



HP Inc. (HPQ)

Updated June 17th, 2025 by Jonathan Weber

Key Metrics

Current Price:	\$24	5 Year CAGR Estimate:	10.5%	Market Cap:	\$22B
Fair Value Price:	\$28	5 Year Growth Estimate:	3.0%	Ex-Dividend Date:	08/10/25 ¹
% Fair Value:	85%	5 Year Valuation Multiple Estimate:	3.4%	Dividend Payment Date:	09/01/25 ²
Dividend Yield:	4.8%	5 Year Price Target	\$33	Years Of Dividend Growth:	14
Dividend Risk Score:	C	Sector:	Information Technology	Rating:	Hold

Overview & Current Events

Hewlett-Packard's story goes back to 1935 with two men in a one-car garage making a huge impact on electronic test equipment, computing, data storage, networking, software and services that has lasted for more than eight decades. On November 1st, 2015, Hewlett-Packard spun off Hewlett Packard Enterprise Company (HPE) – which was its enterprise technology infrastructure, software and services business – and changed its name to HP Inc. (HPQ). Today HP Inc. has centered its business activities around two main segments: its product portfolio of printers, and its range of so-called personal systems, which includes computers and mobile devices.

HP reported its second quarter (fiscal 2025) results in June. The company reported revenue of \$13.2 billion for the quarter, which beat the analyst consensus estimate by a solid \$80 million, and which was up around 3% from the previous year's quarter. This was slightly better than the performance of the company during the previous quarter, when revenues had grown at a slightly lower rate.

Non-GAAP earnings-per-share totaled \$0.71 during the second quarter, which was slightly below the analyst consensus estimate. HP Inc. saw its operating margin decline over the last year. The company currently forecasts earnings-per-share in a range of \$0.68 to \$0.80 for the third quarter of the current fiscal year, which would mean a better result versus the most recent quarter at the midpoint of the guidance range. For the current year, HP forecasts earnings-per-share of around \$3.15, with free cash flow being forecasted at around \$2.8 billion.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	---	\$1.53	\$1.48	\$2.02	\$2.24	\$2.28	\$3.79	\$4.08	\$3.28	\$3.38	\$3.15	\$3.65
DPS	---	\$0.37	\$0.52	\$0.55	\$0.64	\$0.70	\$0.78	\$1.00	\$1.05	\$1.10	\$1.16	\$1.48
Shares³	---	1,712	1,650	1,570	1,490	1,360	1,140	1,040	1,000	970	950	900

HP Inc. does not have a long history as a standalone company, as it was created less than a decade ago. HP grew its earnings-per-share meaningfully between 2016 and 2024, while also ramping up its dividend payments during that time. During the last couple of years HP's earnings-per-share rose nicely thanks to a combination of growing net earnings and a declining share count, although the ~10% growth rate since 2016 will likely not be replicated forever, we believe.

HP is a leader in the printing and personal computing markets, but these are areas that face challenges as consumers continue to shift to mobile devices. The adoption of 3D printing could help, as HP is already entrenched in this industry, but so far, the majority of profits are generated by traditional printers and printing products. Even without any meaningful business growth, corporations can still generate growth on a per-share basis using shareholder return programs. Through a nice pace of share repurchases, HP has a good chance of growing its earnings-per-share meaningfully going forward. We believe that a ~3% earnings-per-share growth rate in the coming years is realistic.

¹ Estimated date

² Estimated date

³ In Millions

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	---	8.3	12.0	11.3	8.0	7.9	8.2	6.9	7.9	10.7	7.6	9.0
Avg. Yld.	---	3.9%	3.0%	2.4%	3.6%	3.9%	2.5%	3.6%	4.0%	3.1%	4.8%	4.5%

The combined entity known as Hewlett-Packard used to trade hands at a low- to mid-teens earnings multiple. Since the split, a high single-digit earnings multiple has been more typical for HP Inc., as investors are unsure how the legacy business can continue to evolve. Shares currently look undervalued at current prices versus our 9x earnings multiple target, while the dividend yield is at a solid level of nearly 5%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	---	24%	35%	27%	29%	31%	21%	25%	32%	33%	37%	41%

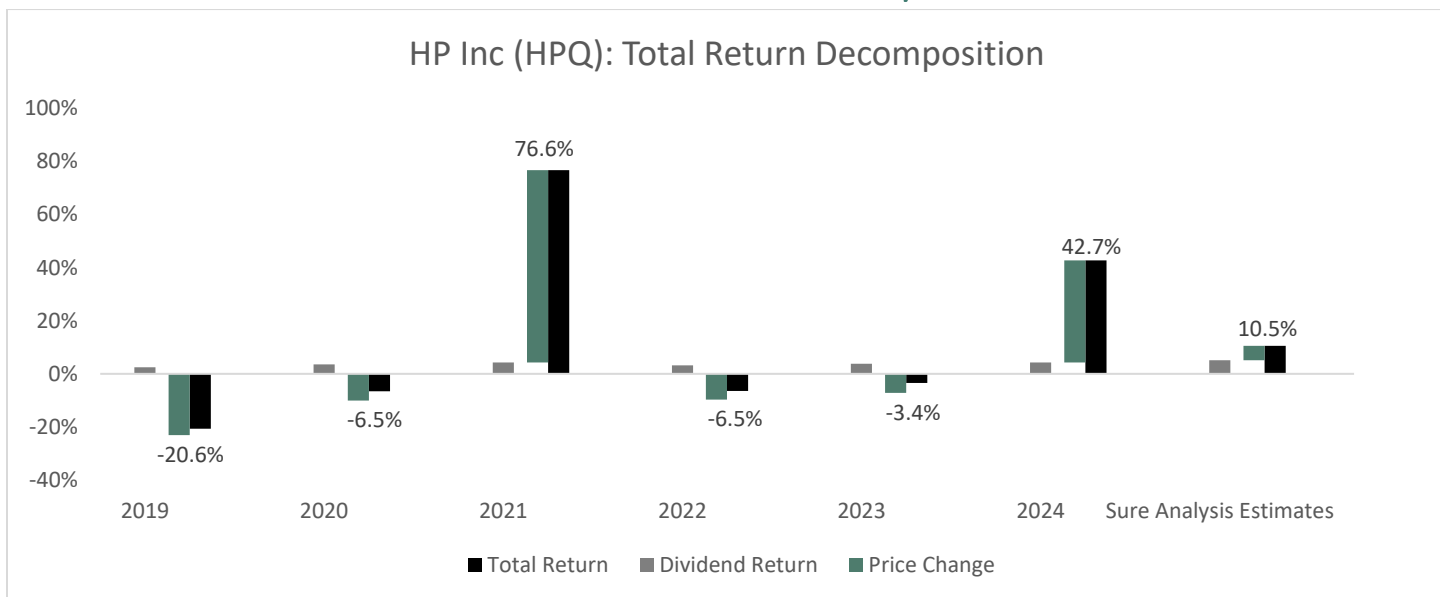
HP Inc. has increased its dividend reliably for more than a decade when we also account for the time before the split from HPE. The dividend looks reasonably safe, as it is easily covered by both profits and cash flows. HP pays out a large amount of cash to its owners via share repurchases, which have been a major growth driver for its earnings-per-share in the past. HP decided to continue to raise its dividend during the pandemic, which is a good sign for its dividend safety.

HP enjoys competitive advantages as a leader in its two legacy businesses. The long-term viability of these markets is unknown to some extent, but for now HP owns a multi-billion annual profit machine. HP could be a beneficiary of consolidation in the industry, and thanks to its strong balance sheet and ample cash flows, it could easily become an acquirer of businesses. Things can change quickly in technology, however, thus there is no guarantee that HP Inc's businesses will continue to deliver the current level of profit forever.

Final Thoughts & Recommendation

There is a possibility that HP's legacy business may ultimately decline, but for now, the company's profit generation is solid. In addition, HP has the option to grow via M&A. HP's shares are trading below our fair value estimate. 2024 was a stronger year than the previous one, but earnings-per-share will likely decline during the current year. Factoring in all these pros and cons, we rate HP Inc. a hold at current prices.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	51,463	48,238	52,056	58,472	58,756	56,638	63,460	62,910	53,718	53,559
Gross Profit	9,939	8,998	9,578	10,669	11,170	10,421	13,407	12,263	11,508	11,818
Gross Margin	19.3%	18.7%	18.4%	18.2%	19.0%	18.4%	21.1%	19.5%	21.4%	22.1%
SG&A Exp.	4,719	3,833	4,532	5,099	5,368	4,901	5,727	5,264	5,357	5,658
D&A Exp.	4,061	332	354	528	744	789	785	780	850	830
Operating Profit	3,927	4,412	3,902	3,424	3,001	3,931	5,678	5,117	4,223	4,202
Op. Margin	7.6%	9.1%	7.5%	5.9%	5.1%	6.9%	8.9%	8.1%	7.9%	7.8%
Net Profit	4,554	2,496	2,526	5,327	3,152	2,815	6,541	3,132	3,263	2,775
Net Margin	8.8%	5.2%	4.9%	9.1%	5.4%	5.0%	10.3%	5.0%	6.1%	5.2%
Free Cash Flow	3,423	2,819	3,275	3,982	3,983	3,736	5,827	3,672	2,962	3,157
Income Tax	(186)	1,095	750	(2,314)	(629)	396	1,027	1,192	(326)	504

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	106,882	28,987	32,913	34,622	33,467	34,681	38,605	38,494	37,004	39,909
Cash & Equivalents	7,584	6,288	6,997	5,166	4,537	4,864	4,299	3,145	3,107	3,253
Acc. Receivable	4,825	4,114	4,414	5,113	6,031	5,381	5,536	4,546	4,237	5,117
Inventories	4,288	4,484	5,786	6,062	5,734	5,963	7,930	7,614	6,862	7,720
Goodwill & Int.	5,680	5,622	5,625	6,421	7,033	6,920	7,587	10,474	10,184	8,627
Total Liabilities	78,731	32,876	36,321	35,261	34,660	36,909	40,249	41,519	38,073	41,232
Accounts Payable	10,194	11,103	13,279	14,816	14,793	14,704	16,075	15,303	14,046	16,903
Long-Term Debt	8,871	6,813	7,819	5,987	5,137	6,217	7,492	11,014	9,484	9,669
Total Equity	27,768	(3,889)	(3,408)	(639)	(1,193)	(2,228)	(1,644)	(3,025)	(1,069)	(1,323)
LTD/E Ratio	0.32	(1.75)	(2.29)	(9.37)	(4.31)	(2.79)	(4.56)	(3.64)	(8.87)	(7.31)

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	4.3%	3.7%	8.2%	15.8%	9.3%	8.3%	17.9%	8.1%	8.6%	7.2%
Return on Equity	16.5%	20.6%								
ROIC	10.9%	12.5%	68.9%	109.2%	67.8%	71.0%	133.0%	45.3%	39.8%	33.1%
Shares Out.	---	1,712	1,650	1,570	1,490	1,360	1,140	1,040	1,000	970
Revenue/Share	28.03	27.68	30.59	35.78	38.55	39.89	52.02	59.91	53.72	54.15
CF/Share	1.86	1.62	1.92	2.44	2.61	2.63	4.78	3.50	2.96	3.19

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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