indigo.

**Haim Levit**  
*Senior Vice President & General Manager, HP Indigo and Industrial Go To Market, HP, Inc.*

Thank you, Tuan. Good morning from the HP Indigo Innovation Lab. For more than four decades, we have consistently delivered the most innovative, versatile, and high-quality digital printing solution in the market. We serve over 6,500 customers who use our unique technology and services to create unforgettable end user experience. Let me focus on our packaging solutions.

Our print volume here are going 10 times faster than the industry. One of the most remarkable examples for digital print transformation that only HP Indigo could have enabled is the story of ePac. ePac has grown 480% since 2018 and changed the face of the flexible packaging market. Small and medium businesses around the world want their brands to look polished and reach bigger audiences and markets. This is what digital printing can unlock and this is actually what ePac offer their customers. ePac founded in 2016 now has a global fleet of 50 Indigo presses and has generated over $150 million this year. Let's hear directly from ePac and their customers.

[Video Presentation] (01:15:27-01:16:26)

It's such a great story. So what's next for HP? Digital print is projected to grow more than 3 times faster than the overall market. And the plan is to drive double-digit growth. We continue to invest in innovation. You can see the Indigo V12 behind me. It is a game-changer. It performs at the same productivity level of the analog technology. It's 4 times faster than our current technology. This is the future and how we truly disrupt the label and packaging market and significantly accelerate the digital print evolution.

With that, back to you, Tuan.

**Tuan Tran**  
*President Imaging, Printing and Solutions, HP, Inc.*

Thanks, Haim. That was a great example how HP technology is unlocking new growth markets. It's very exciting. Before I close, I want to acknowledge the impact that the pandemic continues to have in many parts of the world, especially Southeast Asia. Navigating factory shutdowns, critical component shortages and congested supply chain will continue to be a daily challenge for our Print business in the near term. But we have a world-class team and we've proven that we know how to operate in difficult environments. Marie will provide additional context in her financial overview shortly.
Looking ahead, we see Print continuing to play an essential role in our customers’ lives, from improving how we all work and learn from home, to enabling new market opportunities with our technology. Our strategy is very clear. We will continue to modernize Print and increase customer value to offset the home market decline. In office, we will lead the hybrid work environment and drive digital services. And in graphics, we intend to disrupt industries and unlock growth segments such as digital labels and packaging. By executing our strategy, we aim to grow operating profit dollars over time. As you can tell, I'm a big believer in the power of print and I'm super excited about the future of our business.

Another exciting area of Print is the work that Didier Deltort and his team are doing in personalization and 3D printing. Let’s take a look at how they’re disrupting industries and driving growth.

[Video Presentation] (01:18:47-01:19:38)

Didier Deltort  
President-Global Head Personalization & 3D Printing, HP, Inc.

It's great to be here with all of you today. For those of you I haven't met, I joined HP after spending several decades running large healthcare businesses around the world. This is where I saw firsthand the true disruptive potential of 3D printing. My belief in this potential has only grown since joining HP. We have built an incredibly strong 3D printing technology platform and are at an important inflection point to accelerate our innovation and growth. By unlocking a new era of mass personalization, we aim to disrupt a range of large industries and capture much greater value.

Let me start where Enrique left off earlier by framing our strategy. Our longer term goal is to disrupt large industries with new integrated solutions based on our differentiated technology. The core 3D printing industry is large and growing. We have built a strong position in two of the fastest growing areas, industrial thermoplastics and metals mass production. Our industrial thermoplastics hardware market share is approximately 34%. And we have more than 1,000 customers. In metals, we have validated production applications with marquee early customers and are preparing for broad commercial availability in 2022. This strong foundation sets the stage for the next phase of our business. We are going beyond 3D printers to target the larger high-value parts opportunity that is estimated to be more than 10 times that of the core 3D market. To achieve this, we are focused on specific verticals that are ripe for disruption.

First, we are going after the approximately $10 billion fiber-based sustainable packaging space. Consumers are increasingly demanding more sustainable products. We want to replace the more than 150 million tons of single-use plastics produced each year with fiber-based packaging that is 100% biodegradable in any waste stream.

Second, we are going after the highly personalized health and wellness sector. We believe this is a huge growth area as people seek better health outcomes based on their individual needs. Custom body solutions like orthotics and prosthetics are an approximately $10 billion opportunity. We are entering this category with digitally manufactured custom orthotics. And we believe our solution is significantly more affordable, personal, and convenient.

And third is high performance athletic footwear. This is another multi-billion dollar opportunity. We are in the advanced development stage of a personalized performance running midsole. We combine unique 3D printed lattices with proprietary digital designs and workflows. Current testing shows we can deliver 30% higher energy return than other 3D printed midsoles and at a much lighter weight. We also aim to use biometric data to personalize them for you. Just imagine, high performance, digitally designed shoes made just for your specifications. These are the three applications that give you a better sense of what's next for us.
I now want to go into some more detail starting with sustainable packaging. Currently, molded fibers, an industry that is slow, labor intensive and with very little customization. Existing fiber based packaging is often significantly more expensive than alternative plastics, limiting its adoption. Our first step to transform this industry was the introduction of a new molded fiber tooling solution. It’s designed to enable compostable products to be brought to market faster and more affordably. We can lower packaging costs because our solutions are 50% faster packaging production cycle time and uses 15% less material. This improved cost and efficiency helps enable adoption at greater scale.

Our data driven workflows, designs and 3D printed meshes and tools help the production of shapes that can’t be produced in other ways. We are currently working with several large brands on solutions for food, beverages, cosmetics, and dairy products. We are inspired to make a huge difference in the environmental footprint of plastic packaging. One example is Pacific Pulp Molding, a packaging leader focused on bottles, furniture, and consumer electronics. They are using our solution for very challenging and complex customized packaging tools. Our solutions reduce the weight of their tools by 60%, reducing wear and tear on the equipment and requiring only a single operator for setup and maintenance.

But beyond the business opportunity, this also supports HP’s Sustainable Impact agenda. We are committed to using molded fiber to help achieve our target of removing more than 75% of single-use plastics from our packaging by 2025. In fact, we have already removed nearly 50% of single-use plastics from our own personal system packaging.

As you can see, this integrated solutions approach puts us much closer to the end product, the actual packaging itself, and enables much greater value creation. As I mentioned earlier, personalized solutions for the human body are another large opportunity. According to an American Podiatric Medical Association survey, nearly 77% of Americans reported that they experienced foot pain. Imagine going through life with this kind of daily persistent pain. Yet current approaches are expensive, inconvenient, and inconsistent. This summer, we launched the Arize custom orthotic solution. Arize brings together the mass personalization and design flexibility of Multi Jet Fusion with HP software in a fully integrated digital workflow from the foot scan to the delivery of the final product. The result is a customized orthotics that is expected to be 20% to 60% more affordable made just for your needs delivered in a dramatically shorter time and with minimal in-person requirements.

This type of customization, affordability, speed and convenience is simply not possible with traditional methods. And since we launched Arize, we are getting positive early feedback from customers on their improved fit and comfort. We are exploring many other promising customized body solutions and expect to expand further in this space. As we transform industries, we continually strengthen our technology platform.

I want to share the latest developments in metals. This is the fastest growing segment of the traditional 3D printing market. We continue to make strong progress, and we plan to launch our first product next year based on HP’s core thermal inkjet capabilities, our Metal Jet technology enables the production of truly unique high-value parts. We deliver modular system and integrated workflow delivers better productivity, lower part cost and superior quality. We have more than 20 Metal Jet printers already producing parts for several early customers. We are co-developing final parts application with these customers to scale over the next 12 to 24 months.

For example, I am very pleased with our advancements with Volkswagen. Our parts have now passed crash test certification and we are meeting milestones to move into production for the T-Roc Cabriolet. Auto manufacturers are amongst the most demanding in the world. This is the first time an automaker is using metal binder jetting for structural components production. We are very excited about the opportunity to disrupt metals manufacturing.
Everything I've been sharing is built on top of our strong 3D printing foundation and Multi Jet Fusion continues to bring unique advantages to the market. We have a leading production system with more than 100 million parts produced and growing 30% in parts volume year-over-year. We are innovating across hardware and automation, materials, software and workflows, and higher value services to help our customers scale. We have a robust installed base and partner community that are critical to advancing the market. All of these strengths are driving our business forward.

While our overall 3D revenue has not yet recovered to pre-pandemic fiscal 2019 levels, we see significantly improved revenue growth of 24% through Q3, compared to 2020. Approximately, 63% of our revenue is now recurring, and we see strong adoption of new business models like 3D as a service.

In closing, this is a strong and growing business with clear areas of technology and competitive advantage. We continue to invest in strengthening our foundational plastic system and software and capabilities. We have strong validation of our differentiated metals platform and look forward to launching next year. And we are innovating to deliver vertical solutions to create new businesses with high-value recurring revenues. It is our long-term aspiration to become the leading 3D printing company in the world. That's why I came to HP.

Thank you for your time today. I look forward to speaking with you more as we continue executing on our plans. I'm now going to turn it over to Marie Myers who will talk with you about the financial strategy underpinning everything you have heard from us today. Marie, over to you.

Marie E Myers
Chief Financial Officer, HP, Inc.

Hello, everyone. It's great to be with you today. My colleagues have covered a lot of ground and I would like to spend my time walking you through what it all means for our financials, both in fiscal year 2022 and in the long term.

As Enrique said at the start, there’s been great progress across our business since our last investor meeting in 2019. And HP has emerged as a much stronger company. This is backed up by the strong financial results we have delivered. Over the past two years, we have taken aggressive steps to position HP for sustained revenue, profit, earnings and free cash flow growth.

And as you've heard today, our strategy is working. We are executing effectively and driving profitable growth in our core markets. We are leveraging our diverse portfolio, operational excellence, and global scale to accelerate growth in complementary high margin adjacencies. We are reducing our structural costs and driving operational efficiencies to unlock value. And we are executing on our goal to deliver sizable and consistent returns to shareholders. Our entire team has a relentless focus on continuing to execute in these areas, and we are confident in where we are heading.

As I take you through why HP is a compelling investment, I would like to focus your attention on four main points. First, we execute. We have a proven track record of setting goals and meeting or exceeding them. Second, we have significant opportunities to continue growing our revenue, operating profit, EPS, and free cash flow. Third, we will continue to drive a disciplined capital allocation strategy. This strategy is focused on investing in our growth businesses, executing strategic M&A, adjacency expansion and profit accretion, and returning significant levels of cash to shareholders through dividends and share repurchases. Finally, we have the right leadership team to pursue these goals and drive value accretion.
I want to build on what you heard earlier about our value plan by giving you a more granular update on the substantial progress we've made. Specifically, our fiscal year 2021 non-GAAP EPS guidance range of $3.69 to $3.75 cents already exceeds our fiscal year 2022 target from last year of $3.25 to $3.65. We anticipate we will exceed our fiscal year 2022 non-GAAP operating profit target range of $4.7 billion to $5.1 billion. Our last 12 months non-GAAP operating profit is already at $5.5 billion.

We expect to meet or exceed both our cumulative free cash flow and cumulative capital returns targets by the end of fiscal year 2022. We have already achieved $7.1 billion of free cash flow and returned $9.3 billion of capital to shareholders through Q3 fiscal year 2021. And lastly, we remain on track to achieve our $1.2 billion in gross run rate structural savings under our transformation plan by the end of fiscal year 2022. We are on track to meet or exceed each of these key metrics. Our results build out a consistent track record since becoming a standalone company.

Over the past six years since separation, we have strengthened our business and generated strong and consistent revenue, earnings and free cash flow growth. Comparing our last four quarters with the financial results for the first full-year after financial separation, revenues have grown by 29%; non-GAAP operating income by 44%; non-GAAP net earnings per share by 117%; and free cash flow by 78%. We believe these are the hallmarks of a company geared towards delivering strong performance. And based on the plans we've laid out today, we fully expect this to continue.

One of the reasons I'm confident is our financial strength, which enhances both our liquidity position and our financial flexibility. This is important because our strong free cash flow, not only positions HP to return significant amounts of capital to shareholders, it also provides opportunities for us to make strategic investments in our business to drive long-term revenue and profit growth. And we continue to see substantial opportunities to improve our financials and drive sustainable growth.

We expect our revenue and profit mix to continue to shift towards higher growth businesses. We believe this will strengthen our core PS and Print businesses by aligning them with robust growth vectors and opening new doors for top line growth and margin expansion.

And let's be clear, this is not some theoretical or potential long-term opportunity. This shift in our portfolio is well underway, and it has been a key driver of our success since our last analyst meeting. We have built several attractive businesses with revenues growing double digits in fiscal year 2021. Gaming growing over 10%; Peripherals growing over 30%; Instant Ink growing over 30%; Industrial Graphics & 3D growing over 20%. And we expect each of these businesses to continue to grow at double digit rates in fiscal year 2022. You have also heard a lot today about our Workforce Solutions business spanning both PS and Print. This business generates attractive longer term contractual revenues. It's growing this year despite pandemic related office closings, and we expect growth to accelerate to greater than 10% next year.

We are rapidly scaling each of these five growth businesses. Collectively, we expect that they will grow to exceed $10 billion in fiscal year 2022. Moving forward, these businesses will continue to become a larger part of our mix. This is expected to contribute more profit and drive sustainable free cash flow growth as we grow.

With all of that as context on where we are heading, I want to provide you with a deeper look at our business unit performance and financials before providing our outlook. As we said at the start of the meeting, the pandemic has accelerated trends that support our business. Over the past four quarters, we have leveraged our strengths.
supporting a hybrid world to generate more than $62 billion in revenue and $5.5 billion in non-GAAP operating profit and non-GAAP EPS of $3.47, and free cash flow of $5 billion.

Comparing the four quarters that ended July 31st with the equivalent period in FY 2019, our revenue and non-GAAP operating profit have grown 6% and 29% respectively. Our non-GAAP EPS has grown an impressive 60% and free cash flow has grown 13%. The fundamental changes driven by hybrid will create long-term tailwinds for our portfolio. This is most apparent in personal systems where the traditional compute TAM has expanded significantly nearly 50% since 2019. And IDC now expects this market to grow annually. This is a secular shift not just a cyclical one, and it's why we expect PS will play a greater role in the overall strength of the company moving forward. You can see in our results that our operating profit mix has shifted in favor of PS and we expect the trend to continue. For Print, hybrid is helping to accelerate the shift towards more profit upfront and recurring revenue models. We continue to make good progress on our strategy and are well-positioned to continue driving operating profit dollar growth.

Our progress against our portfolio strategy continues to be coupled with our transformation and digital initiatives. As you can see on this slide, there is operational rigor behind our strategy that is driving real benefits for HP and we've made significant progress delivering against our plan. Our digital transformation is providing capabilities needed to support our growth businesses while also driving structural cost savings and operational efficiencies. We're also using some of our savings to invest back into the business where we see opportunities for growth. We talked earlier about some of the ways we simplified the organization and taken cost out of the business. And this is driving improve profitability as a portion of these run rate structural cost improvements contributed to our strong operating profit performance this year.

As we look ahead to fiscal year 2022 and beyond, we are excited about the incremental shareholder value we can generate by driving deeper customer relationships and improving our end user experiences.

I mentioned our strong free cash flow earlier. I want to talk a little more about that and how it supports our capital strategy and capital structure plans. We've generated significant free cash flow not only over the past two years but consistently every year since separation. In that period, we've generated over $21 billion in free cash flow and have returned over $20 billion to shareholders. This is in addition to completing several value accretive M&A transactions.

There are three primary drivers of cash flow. The first is profitable revenue from our core businesses, augmented by growth in new and adjacent markets where we see attractive higher margin opportunities. Our top line has grown and our unwavering focus on profitable growth has resulted in improved operating profit margins and dollars across the business.

Second, we have a negative cash conversion cycle driven by our personal systems business. Consequently, we generate considerable cash flow due to positive working capital contributions as PS volumes and revenue grow even when our cash conversion cycle remains unchanged quarter-to-quarter.

And third, we are not a capital intensive business with most capital expenditures used to support print hardware and print supplies. This means we don't need material CapEx to grow our business. With CapEx as a percentage of revenue in the 1% range, we're able to generate attractive returns on invested capital. All of this puts us in a strong position to put our capital to work in a variety of ways to maximize value creation for HP shareholders.

Our priorities on this front are clear. We expect to reinvest in our growth business, deliver attractive returns of capital to shareholders through dividends and share repurchases, and pursue strategic acquisitions with a highly
disciplined focus on areas that support the strategy we’ve laid out and drive profitable growth for the company. Our strong balance sheet is a core pillar of our financial strategy and it has been a tremendous asset we’ve managed through the pandemic.

We remain committed to an investment grade rating, which positions us well to navigate periods of uncertainty and take advantage of a highly competitive, constantly evolving market. And as we move more of our PS and Print business to long-term contractual arrangements, our strong credit rating is a competitive advantage with our customers.

As I alluded to earlier, our balance sheet strength provides financial flexibility for us to be aggressive in pursuing both organic and inorganic growth opportunities. I think it’s also important to point out that we are managing our capital structure with a deep sense of purpose, with a focus on the company’s sustainable impact agenda. Earlier this year, we renewed our $5 billion credit facility structured as a sustainability-linked facility, and we issued our first sustainability notes for $1 billion.

Across our shareholder base and aligned with a broad range of strategic deals, we continue to see a growing focus on ESG. This has long been an area of leadership for HP and you will see us continuing to execute our plans to align our financial strategy with our broader sustainability and diversity agendas. It's not just the right thing to do as a purpose-driven brand, but it's also very good for business.

We ended Q3 with the gross debt-to-EBITDA ratio of approximately 1.2, below our target leverage range of 1.5 to 2. We expect to achieve a leverage objective over time driven by aggressively buying back shares and executing value-creating strategic M&A. Therefore, we expect to return at least 100% of free cash flow unless higher return opportunities arise. And our goal is to make prudent decisions to get there.

Keep in mind that the reason we are below our target leverage is the outstanding profit and EBITDA that our business is generating, which has provided us with more capacity despite our large shareholder returns. In addition, we recently received a cash payment from Oracle, which was paid to satisfy the judgment in a long-running litigation.

I now want to go a little bit deeper on our capital structure priorities. Let me start with share repurchases. We continue to believe HP shares are undervalued. Therefore, we believe buying back shares creates significant shareholder value. Our share repurchase authorization program at the end of Q3 had $8.2 billion remaining and we are committed to our long-term target of returning at least 100% of our free cash flow to investors in dividends and share repurchases unless higher return opportunities emerge.

We plan to continue repurchasing shares in fiscal year 2022 and we're on track to deliver at least $16 billion in cumulative capital returns over the three-year period ending in fiscal year 2022. We are also committed to growing our dividend. Today, we are announcing that our board approved raising our annual dividend to $1 per share, reflecting a 29% increase. This underscores our confidence in our ability to continue growing earnings and free cash flow. We plan to remain aggressive in executing our return on capital strategy while investing in attractive growth areas to drive shareholder value long term.

I've also mentioned M&A as a key part of our strategy. We continue to focus on strategic acquisitions complementary to our core business that accelerate top line growth and create attractive synergy opportunities. Our acquisitions of HyperX and Teradici are great examples of this, and they are terrific assets that support our growth strategies in Peripherals and Workforce Solutions respectively. We will remain disciplined in our M&A
approach and continue to measure each potential opportunity against rigorous strategic, financial, and operational criteria.

Focusing now on the long-term financial outlook, we expect PS to grow at least in line with the PC market, and we expect Print to grow in line with the print market. Based on this, we expect consolidated revenue to grow over the next three years in line with our TAM CAGR in the low-single digits or approximately 2% to 4%. We expect PS revenue to grow faster than Print revenue, representing a larger share of revenues and operating profit over time.

Our long-term financial outlook assumes the gradual and uneven recovery from the pandemic will continue into 2022. We expect the global macroeconomic environment remains volatile and our end markets continue to be very competitive.

Turning to our long-term outlook on profitability, we are revising our PS long-term operating profit margin range to 5% to 7% from our prior range of 3.5% to 5.5%. We expect margins will continue to benefit from unit growth and mix improvement as hybrid trends accelerate. The expansion into higher margin categories will also help us to compensate for the headwinds driven by a more normalized pricing environment over time. And we will continue to manage costs vigilantly.

On the Print side, we remain confident in our long-term operating margin range of 16% to 18%. We continue to make progress on rebalancing profitability between hardware and supplies, while also increasing our supply share, even though our supplies revenue is expected to decline. And over time, we expect services to increasingly contribute to overall profitability.

On a consolidated basis, we expect sustainable non-GAAP operating profit growth. We also expect the business to continue to generate strong free cash flow. We remain committed to our long-term target return of capital of 100% of free cash flow to shareholders predominantly through share repurchases unless other higher return investment opportunities arise. And thus, we expect non-GAAP EPS to grow at least at 8% CAGR over the next three years.

Before I talk about fiscal year 2022 guidance, let me first reiterate our confidence in the fiscal year 2021 guidance we provided at our Q3 earnings call. Now, shifting to our fiscal year 2022 guidance, our outlook for GAAP EPS is $3.86 to $4.06. And our fiscal year 2022 non-GAAP EPS outlook is $4.07 to $4.27.

The key assumptions underlying our fiscal year 2022 outlook include, we expect PS revenue to grow in line with the PS market and printing revenue to grow in line with the print market. Revenue will benefit from volume growth and a shift to higher growth categories including Premium, Gaming, Peripherals, Manage Print Services, Industrial Graphics & 3D. We expect some favorability in operating expense versus fiscal year 2021.

We expect the overall business to remain supply constrained through at least the first half of 2022. Consequently, we don’t expect assumptions about prior seasonal sequential demand and mix trends to be indicative of our performance. We expect the ongoing print factory related disruptions we are experiencing in Q4 will continue to impact our Print business through at least the first half of 2022 as well. We expect to begin the year with a significant amount of backlog for PS and an elevated level of backlog for Print. We expect the business contribution to be driven by revenue growth and cost savings that we expect to partially offset commodity and logistics costs and strategic investments in the business.

For the full-year, we expect operating margins to be at the high end of the range for PS and toward the higher end of the range for printing. We expect O&E expense of approximately $400 million due to higher debt levels and for
corporate other to increase slightly due to higher stock compensation. We plan to continue to manage costs and pricing in this dynamic and uncertain environment.

The non-GAAP tax rate remains consistent at about 16% assuming the current corporate tax structure. Bridging our fiscal year 2021 to fiscal year 2022 non-GAAP EPS outlook, we start with the $3.72 midpoint as our fiscal year 2021 outlook. We expect Personal Systems and Print to contribute $0 to $0.08 in EPS growth year-over-year. We expect share repurchases partially offset by OI&E and corporate other to contribute the remaining $0.35 to $0.47.

We expect free cash flow in fiscal year 2022 of at least $4.5 billion. We anticipate that year-over-year growth will be driven primarily by higher net earnings and improved working capital as we reduce some of the inventory that we built up this year. Capital expenditures are expected to be about $700 million, up about a $100 million year-over-year as we continue to invest for growth.

We firmly believe HP is an exciting and compelling investment opportunity. As we look forward, industry’s secular trends are heading in our direction and play to our competitive strengths. And we have the right team to drive long-term value creation. We have a proven track record of setting goals and meeting or exceeding them. We have significant opportunities to continue growing revenue, operating profit and free cash flow. We are accelerating in adjacencies and scaling several large high growth businesses and disruptive innovative new markets that we believe are undervalued.

And where we aren’t getting appropriate valuation for a new business, we will consider our options to unlock value. And we will continue to drive a disciplined capital allocation strategy, reinvesting to grow our business organically and inorganically while returning at least 100% of our free cash flow to shareholders.

To wrap up, I want to leave you with an important idea that you have heard today. We are building a stronger HP. For all the reasons I just outlined, combined with what you heard from Enrique, Alex, Tuan, and Didier, we believe we are entering a new period of growth for the company. We are strengthening our core business, accelerating into new and adjacent markets with a focus on recurring revenue, disrupting new markets with innovative solutions and driving digital transformation benefits for HP at our customers. All of which is enabling us to deliver long-term sustainable growth, driven by our unwavering commitment to executional excellence.

I'm thrilled to be here at HP as the CFO and as we execute and deliver against the priorities we've outlined together. And I look forward to spending time with all of you in the coming weeks and months and hopefully in person.

Thank you for joining us today. We sincerely appreciate your time and support. And now, we will take a very short break. After which, we'll have a live Q&A session with our executive team.

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Unverified Participant

Welcome back. The next 45 minutes is devoted to Q&A. Before we start, I want to welcome Christoph Schell, our Chief Commercial Officer; and Didier Deltort, our President of 3D, who is joining us today from Barcelona. We have a large group on the line. To submit a question, just type it into the tab on the right side of your browser window. We also have questions that are coming in live.
QUESTION AND ANSWER SECTION

Orit Keinan-Nahon  
Vice President-Finance & Head-Investor Relations, HP, Inc.

Now with that, let me open the lineup for questions and we will have the first question. The first question coming in from the platform is from Sydney Ho from Deutsche Bank. You said that you see supply chain challenges will be here at least through the first half of 2022. What's improving and what's not? Enrique, please.

Enrique Lores  
President, Chief Executive Officer & Director, HP, Inc.

Thank you, Sydney. We see improvements driven by the actions that we have been executing since our Q3 earnings call? The situation has not changed dramatically. We continue to see component shortages. We see disruptions in some factories in some countries in Southeast Asia. We continue to see logistic challenges, but we are making progress as we execute the three things that we explained in our call. We are building long-term relationships with many component suppliers that until now we were not managing directly, getting long-term supply – assurance of supply contracts.

We are also continuing to simplify our portfolio. So we minimize the number of parts that are not common across multiple products, which means we can increase the efficiency. And we are also continuing to work to improve the tools and systems that we use to manage suppliers, to manage inventories, and also to improve demand matching. So we are making good progress. And as we said in the call, we expect to see progress every quarter gradually. And this is what we are seeing today.

Now, since today Christoph is here with us today, why don't he share also his perspective both from a sales perspective of what is going on. Christoph?

Christopher Schell  
Chief Commercial Officer, HP, Inc.

Thanks, Enrique. And, yes, we obviously have been impacted by supply chain and it's a daily focus of the entire team. I think what stands out for me is we're really working with our customers on demand shaping to sell what we've got, to sell what is available. And that's very important and I think we are making good, good progress in this.

And I think, Enrique, you mentioned the investment we are putting into tools. I think this is all about how we communicate to suppliers, how we communicate to our audience, how we set priorities from a category management point of view and then ultimately, how good we are in giving our customer real dates of when they will see their shipments. And you know, I see the progress every day. I think we're turning the right knobs and I'm really confident that we are managing this better.

Orit Keinan-Nahon  
Vice President-Finance & Head-Investor Relations, HP, Inc.

Thank you. Okay. Let's move to the next question. Our next question is coming live from Matt Cabral from Credit Suisse. Hey, Matt. Hello.
Hi. Can you guys hear me?

Yes, Matt.

Yeah.

Yes.

Perfect. Well, thank you for having me on. I wanted to dig a little bit on the office print market. And the outlook you guys provided for modest growth over the long term. I guess I’m curious what gives you the confidence in that against the backdrop of what seems to be lingering hybrid work that’s here to stay going forward.

And then, Tuan, in your prepared remarks you mentioned HP is under-indexed in the office, and that’s an area of opportunity going forward. Just curious what it will take to close that gap. And I guess how much is this A3 opportunity that we’ve heard about over the years versus more incremental investments either organically or inorganically on that side?

Yes. Let me take your first comment, which is really a market sizing question, right? So the market sizing, as you recall what we said last year, the office market we see is a much smaller market than it was. It was $100 billion. We’re estimating about $80 billion relatively flat over time. I think there is a mix shift and our whole market actually has grown. And so you see a dynamic between the home and the office.

In terms of what we think takes the win, we think the office market is very different in terms of composition when people return back to the office. It is going to be distributed work, as we mentioned, with the hybrid environment. Work will happen in many more locations with security and manageability and digital workflows being at the forefront of customers’ minds. So those are the elements. I think those tailwinds and those market trends favor our portfolio and our mix.

We’re obviously much stronger in A4 than in A3, but we think that because security, manageability, cloud workflows will be what customers are looking for, that will actually enable us to gain share not only in our A4 where we’re strong but also pull A3 as well. So it’s very clear in terms of the market opportunity and what we have to do. And we’re pretty confident that as – what we’re seeing today with the solutions and our management service being extended to the hybrid workers and flex workers at home, we see that momentum already. So we’re pretty confident about where we are in the future, right?
Matthew Cabral  
*Analyst, Credit Suisse Securities (USA) LLC*

Thank you.

Orit Keinan-Nahon  
*Vice President-Finance & Head-Investor Relations, HP, Inc.*

Thank you. Okay. I see another question coming here live questions. The next question is from Toni Sacconaghi from Bernstein. Toni, go ahead.

Hi, this is actually Themis filling in for Toni. Maybe a question for Enrique. You have historically noted that the printing industry is ripe for consolidation. Do you continue to believe this? And if so, why shouldn't we expect HP to act proactively to consolidate the industry?

**Enrique Lores**  
*President, Chief Executive Officer & Director, HP, Inc.*

So, thank you. Thank you for the question. So, first of all, yes, we think that there is still going to be consolidation in the Print industry. In fact, we have been driving that in the past both from a broader perspective and also from a channel perspective. And I think the question behind your question is really what is our M&A strategy? What are we planning to do? From an M&A perspective so let me give you some kind of high level guidelines of how do we look at it in the future.

So, first of all, we continue to think that M&A is going to be an important part of our strategy. It has been in the last year when we have completed two very attractive acquisitions in areas where we see growth. We are going to continue to run it M&A based on a very rigorous returns based framework. And as we have said before, we always look at three criteria whatever company we analyze needs to be aligned to the strategies that we have. We need to have a strong operational plan to deliver on the goals that acquisition we will bring. And third, it needs to be financially attractive. And the threshold that we have – the minimum threshold of course is about the fact that we could continue to buy shares. So this is really the minimum threshold that we look at. What we have said is that today we’re really focused on acquisitions that will help us to accelerate the growth in the areas that we have explained today, whether it’s in core, adjacencies of new businesses, really the bias towards profitable growth is what will be driving our M&A actions.

Orit Keinan-Nahon  
*Vice President-Finance & Head-Investor Relations, HP, Inc.*

Okay. Thank you. Okay. Our next question is coming through the platform. This is a question for Marie. Marie, are you going to grow operating profit in fiscal year 2022? It looks like EPS growth next year is coming largely from share repurchases.

Marie E Myers  
*Chief Financial Officer, HP, Inc.*

Well, good afternoon, and it’s a pleasure to be here today at my first security analyst meeting. So let me answer that question pretty simply by saying, absolutely, yes. We are going to grow operating profit in 2022. But, first, I want to just reflect on 2021. I mean, 2021 was really an extraordinary year. We’ve actually grown over the last four quarters more than $1 billion in operating profit. And we are planning to grow even further than that and off...
that higher base going into 2022. So, putting it into context, we've guided today $4.07 to $4.27, which is really anchored around increased revenue that's going to flow through to operating profit. That combined with share repurchases really gives us that EPS growth. So, as you've heard from Enrique, we're building a stronger HP and I'm confident that we can achieve these numbers.

Orit Keinan-Nahon
Vice President-Finance & Head-Investor Relations, HP, Inc.

Okay. Our next question is coming live. So we have Erik Woodring from Morgan Stanley. Hi, Erik.

Erik W. Woodring
Analyst, Morgan Stanley & Co. LLC

Hey. Good afternoon, everyone. Thank you for having me. I just want to ask a question on your peripheral strategy because you've been in the market for decades. So just curious what you're doing differently today to capture more value in that market. Where can you differentiate on the technology front. And really, how are you going to disrupt some of the incumbent players as well as some of the other large technology vendors that have also indicated an interest in the peripherals market? Thank you.

Enrique Lores
President, Chief Executive Officer & Director, HP, Inc.

Alex, why don't you take that question?

Alex Cho
President-Personal Systems, HP, Inc.

I'd love to. Thanks for the questions. So we're very excited about this market. Let me just highlight a few different things or what's different from what we've done in the past. First is we have, thus far, been really on an attach strategy. If you have a desktop, PC, you need to attach other peripherals next to it. We're getting far more beyond that. It's really thinking about experiences. I mean, the name of what we're driving is all about experiences. How do we create better gaming experiences? How do we make employees more productive working from home? And in that space, we have a huge opportunity to take, yes, our compute asset but also peripherals that we're actively designing with some great engineering capability and then delivering new experiences. That means it's a larger TAM we're participating in. It means as well that we're focused on key secularly growing areas – gaming, work from home – and those have huge upside particularly because we still have a lot of room to grow.

And then finally, HyperX is a great example of taking very unique capability in a very valuable space and bringing that to deliver great experiences, a lot of know-how in terms of peripherals management and they actually have some really good capabilities around engineering and mechanicals that we can leverage across the broader peripherals space. So, yeah, we're very excited about this. We think it's a great opportunity for us to continue to grow.

Enrique Lores
President, Chief Executive Officer & Director, HP, Inc.

And let me complement that. We are putting some of our brightest engineers behind it. It's not anymore an attach business. We consider it as important as our core business. And from our go-to market and sales perspective, we are creating a specific organization that will be driving that. I think the example that Alex brought about HyperX during his presentation before and how we are accelerating that business by expanding into the overall retail presence that we have is a good example of how we can really accelerate the growth in that business.
Okay. Thank you. Our next question is also coming live from Amit Daryanani from Evercore. Hello. Hello, Amit.

Hello. Thanks a lot for taking my question. I guess -- maybe two parts for this, [indiscernible] (02:09:07) talked a fair bit about high growth, the more reoccurring part of your portfolio I think, devices, instant ink and so on. Is there any way to think about how much of your revenue or maybe even profit dollars are coming from these reoccurring businesses and what does that growth trend look like as you go forward?

And then for Marie, when I think about this $4 plus run rate for fiscal 2022, [ph] how well you think (02:09:31) revenues will stack up across PS and PSG? I think you're assuming it's flat. I would love to understand what you're planning for those two segments. Because I think the investor fear has been we could see some pretty healthy revenue declines next year as customers go through different digestion phases, maybe those two things would be helpful.

Thank you. So, let me, let me take the first question. So we thought it was important to share both the size of these five businesses, so you could really start including that in your models. What we share today is that if we combine the business that we are doing in Workforce Solutions, Consumer Subscriptions, Peripherals, Industrial Graphics & 3D, the addition -- the addition of these five businesses will represent $10 billion, more than $10 billion in 2022 growing double digit.

We have also said that these businesses have a gross margin that is above the gross margin average of the company. So these businesses will continue to grow in 2023, 2024. Their contribution to revenue growth will be higher and their contribution to gross margin will also be positive. And this is why we thought it was important to share those numbers because when we talk about the fact that we are creating revenue growth for the future, these really is our key proof point of how do we plan to sustain that going forward. Marie?

Yeah, good afternoon, Amit. Great to see you up there. So to give you a little bit of context about revenue for 2022. First of all, sort of starting out at the enterprise level, we do expect revenue to be somewhat linear, which is a little bit atypical for us. And that's just really due to the seasonality that we've got with 2022 from 2021. Now, with respect to PS, I really want to sort of reiterate that we do expect PS to be that driver of the growth in 2022, particularly as we get into the year. And for Print, I think you heard this from Tuan throughout the sessions here earlier today, it's really around operating profit dollars, which I think we reiterate that message a few times today. So, just think about how that business is growing. PS, you've heard the messages from Alex, very focused on the TAM that's out there in that market that we're chasing.

And maybe just to add that, this is very consistent with what we have seen happening during the last four years. Print has hold operating profit slightly growing, while the majority of the growth both on revenue and profit has come from the personal systems side.
Okay. Thank you, Amit. Okay. Our next question is also coming live from Jim Suva from Citibank. Hello, Jim.

Jim Suva
Analyst, Citigroup Global Markets, Inc.

Thank you so much. It's great to see you all virtually. I just have one question and that is on the PC side. If we look at the past 12 months trailing, there's no doubt HP has really gained a lot of share and has done well. My question though is the most recent quarter ago; it looked like something didn't quite materialize as actually you materialized under grew the market. And there was a hand-off from consumer to enterprise [ph] at HP as a strong enterprise straight (02:12:43). Can you help me understand what's happened and I'm sure you're not pleased with the recent results and how we should bridge that to make sure it doesn't keep reoccurring?

Enrique Lores
President, Chief Executive Officer & Director, HP, Inc.

Sure. Let me start, Alex, and maybe you can complement on how do we see things evolving on how do we see things evolving going forward. So, I think the share losses that we talked about during the last quarter are really driven by the supply chain challenges that we have seen. And as I shared in the first question, we are really making very good progress addressing that.

I think what is also very important is something that Christoph mentioned before. Going forward, given that we are going to stay in a supply constrained environment, the key thing is not so much the number of units we ship. It's going to be the quality of the mix that we sell. And all the actions that the team is taking that Christoph was mentioning before are going to help us to improve the mix. So revenue growth, we expect that will be higher than the unit growth that we will see in the coming quarters.

Alex Cho
President-Personal Systems, HP, Inc.

Yeah. Let me just add and underscore. I think the context that was provided by Christoph is important. We still expect to be operating in a limited supply environment. But in that space, all the progress we've made around our operational processes are going to allow us to manage our mix far more favorably for us. So, we do expect that revenues will grow faster than even units in that space.

And quite frankly, the broader market is shifting to where we're strong. Our leadership position in commercial will be very favorable for us. Another example of how the market is shifting to our strengths. Premium, gaming and those are the areas where we have a lot of progress. We also have a rich backlog that's very healthy against that. And so we do believe these will be favorable for us as we head into the next few quarters.

Okay. Thank you, Jim. Okay. Our next question is also coming live from Samik Chatterjee from JPMorgan. Hi, Samik.

Samik Chatterjee
Analyst, JPMorgan Securities LLC
Hi. Thank you. I hope you guys can hear me. Thanks for the presentation, very helpful. I just had a question on the improvement in the cost structure. You mentioned that multiple times during the presentation. Today, just if you can delve into improvement in the cost structure on the Print side, how that's contributing to helping you maintaining margins.

And similarly on the PS side, what is the opportunity with some of the supply chain changes that you're making in terms of that being a benefit to margin? Is that the driver of the improved margin guidance on the PS side of the business as well? Thank you. Thanks for taking my question.

Enrique Lores  
*President, Chief Executive Officer & Director, HP, Inc.*

Marie, do you want to share about the progress on transformation?

Marie E Myers  
*Chief Financial Officer, HP, Inc.*

Absolutely happy to, Enrique, and good afternoon, Samik. So you probably know, actually, I came back to HP about almost – actually more than two years ago to actually spearhead the transformation, and we're getting into 2022, which is going to be the final year where we're expecting to deliver literally $1.2 billion in savings. And so I must say the job, it's really never done. I mean, we're very focused on driving productivity, driving operational efficiency. That's very much in our DNA.

And I would just add with respect to Print, we do expect to see year-on-year definitely some benefits in the operating cost structure of Print. I'll let Tuan and Enrique give you some color around that. And then to kind of answer your question, overall, how we're thinking about operating costs going into 2022, I would say that we're going to see some favorability, and that will be driven by – there are some onetime investments that we won't make in 2022. So you'll see that pick up. You will see the tailwind, as I mentioned earlier, of the benefit of the transformation. And then finally, we've had some benefits on variable comp that we don't expect to repeat. I'd say we're doing all of this in the context of continuing to invest in our businesses. And you've heard today about some of those growth areas like Instant Ink. So I'll turn it back to Enrique now to give you perhaps some specific context around [ph] Print or PS (02:16:54).

Enrique Lores  
*President, Chief Executive Officer & Director, HP, Inc.*

Sure. I think on Print, for example, we didn't cover that in detail. It was a very small chart that Marie explained. But we have been really executing a lot of things to reduce the structural cost of Print. We have created centers of excellence. We have simplified our manufacturing footprint. We have consolidated teams. All this really helps us to maintain the same level of investment in innovation, while at the same time increase our efficiency, which we thought was very important two years ago and now we are seeing the results of that.

Christopher Schell  
*Chief Commercial Officer, HP, Inc.*

Maybe one quick add on because I think cost is one element. The other element is margin. And we have invested two years ago into a dedicated team around pricing experts for both Personal Systems and Print. But I think in particular in the print business, we found these nuggets, these nuggets of price elasticity on NPIs, on end of life management and how we manage promotions. And that will continue as we go into fiscal year 2022. We launched a new partner program with our channel and we are asking them to share data with us so we can find –
continue to find these nuggets. And I think that's important. It's not just about cost management. It's the balance of cost and margin management. And I think we are on the right track here.

Orit Keinan-Nahon  
Vice President-Finance & Head-Investor Relations, HP, Inc.

Okay. Thank you. Our next question is coming through the platform. And the question is for you, Tuan. You referenced Print and PC hardware with services and supplies as a single monthly payment. Is this targeting consumer, SMB and enterprise? When can we expect to see it hit the market?

Tuan Tran  
President-Imaging, Printing and Solutions, HP, Inc.

Yeah. So, what I was talking about was really the great platform we have on Instant Ink as well as our HP Smart app and both of those are scaled platforms. Instant Ink has 10 million customers, our HP Smart platform has 50 million active monthly users. And so, what we want to do is again really extend those platforms to include PCs. We expect that to be in the second half of next year where we're going to include PC not only the hardware but also services specifically for targeted customers on the PC side of the house. So really using our scale and leverage that we have in print in terms of subscription and really extending that to PC customers.

Alex Cho  
President-Personal Systems, HP, Inc.

Maybe I can add on top of that because Tuan and my teams have been working so closely, that's the consumer space. And also in the commercial space, we just recently announced an integrated PC, print plus supplies offering and we call it HP Work From Home and it's really a powerful example of what only HP can do. These are the categories that are really important for employee productivity. We've integrated together using a large platform we have. It enables one of the biggest challenges now, remote employee onboarding. We can ship and configure, get it to their houses directly. And guess what, we can secure those devices and manage them remotely. So it's really a powerful example of what we've done now and I'm very excited about it. Huge base businesses, new opportunity, very unique capabilities that we have and that in the enterprise space, you heard about Tuan in the consumer space, we think we have something here that's going to be a really strong growth driver in the future.

Christopher Schell  
Chief Commercial Officer, HP, Inc.

And maybe just from a go-to-market point of view, this is not a new business. So, I want you to understand that this is a $4 billion business for HP already and it's around workforce solutions. We are selling this with system integrators. We're selling this with value added resellers. It's going to [ph] named (02:20:25) accounts in the enterprise space and in the government space. And over the last two years throughout COVID, our funnel has been increasing. So, I'm very happy about where we are going and particularly happy with the [ph] teamwork (02:20:36) we have with Alex and Tuan building new digital services to increase our portfolio and to really be a meaningful leader in that space for our customers.

Orit Keinan-Nahon  
Vice President-Finance & Head-Investor Relations, HP, Inc.

Okay. Good. Thank you. Our next question is coming live from Shannon Cross from Cross Research. Hello, Shannon.
Shannon Cross
Analyst, Cross Research

Hi. A question for Tuan. I’m curious, can you talk a bit more about the trends you’re seeing in printing in terms of page volumes and pricing? And I’m just – I want to dig a bit more into supplies revenue down. But I would assume hardware revenue continuing to grow as you mix shift into [indiscernible] (02:21:14) or to big tank type devices and maybe more subscription. So maybe, if you can just talk a bit about what you’re seeing from the competition in that? And then, for Marie, I was wondering if you could dig a bit more into OpEx because you’re guiding to basically flat operating income next year. So I’m wondering how much of the benefit is coming from some OpEx savings that you expect to see. Thank you.

Tuan Tran
President, Imaging, Printing and Solutions, HP, Inc.

Okay. Boy, many part questions there. Let me try. Let me try to unpack your question, Shannon. So, first, I think, from a business model shift, you know we’ve been on this journey to really move our profit model from being supplies – heavily reliant on supplies to really upfront. And so the [ph] work thing – I’m (02:21:55) happy to say over last two years, we made a lot of progress. So we moved profit upfront. 20% of our mix now is profit up front. We’ve launched our end-to-end business model. As we shared with you, HP+ really great value for the customer in terms of six-month free printing, extended warranty, and our advanced version of our Smart app, so great customer benefit. And then the HP benefit is that we have higher prices on those products and then we get 100% aftermarket supply. So great value proposition on both sides, really well received. It’s actually rolling out across 35 countries and already it’s – given that we just [ph] started earlier (02:22:34) this year, already it’s 20% of our overall mix. So we expect big things from HP+ and our end-to-end business model.

Now as you think about usage, I think I was – the first part of your question is around usage. We think – what we’re seeing is that home usage obviously has gotten a big uplift from work at home and learn from home during the pandemic. We’re seeing office usage actually coming back in SMBs and gradually we’d expect to see enterprise usage come back as people return back to the office in larger numbers. And we’re starting to see that, as I shared with you, some momentum in the office space. So that’s how I would characterize it. Over to you, Marie.

Marie E Myers
Chief Financial Officer, HP, Inc.

Thanks very much, Tuan. Hey, Shannon, great to see you this afternoon. And with respect to OpEx, we are expecting favorability year-on-year, and there’s sort of really three primary drivers. I’ll just recap some of those that I mentioned a bit earlier, which is the first is we’ve made some investments in 2021 that they won’t repeat in 2022. For example, we had some stipends for hybrid work. We don’t expect for example that’ll recur in 2022. Secondly, we are in the sort of final year of that transformation. So we do expect to see gross savings, net of investments, that’s going to – we’ll see the benefit of that in 2022 as well. And then finally, we’ve had variable compensation that we don’t expect will repeat unless we significantly beat our plan. So that’s how we’re thinking about OpEx. And I’ll just close by saying that of course, we’re going to continue to invest in the business and make sure that we really invest in those growth areas that we’ve outlined today as well.

Shannon Cross
Analyst, Cross Research

Thank you.
Enrique Lores  
*President, Chief Executive Officer & Director, HP, Inc.*

Thank you.

Orit Keinan-Nahon  
*Vice President-Finance & Head-Investor Relations, HP, Inc.*


Ananda Baruah  
*Analyst, Loop Capital Markets LLC*

Hey, thank you, guys. Hi. How are you?

Enrique Lores  
*President, Chief Executive Officer & Director, HP, Inc.*

Hi, Ananda.

Ananda Baruah  
*Analyst, Loop Capital Markets LLC*

Thanks, guys for taking the question. Yeah, thanks. This is sort of a collective team question maybe. Could you walk us through – good thing you guys are all up there. Could you walk us through what are the key puts and takes that could impact both in a negative or positive way, achieving 2022 targets for both PSG and Printer – PSG and the Printer guidance? Supply constrains [ph] back office pacing, mix trends things like that. And then you could also – could you also just describe just what your base case is for those. Thanks a lot.

Enrique Lores  
*President, Chief Executive Officer & Director, HP, Inc.*

Sure. Why don't you start Marie, giving kind of an overview...

Marie E Myers  
*Chief Financial Officer, HP, Inc.*

Okay.

Enrique Lores  
*President, Chief Executive Officer & Director, HP, Inc.*

...and then we can all complement.

Marie E Myers  
*Chief Financial Officer, HP, Inc.*

Thanks, Enrique, and then thanks for that question. We love that one. I know how I take it for the team here, guys. So let me just start out. We guided PS, as you know, we upped the range from PS sort of 5% to 7%, so I think that really reflects the confidence that we see in PS. I see a lot of really good tailwinds, and I know that Alex is going to give – sort of cover those here in a moment. But we’re seeing better mix, the commercial that we talked about, the impact of growth really playing out. And finally, we've talked a bit about cost today. And so we'll see the impact of cost.
Headwind there, as you guys know, we're in a supply constrained environment, not a demand constrained. So that's sort of like the key theme. If I have to think about, you asked with the model, what's one of those key sort of things to keep out there, it's really the watch factor, which will affect linearity is that supply constraint and we're going to have that theme through both businesses.

So let me flip quickly to Print, then I'll pass it to the guys. But on the Print side, so let me start with the headwinds. We see, obviously, supplies. Tuan mentioned that earlier today, the supplies decline. That's definitely something for a headwinds perspective. Pricing normalization, we don't expect that to happen. It'll take time, but obviously that's right in the top of our mind. But we've got some really good tailwinds as well on Print. We've got the benefit of commercial strength. We're seeing that improve in industrial. We're seeing the profit upfront with the models we're changing and driving. And then finally, once again, we'll see the benefit of cost improvement in Print as well. So, hopefully that gives you some really good context. We did guide at the higher end of our range of 16% to 18% as well.

So I'm going to toss it to the guys to start. I don't know who wants to go first.

Tuan Tran
President, Imaging, Printing and Solutions, HP, Inc.

I could take that...

Marie E Myers
Chief Financial Officer, HP, Inc.

[indiscernible] (02:26:46)

Tuan Tran
President, Imaging, Printing and Solutions, HP, Inc.

...but you summarized it really well, Marie. I think the challenge for us is really going to be the supplies – the tight supply environment that we're in. And that's going to be something that's going to stay with us here over the next quarters and we'll have to work through that, and I think the shortages in semiconductor and all that, that has a – that's an ongoing challenge, and I think it's going to impact how we price, how we manage our mix, and the work that Christoph's team has to do with matching supply and demand, and that's an everyday challenge for us. So that's going to be the big variable.

Alex Cho
President, Personal Systems, HP, Inc.

And let me add from Personal Systems side, I think there's a couple of things. Just to recap some earlier parts that I think is important about Personal Systems. What Christoph talked about as managing that mix is very favorable for us. That means even with lower units, we're going to be able to deliver better revenue, and I just want to outline that's part one.

Second thing is we did talk about the fact that the market is moving to where we're strong, and that's where we will benefit from commercial, more premium segments. That's very favorable for us, and that somewhat gives you some resilience to unit performance or unit availability. The other elements that are important, peripherals. As peripherals grows, the margin rates on that are accretive to our PS average. And so we've got a lot of upside because of growing peripherals as a part of our portfolio.
And then the third part is services. The scale of services now growing at an even accelerated rate with higher margin rates that offer recurring revenue, that's also favorable. So what you see is that's actually a pretty resilient portfolio to be working with, plus the operational improvements you heard from Enrique and Christoph as we navigate Personal Systems in this next year.

**Ananda Baruah**  
*Analyst, Loop Capital Markets LLC*

That's super helpful. Just a quick follow-up to that, if I could, just on the constrained comps. You guys have meaningful supply component improvement going through the year, and I guess if it's sort of just flat-lined is really my question. Do you still have levers you can pull to hit the guidance and the cash flow?

**Enrique Lores**  
*President, Chief Executive Officer & Director, HP, Inc.*

I think the way we have built the plan is assuming that we are going to be supply-constrained at least through the first half, and this is why the actions that we have been describing, that we are taking to improve how we manage within this environment is so important. But we expect to be supply constrained at least through the first half of 2022.

**Marie E Myers**  
*Chief Financial Officer, HP, Inc.*

Yeah. I'll just wrap on that.

**Ananda Baruah**  
*Analyst, Loop Capital Markets LLC*

Thank you.

**Marie E Myers**  
*Chief Financial Officer, HP, Inc.*

Yeah. [indiscernible] (02:29:12) revenue will probably be linear and the growth. So the way to think the growth is sort of half over half you'll see it in the back half of 2022.

**Alex Cho**  
*President-Personal Systems, HP, Inc.*

I just want to reiterate again, we do have levers. I think you've seen it this year. The really well managed pricing that Christoph's organization has run across the world has been very meaningful. That's an important lever. We also said we're going to be able to manage the mix better. That's a great lever. We also have peripherals. That'll be a strong lever. We also have services. So we actually do have several levers we've already started to pull. We have them expanding, heading into the next year. That's why you saw that guide from Marie related to Personal Systems.

**Orin Keinan-Nahon**  
*Vice President-Finance & Head-Investor Relations, HP, Inc.*

Thank you.

**Ananda Baruah**  
*Analyst, Loop Capital Markets LLC*
Okay. Thank you.

Orit Keinan-Nahon  
Vice President-Finance & Head-Investor Relations, HP, Inc.

Thank you. The next question is coming from the platform and that question is for you, Didier. What do you mean by operational flexibility in 3D? Will you ever consider selling this business?

Didier Deltort  
President-Global Head Personalization & 3D Printing, HP, Inc.

Yeah, thanks for the question. And, look, it's early days for me here at HP, but what I can say is that I've been very impressed about our technologies, about our key members, about our business and the potential. And actually I had never imagined that the potential was so strong. So today we shared multiple data points which are very encouraging. And number one, our existing thermoplastics industrial business is strong and is growing and has evolved also as well. Number two, we are launching next year our metals mass production platform which is the largest and fastest segment of the traditional 3D printing industry. And last but not least, we shared many data points about our evolving strategy towards select markets, which are ready for disruptions and which are representing multiple billion dollars of market opportunity for HP. So I'm very excited about the opportunity to grow this business further. That's why I joined HP.

But Enrique, do you have anything else to add?

Enrique Lores  
President, Chief Executive Officer & Director, HP, Inc.

Yeah. Because since I have been in HP a little bit longer than Didier, I can give you some perspective of the change that we are driving and why we are so excited. Let me start by the excitement. We are really excited about the progress we have made on 3D. Not only on what we call the traditional business about selling printers, selling supplies, selling services, which was going to be a good business, but really because of the progress we have made creating the end-to-end applications which are going to make it a great business. And we really want to create a great business because it will create much more value for our shareholders.

Let me give you my view of what Didier explained before. When we create a part, when we participate in the design of the part, we are not selling it more at the cost of that part. We are really creating IP that creates much more value. When we design the midsoles that Didier was talking before that create this energy return, this is something that we can really ask the shoe manufacturers to pay for because we'll improve significantly the value of the shoe that they are building.

When we talk about working on molded fiber and improving the molds that we create to create special products to be much more efficient, we are the only company that can create that because of the knowledge that we have of our technology and because of the software and data work that we have been doing during the last three years. And this will create a great business that will have significantly more value than what a standard 3D printing business will have. It's very unique and we are really excited about that. We know also that going forward we will have to provide visibility of what this business is to make sure that our shareholders can capture that value. And this is what we will be doing when we will think the business is ready for that.
Okay. Thank you, Enrique. And thank you, Didier. Okay, our next question is coming live from Wamsi Mohan from Bank of America. Hello, Wamsi.

Wamsi Mohan  
Analyst, Bank of America Merrill Lynch

Yeah, hello, and thank you everyone for the presentation. I'm sorry if this has already been asked, but I was wondering if you could bridge maybe the supplies revenue decline of low to mid-single digits. There's been a lot of moving pieces around channel inventory and inventory replenishment that happened sort of through the course of the pandemic first depletion and then sort of back to replenishment. So if you could maybe characterize how you think about the moving pieces around channel inventory and aggregate supplies growth that bridges you to this low to mid-single.

And I had a different question on Print as well, if you could address that. You spoke about these ASP increases over time, but we all know that hardware – print hardware saw a significant increase in ASP over this duration. So how do you separate out the cyclical – print hardware saw a significant increase in ASP over this duration. So how do you separate out the cyclical of that from COVID, then supply chain cost inflation versus perhaps the structural areas where you say you've not lost share. But I think is that the right conclusion when whole industry pricing was elevated? Thank you so much.

Enrique Lores  
President, Chief Executive Officer & Director, HP, Inc.

So since there are three questions into your question, we'll go one by one. So first, Christoph, why don't you address the channel situation and the plans on inventory?

Christopher Schell  
Chief Commercial Officer, HP, Inc.

Look, specifically on supplies, we are done with channel replenishment that happened in the past. And overall what I'm telling you is that we are managing our business hardware and supplies well below the ceiling, and that is a focus that my team has every week. So that's how we operate. And as such, you shouldn't expect any channel replenishment to happen in the future.

Enrique Lores  
President, Chief Executive Officer & Director, HP, Inc.

And then your next two questions on usage and pricing. Tuan?

Tuan Tran  
President-Imaging, Printing and Solutions, HP, Inc.

Yeah. So let me – I think that your first question was around supplies declining and then how do you get operating profit growth, right? And I think that we touched on a little bit what I shared with Shannon. I think we've been on a journey over the last two years. We [ph] reduced (02:35:31) our reliance on supplies. The business model shifts that we talked about really with profit upfront, Instant Ink, our HP+ model really helps us to balance that relative to the supplies decline in addition to what we're seeing happening in the office and the trends – the favorable trends in the office and the growth in graphics. So that's how we get operating profit growth for Print in the aggregate.

Your second question was around ASP. ASP and as I shared earlier today, the ASP across the industry is 27%. The actual, across the industry – for HP, excuse me, was 27%. The industry was actually 21%. So the delta is about a third the business model shifts and what we've been able to do. So that's how we think about pricing
relative the industry and what we've been able to actually do in terms of business model shifts and our pricing execution.

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**Enrique Lores**  
*President, Chief Executive Officer & Director, HP, Inc.*

And I think also it's very important, a few of the comments that Tuan made before. We started this journey two years ago and we have made significant progress. 40% of the units we are going to ship this year are either profit upfront or HP+. And let me remind that we only started to launch HP+ at scale in March. So we still have a lot of room for improvement that will continue to help us from a margin perspective. And second, we have made tremendous progress on Instant Ink. It is a digital services program, a subscription program. Today, revenue is above $500 million, growing more than 30%. So, two years ago, we declared the intent. Now, we have proof points of the progress that we are making.

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**Wamsi Mohan**  
*Analyst, Bank of America Merrill Lynch*

Thank you so much.

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**Orit Keinan-Nahon**  
*Vice President-Finance & Head-Investor Relations, HP, Inc.*

Thank you. Our next question coming live from Kyle McNealy from Jefferies. Hello, Kyle.

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**Kyle McNealy**  
*Analyst, Jefferies LLC*

Hi, thanks very much for the question. This one is for Marie or Alex. You showed your long-term targets that you expect in Personal Systems to grow in line with the PC market, and wondering how that incorporates your expansion into Peripherals and Services. Wouldn't those and net share gain help you grow faster than the PC market or are there other share dynamics to keep in mind? And then how will you be reporting Services and Peripherals performance going forward? Will there be adjustments to segments or are you adding new category breakouts or something like that? Thanks.

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**Marie E Myers**  
*Chief Financial Officer, HP, Inc.*

Why don't you go first, Alex?

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**Alex Cho**  
*President-Personal Systems, HP, Inc.*

Sure, happy to. So, I think the first part is we do absolutely think that this market is much larger than it was before and will continue to grow. One thing just to reiterate is this is now a market that's 1.5 times larger than when we were together two years ago, and then it'll continue to grow. So, in that much larger base, we expect to continue to grow and we gave guidance relative to that. Also note, I think the key part of what we're saying is we're going to grow profitably and that's given the favorable mix shift that we're able to drive through more premium compute segment plays, more peripherals as a part of that mix, and then as well more services, which is also margin rate accretive for us. So, all of that allows us to continue to grow profitably, and we expect to be able to do so on a structural basis given the very favorable macro trends around this market.
And maybe just to answer the second part of your question, we are not planning at this point to change our reporting. We’ll continue on with the reporting that we have in terms of our current composition of external segments. But we did give you all today a little bit more insight into what the composition of those growth businesses are and really what the growth rates are like. So, hopefully you found that useful. And it was a way to kind of get a little bit more context around the business. And I will just add on top of what Alex said, we did revise upwards our operating profit ranges for PS today into 5% to 7%. And I think that really reflects that confidence that Alex spoke to earlier.

Kyle McNealy
Analyst, Jefferies LLC

Okay. Great. Thanks very much.

Marie E Myers
Chief Financial Officer, HP, Inc.

Thank you.

Orit Keinan-Nahon
Vice President-Finance & Head-Investor Relations, HP, Inc.

Thank you. Okay. Moving to the next question. Our next question coming live from Aaron Rakers from Wells Fargo. Hi, Aaron. Aaron, you are on mute.

[indiscernible] (02:39:52)

Enrique Lores
President, Chief Executive Officer & Director, HP, Inc.

Aaron, you are on mute.

Aaron Rakers
Analyst, Wells Fargo Securities LLC

Oh, there we go...

[indiscernible] (02:39:57)

Orit Keinan-Nahon
Vice President-Finance & Head-Investor Relations, HP, Inc.

Yes.

Aaron Rakers
Analyst, Wells Fargo Securities LLC


Enrique Lores
President, Chief Executive Officer & Director, HP, Inc.
Hey.

Aaron Rakers  
**Analyst, Wells Fargo Securities LLC**

[indiscernible] (02:39:59) for me to figure that out. So, I appreciate all the presentations today. And I hate to go back to this, but I really want to understand kind of, Marie, the underlying assumptions you're making on the PC market, especially considering the last quarter or so, you've been carrying kind of this higher backlog level given the supply constraints. So, I guess a simple one line question would be is that, is your assumption that the PC market from a unit basis grows this next year? I think there's very different opinions on that. And do you think you can still grow revenue? It sounds like you definitely can grow revenue faster than unit growth. But is your assumption that units do grow next year in the overall PC market? And then, I have a quick follow-up.

Marie E Myers  
**Chief Financial Officer, HP, Inc.**

Sure. Maybe I'll start out with how we're thinking about PS in our 2022 guide. So, really, PS revenue is what is driving a big part of our guide in 2022 in terms of the growth components. And I think we've said this in our Q3 earnings announcement. I mean, we had a backlog back then of almost a quarter in terms of just PS units themselves. So, I think that's the right way to anchor the sort of story for 2022. And then I would say that we look at PS growing in line with TAM growth as well. And so, you've heard Alex today sort of talk about the size of the TAM, what that looks like, and then we've also got these adjacencies around peripherals, et cetera, that we've given you some more insight. So, that's how I would sort of encourage you to think about PS. And I'll turn to Alex, for any other color you'd like to add.

Alex Cho  
**President—Personal Systems, HP, Inc.**

Sure. As we shared before, we do expect that supply will be constraining at least into the second half of the year. But overall, our expectation is that as the industry works to address supply constraints that for the full year, there should be some unit growth. Now, on top of that, what's important is we also are driving this ability to manage the mix. Getting that higher mix of actually where the market is moving to, that'll be good for us. And so, we're very good about assuming a unit assumption, revenue on top of that, and then, again, for us it's the mix within that plus peripherals, plus services that gives us confidence on driving profitably even above that. And so, you see those three layers.

Aaron Rakers  
**Analyst, Wells Fargo Securities LLC**

Yeah. That's very helpful. And then, the quick follow-up would be, as you outlined today some of the HP-specific dynamics around supply chain, the operational attributes of going directly to your suppliers, moving to common components across some of the platforms. It sounded to me like last quarter that that would carry on and that would still be a headwind for you through the course of the couple of quarters. Today, it sounds like that's kind of behind us. Would you agree with that? Do you think, as you get into fiscal 2022, those operational things are behind the company? Thank you.

Enrique Lores  
**President, Chief Executive Officer & Director, HP, Inc.**

I think what we have said is that we are going to see improvement driven by these actions every quarter. But many of these changes take time until they have full impact. When we talk about redesigning the portfolio, for
example, it takes several quarters to fully redesign, fully change the full portfolio. We will see progress every quarter, but it's not something that will just change overnight.

[indiscernible] (02:43:14)

Christopher Schell
Chief Commercial Officer, HP, Inc.

And maybe one quick add on for me, managing this every day, there is a lot of volatility. The issues that we see today might be very different issues tomorrow. And then, we have to find these knobs that we can turn. I just think that, as a team, we’re thinking about this in a very agile way. And I think we have articulated the right knobs that we are turning. And that’s really – it’s progress over time, but we have learned a lot in the last one and a half years.

Orit Keinan-Nahon
Vice President-Finance & Head-Investor Relations, HP, Inc.

Okay. Thank you.

Aaron Rakers
Analyst, Wells Fargo Securities LLC

Very helpful. Thank you.

Enrique Lores
President, Chief Executive Officer & Director, HP, Inc.

Thank you.

Orit Keinan-Nahon
Vice President-Finance & Head-Investor Relations, HP, Inc.

I think we have time to take a last question. So, our last question will come live from Rod Hall from Goldman Sachs.

Rod Hall
Analyst, Goldman Sachs & Co. LLC

Thanks for getting me in. I just wanted to come back to supplies real quick and then I got a quick one on PCs too. But the supplies trajectory was minus 6% in the four quarters headed into COVID period and the COVID period is all over the place as we know. I guess, a lot of investors I talked to were stacking growth. So, they’re trying to look at the pre-COVID period and then stack growth on into 20 – your fiscal 2022 and figure out what the number looks like there. And I’m not forecasting anything that’s negative, but I’m saying that if you do that, you run into a 15% supplies decline in 2022. So, why is that line of thinking wrong, I guess, or can you punch some holes in that, helps us understand that? And then, I got a quick one on PCs.

Tuan Tran
President-Imaging, Printing and Solutions, HP, Inc.

Yeah. So, let me start and feel free to chime in. But, for us, the supplies – there’s lots of headwinds and tailwinds in supplies. I would say that from a – one of the things that we talked about, again, two years ago was our supplies share, and that’s an area where we made tremendous progress. We didn’t talk – I didn’t talk a lot about it today. But taking the playbook we have in actual – in ink and actually deploying that in laser, that was – we
detailed that in our value plan. We made tremendous progress. We've been able to actually reverse the decline we saw in – on the toner side. And actually, now we're increasing share both on ink as well as toner, and that's a big change in trajectory for us. That's number one.

Number two, as you think about the models that we're talking about, particularly Instant Ink, that's 100% supplies share model; HP+ 100% share supply model; profit, profit upfront. And so, those business model shifts for us are important. And as our – obviously from COVID, we see the overall mix is more towards consumer where we actually have higher aftermarket share, and that will also benefit for us. So, those are some of the variables that help us – gives us confidence around the share declines that we're projecting next year.

Enrique Lores  
President, Chief Executive Officer & Director, HP, Inc.

And just to close, I think the – when you think about the 2018 and 2019 numbers, there was an – there was some impact coming from channel inventory adjustments.

Tuan Tran  
President-Imaging, Printing and Solutions, HP, Inc.

Yes.

Enrique Lores  
President, Chief Executive Officer & Director, HP, Inc.

As Christoph just said, going forward, we will not see up or down adjustment. So, this really harmonizes with the growth of supplies going forward.

Rod Hall  
Analyst, Goldman Sachs & Co. LLC

Great. And then, I – thank you for that. And then, on PCs, I just wanted to ask a bigger picture question strategically. We've seen Apple launching these very high performance, silicon-based machines and just this week, we're tracking much better graphics capabilities now, which I know Apple machines aren't typically thought as gaming machines, but that starts to make you wonder whether they will start to penetrate into that market. And I just wonder strategically, do you think you need a new silicon platform or something to change in order to, especially in the high end, give you a better strategic position longer term?

Enrique Lores  
President, Chief Executive Officer & Director, HP, Inc.

Well, let me start and then, Alex, you probably can complement. And these are very simple comments. We feel very strongly about the strength of the portfolio that we have. We work with all the key silicon providers to develop leading-edge solutions. We are working very closely with Intel, AMD, NVIDIA. They have very aggressive portfolios to continue to push the limits of technology, and we are working with them and we really feel strong about the portfolio that we have. Alex?

Alex Cho  
President-Personal Systems, HP, Inc.

Yeah. And I love these kind of questions. I know we're running out of time, but let me just outline a few different things. So, first is, hallelujah, there's so much innovation in this category. We just talked about this category being larger and growing. Great example. Second thing is we have had a multi-silicon strategy already and we've been
able to capitalize on it. It also includes graphics, and we plan to continue to do that going forward. We have very good partnerships and a lot of confidence in the partnerships that we have to deliver that kind of performance.

I think the third thing that's really important, as you see what others are doing as well, the name of the game is not just speeds and feeds of the core device, it's the experience. People want to work better, game better. And so, that's why when we talk about experiences, it's everything from the broader experience, I/O that people are putting back into devices, more immersive experiences, then peripherals and services.

That's why we look at this as a really broad opportunity for us to take a lot of leadership in because of the progress we've already made. And quite frankly, in the past two years, we've made a lot. So, we really feel like the trends of the market that you're seeing in the broader ecosystem, they're playing to our strength, and we're very excited about that.

Enrique Lores
President, Chief Executive Officer & Director, HP, Inc.

Thank you, Alex.

Rod Hall
Analyst, Goldman Sachs & Co. LLC

Great, thanks a lot.

Orit Keinan-Nahon
Vice President-Finance & Head-Investor Relations, HP, Inc.

Thank you. Okay. Thank you. That brings us to the end of our Q&A session. Thank you, all, for joining. I'll now pass it back to Enrique to close the meeting.

Enrique Lores
President, Chief Executive Officer & Director, HP, Inc.

Thank you, Orit. And thank you, all, for your questions. I want to wrap up by recapping three very important points. First is that the secular trends that are shaping our category play to our strength. It's exactly what Alex said now. And the strategy that we have put in place is enabling us to capitalize on attractive opportunities across our portfolio.

Second is that we are confident in our plans to deliver sustained revenue, operating profit, EPS and free cash flow growth. Consistency is the key word there. And what this includes is that we expect to grow revenue by 2% to 4% compound annual growth rate over the next three years. It's the first time since separation we have a goal like this.

And third, we remain committed to returning capital to shareholders. This is why we have increased our dividend to $1 per share, and we have also shared that we expect to buy back at least $4 billion of our shares in fiscal year 2022. What this all means is that we are building a stronger HP.

Now, having said all that, I look forward to continuing to share our progress with all of you. And again, I want to thank you for being here today, but especially for your investment. Thank you.