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Part I. Financial Information

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended
April 30, 2024

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to
Commission file number
1-4423

HP INC.

(Exact name of registrant as specified in its charter)

Delaware	**94-1081436**
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)
1501 Page Mill Road	**94304**
Palo Alto, California	(Zip code)
(Address of principal executive offices)	

(650) 857-1501
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.01 per share	HPQ	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐
Non-accelerated filer ☐ Smaller reporting company ☐
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of HP Inc. common stock outstanding as of April 30, 2024 was 978,559,586 shares.

HP INC. AND SUBSIDIARIES

Form 10-Q

For the Quarterly Period ended April 30, 2024

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In this report on Form 10-Q, for all periods presented, “we”, “us”, “our”, the “company”, the “Company”, “HP” and “HP Inc.” refer to HP Inc. (formerly Hewlett-Packard Company) and its consolidated subsidiaries.

Forward-Looking Statements

This Quarterly Report on Form 10-Q, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 2 of Part I, contains forward-looking statements based on current expectations and assumptions that involve risks and uncertainties. If the risks or uncertainties ever materialize or the assumptions prove incorrect, they could affect the business and results of operations of HP Inc. and its consolidated subsidiaries ("HP") which may differ materially from those expressed or implied by such forward-looking statements and assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including, but not limited to, any statements regarding the impact of the COVID-19 pandemic; projections of net revenue, margins, expenses, effective tax rates, net earnings, net earnings per share, cash flows, benefit plan funding, deferred taxes, share repurchases, foreign currency exchange rates or other financial items; any projections of the amount, timing or impact of cost savings or restructuring and other charges, planned structural cost reductions and productivity initiatives; any statements of the plans, strategies and objectives of management for future operations, including, but not limited to, our business model and transformation, our sustainability goals, our go-to-market strategy, the execution of restructuring plans and any resulting cost savings (including the Fiscal 2023 Plan (as defined below)), net revenue or profitability improvements or other financial impacts; any statements concerning the expected development, demand, performance, market share or competitive performance relating to products or services; any statements concerning potential supply constraints, component shortages, manufacturing disruptions or logistics challenges; any statements regarding current or future macroeconomic trends or events and the impact of those trends and events on HP and its financial performance; any statements regarding pending investigations, claims, disputes or other litigation matters; any statements of expectation or belief as to the timing and expected benefits of acquisitions and other business combination and investment transactions (including the acquisition of Plantronics, Inc. ("Poly")); and any statements of assumptions underlying any of the foregoing. Forward-looking statements can also generally be identified by words such as "future," "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "projects," "will," "would," "could," "can," "may," and similar terms. Risks, uncertainties and assumptions that could affect our business and results of operations include factors relating to the impact of macroeconomic and geopolitical trends, changes and events, including the Russian invasion of Ukraine, tension across the Taiwan Strait, the Israel-Hamas conflict, other hostilities in the Middle East and the regional and global ramifications of these events; volatility in global capital markets and foreign currency, increases in benchmark interest rates, the effects of inflation and instability of financial institutions; risks associated with HP's international operations; the effects of global pandemics, such as COVID-19, or other public health crises; the execution and performance of contracts by HP and its suppliers, customers, clients and partners, including logistical challenges with respect to such execution and performance; changes in estimates and assumptions HP makes in connection with the preparation of its financial statements; the need to manage (and reliance on) third-party suppliers, including with respect to supply constraints and component shortages, and the need to manage HP's global, multi-tier distribution network and potential misuse of pricing programs by HP's channel partners, adapt to new or changing marketplaces and effectively deliver HP's services; HP's ability to execute on its strategic plans, including the previously announced initiatives, business model changes and transformation; execution of planned structural cost reductions and productivity initiatives; HP's ability to complete any contemplated share repurchases, other capital return programs or other strategic transactions; the competitive pressures faced by HP's businesses; successfully innovating, developing and executing HP's go-to-market strategy, including online, omnichannel and contractual sales, in an evolving distribution, reseller and customer landscape; the development and transition of new products and services and the enhancement of existing products and services to meet evolving customer needs and respond to emerging technological trends, including artificial intelligence; successfully competing and maintaining the value proposition of HP's products, including supplies and services; challenges to HP's ability to accurately forecast inventories, demand and pricing, which may be due to HP's multi-tiered channel, sales of HP's products to unauthorized resellers or unauthorized resale of HP's products or our uneven sales cycle; integration and other risks associated with business combination and investment transactions; the results of our restructuring plans (including the Fiscal 2023 Plan), including estimates and assumptions related to the cost (including any possible disruption of HP's business) and the anticipated benefits of our restructuring plans; the protection of HP's intellectual property assets, including intellectual property licensed from third parties; the hiring and retention of key employees; disruptions in operations from system security risks, data protection breaches, cyberattacks, extreme weather conditions or other effects of climate change, and other natural or manmade disasters or catastrophic events; the impact of changes to federal, state, local and foreign laws and regulations, including environmental regulations and tax laws; our aspirations related to environmental, social and governance matters; potential impacts, liabilities and costs from pending or potential investigations, claims and disputes; our use of artificial intelligence; the effectiveness of our internal control over financial reporting; and other risks that are described herein, as well as the risks discussed in Item 1A "Risk Factors" of Part I in our Annual Report on Form 10-K for the fiscal year ended October 31, 2023 and that are otherwise described or updated from time to time in HP's other filings with the Securities and Exchange Commission (the "SEC"). HP's Fiscal 2023 Plan includes HP's efforts to take advantage of future growth opportunities, including but not limited to, investments to drive growth, investments in our people, improving product mix, driving structural cost savings and other productivity measures. Structural cost savings represent gross reductions in costs driven by operational efficiency, digital transformation, and portfolio optimization. These initiatives include but are not limited to workforce reductions, platform simplification, programs consolidation and productivity measures undertaken by HP, which HP expects to be sustainable in the *longer-term. These structural cost savings are net of any new recurring costs resulting from these initiatives and exclude one-time investments to generate such savings. HP's expectations on the longer-term sustainability of such structural cost savings are based on its current business operations and market dynamics and could be significantly impacted by various factors, including but not limited to HP's evolving business models, future investment decisions, market environment and technology landscape. The forward-looking statements in this report are made as of the date of this filing and HP assumes no obligation and does not intend to update these forward-looking statements.*

Part I. Financial Information

ITEM 1. Financial Statements and Supplementary Data.

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HP INC. AND SUBSIDIARIES
Consolidated Condensed Statements of Earnings
(Unaudited)

	Three months ended April 30		Six months ended April 30	
	2024	2023	2024	2023
	In millions, except per share amounts			
Net revenue:				
Products	$ 12,043	$ 12,149	$ 24,462	$ 25,193
Services	757	758	1,523	1,512
Total net revenue	12,800	12,907	25,985	26,705
Cost of net revenue:				
Products	9,324	9,557	19,195	20,146
Services	453	436	879	858
Total cost of net revenue	9,777	9,993	20,074	21,004
Gross margin	3,023	2,914	5,911	5,701
Research and development	436	410	835	813
Selling, general and administrative	1,462	1,397	2,845	2,728
Restructuring and other charges	71	200	134	341
Acquisition and divestiture charges	22	74	49	158
Amortization of intangible assets	80	86	161	171
Total operating expenses	2,071	2,167	4,024	4,211
Earnings from operations	952	747	1,887	1,490
Interest and other, net	(155)	(160)	(297)	(341)
Earnings before taxes	797	587	1,590	1,149
(Provision for) benefit from taxes	(190)	467	(361)	374
Net earnings	$ 607	$ 1,054	$ 1,229	$ 1,523
Net earnings per share:				
Basic	$ 0.62	$ 1.06	$ 1.24	$ 1.54
Diluted	$ 0.61	$ 1.06	$ 1.23	$ 1.53
Weighted-average shares used to compute net earnings per share:				
Basic	984	991	990	990
Diluted	990	998	996	997

The accompanying notes are an integral part of these Consolidated Condensed Financial Statements.

HP INC. AND SUBSIDIARIES

Consolidated Condensed Statements of Comprehensive Income

(Unaudited)

	Three months ended April 30		Six months ended April 30	
	2024	2023	2024	2023
	In millions			
Net earnings	$ 607	$ 1,054	$ 1,229	$ 1,523
Other comprehensive income before taxes:				
Change in unrealized components of available-for-sale debt securities:				
Unrealized gains arising during the period	—	—	4	4
Change in unrealized components of cash flow hedges:				
Unrealized gains (losses) arising during the period	151	(66)	(11)	(689)
(Gains) losses reclassified into earnings	(5)	162	(164)	(172)
	146	96	(175)	(861)
Change in unrealized components of defined benefit plans:				
Gains arising during the period	23	6	13	5
Amortization of actuarial loss and prior service benefit	2	—	4	—
Curtailments, settlements and other	1	(1)	1	—
	26	5	18	5
Change in cumulative translation adjustment	(6)	9	14	38
Other comprehensive income (loss) before taxes	166	110	(139)	(814)
(Provision for) benefit from taxes	(40)	(22)	30	161
Other comprehensive income (loss), net of taxes	126	88	(109)	(653)
Comprehensive income	$ 733	$ 1,142	$ 1,120	$ 870

The accompanying notes are an integral part of these Consolidated Condensed Financial Statements.

HP INC. AND SUBSIDIARIES

Consolidated Condensed Balance Sheets

(Unaudited)

	As of	
	April 30, 2024	October 31, 2023
	In millions, except par value	
ASSETS		
Current assets:		
Cash, cash equivalents and restricted cash	$ 2,517	$ 3,232
Accounts receivable, net of allowance for credit losses of $84 and $93, respectively	4,319	4,237
Inventory	7,512	6,862
Other current assets	4,245	3,646
Total current assets	18,593	17,977
Property, plant and equipment, net	2,794	2,827
Goodwill	8,590	8,591
Other non-current assets	7,456	7,609
Total assets	$ 37,433	$ 37,004
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Notes payable and short-term borrowings	$ 265	$ 230
Accounts payable	14,362	14,046
Other current liabilities	10,212	10,212
Total current liabilities	24,839	24,488
Long-term debt	9,327	9,254
Other non-current liabilities	4,183	4,331
Stockholders' deficit:		
Preferred stock, $0.01 par value (300 shares authorized; none issued)	—	—
Common stock, $0.01 par value (9,600 shares authorized; 978 and 989 shares issued and outstanding at April 30, 2024 and October 31, 2023, respectively)	10	10
Additional paid-in capital	1,663	1,505
Accumulated deficit	(2,257)	(2,361)
Accumulated other comprehensive loss	(332)	(223)
Total stockholders' deficit	(916)	(1,069)
Total liabilities and stockholders' deficit	$ 37,433	$ 37,004

The accompanying notes are an integral part of these Consolidated Condensed Financial Statements.

HP INC. AND SUBSIDIARIES

Consolidated Condensed Statements of Cash Flows

(Unaudited)

	Six months ended April 30	
	2024	2023
	In millions	
Cash flows from operating activities:		
Net earnings	$ 1,229	$ 1,523
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	414	421
Stock-based compensation expense	271	262
Restructuring and other charges	134	341
Deferred taxes on earnings	—	(825)
Other, net	(13)	36
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(106)	426
Inventory	(678)	374
Accounts payable	360	(1,933)
Net investment in leases	(81)	(51)
Taxes on earnings	(128)	330
Restructuring and other	(144)	(167)
Other assets and liabilities	(556)	(117)
Net cash provided by operating activities	702	620
Cash flows from investing activities:		
Investment in property, plant and equipment, net	(277)	(322)
Purchases of available-for-sale securities and other investments	—	(5)
Maturities and sales of available-for-sale securities and other investments	—	18
Collateral posted for derivative instruments	—	(127)
Payment made in connection with business acquisitions, net of cash acquired	—	(5)
Net cash used in investing activities	(277)	(441)
Cash flows from financing activities:		
Payment of short-term borrowings with original maturities less than 90 days, net	—	(10)
Proceeds from debt, net of issuance costs	186	117
Payment of debt and associated costs	(102)	(587)
Stock-based award activities and others	(80)	(86)
Repurchase of common stock	(600)	(100)
Cash dividends paid	(544)	(518)
Collateral returned for derivative instruments	—	(200)
Net cash used in financing activities	(1,140)	(1,384)
Decrease in cash, cash equivalents and restricted cash	(715)	(1,205)
Cash, cash equivalents and restricted cash at beginning of period	3,232	3,145
Cash, cash equivalents and restricted cash at end of period	$ 2,517	$ 1,940

The accompanying notes are an integral part of these Consolidated Condensed Financial Statements.

HP INC. AND SUBSIDIARIES

Consolidated Condensed Statements of Stockholders' Deficit

(Unaudited)

	Common Stock					
	Number of Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
	In millions, except number of shares in thousands					
Balance at October 31, 2023	988,782	$ 10	$ 1,505	$ (2,361)	$ (223)	$ (1,069)
Net earnings	—	—	—	622	—	622
Other comprehensive loss, net of taxes	—	—	—	—	(235)	(235)
Comprehensive income	—	—	—	—	—	387
Issuance of common stock in connection with employee stock plans and other	8,677	—	(76)	—	—	(76)
Repurchases of common stock (Note 10)	(17,062)	—	(27)	(487)	—	(514)
Cash dividends ($0.55 per common share)	—	—	—	(545)	—	(545)
Stock-based compensation expense	—	—	177	—	—	177
Balance at January 31, 2024	980,397	$ 10	$ 1,579	$ (2,771)	$ (458)	$ (1,640)
Net earnings	—	—	—	607	—	607
Other comprehensive income, net of taxes	—	—	—	—	126	126
Comprehensive income	—	—	—	—	—	733
Issuance of common stock in connection with employee stock plans and other	584	—	(4)	—	—	(4)
Repurchases of common stock (Note 10)	(3,474)	—	(6)	(93)	—	(99)
Stock-based compensation expense	—	—	94	—	—	94
Balance at April 30, 2024	977,507	$ 10	$ 1,663	$ (2,257)	$ (332)	$ (916)

	Common Stock					
	Number of Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Deficit
	In millions, except number of shares in thousands					
Balance at October 31, 2022	979,869	$ 10	$ 1,172	$ (4,492)	$ 285	$ (3,025)
Net earnings	—	—	—	469	—	469
Other comprehensive loss, net of taxes	—	—	—	—	(741)	(741)
Comprehensive loss	—	—	—	—	—	(272)
Issuance of common stock in connection with employee stock plans and other	8,844	—	(79)	—	—	(79)
Repurchases of common stock (Note 10)	(3,624)	—	(4)	(96)	—	(100)
Cash dividends ($0.53 per common share)	—	—	—	(518)	—	(518)
Stock-based compensation expense	—	—	167	—	—	167
Balance at January 31, 2023	985,089	$ 10	$ 1,256	$ (4,637)	$ (456)	$ (3,827)
Net earnings	—	—	—	1,054	—	1,054
Other comprehensive income, net of taxes	—	—	—	—	88	88
Comprehensive income	—	—	—	—	—	1,142
Issuance of common stock in connection with employee stock plans and other	787	—	(7)	—	—	(7)
Cash dividends	—	—	—	4	—	4
Stock-based compensation expense	—	—	95	—	—	95
Balance at April 30, 2023	985,876	$ 10	$ 1,344	$ (3,579)	$ (368)	$ (2,593)

The accompanying notes are an integral part of these Consolidated Condensed Financial Statements.

HP INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements

(Unaudited)

Note 1: Basis of Presentation

Basis of Presentation

The accompanying Consolidated Condensed Financial Statements of HP and its wholly owned subsidiaries are prepared in conformity with United States ("U.S.") generally accepted accounting principles ("GAAP"). The interim financial information is unaudited but reflects all normal adjustments that are necessary to provide a fair statement of results for the interim periods presented. This interim information should be read in conjunction with the Consolidated Financial Statements for the fiscal year ended October 31, 2023 in HP's Annual Report on Form 10-K, filed on December 18, 2023. The Consolidated Condensed Balance Sheet for October 31, 2023 was derived from audited financial statements.

Principles of Consolidation

The Consolidated Condensed Financial Statements include the accounts of HP and its subsidiaries and affiliates in which HP has a controlling financial interest or is the primary beneficiary. All intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in HP's Consolidated Condensed Financial Statements and accompanying notes. Actual results may differ materially from those estimates.

Recently Adopted Accounting Pronouncements

In September 2022, the Financial Accounting Standards Board ("FASB") issued guidance that enhances the transparency about the use of supplier finance programs. Under the new guidance, companies that use a supplier finance program in connection with the purchase of goods or services are required to disclose information about those programs to allow users of financial statements to understand the nature, activity during the period, changes from period to period, and potential magnitude. HP adopted this guidance in the first quarter of fiscal year 2024, except for the disclosure on roll forward information which will be adopted in fiscal year 2025, in line with the effective adoption dates prescribed by the FASB. See Note 6, "Supplementary Financial Information," for additional disclosure related to HP's supplier finance programs.

Recently Issued Accounting Pronouncements Not Yet Adopted

In December 2023, the FASB issued guidance that enhances the transparency of income tax disclosures by expanding annual disclosure requirements related to the rate reconciliation and income taxes paid. HP is required to adopt this guidance for its annual period ending October 31, 2026. Early adoption is permitted. HP is currently evaluating the impact of this guidance on its disclosures.

In November 2023, the FASB issued guidance that updates reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses and information used to assess segment performance on an annual and interim basis. HP is required to adopt this guidance for its annual period ending October 31, 2025 and all interim periods thereafter. Early adoption is permitted. HP is currently evaluating the impact of this guidance on its disclosures.

HP INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 2: Segment Information

HP's operations are organized into three reportable segments: Personal Systems, Printing, and Corporate Investments.

Personal Systems offers commercial and consumer desktops and notebooks, detachables and convertibles, workstations, thin clients, commercial mobility devices, retail point-of-sale ("POS") systems, displays, hybrid systems, software, solutions and services. Personal Systems includes support and deployment, configurations and extended warranty services and maintains multi-operating system and multi-architecture strategies using Microsoft Windows and Google Chrome operating systems, and predominantly use processors from Intel Corporation ("Intel") and Advanced Micro Devices, Inc. ("AMD").

Personal Systems groups its global business capabilities into the following business units when reporting business performance:

- *Commercial PS* consists of devices and accessories, including workstations, thin clients, mobility devices and hybrid systems, for use by enterprise, public sector (which includes education), and small- and medium-sized business ("SMB") customers. HP offers a range of services and solutions to commercial customers to help them manage the lifecycle of their personal computers ("PCs") and mobility installed base.
- *Consumer PS* consists of devices, accessories and services which are optimized for consumer usage, focusing on gaming, learning and working remotely, consuming multi-media for entertainment, managing personal life activities, sharing information, and staying connected informed and secure.

Printing offers consumer and commercial printer hardware, supplies, services and solutions. Printing is also focused on Graphics and 3D Printing and Personalization in the commercial and industrial markets. HP global business capabilities within Printing are described below:

- *Office Printing Solutions* delivers HP's office printers, supplies, services, and solutions to SMBs, public sector and large enterprises. It also includes Original Equipment Manufacturer ("OEM") hardware and solutions.
- *Home Printing Solutions* delivers innovative printing products, supplies, services and solutions for the home and home business.
- *Graphics Solutions* delivers large-format, commercial and industrial solutions and supplies to print service providers and packaging converters through a wide portfolio of printers and presses (HP DesignJet, HP Latex, HP Indigo and HP PageWide Web Presses).
- *3D Printing & Personalization* offers a portfolio of additive manufacturing solutions and supplies to help customers succeed in their additive and digital manufacturing journey. HP offers complete solutions in collaboration with an ecosystem of partners.

Printing groups its global business capabilities into the following business units when reporting business performance:

- *Commercial Printing* consists of office printing solutions, graphics solutions and 3D printing and personalization, excluding supplies;
- *Consumer Printing* consists of home printing solutions, excluding supplies; and
- *Supplies* comprises a set of highly innovative consumable products, ranging from ink and laser cartridges to media, graphics supplies and 3D printing and digital manufacturing supplies, for recurring use in consumer and commercial hardware.

Corporate Investments includes certain business incubation and investment projects.

HP does not allocate certain operating expenses, which it manages at the corporate level, to its segments. These unallocated amounts include expenses such as certain corporate governance costs and infrastructure investments, stock-based compensation expense, restructuring and other charges, acquisition and divestiture charges and amortization of intangible assets.

HP INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Segment Operating Results and the reconciliation to HP consolidated results were as follows:

	Three months ended April 30		Six months ended April 30	
	2024	2023	2024	2023
	In millions			
Net revenue:				
Commercial PS	$ 6,242	$ 5,916	$ 12,287	$ 12,298
Consumer PS	2,184	2,253	4,948	5,056
Personal Systems	8,426	8,169	17,235	17,354
Supplies	2,864	3,006	5,727	5,863
Commercial Printing	1,205	1,373	2,432	2,761
Consumer Printing	299	357	584	724
Printing	4,368	4,736	8,743	9,348
Corporate Investments	5	3	7	4
Total segment net revenue	12,799	12,908	25,985	26,706
Other	1	(1)	—	(1)
Total net revenue	$ 12,800	$ 12,907	$ 25,985	$ 26,705
Earnings before taxes:				
Personal Systems	$ 508	$ 431	$ 1,045	$ 906
Printing	829	899	1,701	1,769
Corporate Investments	(30)	(38)	(67)	(71)
Total segment earnings from operations	1,307	1,292	2,679	2,604
Corporate and unallocated costs and other	(88)	(90)	(177)	(182)
Stock-based compensation expense	(94)	(95)	(271)	(262)
Restructuring and other charges	(71)	(200)	(134)	(341)
Acquisition and divestiture charges	(22)	(74)	(49)	(158)
Amortization of intangible assets	(80)	(86)	(161)	(171)
Interest and other, net	(155)	(160)	(297)	(341)
Total earnings before taxes	$ 797	$ 587	$ 1,590	$ 1,149

Realignment

Effective at the beginning of its first quarter of fiscal year 2024, HP realigned its business unit financial reporting more closely with its customer market segmentation. The realignment resulted in the transfer of LaserJet printers net revenues from Consumer Printing to Commercial Printing. HP reflected this change to its business unit information in prior reporting periods on an as-if basis which resulted in the reclassification of net revenues from Consumer Printing to Commercial Printing. The reporting change had no impact to previously reported segment net revenue, consolidated net revenue, earnings from operations, net earnings or net earnings per share (“EPS”).

HP INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements

(Unaudited)

Note 3: Restructuring and Other Charges

Summary of Restructuring Plans

HP's restructuring activities summarized by plan were as follows:

	Fiscal 2023 Plan			
	Severance and EER	Non-labor	Other prior-year plans[1]	Total
	In millions			
Accrued balance as of October 31, 2023	$ 88	$ 18	$ 2	$ 108
Charges	93	6	3	102
Cash payments	(100)	(9)	(3)	(112)
Non-cash and other adjustments	2	(2)	(2)	(2)
Accrued balance as of April 30, 2024	$ 83	$ 13	$ —	$ 96
Total costs incurred to date as of April 30, 2024	$ 495	$ 47	$ 869	$ 1,411
Reflected in Consolidated Condensed Balance Sheets				
Other current liabilities	$ 83	$ 3	$ —	$ 86
Other non-current liabilities	$ —	$ 10	$ —	$ 10
Accrued balance as of October 31, 2022	$ —	$ —	$ 32	$ 32
Charges	294	13	2	309
Cash payments	(92)	(8)	(35)	(135)
Non-cash and other adjustments	(141) [2]	(5)	3	(143)
Accrued balance as of April 30, 2023	$ 61	$ —	$ 2	$ 63

HP's restructuring charges for the three months ended April 30, 2024 summarized by the plans outlined below were as follows:

	Fiscal 2023 Plan			
	Severance and EER	Non-labor	Other prior-year plans[1]	Total
	In millions			
For the three months ended April 30, 2024	$ 50	$ 4	$ —	$ 54

(1) Primarily includes the fiscal 2020 plan along with other legacy plans, all of which are substantially complete. HP does not expect any further material activity associated with these plans.

(2) Includes reclassification of liabilities related to the Enhanced Early Retirement ("EER") program of $139 million for pension and post-retirement plan special termination benefits. See Note 4 "Retirement and Post-Retirement Benefit Plans" for further information.

Fiscal 2023 Plan

On November 18, 2022, HP's Board of Directors approved the Future Ready Plan (the "Fiscal 2023 Plan") intended to enable digital transformation, portfolio optimization and operational efficiency which HP expects will be implemented through fiscal year 2025. HP expects to reduce global headcount by approximately 4,000 to 6,000 employees. HP estimates that it will incur pre-tax charges of approximately $1.0 billion of which approximately $0.7 billion primarily in labor costs related to workforce reductions and the remaining costs will relate to non-labor actions and other charges.

Other Charges

Other charges include non-recurring costs, including those as a result of information technology rationalization efforts and transformation program management costs, and are distinct from ongoing operational costs. These costs primarily relate to third-party professional services and other non-recurring costs. For the three and six months ended April 30, 2024, HP incurred $17 million and $32 million of other charges, respectively. For the three and six months ended April 30, 2023, HP incurred $22 million and $32 million of other charges, respectively.

HP INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements

(Unaudited)

Note 4: Retirement and Post-Retirement Benefit Plans

The components of HP's pension and post-retirement benefit (credit) cost recognized in the Consolidated Condensed Statements of Earnings were as follows:

	Three months ended April 30					
	U.S. Defined Benefit Plans		Non-U.S. Defined Benefit Plans		Post-Retirement Benefit Plans	
	2024	2023	2024	2023	2024	2023
	In millions					
Service cost	$ —	$ —	$ 9	$ 11	$ —	$ —
Interest cost	57	55	11	10	4	3
Expected return on plan assets	(62)	(64)	(13)	(13)	(4)	(3)
Amortization and deferrals:						
Actuarial loss (gain)	7	4	—	1	(4)	(4)
Prior service cost (credit)	—	—	1	2	(2)	(3)
Net periodic benefit (credit) cost	2	(5)	8	11	(6)	(7)
Settlement gain (loss)	—	—	1	(1)	—	—
Special termination benefit cost	—	105	—	—	—	34
Total periodic benefit (credit) cost	$ 2	$ 100	$ 9	$ 10	$ (6)	$ 27

	Six months ended April 30					
	U.S. Defined Benefit Plans		Non-U.S. Defined Benefit Plans		Post- Retirement Benefit Plans	
	2024	2023	2024	2023	2024	2023
	In millions					
Service cost	$ —	$ —	$ 18	$ 20	$ —	$ —
Interest cost	114	109	23	20	8	7
Expected return on plan assets	(123)	(129)	(26)	(26)	(8)	(6)
Amortization and deferrals:						
Actuarial loss (gain)	14	9	—	2	(8)	(8)
Prior service cost (credit)	—	—	3	3	(5)	(6)
Net periodic benefit (credit) cost	5	(11)	18	19	(13)	(13)
Settlement loss	—	—	1	—	—	—
Special termination benefit cost	—	105	—	—	—	34
Total periodic benefit (credit) cost	$ 5	$ 94	$ 19	$ 19	$ (13)	$ 21

Employer Contributions and Funding Policy

HP's policy is to fund its pension plans so that it makes at least the minimum contribution required by local government, funding and taxing authorities.

During fiscal year 2024, HP anticipates making contributions of approximately $45 million to its non-U.S. pension plans, approximately $31 million to its U.S. non-qualified plan participants and approximately $3 million to cover benefit claims under HP's post-retirement benefit plans. During the six months ended April 30, 2024, HP contributed $33 million to its non-U.S. pension plans, paid $13 million to cover benefit payments to U.S. non-qualified plan participants and paid $3 million to cover benefit claims under HP's post-retirement benefit plans.

HP's pension and other post-retirement benefit costs and obligations depend on various assumptions. Differences between expected and actual returns on investments and changes in discount rates and other actuarial assumptions are reflected as unrecognized gains or losses, and such gains or losses are amortized to earnings in future periods. A deterioration in the funded status of a plan could result in a need for additional contributions or an increase in net pension and post-retirement benefit costs in future periods. Actuarial gains or losses are determined at the measurement date and amortized over the remaining service life for active plans or the life expectancy of plan participants for frozen plans.

Retirement Incentive Program

As part of the Fiscal 2023 Plan, HP announced a voluntary EER program for its U.S. employees in January 2023. Voluntary participation in the EER program was limited to employees at least 55 years old with 10 or more years of service at HP. Employees accepted into the EER program left HP on dates ranging from March 15, 2023 to October 31, 2023. The U.S. defined benefit pension plan was amended to provide that the EER benefit was to be paid from the plan for eligible electing EER participants. The retirement incentive benefit was calculated as a lump sum based on years of service at HP at the time of retirement, ranging from 20 to 52 weeks of pay. As a result of this retirement incentive, HP recognized a special termination benefit ("STB") expense of $105 million for the six months ended April 30, 2023 as a restructuring charge. This expense is the present value of all additional benefits that HP will distribute from the pension plan assets.

All employees participating in the EER program were offered the opportunity to continue health care coverage at the active employee contribution rates for up to 36 months following retirement, but not beyond age 65 when Medicare is available. In addition, HP provided up to $12,000 in employer credits under the Retirement Medical Savings Account program. HP recognized an additional STB expense of $34 million as restructuring and other charges for the six months ended April 30, 2023 for the health care incentives.

Note 5: Taxes on Earnings

Provision for Taxes

HP's effective tax rate was 23.8% and (79.6)% for the three months ended April 30, 2024 and 2023, respectively and 22.7% and (32.6)% for the six months ended April 30, 2024 and 2023, respectively. The difference between the U.S. federal statutory tax rate of 21% and HP's effective tax rate for the three and six months ended April 30, 2023 was primarily due to tax effects of internal reorganization.

During the three and six months ended April 30, 2023, HP recorded $636 million and $692 million, respectively of net income tax benefits related to discrete items in the provision for taxes. These amounts included income tax benefits of $691 million and $697 million related to tax effects of internal reorganization, $36 million and $66 million related to restructuring charges, and $13 million and $27 million related to acquisition and divestiture charges for the three and six months ended April 30, 2023, respectively. The six months ended April 30, 2023 also included $11 million of other net tax benefits. These benefits were partially offset by income tax charges of $62 million and $58 million related to audit settlements in various jurisdictions, $34 million and $36 million related to the filing of tax returns in various jurisdictions, and $8 million and $15 million of uncertain tax position charges for the three and six months ended April 30, 2023, respectively. During the three and six months ended April 30, 2023, discrete items in the provision for taxes and excess tax benefits associated with stock options, restricted stock units and performance-adjusted restricted stock units were immaterial.

Uncertain Tax Positions

As of April 30, 2024, the amount of gross unrecognized tax benefits was $1.2 billion, of which up to $849 million would affect HP's effective tax rate if realized. Total gross unrecognized tax benefits increased by $36 million for the six months ended April 30, 2024. HP recognizes interest income from favorable settlements and interest expense and penalties accrued on unrecognized tax benefits in the provision for taxes in the Consolidated Condensed Statements of Earnings. As of April 30, 2024 and 2023, HP had accrued $119 million and $86 million, respectively, for interest and penalties.

HP engages in continuous discussions and negotiations with taxing authorities regarding tax matters in various jurisdictions. HP expects complete resolution of certain tax years with various tax authorities within the next 12 months. HP believes it is reasonably possible that its existing gross unrecognized tax benefits may be reduced by $25 million within the next 12 months, affecting HP's effective tax rate if realized.

HP is subject to income tax in the United States and approximately 60 other countries and is subject to routine corporate income tax audits in many of these jurisdictions. In addition, HP is subject to numerous ongoing audits by federal, state and foreign tax authorities. The Internal Revenue Service ("IRS") is conducting an audit of HP's 2018 and 2019 income tax returns.

HP INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 6: Supplementary Financial Information

Cash, cash equivalents and restricted cash

	As of	
	April 30, 2024	October 31, 2023
	In millions	
Cash and cash equivalents	$ 2,442	$ 3,107
Restricted cash[1]	75	125
	$ 2,517	$ 3,232

(1) Restricted cash is related to amounts collected and held on behalf of a third party for trade receivables previously sold.

Accounts Receivable

The allowance for credit losses related to accounts receivable and changes were as follows:

	Six months ended April 30, 2024
	In millions
Balance at beginning of period	$ 93
Benefit of allowance for credit losses	(3)
Deductions, net of recoveries	(6)
Balance at end of period	$ 84

HP utilizes certain third-party arrangements in the normal course of business as part of HPs cash and liquidity management and also to provide liquidity to certain partners to facilitate their working capital requirements. These financing arrangements, which in certain circumstances may contain partial recourse, result in a transfer of HP's receivables and risk to the third-party. As these transfers qualify as true sales under the applicable accounting guidance, the receivables are de-recognized from the Consolidated Condensed Balance Sheets upon transfer, and HP receives a payment for the receivables from the third-party within a mutually agreed upon time period. For arrangements involving an element of recourse, the recourse obligation is measured using market data from similar transactions and reported as a current liability in the Consolidated Condensed Balance Sheets. The recourse obligations as of April 30, 2024 and October 31, 2023 were not material.

The following is a summary of the activity under these arrangements:

	Three months ended April 30		Six months ended April 30	
	2024	2023	2024	2023
	In millions			
Balance at beginning of period[1]	$ 212	$ 128	$ 141	$ 185
Trade receivables sold	2,846	3,179	6,145	6,857
Cash receipts	(2,873)	(3,136)	(6,106)	(6,888)
Foreign currency and other	(4)	3	1	20
Balance at end of period[1]	$ 181	$ 174	$ 181	$ 174

(1) Amounts outstanding from third parties reported in Accounts receivable in the Consolidated Condensed Balance Sheets.

HP INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Inventory

	As of	
	April 30, 2024	October 31, 2023
	In millions	
Finished goods	$ 3,919	$ 3,930
Purchased parts and fabricated assemblies	3,593	2,932
	$ 7,512	$ 6,862

Other Current Assets

	As of	
	April 30, 2024	October 31, 2023
	In millions	
Supplier and other receivables	$ 1,696	$ 1,349
Prepaid and other current assets	1,587	1,445
Value-added taxes receivable	962	852
	$ 4,245	$ 3,646

Property, Plant and Equipment, Net

	As of	
	April 30, 2024	October 31, 2023
	In millions	
Land, buildings and leasehold improvements	$ 2,380	$ 2,332
Machinery and equipment, including equipment held for lease	5,454	5,384
	7,834	7,716
Accumulated depreciation	(5,040)	(4,889)
	$ 2,794	$ 2,827

Other Non-Current Assets

	As of	
	April 30, 2024	October 31, 2023
	In millions	
Deferred tax assets	$ 3,180	$ 3,155
Intangible assets	1,437	1,593
Right-of-use assets	1,143	1,188
Deposits and prepaid	366	427
Prepaid pension and post-retirement benefit assets	344	393
Other	986	853
	$ 7,456	$ 7,609

HP INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Other Current Liabilities

	As of	
	April 30, 2024	October 31, 2023
	In millions	
Sales and marketing programs	$ 3,057	$ 3,053
Deferred revenue	1,409	1,424
Other accrued taxes	1,087	994
Employee compensation and benefit	852	1,046
Warranty	529	569
Operating lease liabilities	465	430
Tax liability	204	217
Other	2,609	2,479
	$ 10,212	$ 10,212

Other Non-Current Liabilities

	As of	
	April 30, 2024	October 31, 2023
	In millions	
Deferred revenue	$ 1,410	$ 1,324
Tax liability	847	904
Operating lease liabilities	771	825
Pension, post-retirement, and post-employment liabilities	528	546
Deferred tax liability	35	44
Other	592	688
	$ 4,183	$ 4,331

Interest and Other, Net

	Three months ended April 30		Six months ended April 30	
	2024	2023	2024	2023
	In millions			
Interest expense on borrowings	$ (122)	$ (153)	$ (238)	$ (297)
Factoring costs	(40)	(30)	(79)	(62)
Loss on extinguishment of debt	—	—	—	(8)
Non-operating retirement-related credits	2	13	6	25
Other, net	5	10	14	1
	$ (155)	$ (160)	$ (297)	$ (341)

Net Revenue by Region

	Three months ended April 30		Six months ended April 30	
	2024	2023	2024	2023
	In millions			
Americas	$ 5,591	$ 5,425	$ 10,999	$ 11,172
Europe, Middle East and Africa ("EMEA")	4,373	4,409	9,041	9,045
Asia-Pacific and Japan	2,836	3,073	5,945	6,488
Total net revenue	$ 12,800	$ 12,907	$ 25,985	$ 26,705

Value of Remaining Performance Obligations

As of April 30, 2024, the estimated value of transaction price allocated to remaining performance obligations was $3.9 billion. HP expects to recognize approximately $1.7 billion of the unearned amount in next 12 months and $2.2 billion thereafter.

HP has elected the practical expedients and accordingly does not disclose the aggregate amount of the transaction price allocated to remaining performance obligations if:

- the contract has an original expected duration of one year or less; or
- the revenue from the performance obligation is recognized over time on an as-invoiced basis when the amount corresponds directly with the value to the customer; or
- the portion of the transaction price that is variable in nature is allocated entirely to a wholly unsatisfied performance obligation.

The remaining performance obligations are subject to change and may be affected by various factors, such as termination of contracts, contract modifications and adjustment for currency.

Contract Liabilities

As of April 30, 2024 and October 31, 2023, HP's contract liabilities balances were $2.8 billion and $2.7 billion, respectively, included in Other current liabilities and Other non-current liabilities in the Consolidated Condensed Balance Sheets.

The increase in the contract liabilities balance for the six months ended April 30, 2024, was primarily driven by sales of fixed-price support and maintenance services, partially offset by $0.8 billion of revenue recognized that was included in the contract liabilities balance as of October 31, 2023.

Supplier Finance Programs

HP facilitates voluntary supplier finance programs to provide certain suppliers the opportunity to sell their right to HP's payment obligations to participating financial institutions. Under this program, HP agrees to pay the participating financial institutions the stated amount of confirmed invoices from its designated suppliers on the original maturity dates of the invoices. Participation by suppliers in these programs have no impact on the payment terms and amounts due from HP. HP does not have an economic interest in a supplier's participation in the program and is not a party to the agreement between the supplier and the financial institutions. In connection with these programs, HP does not pledge assets or other forms of guarantees as security for the committed payment to the participating financial institutions. For certain programs, HP pays a monthly service fee to a third-party administrator that provides the supplier finance platform and related support. HP and the participating financial institutions may terminate the agreement upon at least 30 days notice. As of April 30, 2024 and October 31, 2023, HP had $6.8 billion and $6.6 billion respectively, in obligations outstanding (i.e., unpaid invoices) that were confirmed as valid under the supplier finance programs. Of the amounts confirmed as valid under the program and outstanding, the amounts owed to participating financial institutions were $0.8 billion and $0.9 billion as of April 30, 2024 and October 31, 2023, respectively. These obligations are included within the Accounts payable line item of HP's Consolidated Condensed Balance Sheet.

Note 7: Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date.

Fair Value Hierarchy

HP uses valuation techniques that are based upon observable and unobservable inputs. Observable inputs are developed using market data such as publicly available information and reflect the assumptions market participants would use, while unobservable inputs are developed using the best information available about the assumptions market participants would use. Assets and liabilities are classified in the fair value hierarchy based on the lowest level input that is significant to the fair value measurement:

Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2—Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs.

Level 3—Unobservable inputs for the asset or liability.

The fair value hierarchy gives the highest priority to observable inputs and lowest priority to unobservable inputs.

The following table presents HP's assets and liabilities that are measured at fair value on a recurring basis:

	As of April 30, 2024				As of October 31, 2023			
	Fair Value Measured Using				Fair Value Measured Using			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	In millions							
Assets:								
Cash Equivalents:								
Corporate debt	$ —	$ 797	$ —	$ 797	$ —	$ 589	$ —	$ 589
Government debt(1)	818	—	—	818	1,900	—	—	1,900
Available-for-Sale Investments:								
Financial institution instruments	—	3	—	3	—	3	—	3
Marketable securities and mutual funds(2)	36	131	—	167	33	45	—	78
Derivative Instruments:								
Foreign currency contracts	—	314	—	314	—	489	—	489
Total assets	$ 854	$ 1,245	$ —	$ 2,099	$ 1,933	$ 1,126	$ —	$ 3,059
Liabilities:								
Derivative Instruments:								
Interest rate contracts	$ —	$ 43	$ —	$ 43	$ —	$ 58	$ —	$ 58
Foreign currency contracts	—	202	—	202	—	212	—	212
Other derivatives	—	4	—	4	—	2	—	2
Total liabilities	$ —	$ 249	$ —	$ 249	$ —	$ 272	$ —	$ 272

(1) Government debt includes instruments such as U.S. treasury notes, U.S. agency securities and non-U.S. government bonds. Money market funds invested in government debt and traded in active markets are included in Level 1.

(2) As of April 30, 2024, $82 million of debt securities were restricted to fund benefits received by qualifying employees under a sponsored defined benefit plan.

Valuation Techniques

Cash Equivalents and Investments: HP holds time deposits, money market funds, mutual funds, other debt securities primarily consisting of corporate and foreign government notes and bonds, and common stock and equivalents. HP values cash equivalents and equity investments using quoted market prices, alternative pricing sources, including net asset value, or models utilizing market observable inputs. The fair value of debt investments is based on quoted market prices or model-driven valuations using inputs primarily derived from or corroborated by observable market data and, in certain instances, valuation models that utilize assumptions which cannot be corroborated with observable market data.

Derivative Instruments: HP uses industry standard valuation models to measure fair value. Where applicable, these models project future cash flows and discount the future amounts to present value using market-based observable inputs, including interest rate curves, HP and counterparty credit risk, foreign exchange rates, and forward and spot prices for currencies and interest rates. See Note 8, “Financial Instruments” for a further discussion of HP’s use of derivative instruments.

Other Fair Value Disclosures

Short- and Long-Term Debt: HP estimates the fair value of its debt primarily using an expected present value technique, which is based on observable market inputs using interest rates currently available to companies of similar credit standing for similar terms and remaining maturities and considering its own credit risk. The portion of HP’s debt that is hedged is reflected in the Consolidated Condensed Balance Sheets as an amount equal to the debt’s carrying amount and a fair value adjustment representing changes in the fair value of the hedged debt obligations arising from movements in benchmark interest rates. The fair value of HP’s short- and long-term debt was $9.0 billion as compared to its carrying amount of $9.6 billion at April 30, 2024. The fair value of HP’s short- and long-term debt was $8.5 billion as compared to its carrying value of $9.5 billion at October 31, 2023. If measured at fair value in the Consolidated Condensed Balance Sheets, short- and long-term debt would be classified in Level 2 of the fair value hierarchy.

Other Financial Instruments: For the balance of HP’s financial instruments, primarily accounts receivable, accounts payable and financial liabilities included in Other current liabilities on the Consolidated Condensed Balance Sheets, the carrying amounts approximate fair value due to their short maturities. If measured at fair value in the Consolidated Condensed Balance Sheets, these other financial instruments would be classified as Level 2 or Level 3 of the fair value hierarchy.

Non-Marketable Equity Investments and Non-Financial Assets: HP’s non-marketable equity investments are measured at cost less impairment, adjusted for observable price changes. HP’s non-financial assets, such as intangible assets, goodwill and property, plant and equipment, are recorded at fair value in the period an impairment charge is recognized. If measured at fair value in the Consolidated Condensed Balance Sheets these would generally be classified within Level 3 of the fair value hierarchy.

HP INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 8: Financial Instruments

Cash Equivalents and Available-for-Sale Investments

	As of April 30, 2024				As of October 31, 2023			
	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	In millions							
Cash Equivalents:								
Corporate debt	$ 797	$ —	$ —	$ 797	$ 589	$ —	$ —	$ 589
Government debt	818	—	—	818	1,900	—	—	1,900
Total cash equivalents	1,615	—	—	1,615	2,489	—	—	2,489
Available-for-Sale Investments:								
Financial institution instruments	3	—	—	3	3	—	—	3
Marketable securities and mutual funds[(1)]	122	45	—	167	40	38	—	78
Total available-for-sale investments	125	45	—	170	43	38	—	81
Total cash equivalents and available-for-sale investments	$ 1,740	$ 45	$ —	$ 1,785	$ 2,532	$ 38	$ —	$ 2,570

(1) As of April 30, 2024, $82 million of debt securities were restricted to fund benefits received by qualifying employees under a sponsored defined benefit plan.

All highly liquid investments with original maturities of three months or less at the date of acquisition are considered cash equivalents. As of April 30, 2024 and October 31, 2023, the carrying amount of cash equivalents approximated fair value due to the short period of time to maturity. The estimated fair value of the available-for-sale investments may not be representative of values that will be realized in the future.

Contractual maturities of investments in available-for-sale debt securities were as follows:

	As of April 30, 2024	
	Amortized Cost	Fair Value
	In millions	
Due in one year	$ 19	$ 19
Due in one to five years	66	66
	$ 85	$ 85

Non-marketable equity securities in privately held companies are included in Other non-current assets in the Consolidated Condensed Balance Sheets. These amounted to $108 million and $111 million as of April 30, 2024 and October 31, 2023, respectively.

HP determines credit losses on cash equivalents and available-for-sale debt securities at the individual security level. All instruments are considered investment grade. No credit-related or noncredit-related impairment losses were recorded for the three and six months ended April 30, 2024.

Derivative Instruments

HP uses derivative instruments, primarily forward contracts, interest rate swaps, total return swaps, treasury rate locks, forward starting swaps and option contracts to offset business exposure to foreign currency and interest rate risk on expected future cash flows and on certain existing assets and liabilities. HP may designate its derivative contracts as fair value hedges or cash flow hedges and classifies the cash flows with the activities that correspond to the underlying hedged items. Additionally, for derivatives not designated as hedging instruments, HP categorizes those economic hedges as other derivatives. HP recognizes all derivative instruments at fair value in the Consolidated Condensed Balance Sheets.

HP INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

As a result of its use of derivative instruments, HP is exposed to the risk that its counterparties will fail to meet their contractual obligations. Master netting agreements mitigate credit exposure to counterparties by permitting HP to net amounts due from HP to counterparty against amounts due to HP from the same counterparty under certain conditions. To further limit credit risk, HP has collateral security agreements that allow HP's custodian to hold collateral from, or require HP to post collateral to, counterparties when the net fair value of financial instruments fluctuates from contractually established thresholds. The Company includes gross collateral posted and received in other current assets and other current liabilities in the Consolidated Condensed Balance Sheets, respectively. The fair value of derivatives with credit contingent features in a net liability position was $101 million and $91 million as of April 30, 2024 and as of October 31, 2023, respectively, all of which were fully collateralized within two business days.

Under HP's derivative contracts, the counterparty can terminate all outstanding trades following a covered change of control event affecting HP that results in the surviving entity being rated below a specified credit rating. This credit contingent provision did not affect HP's financial position or cash flows as of April 30, 2024 and October 31, 2023.

Fair Value Hedges

HP enters into fair value hedges, such as interest rate swaps, to reduce the exposure of its debt portfolio to changes in fair value resulting from changes in benchmark interest rates on HP's future interest payments.

For derivative instruments that are designated and qualify as fair value hedges, HP recognizes the change in fair value of the derivative instrument, as well as the offsetting change in the fair value of the hedged item, in Interest and other, net in the Consolidated Condensed Statements of Earnings in the period of change.

Cash Flow Hedges

HP uses forward contracts, option contracts, treasury rate locks and forward starting swaps designated as cash flow hedges to protect against the foreign currency exchange and interest rate risks inherent in its forecasted net revenue, cost of revenue, operating expenses and debt issuance. HP's foreign currency cash flow hedges mature predominantly within twelve months; however, hedges related to long-term procurement arrangements extend several years.

For derivative instruments that are designated and qualify as cash flow hedges, HP initially records changes in fair value of the derivative instrument in Accumulated other comprehensive loss as a separate component of Stockholders' deficit in the Consolidated Condensed Balance Sheets and subsequently reclassifies these amounts into earnings in the period during which the hedged transaction is recognized in earnings. HP reports the changes in the fair value of the derivative instrument in the same financial statement line item as changes in the fair value of the hedged item.

Other Derivatives

Other derivatives not designated as hedging instruments consist primarily of forward contracts used to hedge foreign currency-denominated balance sheet exposures. HP also uses total return swaps to hedge its executive deferred compensation plan liability.

For derivative instruments not designated as hedging instruments, HP recognizes changes in fair value of the derivative instrument, as well as the offsetting change in the fair value of the hedged item, in Interest and other, net in the Consolidated Condensed Statements of Earnings in the period of change.

Hedge Effectiveness

For interest rate swaps designated as fair value hedges, HP measures hedge effectiveness by offsetting the change in fair value of the hedged item with the change in fair value of the derivative. For foreign currency options, forward contracts and forward starting swaps designated as cash flow hedges, HP measures hedge effectiveness by comparing the cumulative change in fair value of the hedge contract with the cumulative change in fair value of the hedged item, both of which are based on forward rates.

During the three and six months ended April 30, 2024 and 2023, no portion of the hedging instruments' gain or loss was excluded from the assessment of effectiveness for fair value and cash flow hedges.

Fair Value of Derivative Instruments in the Consolidated Condensed Balance Sheets

The gross notional and fair value of derivative instruments in the Consolidated Condensed Balance Sheets were as follows:

HP INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements (Continued)
(Unaudited)

	As of April 30, 2024					As of October 31, 2023				
	Outstanding Gross Notional	Other Current Assets	Other Non-Current Assets	Other Current Liabilities	Other Non-Current Liabilities	Outstanding Gross Notional	Other Current Assets	Other Non-Current Assets	Other Current Liabilities	Other Non-Current Liabilities
	In millions									
Derivatives designated as hedging instruments										
Fair value hedges:										
Interest rate contracts	$ 750	$ —	$ —	$ —	$ 43	$ 750	$ —	$ —	$ —	$ 58
Cash flow hedges:										
Foreign currency contracts	15,286	264	38	142	54	15,278	410	70	147	52
Total derivatives designated as hedging instruments	16,036	264	38	142	97	16,028	410	70	147	110
Derivatives not designated as hedging instruments										
Foreign currency contracts	3,544	12	—	6	—	4,446	9	—	13	—
Other derivatives	138	—	—	4	—	125	—	—	2	—
Total derivatives not designated as hedging instruments	3,682	12	—	10	—	4,571	9	—	15	—
Total derivatives	$ 19,718	$ 276	$ 38	$ 152	$ 97	$ 20,599	$ 419	$ 70	$ 162	$ 110

Offsetting of Derivative Instruments

HP recognizes all derivative instruments on a gross basis in the Consolidated Condensed Balance Sheets. HP does not offset the fair value of its derivative instruments against the fair value of cash collateral posted under its collateral security agreements. As of April 30, 2024 and October 31, 2023, information related to the potential effect of HP's master netting agreements and collateral security agreements was as follows:

	In the Consolidated Condensed Balance Sheets					
	(i)	(ii)	(iii) = (i)–(ii)	(iv)	(v)	(vi) = (iii)–(iv)–(v)
				Gross Amounts Not Offset		
	Gross Amount Recognized	Gross Amount Offset	Net Amount Presented	Derivatives	Financial Collateral	Net Amount
	In millions					
As of April 30, 2024						
Derivative assets	$ 314	$ —	$ 314	$ 144	$ 128 (1)	$ 42
Derivative liabilities	$ 249	$ —	$ 249	$ 144	$ 105 (2)	$ —
As of October 31, 2023						
Derivative assets	$ 489	$ —	$ 489	$ 178	$ 291 (1)	$ 20
Derivative liabilities	$ 272	$ —	$ 272	$ 178	$ 89 (2)	$ 5

(1) Represents the cash collateral posted by counterparties as of the respective reporting date for HP's asset position, net of derivative amounts that could be offset, as of, generally, two business days prior to the respective reporting date.

(2) Represents the collateral posted by HP including any re-use of counterparty cash collateral as of the respective reporting date for HP's liability position, net of derivative amounts that could be offset as of, generally, two business days prior to the respective reporting date.

Effect of Derivative Instruments in the Consolidated Condensed Statements of Earnings

The pre-tax effect of derivative instruments and related hedged items in a fair value hedging relationship were as follows:

HP INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Derivative Instrument	Hedged Item	Location	Year	Total amounts of income/(expense) line items in the statement of financial performance in which the effects of fair value hedges are recorded	Gain/(loss) recognized in earnings on derivative instruments	Gain/(loss) recognized in earnings on hedged item
				In millions		
Three months ended April 30						
Interest rate contract	Fixed-rate debt	Interest and other, net	2024	$ (155)	$ —	$ —
			2023	$ (160)	$ 7	$ (7)
Six months ended April 30						
Interest rate contract	Fixed-rate debt	Interest and other, net	2024	$ (297)	$ 15	$ (15)
			2023	$ (341)	$ 21	$ (21)

The pre-tax effect of derivative instruments in cash flow hedging relationships included in Accumulated other comprehensive (loss) income was as follows:

	Three months ended April 30		Six months ended April 30	
	2024	2023	2024	2023
	In millions			
Gain/(loss) recognized in Accumulated other comprehensive (loss) income on derivatives:				
Foreign currency contracts	$ 151	$ (66)	$ (11)	$ (689)

The pre-tax effect of derivative instruments in cash flow hedging relationships included in earnings were as follows:

	Total amounts of income/(expense) line items in the statement of financial performance in which the effects of cash flow hedges are recorded				Gain/(loss) reclassified from Accumulated other comprehensive (loss) income into earnings			
	Three months ended April 30		Six months ended April 30		Three months ended April 30		Six months ended April 30	
	2024	2023	2024	2023	2024	2023	2024	2023
	In millions							
Net revenue	$ 12,800	$ 12,907	$ 25,985	$ 26,705	$ 39	$ (109)	$ 238	$ 277
Cost of revenue	(9,777)	(9,993)	(20,074)	(21,004)	(36)	(55)	(76)	(109)
Operating expenses	(2,071)	(2,167)	(4,024)	(4,211)	(1)	(1)	(4)	(2)
Interest and other, net	(155)	(160)	(297)	(341)	3	3	6	6
Total					$ 5	$ (162)	$ 164	$ 172

As of April 30, 2024, HP expects to reclassify an estimated accumulated other comprehensive gain of $70 million, net of taxes, to earnings within the next twelve months associated with cash flow hedges along with the earnings effects of the related forecasted transactions. The amounts ultimately reclassified into earnings could be different from the amounts previously included in Accumulated other comprehensive (loss) income based on the change of market rate, and therefore could have different impact on earnings.

HP INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

The pre-tax effect of derivative instruments not designated as hedging instruments recognized in Interest and other, net in the Consolidated Condensed Statements of Earnings as follows:

	Gain/(loss) recognized in earnings on derivative instrument				
		Three months ended April 30		Six months ended April 30	
	Location	2024	2023	2024	2023
		In millions			
Foreign currency contracts	Interest and other, net	$ 6	$ 4	$ 7	$ (40)
Other derivatives	Interest and other, net	(6)	(6)	(2)	—
Total		$ —	$ (2)	$ 5	$ (40)

HP INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 9: Borrowings

Notes Payable and Short-Term Borrowings

	As of April 30, 2024		As of October 31, 2023	
	Amount Outstanding	Weighted-Average Interest Rate	Amount Outstanding	Weighted-Average Interest Rate
	In millions			
Current portion of long-term debt	$ 199	6.3 %	$ 179	6.0 %
Notes payable to banks, lines of credit and other	66	1.3 %	51	1.0 %
Total notes payable and short-term borrowings	$ 265		$ 230	

Long-Term Debt

	As of	
	April 30, 2024	October 31, 2023
	In millions	
U.S. Dollar Global Notes[1]		
$1,200 issued at discount to par at a price of 99.863% at 6.00%, due September 2041	$ 1,199	$ 1,199
$1,150 issued at discount to par at a price of 99.769% at 2.20%, due June 2025	1,149	1,149
$1,000 issued at discount to par at a price of 99.718% at 3.00%, due June 2027	999	999
$850 issued at discount to par at a price of 99.790% at 3.40%, due June 2030	503	503
$1,000 issued at discount to par at a price of 99.808% at 1.45%, due June 2026	521	521
$1,000 issued at discount to par at a price of 99.573% at 2.65%, due June 2031[2]	997	997
$1,000 issued at discount to par at a price of 99.767% at 4.00%, due April 2029	999	999
$1,000 issued at discount to par at a price of 99.966% at 4.20%, due April 2032	676	676
$900 issued at discount to par at a price of 99.841% at 4.75%, due January 2028	899	899
$1,100 issued at discount to par at a price of 99.725% at 5.50%, due January 2033	1,098	1,097
$500 issued at par at a price of 100% at 4.75%, due March 2029	3	3
	9,043	9,042
Other borrowings at 1.58%-8.30%, due in fiscal years 2024-2030	577	506
Fair value adjustment related to hedged debt	(43)	(58)
Unamortized debt issuance cost	(51)	(57)
Current portion of long-term debt	(199)	(179)
Total long-term debt	$ 9,327	$ 9,254

(1) HP may redeem some or all of the fixed-rate U.S. Dollar Global Notes at any time in accordance with the terms thereof. The U.S. Dollar Global Notes are senior unsecured debt.

(2) HP allocated an amount equal to the net proceeds to finance or refinance, in whole or in part, environmentally and socially responsible eligible projects in the following eight areas: renewable energy; green buildings; energy efficiency; clean transportation; pollution prevention and control; eco-efficient and/or circular economy products, production technologies and processes; environmentally sustainable management of living natural resources and land use; and socioeconomic advancement and empowerment.

As disclosed in Note 8, “Financial Instruments,” HP uses interest rate swaps to mitigate some of the exposure of its debt portfolio to changes in fair value resulting from changes in benchmark interest rates. Interest rates shown in the table of long-term debt have not been adjusted to reflect the impact of any interest rate swaps.

Commercial Paper

As of April 30, 2024, HP maintained a U.S. commercial paper program for the issuance of U.S. dollar-denominated commercial paper up to a maximum aggregate principal amount of $6.0 billion. The principal amount outstanding under this program and certain short-term borrowings at any time cannot exceed a $6.0 billion authorization by HP’s Board of Directors.

Credit Facilities

As of April 30, 2024, HP maintained a $5.0 billion sustainability-linked senior unsecured committed revolving credit facility, which HP entered into in May 2021. Commitments under the revolving credit facility will be available until May 26, 2026. Commitment fees, interest rates and other terms of borrowing under the revolving credit facility vary based on HP’s external credit ratings and certain sustainability metrics. Funds borrowed under the revolving credit facility may be used for general corporate purposes. Additionally, in March 2024, $1.0 billion senior unsecured committed 364-day revolving credit facility that HP entered into in March 2023 matured in accordance with its terms.

As of April 30, 2024, HP was in compliance with the covenants in the credit agreement governing the revolving credit facility.

Available Borrowing Resources

As of April 30, 2024, HP had available borrowing resources of $0.9 billion from uncommitted lines of credit in addition to the full capacity of the revolving credit facility.

Note 10: Stockholders' Deficit

Share Repurchase Program

HP's share repurchase program authorizes both open market and private repurchase transactions. During the three and six months ended April 30, 2024, HP executed share repurchases of 3.5 million and 20.5 million shares and settled total shares for $0.1 billion and $0.6 billion, respectively. Share repurchases executed during the three and six months ended April 30, 2024 included 0.3 million shares settled in May 2024. There were no share repurchases during the three months ended April 30, 2023. During the six months ended April 30, 2023, HP executed share repurchases of 3.6 million shares and settled total shares for $0.1 billion.

The shares repurchased during the six months ended April 30, 2024 and 2023 were all open market repurchase transactions. As of April 30, 2024, HP had approximately $1.4 billion remaining under the share repurchase authorizations approved by HP's Board of Directors.

Taxes Related to Other Comprehensive Income (Loss)

	Three months ended April 30		Six months ended April 30	
	2024	2023	2024	2023
	In millions			
Tax effect on change in unrealized components of available-for-sale debt securities:				
Tax provision on unrealized losses arising during the period	$ —	$ —	$ —	$ (1)
Tax effect on change in unrealized components of cash flow hedges:				
Tax (provision) benefit on unrealized gains (losses) arising during the period	(32)	20	4	126
Tax (benefit) provision on (gains) losses reclassified into earnings	(2)	(41)	30	37
	(34)	(21)	34	163
Tax effect on change in unrealized components of defined benefit plans:				
Tax provision on gains arising during the period	(5)	(1)	(3)	(1)
Tax provision on curtailments, settlements and other	(1)	—	(1)	—
	(6)	(1)	(4)	(1)
Tax (provision) benefit on other comprehensive income (loss)	$ (40)	$ (22)	$ 30	$ 161

HP INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Changes and reclassifications related to Other Comprehensive (Loss) Income, net of taxes

	Three months ended April 30		Six months ended April 30	
	2024	2023	2024	2023
	In millions			
Other comprehensive (loss) income, net of taxes:				
Change in unrealized components of available-for-sale debt securities:				
Unrealized gains arising during the period	$ —	$ —	$ 4	$ 3
Change in unrealized components of cash flow hedges:				
Unrealized gains (losses) arising during the period	119	(46)	(7)	(563)
(Gains) losses reclassified into earnings	(7)	121	(134)	(135)
	112	75	(141)	(698)
Change in unrealized components of defined benefit plans:				
Gains arising during the period	18	5	10	4
Amortization of actuarial loss and prior service benefit[1]	2	—	4	—
Curtailments, settlements and other	—	(1)	—	—
	20	4	14	4
Change in cumulative translation adjustment	(6)	9	14	38
Other comprehensive income (loss), net of taxes	$ 126	$ 88	$ (109)	$ (653)

(1) These components are included in the computation of net pension and post-retirement benefit (credit) charges in Note 4, "Retirement and Post-Retirement Benefit Plans".

The components of Accumulated other comprehensive (loss) income, net of taxes and changes were as follows:

	Six months ended April 30, 2024				
	Net unrealized gains (losses) on available-for-sale debt securities	Net unrealized gains (losses) on cash flow hedges	Unrealized components of defined benefit plans	Change in cumulative translation adjustment	Accumulated other comprehensive loss
	In millions				
Balance at beginning of period	$ 7	$ 230	$ (437)	$ (23)	$ (223)
Other comprehensive gains (losses) before reclassifications	4	(7)	10	14	21
Reclassifications of gain into earnings	—	(134)	4	—	(130)
Balance at end of period	$ 11	$ 89	$ (423)	$ (9)	$ (332)

Note 11: Earnings Per Share

HP calculates basic net EPS using net earnings and the weighted-average number of shares outstanding during the reporting period. Diluted net EPS includes any dilutive effect of restricted stock units, stock options, performance-based awards and shares purchased under the 2021 employee stock purchase plan.

A reconciliation of the number of shares used for basic and diluted net EPS calculations is as follows:

	Three months ended April 30		Six months ended April 30	
	2024	2023	2024	2023
	In millions, except per share amounts			
Numerator:				
Net earnings	$ 607	$ 1,054	$ 1,229	$ 1,523
Denominator:				
Weighted-average shares used to compute basic net EPS	984	991	990	990
Dilutive effect of employee stock plans	6	7	6	7
Weighted-average shares used to compute diluted net EPS	990	998	996	997
Net earnings per share:				
Basic	$ 0.62	$ 1.06	$ 1.24	$ 1.54
Diluted	$ 0.61	$ 1.06	$ 1.23	$ 1.53
Anti-dilutive weighted-average stock-based compensation awards[1]	3	5	3	7

(1) HP excludes from the calculation of diluted net EPS stock options and restricted stock units where the assumed proceeds exceed the average market price, because their effect would be anti-dilutive. The assumed proceeds of a stock option include the sum of its exercise price, and average unrecognized compensation cost. The assumed proceeds of a restricted stock unit represent unrecognized compensation cost.

Note 12: Litigation and Contingencies

HP is involved in lawsuits, claims, investigations and proceedings, including those identified below, consisting of IP, commercial, securities, employment, employee benefits and environmental matters that arise in the ordinary course of business. HP accrues a liability when management believes that it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. HP believes it has recorded adequate provisions for any such matters and, as of April 30, 2024, it was not reasonably possible that a material loss had been incurred in excess of the amounts recognized in HP's financial statements. HP reviews these matters at least quarterly and adjusts its accruals to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular case. Pursuant to the separation and distribution agreement entered into with Hewlett Packard Enterprise Company ("Hewlett Packard Enterprise"), HP shares responsibility with Hewlett Packard Enterprise for certain matters, as indicated below, and Hewlett Packard Enterprise has agreed to indemnify HP in whole or in part with respect to certain matters. Based on its experience, HP believes that any damage amounts claimed in the specific matters discussed below are not a meaningful indicator of HP's potential liability. Litigation is inherently unpredictable. However, HP believes it has valid defenses with respect to legal matters pending against it. Nevertheless, cash flows or results of operations could be materially affected in any particular period by the resolution of one or more of these contingencies.

Litigation, Proceedings and Investigations

Copyright Levies. Proceedings are ongoing or have been concluded involving HP in certain European countries, challenging the imposition or the modification of levies regimes upon IT equipment (such as PCs or printers) or the restrictions to exonerate the application of private copying levies on devices purchased by business users. The levies are generally based upon the number of products sold and the per-product amounts of the levies, which vary. Some European countries are expected to implement legislation to introduce or extend existing levy schemes to digital devices. HP, other companies and various industry associations have opposed the extension of levies to the digital product and certain requirements for business sales exemptions and have advocated alternative models of compensation to rights holders.

Based on the exemption of levies on business sales and industry opposition to increasing levies to digital products, HP's assessments of the merits of various proceedings and HP's estimates of the number of units impacted and the amounts of the levies, HP has accrued amounts that it believes are adequate to address the ongoing disputes.

Forsyth, et al. v. HP Inc. and Hewlett Packard Enterprise. This is a purported class and collective action filed on August 18, 2016 in the United States District Court, Northern District of California, against HP and Hewlett Packard Enterprise alleging the defendants violated federal and state law by terminating older workers and replacing them with younger workers. In their most recent complaint, plaintiffs seek to represent (1) a putative nationwide federal Age Discrimination in Employment Act (ADEA) collective comprised of all former HP Inc. employees 40 years of age and older who had their employment terminated under a WFR plan in or after 2014 or 2015, depending on state law; and (2) a putative Rule 23 class under California law comprised of all former HP Inc. employees 40 years of age and older who had their employment terminated in California under a WFR plan in or after 2012. Excluded from the putative collective and class are employees who (a) signed a Waiver and General Release Agreement at termination, or (b) signed an Agreement to Arbitrate Claims. Similar claims are pending against Hewlett Packard Enterprise. Because the court granted plaintiffs' motion for preliminary certification of the putative nationwide ADEA collectives, a third-party administrator notified eligible former employees of their right to opt into the ADEA collective. This opt-in period closed on February 15, 2022. Plaintiffs seek monetary damages, punitive damages, and other relief. In June 2023, the parties reached an agreement in principle to resolve this matter. The parties have finalized a settlement agreement, and the court preliminarily approved it on October 26, 2023. The Court entered a final order approving the settlement on March 29, 2024.

India Directorate of Revenue Intelligence Proceedings. On April 30 and May 10, 2010, the India Directorate of Revenue Intelligence (the "DRI") issued show cause notices to Hewlett-Packard India Sales Private Limited ("HP India"), a subsidiary of HP, seven HP India employees and one former HP India employee alleging that HP India underpaid customs duties while importing products and spare parts into India and seeking to recover an aggregate of approximately $370 million, plus penalties and interest. Prior to the issuance of the notices, HP India deposited approximately $16 million with the DRI and agreed to post a provisional bond in exchange for the DRI's agreement to not seize HP India products and spare parts or interrupt business by HP India.

On April 11, 2012, the Bangalore Commissioner of Customs issued an order on the products-related notice affirming certain duties and penalties against HP India and the named individuals of approximately $386 million, of which HP India had already deposited $9 million. On December 11, 2012, HP India voluntarily deposited an additional $10 million in connection with the products-related notice. The differential duty demand is subject to interest. On April 20, 2012, the Commissioner issued an order on the parts-related notice affirming certain duties and penalties against HP India and certain of the named individuals of approximately $17 million, of which HP India had already deposited $7 million. After the order, HP India deposited an additional $3 million in connection with the parts-related notice so as to avoid certain penalties.

HP India filed appeals of the Commissioner's orders before the Customs, Excise and Service Tax Appellate Tribunal (the "Customs Tribunal") along with applications for waiver of the pre-deposit of remaining demand amounts as a condition for hearing the appeals. The Customs Department has also filed cross-appeals before the Customs Tribunal. On January 24, 2013, the Customs Tribunal ordered HP India to deposit an additional $24 million against the products order, which HP India deposited in March 2013. On February 7, 2014, the Customs Tribunal granted HP India's application for extension of the stay of deposit until disposal of the appeals. On October 27, 2014, the Customs Tribunal commenced hearings on the cross-appeals of the Commissioner's orders and rejected HP India's request to remand the matter to the Commissioner on procedural grounds. The Customs Tribunal cancelled hearings to reconvene in 2015, 2016 and January 2019. On January 20, 2021, the Customs Tribunal held a virtual hearing during which the judge allowed HP's application for a physical hearing on the merits as soon as practicable, which will be scheduled when physical hearings resume at court. Pursuant to the separation and distribution agreement, Hewlett Packard Enterprise has agreed to indemnify HP in part, based on the extent to which any liability arises from the products and spare parts of Hewlett Packard Enterprise's businesses.

Philips Patent Litigation. In September 2020, Koninklijke Philips N.V. and Philips North America LLC (collectively, "Philips") filed a complaint against HP for patent infringement in federal court for the District of Delaware and filed a companion complaint with the U.S. International Trade Commission ("ITC") pursuant to Section 337 of the Tariff Act against HP and 8 other sets of respondents. Both complaints allege that certain digital video-capable devices and components thereof infringe four of Philips' patents. In October 2020, the ITC instituted an investigation, and Philips later withdrew two of the four patents. On March 23, 2022, the ITC rendered a final determination that no violation of Section 337 has occurred. Philips did not appeal and elected to resume litigation with its case in federal court. Philips seeks unspecified damages and an injunction against HP, and the prior stay has been lifted. On August 10, 2023, HP filed a motion for summary judgment of indefiniteness for all asserted claims.

HP INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Caltech Patent Litigation. The California Institute of Technology and HP have resolved their dispute and all claims against HP have been dismissed with prejudice. The case was dismissed on May 1, 2024.

York County on behalf of the County of York Retirement Fund v. HP Inc., et al., and related proceedings. On November 5, 2020, York County, on behalf of the County of York Retirement Fund, filed a putative class action complaint against HP, Dion Weisler, and Catherine Lesjak in federal court in the Northern District of California. The court appointed Maryland Electrical Industry Pension Fund as Lead Plaintiff. Lead Plaintiff filed a consolidated complaint, which additionally names as defendants Enrique Lores and Richard Bailey. The complaint alleges, among other things, that from November 5, 2015 to June 21, 2016, HP and the named current and former officers violated Sections 10(b) and 20(a) of the Exchange Act by concealing material information and making false statements about HP's printing supplies business. Plaintiffs seek compensatory damages and other relief. HP and the named officers filed a motion to dismiss the complaint for failure to state a claim upon which relief can be granted. On March 3, 2022, the court granted the motion to dismiss with prejudice. Plaintiffs appealed the decision. On April 11, 2023, the appellate court reversed the district court's decision and remanded the case to the district court for further proceedings consistent with the appellate opinion, including consideration of HP's other arguments for dismissal. On July 21, 2023, HP and the named officers filed a renewed motion to dismiss. On March 27, 2024, the district court issued an order granting in part and denying in part the motion to dismiss. On May 17, 2021, stockholder Scott Franklin filed a derivative complaint against certain current and former officers and directors in federal court in the District of Delaware. Plaintiff purports to bring the action on behalf of HP, which he has named as a nominal defendant, and he makes substantially the same factual allegations as in the York County securities complaint, bringing claims for breach of fiduciary duty and violations of securities laws. The derivative plaintiff seeks compensatory damages, governance reforms, and other relief. By court order following stipulations by the parties, the case was transferred to the Northern District of California, and the case was stayed pending a ruling on the motion to dismiss in York County and exhaustion of all related appeals. On January 13, 2022, stockholder Gerald Lovoi filed a derivative complaint in federal court in the Northern District of California against the same current and former officers and directors named in the Franklin action. The complaint alleges the same basic claims based on the same alleged conduct as the Franklin action and seeks similar relief. By stipulation of the parties, the Lovoi action was stayed pending a ruling on the motion to dismiss in York County and exhaustion of all related appeals. Both derivative actions are stayed, and the parties are negotiating a further extension of the stay.

Legal Proceedings re Authentication of Supplies. Since 2016, HP has from time to time been named in civil litigation, or been the subject of government investigations, involving supplies authentication protocols used in certain HP printers in multiple geographies, including but not limited to the United States, Italy, Israel, the Netherlands, Australia and New Zealand. The supplies authentication protocols are often referred to as Dynamic Security. The core allegations in these proceedings claim misleading or inadequate consumer notifications and permissions pertaining to the use of Dynamic Security, the installation of firmware updates, or the potential inability of cartridges with clone chips or circuitry to work in HP printers with Dynamic Security. Plaintiffs base or have based their claims on various legal theories, including but not limited to unfair competition, computer trespass, and similar statutory claims. Among other relief, Plaintiffs have sought or seek money damages and in certain cases have or may seek injunctive relief against the use or operation of Dynamic Security or relief requiring interoperability. If HP is not successful in its defense of these cases or investigations, it could be subject to damages, penalties, significant settlement demands, or injunctive relief that may be costly or may disrupt operations. Certain of these proceedings in Italy, the Netherlands, Israel, Australia and New Zealand have been resolved, have concluded, or have concluded subject only to HP's pending appeal. Civil litigation filed by Digital Revolution B.V. (trading as 123Inkt) against HP Nederlands B.V., et al. (Netherlands) in March 2020, including its competition claim, remains pending. Both parties appealed and the court of appeal has taken the matter under submission. In addition, two putative class actions have been filed against HP in federal court in California, in December 2020, April 2022, and one in federal court in Illinois, in January 2024, arising out of the use of Dynamic Security firmware updates in HP Laserjet printers, in HP Inkjet printers, and in both, respectively. Plaintiffs in these cases seek compensatory damages, restitution, injunctive relief against alleged unfair and anticompetitive business practices, and other relief. In the case directed to Laserjet printers, plaintiffs filed a motion for class certification, and, on December 8, 2023, the court entered an order denying in full plaintiffs' request to certify a damages class and granting certification of a narrowed injunctive relief class composed of those who did not see HP's disclosures. In its order, the court declined at this juncture to resolve the merits of the sufficiency of HP's disclosures. The other cases are in their early stages.

Autonomy-Related Legal Proceedings.

As the result of an internal investigation, HP obtained information about certain accounting improprieties, disclosure failures and misrepresentations at Autonomy that occurred before and in connection with its 2011 acquisition of Autonomy. On April 17, 2015, four former HP subsidiaries that became subsidiaries of Hewlett Packard Enterprise at the time of the Separation (Autonomy Corporation Limited, Hewlett Packard Vision BV, Autonomy Systems, Limited, and Autonomy, Inc.) initiated civil proceedings in the U.K. High Court of Justice against two members of Autonomy's former management, Michael Lynch and Sushovan Hussain, for breach of their fiduciary duties in causing Autonomy group companies to engage in improper transactions and accounting practices. The claims seek more than $5 billion in damages. Messrs. Lynch and Hussain filed defenses and Mr. Lynch filed a counterclaim seeking $160 million in damages for alleged misstatements regarding Lynch. Trial concluded in January 2020. On May 17, 2022, the court issued its final judgment, finding that HP succeeded on substantially all claims and that Messrs. Lynch and Hussein engaged in fraud, and dismissing Mr. Lynch's counterclaim. The court deferred its damages ruling to a later, separate judgment to be issued after further proceedings, but indicated that damages awarded may be substantially less than is claimed. The court held a two-week trial on damages in February 2024 and took the matter of damages under submission. Litigation is unpredictable, and there can be no assurance that HP will recover damages or as to how any award of damages will compare with the amount claimed. The amount ultimately awarded, if any, would be recorded in the period received. No adjustment has been recorded in the financial statements in relation to this potential award. Pursuant to the terms of the separation and distribution agreement, HP and Hewlett Packard Enterprise will share equally in any recovery. In addition, Messrs. Hussein and Lynch, and Stephen Chamberlain, former VP of Finance of Autonomy, were each indicted on federal criminal charges in the Northern District of California. On April 30, 2018, a jury found Mr. Hussein guilty of conspiracy to commit wire fraud, securities fraud, and multiple counts of wire fraud, and that judgment was affirmed on appeal in August 2020. Trial on charges against Messrs. Lynch and Chamberlain for conspiracy to commit wire fraud, and multiple counts of wire fraud began on March 18, 2024. HP is continuing to cooperate with the ongoing enforcement actions.

Nokia Patent Litigation. On October 31, 2023, Nokia filed a complaint for patent infringement against HP in federal court for the District of Delaware asserting ten patents and filed two companion complaints with the U.S. International Trade Commission ("ITC") pursuant to Section 337 of the Tariff Act against HP, asserting seven of the ten patents asserted in the federal court case. The complaints allege that HP products that are compliant with certain video coding technology standards, including Advanced Video Coding (H.264) or High Efficiency Video Coding (H.265) standards, infringe Nokia's patents. In November 2023, the ITC instituted investigations on Nokia's complaints. On December 11, 2023, HP filed counterclaims against Nokia in the Delaware action, including claims that Nokia violated its commitments to license standard-essential patents on fair, reasonable, and non-discriminatory ("FRAND") terms, and seeking a court determination of the proper FRAND rate. Nokia's patent litigation against HP also includes a lawsuit filed in November 2023 against HP and six of its subsidiaries in the European Unified Patent Court in Germany, 2 lawsuits filed in November 2023 but served in January 2024 against HP and its German subsidiary in state court in Munich, Germany, and a lawsuit filed on December 1, 2023, against a subsidiary, HP Brasil Indústria e Comércio de Equipamentos Eletrônicos Ltda. ("HP Brazil"), in the state court in Rio de Janeiro in Brazil. In Brazil, Nokia alleged that HP's products contain "skip mode" technology compatible with H.264 video standards that infringes one of Nokia's Brazilian patents. On December 4, 2023, before HP had received service of the lawsuit, the court granted Nokia an ex parte preliminary injunction against HP Brazil's commercialization of such products in Brazil. HP has appealed the injunction and asked the appellate court to suspend its enforcement. If the court does not do so, the injunction in Brazil will take effect and remain in place unless overturned on appeal, until the state court revokes or modifies it, or the case is resolved. If HP is not successful in its defenses, it may be subject to injunctions, orders to recall products in Germany and other EU countries, or licensing demands to avoid potential disruptions to its business. On January 31, 2024, HP Brazil filed the non-infringement defense and a patent nullity action against Nokia. Given the procedural posture and nature of these cases, including proceedings that are in their early stages and have significant factual and legal issues to be resolved, HP is unable to make a reasonable estimate of the potential loss or range of losses that may arise from these matters.

R2 Semiconductor Litigation. In November 2022, R2 Semiconductor, Inc. ("R2") filed a lawsuit in the Dusseldorf Regional Court in Germany against Intel Deutschland GmbH, HP Deutschland GmbH and certain other Intel customers. R2 asserts one European patent is infringed by HP's products that contain certain Intel processors. R2 seeks an injunction prohibiting the sale of the alleged infringing products. Intel has agreed to defend and indemnify HP and its affiliates against certain losses incurred by HP in connection with the alleged infringement. The Dusseldorf Regional Court conducted a trial on December 7, 2023 and issued an adverse judgment on February 7, 2024. The Court's judgment imposes an injunction prohibiting sales of the accused products in Germany, an order to stop all other infringing actions, and an order to issue a communication to commercial customers recalling the relevant products sold since March 5, 2020, which could take effect upon notice of R2's payment of the required sureties and remain in place unless stayed or overturned on appeal or the parties reach an agreement. On February 8, 2024, HP filed an appeal and request for a stay of the judgment pending appeal. On April 3, 2024, R2 filed a lawsuit in France in the first instance court in Paris (Tribunal judiciare de Paris) against Intel Corporation, Intel Corporation SAS, Intel Deutschland GmbH, HP France SAS and certain other Intel customers. R2 asserts the same European patent is infringed. Given the procedural posture, the nature of the cases, and the relationship with Intel, HP is unable to make a reasonable estimate of the potential loss or range of losses that might arise from this lawsuit and that would not be indemnifiable by Intel.

Litigation with Access Advance Patent Pool regarding video codecs. Access Advance LLC ("Access Advance") is an independent licensing administrator formed to license allegedly essential patents for standards-based video codecs, which it licenses through various licensing pools. In late 2023, members of Access Advance's HEVC Advance patent pool launched a patent litigation campaign against HP in Germany and Europe. To date, three pool members, Dolby, Mitsubishi Electric ("Mitsubishi") and Konikijke Philips N.V. ("Philips") have each filed patent infringement lawsuits against HP and various affiliates. Specifically, Dolby filed a lawsuit against HP and 14 affiliates in the new Unified Patent Court (UPC) in Düsseldorf, and Mitsubishi and Philips each filed a lawsuit against HP and two affiliates in the State Court in Munich, Germany. The complaints allege that HP products that are compliant with the High Efficiency Video Coding (H.265) standard infringe the pool members' respective patents, seek an injunction, and allege that HP has failed to act as a willing licensee of HEVC essential patents based on HP's negotiations with Access Advance. If HP is not successful in its defenses in these suits, it may be subject to injunctions, recall orders, and claims for damages or face licensing demands to avoid potential disruptions to its business. Given the procedural posture and nature of these cases, which are in their early stages and have significant factual and legal issues to be resolved, HP is unable to make a reasonable estimate of the potential loss or range of losses that may arise from these matters.

Environmental

HP is, and may become a party to, proceedings brought by U.S., state, or other governmental entities or private third parties under federal, state, local, or foreign environmental laws, including the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), known as "Superfund," or state laws similar to CERCLA. HP is also conducting environmental investigations or remediation at several current or former operating sites and former disposal sites pursuant to administrative orders or consent agreements with environmental agencies.

Note 13: Guarantees, Indemnifications and Warranties

Guarantees

In the ordinary course of business, HP may issue performance guarantees to certain of its clients, customers and other parties pursuant to which HP has guaranteed the performance obligations of third parties. Some of those guarantees may be backed by standby letters of credit or surety bonds. In general, HP would be obligated to perform over the term of the guarantee in the event a specified triggering event occurs as defined by the guarantee. HP believes the likelihood of having to perform under a material guarantee is remote.

Cross-Indemnifications with Hewlett Packard Enterprise

On November 1, 2015, Hewlett-Packard Company completed the separation of Hewlett Packard Enterprise, Hewlett-Packard Company's former enterprise technology infrastructure, software, services and financing businesses. The separation and distribution agreement provides for cross-indemnities between HP and Hewlett Packard Enterprise for liabilities allocated to the respective party pursuant to the terms of such agreement. For information on cross-indemnifications with Hewlett Packard Enterprise for litigation matters, see Note 12, "Litigation and Contingencies".

Indemnifications

In the ordinary course of business, HP enters into contractual arrangements under which HP may agree to indemnify a third-party to such arrangement from any losses incurred relating to the services they perform on behalf of HP or for losses arising from certain events as defined within the particular contract, which may include, for example, litigation or claims relating to past performance. HP also provides indemnifications to certain vendors and customers against claims of intellectual property infringement made by third parties arising from the vendors' and customers' use of HP's software products and services and certain other matters. Some indemnifications may not be subject to maximum loss clauses. Historically, payments made related to these indemnifications have been immaterial.

HP records tax indemnification receivables from various third parties for certain tax liabilities that HP is jointly and severally liable for, but for which it is indemnified by those same third parties under existing legal agreements. HP records a tax indemnification payable to various third parties under these agreements when management believes that it is both probable that a liability has been incurred and the amount can be reasonably estimated. The actual amount that the third parties pay or may be obligated to pay HP could vary depending on the outcome of certain unresolved tax matters, which may not be resolved for several years.

Warranties

HP accrues the estimated cost of product warranties at the time it recognizes revenue. HP engages in extensive product quality programs and processes, including actively monitoring and evaluating the quality of its component suppliers; however, contractual warranty terms, repair costs, product call rates, average cost per call, current period product shipments and ongoing product failure rates, as well as specific product class failures outside of HP's baseline experience, affect the estimated warranty obligation.

HP INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

HP's aggregate product warranty liabilities and changes were as follows:

	Six months ended April 30, 2024
	In millions
Balance at beginning of period	$ 706
Accruals for warranties issued	342
Adjustments related to pre-existing warranties (including changes in estimates)	20
Settlements made (in cash or in kind)	(455)
Balance at end of period	$ 613

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

HP INC. AND SUBSIDIARIES

Management's Discussion and Analysis of

Financial Condition and Results of Operations

The discussion of financial condition and results of our operations that follows provides information that will assist the reader in understanding our Consolidated Condensed Financial Statements, the changes in certain key items in those financial statements from year to year, and the primary factors that accounted for those changes, as well as how certain accounting principles, policies and estimates affect our Consolidated Condensed Financial Statements. This discussion should be read in conjunction with our Consolidated Condensed Financial Statements and the related notes that appear elsewhere in this document.

OVERVIEW

We are a leading global provider of personal computing and other digital access devices, imaging and printing products, and related technologies, solutions, and services. We sell to individual consumers, SMBs and large enterprises, including customers in the government, health, and education sectors.

We have three reportable segments: Personal Systems, Printing, and Corporate Investments. The Personal Systems segment offers commercial and consumer desktops and notebooks, detachables and convertibles, workstations, thin clients, commercial mobility devices, retail POS systems, displays, hybrid systems, software, solutions, and services. The Printing segment provides consumer and commercial printer hardware, supplies, solutions and services. Corporate Investments include certain business incubation and investment projects.

- In Personal Systems, our long-term strategic focus is on:
    - profitable growth through innovation, market segmentation and simplification of our portfolio;
    - enhanced innovation in multi-operating systems, multi-architecture, geography, customer segments and other key attributes;
    - investing in endpoint services and solutions. We are focused on services, including Device as a Service, as the market shifts to contractual solutions, and accelerating in attractive adjacencies such as hybrid systems; and
    - driving innovation to enable productivity and collaboration with PCs becoming essential for hybrid work, learning and play.

We believe that we are well positioned due to our competitive product lineup along with our enhanced portfolio of hybrid systems and remote-computing solutions.

- In Printing, our long-term strategic focus is on:
    - offering innovative printing solutions and contractual solutions to serve consumers, SMBs and large enterprises through our Instant Ink Services, HP+ and Managed Print Services solutions;
    - providing digital printing solutions for industrial graphics segments and applications, including commercial publishing, labels, packaging, and textiles; and

◦ expanding our footprint in 3D printing across digital manufacturing and strategic applications.

Certain aspects of our business are identified as key growth areas, and we are committed to growing these at a rate faster than our core business with accretive margins in the longer term. The key growth areas are comprised of:

- *Hybrid Systems:* Video conferencing solutions, cameras, headsets, voice, and related software capabilities
- *Gaming:* Gaming PCs, HyperX and gaming accessories
- *Workforce Solutions:* Managed services (Managed Print Service and Device-as-a-Service), digital services and lifecycle services
- *Consumer Subscriptions:* Instant Ink, other consumer subscriptions and consumer digital services
- *Industrial Graphics:* Large Format Industrial, Page Wide Press (PWP), Indigo and Page Wide Industrial packaging solutions and supplies
- *3D & Personalization:* Portfolio of additive manufacturing solutions and supplies including end-to-end solutions such as molded fiber, footwear and orthotics

We believe our ability to innovate will help us gain momentum in growth areas like hybrid systems and gaming, and we see significant opportunities to drive greater recurring revenues across Personal Systems and Printing. Our Workforce Solutions organization drives integration across our commercial services, software and security portfolio. We continue to build on strong portfolios like Instant Ink to grow our Consumer Subscription business. In Industrial Graphics, we are driving the shift from analog to digital in segments like labels and packaging. In 3D and Personalization, we are creating end-to-end solutions that we believe can capture more value with our differentiated technology.

We continue to experience challenges that are representative of the trends and uncertainties that may affect our industry, generally, and our business and financial results, specifically, and we expect these challenges to continue in the short-term. One set of challenges relates to the current macroeconomic environment and the adverse impact on demand for certain of our products. A second set of challenges relates to changes in the competitive landscape. Our primary competitors are exerting competitive pressure in targeted areas and are entering new markets, our emerging competitors are introducing new technologies and business models, and our alliance partners in some businesses are increasingly becoming our competitors in others. A third set of challenges relates to business model changes and our go-to-market execution in an evolving distribution and reseller landscape, with increasing online and omnichannel presence. Additional challenges we face at the segment level are set forth below.

- In Personal Systems, we face challenges with a competitive pricing environment and demand softness in certain geographic regions.
- In Printing, we face challenges from our competitors with a favorable foreign currency environment and non-original supplies (which includes imitation, refill, or remanufactured alternatives). We also obtain many Printing components from single source suppliers due to technology, availability, price, quality, or other considerations.

To address these challenges, we continue to pursue innovation with a view towards developing new products and services aligned with generating market demand and meeting the needs of our customers and partners. In addition, we continue to work on improving our operations and adapting our business models, with a particular focus on enhancing our end-to-end processes, analytics, efficiencies and simplification of our product portfolio. We also continue to work on optimizing our sales coverage models, aligning our sales incentives with our strategic goals, improving channel execution and inventory, production and backlog management, strengthening our capabilities in our areas of strategic focus, effective cost management, strengthening our pricing strategy, and developing and capitalizing on market opportunities.

Macroeconomic Environment

Our business and financial performance depend significantly on worldwide economic conditions. We face global macroeconomic challenges such as ongoing geopolitical conflicts (including the Russian invasion of Ukraine, tensions across the Taiwan Strait, the Israel-Hamas conflict and other hostilities in the Middle East), uncertainty in the markets, volatility in exchange rates, inflationary trends and evolving dynamics in the global trade environment. We also experience seasonality in the sale of our products and services which may be affected by general economic conditions.

During the six months ended April 30, 2024, we experienced continued market uncertainty, especially in China and EMEA, demand weakness in Printing due to cautious commercial spending on information technology hardware, reduced discretionary consumer spending and a competitive pricing environment across both Personal Systems and Printing, and we anticipate these trends to persist in the short-term. Despite the overall macroeconomic challenges, in Personal Systems PC unit volume increased due to market recovery and our year over year revenue reversed this quarter.

We are exposed to fluctuations in foreign currency exchange rates. We have a large global presence, with more than 65% of our net revenue coming from outside the United States. As a result, our financial results can be, and particularly in recent periods have been, impacted by fluctuations in foreign currency exchange rates. While the foreign currency fluctuations were favorable to our financial results in the first half of fiscal 2024, we expect these fluctuations to have a minimal impact to our financial results in fiscal 2024.

For a further discussion of trends, uncertainties and other factors that could impact our operating results, see the section entitled “Risk Factors” in Item 1A of Part I in our Annual Report on Form 10-K for the fiscal year ended October 31, 2023.

Transformation Update

In November 2022, we announced our Future Ready Plan (the “Fiscal 2023 Plan” or “Future Ready”) to become a more digitally enabled company, focus investments on key growth opportunities and simplify our operating model. The Fiscal 2023 Plan is expected to run through end of fiscal year 2025. The three key elements of our Fiscal 2023 Plan are digital transformation, portfolio optimization, and operational efficiency. We are on track to achieve our gross annual run-rate structural cost savings target for fiscal year 2024 as well as the overall goal exiting fiscal year 2025.

We enhanced our digital capabilities in Workforce Solutions and continued to leverage AI to positively impact our products, solutions and operations. Additionally, we are reducing portfolio complexity, improving continuity of supply, and increasing our forecast accuracy across our business to drive reduction in our cost of sales and operating expenses. We also continued to reduce our structural cost through headcount reductions and are on track to achieve our overall headcount reduction goal. We expect to continue to invest some of the savings into our growth areas and our people.

See “Risk Factors—We may not achieve some or all of the expected benefits of our restructuring plans and our restructuring may adversely affect our business” in Item 1A of Part I in our Annual Report on Form 10-K for the fiscal year ended October 31, 2023. For more information on our Fiscal 2023 Plan, see Note 3, “Restructuring and Other Charges,” to the Consolidated Condensed Financial Statements in Item 1 of Part I of this report, which is incorporated herein by reference.

CRITICAL ACCOUNTING ESTIMATES

MD&A is based on our Consolidated Condensed Financial Statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, net revenue and expenses, and the disclosure of contingent liabilities. Management believes that there have been no significant changes during the six months ended April 30, 2024 to the items that we disclosed as our critical accounting estimates in MD&A in our Annual Report on Form 10-K for the fiscal year ended October 31, 2023.

ACCOUNTING PRONOUNCEMENTS

For a summary of recent accounting pronouncements applicable to our Consolidated Condensed Financial Statements see Note 1, “Basis of Presentation”, to the Consolidated Condensed Financial Statements in Item 1 of Part I of this report, which is incorporated herein by reference.

RESULTS OF OPERATIONS

Revenue from our international operations has historically represented, and we expect will continue to represent, a majority of our overall net revenue. As a result, our net revenue growth has been impacted, and we expect it will continue to be impacted, by fluctuations in foreign currency exchange rates. In order to provide a framework for assessing performance excluding the impact of foreign currency fluctuations, we supplement the year-over-year percentage change in net revenue with the year-over-year percentage change in net revenue on a constant currency basis, which excludes the effect of foreign currency exchange fluctuations calculated by translating current period revenues using monthly exchange rates from the comparative period and excluding any hedging impact recognized in the current period, and without adjusting for any repricing or demand impacts from changes in foreign currency exchange rates. This information is provided so that net revenue can be viewed with and without the effect of fluctuations in foreign currency exchange rates, which is consistent with how management evaluates our net revenue results and trends, as management does not believe that the excluded items are reflective of ongoing operating results. The constant currency measures are provided in addition to, and not as a substitute for, the year-over-year percentage change in net revenue on a GAAP basis. Other companies may calculate and define similarly labeled items differently, which may limit the usefulness of this measure for comparative purposes.

Results of operations in dollars and as a percentage of net revenue were as follows:

	Three months ended April 30				Six months ended April 30			
	2024		2023		2024		2023	
	Dollars	% of Net Revenue	Dollars	% of Net Revenue	Dollars	% of Net Revenue	Dollars	% of Net Revenue
	Dollars in millions							
Net revenue:								
Products	$ 12,043	94.1 %	$ 12,149	94.1 %	$ 24,462	94.1 %	$ 25,193	94.3 %
Services	757	5.9 %	758	5.9 %	1,523	5.9 %	1,512	5.7 %
Total net revenue	12,800	100.0 %	12,907	100.0 %	25,985	100.0 %	26,705	100.0 %
Cost of net revenue:								
Products(1)	9,324	77.4 %	9,557	78.7 %	19,195	78.5 %	20,146	80.0 %
Services(2)	453	59.8 %	436	57.5 %	879	57.7 %	858	56.7 %
Total cost of net revenue	9,777	76.4 %	9,993	77.4 %	20,074	77.3 %	21,004	78.7 %
Gross Margin	3,023	23.6 %	2,914	22.6 %	5,911	22.7 %	5,701	21.3 %
Research and development	436	3.4 %	410	3.2 %	835	3.2 %	813	3.0 %
Selling, general and administrative	1,462	11.4 %	1,397	10.8 %	2,845	10.9 %	2,728	10.2 %
Restructuring and other charges	71	0.6 %	200	1.5 %	134	0.5 %	341	1.3 %
Acquisition and divestiture charges	22	0.2 %	74	0.6 %	49	0.2 %	158	0.7 %
Amortization of intangible assets	80	0.6 %	86	0.7 %	161	0.6 %	171	0.6 %
Total operating expenses	2,071	16.2 %	2,167	16.8 %	4,024	15.4 %	4,211	15.8 %
Earnings from operations	952	7.4 %	747	5.8 %	1,887	7.3 %	1,490	5.5 %
Interest and other, net	(155)	(1.2)%	(160)	(1.2)%	(297)	(1.1)%	(341)	(1.3)%
Earnings before taxes	797	6.2 %	587	4.6 %	1,590	6.2 %	1,149	4.2 %
Provision for taxes	(190)	(1.5)%	467	3.6 %	(361)	(1.4)%	374	1.4 %
Net earnings	$ 607	4.7 %	$ 1,054	8.2 %	$ 1,229	4.8 %	$ 1,523	5.6 %

(1) Products cost of net revenue as a percentage of net revenue is calculated as a percentage of product net revenue.

(2) Services cost of net revenue as a percentage of net revenue is calculated as a percentage of services net revenue.

Net Revenue

Products net revenue includes revenue from the sale of hardware, supplies, subscriptions and software licenses. Services net revenue includes revenue from our service offerings and support on hardware devices.

For the three months ended April 30, 2024, net revenue decreased 0.8% (decreased 1.2% on a constant currency basis) as compared to the prior-year period. U.S. net revenue increased 2.4% to $4.4 billion, and net revenue from international operations decreased 2.5% to $8.4 billion. The decrease in net revenue was primarily driven by products due to demand softness in Printing and competitive pricing across our segments, partially offset by increased PC units in Personal Systems due to market recovery and net favorable foreign currency impacts. Services revenue remained flat.

For the six months ended April 30, 2024, total net revenue decreased 2.7% (decreased 3.1% on a constant currency basis) as compared to the prior-year period. U.S. net revenue decreased 2.4% to $8.8 billion, and net revenue from international operations decreased 2.8% to $17.2 billion. The decrease in net revenue was primarily driven by products due to demand softness in Printing and competitive pricing across our segments, partially offset by net favorable foreign currency impacts. Services revenue declined nominally.

A detailed discussion of the factors contributing to the changes in segment net revenue is included in “Segment Information” below.

Gross Margin

For the three and six months ended April 30, 2024, gross margin increased by 1.0 and 1.4 percentage points, respectively, primarily driven by products gross margin due to lower commodity and logistics costs, favorable foreign currency impacts and cost savings, including Future Ready transformation savings, partially offset by competitive pricing and unfavorable mix shifts while services gross margin decreased.

A detailed discussion of the factors contributing to the changes in segment gross margins is included under “Segment Information” below.

Operating Expenses

Research and Development (“R&D”)

R&D expense increased 6.3% and 2.7% for the three and six months ended April 30, 2024, respectively, primarily due to continued investments, partially offset by lower variable compensation and disciplined cost management including Future Ready transformation savings.

Selling, General and Administrative (“SG&A”)

SG&A expense increased 4.7% for the three months ended April 30, 2024 primarily due higher variable compensation and go-to market initiatives, partially offset by disciplined cost management including Future Ready transformation savings.

SG&A expense increased 4.3% for the six months ended April 30, 2024, primarily due to higher go-to market initiatives, partially offset by lower variable compensation and disciplined cost management including Future Ready transformation savings.

Restructuring and Other Charges

Restructuring and other charges for the three and six months ended April 30, 2024 relate primarily to the Fiscal 2023 Plan. For more information, see Note 3, “Restructuring and other charges”, to the Consolidated Condensed Financial Statements in Item 1 of Part I of this report, which is incorporated herein by reference.

Acquisition and Divestiture Charges

Acquisition and divestiture charges primarily include direct third-party professional and legal fees, integration and divestiture-related costs, non-cash adjustments to the fair value of certain acquired assets, such as inventory, and certain compensation charges related to cash settlement of restricted stock units and performance-based restricted stock units from acquisitions. Acquisition and divestiture charges for the three and six months ended April 30, 2024 decreased by $52 million and $109 million, respectively, primarily due to reduced integration activities associated with the fiscal year 2022 Poly acquisition.

Amortization of Intangible Assets

Amortization of intangible assets for the three and six months ended April 30, 2024 relates primarily to intangible assets resulting from prior acquisitions.

Interest and Other, Net

Interest and other, net expense decreased $5 million and $44 million for the three and six months ended April 30, 2024, respectively, primarily due to lower interest expense on debt, partially offset by higher factoring costs.

Provision for Taxes

Our effective tax rate was 23.8% for the three months ended April 30, 2024 and 22.7% for the six months ended April 30, 2024, which did not materially differ from the U.S. federal statutory tax rate of 21%.

In December 2021, the Organization for Economic Cooperation and Development ("OECD") enacted model rules for a new global minimum tax framework ("BEPS Pillar Two"), and various governments around the world have enacted, or are in the process of enacting, legislation on this. We are in the process of assessing the tax effects of Pillar Two legislation for when it comes into effect, and we plan to treat the tax as a period cost.

Segment Information

During the first quarter of fiscal year 2024, HP realigned its business unit financial reporting more closely with its customer market segmentation. A description of the products and services for each segment and the business unit realignment can be found in Note 2, "Segment Information" to the Consolidated Condensed Financial Statements in Item 1 of Part I of this report, which is incorporated herein by reference. Future changes to this organizational structure may result in changes to the segments disclosed.

Personal Systems

	Three months ended April 30			Six months ended April 30		
	2024	2023	% Change	2024	2023	% Change
	Dollars in millions					
Net revenue	$ 8,426	$ 8,169	3.1 %	$ 17,235	$ 17,354	(0.7)%
Earnings from operations	$ 508	$ 431	17.9 %	$ 1,045	$ 906	15.3 %
Earnings from operations as a % of net revenue	6.0 %	5.3 %		6.1 %	5.2 %	

The components of net revenue and the weighted net revenue change by business unit were as follows:

	Three months ended April 30			Six months ended April 30		
	Net Revenue		Weighted Net Revenue Change[(1)]	Net Revenue		Weighted Net Revenue Change[(1)]
	2024	2023		2024	2023	
	Dollars in millions		Percentage Points	Dollars in millions		Percentage Points
Commercial PS	$ 6,242	$ 5,916	3.9	$ 12,287	$ 12,298	(0.1)
Consumer PS	2,184	2,253	(0.8)	4,948	5,056	(0.6)
Total Personal Systems	$ 8,426	$ 8,169	3.1	$ 17,235	$ 17,354	(0.7)

(1) Weighted Net Revenue Change Percentage Points measures contribution of each business unit towards overall segment revenue growth. It is calculated by dividing the change in revenue of each business unit from the prior-year period by total segment revenue for the prior-year period.

Three months ended April 30, 2024 compared with three months ended April 30, 2023

Personal Systems net revenue increased 3.1% (increased 2.3% on a constant currency basis) for the three months ended April 30, 2024. The net revenue increase was primarily due to a 6.9% increase in PCs unit volume driven by Commercial PS, partially offset by a 3.0% decline in average selling price ("ASPs"). The decline in ASPs is primarily due to competitive pricing, partially offset by favorable currency impacts and mix shifts towards Commercial PS.

Commercial PS net revenue increased 5.5% primarily due to a 11.7% increase in units driven by market recovery, partially offset by a 4.5% decline in ASPs. The decline in ASPs is primarily due to unfavorable mix shifts and competitive pricing, partially offset by favorable foreign currency impacts.

Consumer PS net revenue decreased 3.1% primarily due to a 1.0% decrease in units as a result of demand softness and a 2.4% decline in ASPs. The decline in ASPs was primarily due to competitive pricing, partially offset by favorable mix shifts and foreign currency impacts.

Personal Systems earnings from operations as a percentage of net revenue increased by 0.7 percentage points. The increase was primarily driven by an increase in gross margin, partially offset by an increase in operating expenses as a percentage of revenue. Gross margin increased primarily due to lower commodity and logistics costs, cost savings including Future Ready transformation savings, and favorable foreign currency impacts, partially offset by competitive pricing. Operating expenses as a percentage of revenue increased due to continued R&D investments, higher go-to market initiatives and variable compensation, partially offset by disciplined cost management including Future Ready transformation savings.

Six months ended April 30, 2024 compared with six months ended April 30, 2023

Personal Systems net revenue decreased 0.7% (decreased 1.5% on a constant currency basis) for the six months ended April 30, 2024. The net revenue decrease was primarily due to a 5.4% decline in average selling price, partially offset by a 6.0% increase in commercial and consumer PCs unit volume driven by market recovery. The decline in ASPs is primarily due to competitive pricing.

Commercial PS net revenue decreased 0.1% primarily due to a 4.9% decline in average selling price, largely offset by a 6.7% increase in PC unit volume. The decline in ASPs is primarily due to unfavorable mix shifts and competitive pricing.

Consumer PS net revenue decreased 2.1% due to a 6.9% decline in average selling price, partially offset by a 4.8% increase in PC unit volume. The lower ASPs were driven by competitive pricing.

Personal Systems earnings from operations as a percentage of net revenue increased by 0.9 percentage points. The increase was driven by an increase in gross margin, partially offset by an increase in operating expenses as a percentage of revenue. Gross margin increased primarily due to lower commodity and logistics cost as well as Future Ready transformation savings and favorable foreign currency impacts, partially offset by competitive pricing. Operating expenses as a percentage of revenue increased primarily driven by continued R&D investments and higher go-to market initiatives, partially offset by lower variable compensation and disciplined cost management including Future Ready transformation savings.

Printing

	Three months ended April 30			Six months ended April 30		
	2024	2023	% Change	2024	2023	% Change
	Dollars in millions					
Net revenue	$ 4,368	$ 4,736	(7.8)%	$ 8,743	$ 9,348	(6.5)%
Earnings from operations	$ 829	$ 899	(7.8)%	$ 1,701	$ 1,769	(3.8)%
Earnings from operations as a % of net revenue	19.0 %	19.0 %		19.5 %	18.9 %	

The components of net revenue and the weighted net revenue change by business unit were as follows:

	Three Months Ended April 30			Six months ended April 30		
	Net Revenue		Weighted Net Revenue Change[(1)]	Net Revenue		Weighted Net Revenue Change[(1)]
	2024	2023		2024	2023	
	Dollars in millions		Percentage Points	Dollars in millions		Percentage Points
Supplies	$ 2,864	$ 3,006	(3.0)	$ 5,727	$ 5,863	(1.5)
Commercial	1,205	1,373	(3.6)	2,432	2,761	(3.5)
Consumer	299	357	(1.2)	584	724	(1.5)
Total Printing	$ 4,368	$ 4,736	(7.8)	$ 8,743	$ 9,348	(6.5)

(1) Weighted Net Revenue Change Percentage Points measures contribution of each business unit towards overall segment revenue growth. It is calculated by dividing the change in revenue of each business unit from the prior-year period by total segment revenue for the prior-year period.

Three months ended April 30, 2024 compared with three months ended April 30, 2023

Printing net revenue decreased 7.8% (decreased 7.4% on a constant currency basis) for the three months ended April 30, 2024. The decrease in net revenue was driven by Consumer Printing, Commercial Printing and Supplies as well as net unfavorable foreign currency impacts. Net revenue for Supplies decreased 4.7%, primarily due to decline in the installed base and usage as well as evolving market dynamics, partially offset by disciplined pricing. Printer unit volume decreased 17.1% primarily due to demand softness and Print hardware ASPs decreased 1.0% primarily due to competitive pricing.

Net revenue for Commercial Printing decreased 12.2%, primarily due to a 16.9% decrease in printer unit volume due to demand softness and a 2.0% decrease in ASPs. The decrease in ASPs was primarily driven by competitive pricing, partially offset by favorable mix shifts.

Net revenue for Consumer Printing decreased 16.2%, primarily due to a 17.2% decrease in printer unit volume due to demand softness, partially offset by a 1.2% increase in ASPs. The increase in ASPs was primarily driven by favorable mix shifts, partially offset by competitive pricing.

Printing earnings from operations as a percentage of net revenue is flat, primarily due to an increase in gross margin, offset by higher operating expenses as a percentage of revenue. The increase in gross margin is primarily due to lower printer unit mix, lower logistics costs as well as cost savings including Future Ready transformation savings. Operating expenses as a percentage of revenue increased primarily due to continued investments and higher variable compensation, partially offset disciplined cost management including Future Ready transformation savings.

Six months ended April 30, 2024 compared with six months ended April 30, 2023

Printing net revenue decreased 6.5% (decreased 6.1% on a constant currency basis) for the six months ended April 30, 2024. The decrease in net revenue was driven by Consumer Printing, Commercial Printing and Supplies as well as net unfavorable foreign currency impacts. Net revenue for Supplies decreased 2.3%, primarily due to decline in the installed base and usage as well as evolving market dynamics. Print unit volume decreased 16.8% primarily due to demand weakness and hardware ASPs decreased 2.0%. Print hardware ASPs decreased primarily due to competitive pricing and unfavorable mix shifts.

Net revenue for Commercial Printing decreased by 11.9%, primarily due to a 17.6% decrease in print unit volume and a 0.5% decrease in ASPs. The decrease in ASPs was primarily driven by competitive pricing, partially offset by favorable mix shifts.

Net revenue for Consumer Printing decreased 19.3%, primarily due to a 16.3% decrease in print unit volume and a 4.0% decrease in ASPs. The decrease in ASPs was primarily driven by competitive pricing, partially offset by favorable mix shifts.

Printing earnings from operations as a percentage of net revenue increased by 0.6 percentage points. The increase was driven by an increase in gross margin, partially offset by higher operating expenses as a percentage of revenue. The increase in gross margin is primarily due to lower printer unit mix, lower commodity and logistics costs, as well as cost savings including Future Ready transformation savings. Operating expenses as a percentage of revenue increased primarily due continued investments, partially offset by disciplined cost management including Future Ready transformation savings.

Corporate Investments

The loss from operations in Corporate Investments for the three and six months ended April 30, 2024 was primarily due to expenses associated with our incubation projects and investments in digital enablement.

LIQUIDITY AND CAPITAL RESOURCES

We use cash generated by operations as our primary source of liquidity. We believe that current cash, cash flow from operating activities, new borrowings, available commercial paper authorization and the credit facility will be sufficient to meet HP's operating cash requirements, planned capital expenditures, interest and principal payments on all borrowings, pension and post-retirement funding requirements, authorized share repurchases and annual dividend payments for the foreseeable future. Additionally, if suitable acquisition opportunities arise, the Company may obtain all or a portion of the required financing through additional borrowings. While our access to capital markets may be constrained and our cost of borrowing may increase under certain business, market and economic conditions, our access to a variety of funding sources to meet our liquidity needs is designed to facilitate continued access to capital resources under all such conditions. Our liquidity is subject to various risks including the risks identified in the section entitled "Risk Factors" in Item 1A of Part I in our Annual Report on Form 10-K for the fiscal year ended October 31, 2023 and the market risks identified in the section entitled "Quantitative and Qualitative Disclosures about Market Risk" in Item 3 of Part I of this report.

Amounts held outside of the U.S. are generally utilized to support non-U.S. liquidity needs and may from time to time be distributed to the U.S. Repatriations of amounts held outside the U.S. generally will not be taxable from a U.S. federal tax perspective but may be subject to state income or foreign withholding tax upon repatriation. As we evaluate the future cash needs of our operations, we may revise the amount of foreign earnings considered to be permanently reinvested in our foreign subsidiaries and how to utilize such funds, including reducing our gross debt level, or other uses.

Liquidity

Our cash, cash equivalents and restricted cash and total debt were as follows:

	As of	
	April 30, 2024	October 31, 2023
	In millions	
Cash and cash equivalents	$ 2,442	$ 3,107
Restricted cash	$ 75	$ 125
Total debt	$ 9,592	$ 9,484

Our key cash flow metrics were as follows:

	Six months ended April 30	
	2024	2023
	In millions	
Net cash provided by operating activities	$ 702	$ 620
Net cash used in investing activities	(277)	(441)
Net cash used in financing activities	(1,140)	(1,384)
Net decrease in cash, cash equivalents and restricted cash	$ (715)	$ (1,205)

Operating Activities

Compared to the corresponding period in fiscal year 2023, net cash provided by operating activities increased by $0.1 billion for the six months ended April 30, 2024, primarily due to favorable working capital impacts and higher earnings before taxes, partially offset by changes in receivables from contract manufacturers and higher variable compensation payments.

Key Working Capital Metrics

Management utilizes current cash conversion cycle information to manage our working capital level. Our working capital metrics and cash conversion cycle impacts were as follows:

	As of			As of			
	April 30, 2024	**October 31, 2023**	**Change**	**April 30, 2023**	**October 31, 2022**	**Change**	**Y/Y Change**
Days of sales outstanding in accounts receivable (“DSO”)	31	28	3	29	28	1	2
Days of supply in inventory (“DOS”)	70	57	13	65	57	8	5
Days of purchases outstanding in accounts payable (“DPO”)	(132)	(117)	(15)	(120)	(114)	(6)	(12)
Cash conversion cycle	(31)	(32)	1	(26)	(29)	3	(5)

April 30, 2024 as compared to April 30, 2023

The cash conversion cycle is the sum of days of DSO and DOS less DPO. Items which may cause the cash conversion cycle in a particular period to differ from historical trends include, but are not limited to, changes in business mix, changes in payment terms and timing, timing and extent of receivables factoring, seasonal trends and the timing of revenue recognition and inventory purchases within the period.

DSO measures the average number of days our receivables are outstanding. DSO is calculated by dividing ending accounts receivable, net of allowance for credit losses, by a 90-day average net revenue. The increase in DSO was primarily due to unfavorable revenue linearity, partially offset by higher early payments.

DOS measures the average number of days from procurement to sale of our product. DOS is calculated by dividing ending inventory by a 90-day average cost of goods sold. The increase in DOS is primarily due to strategic buys and higher sea shipments, partially offset by operational inventory improvements.

DPO measures the average number of days our accounts payable balances are outstanding. DPO is calculated by dividing ending accounts payable by a 90-day average cost of goods sold. The increase in DPO was primarily due to favorable purchase linearity and higher inventory largely as a result of strategic buys.

Investing Activities

Compared to the corresponding period in fiscal year 2023, net cash used in investing decreased by $0.2 billion for the six months ended April 30, 2024, primarily due to lower collateral posted for derivative instruments of $0.1 billion and lower net investment in property, plant and equipment.

Financing Activities

Compared to the corresponding period in fiscal year 2023, net cash used in financing activities decreased by $0.2 billion for the six months ended April 30, 2024, primarily due to the lower net payment of debt of $0.5 billion and collateral returned for derivative instruments of $0.2 billion in the prior period, partially offset by a $0.5 billion increase in share repurchases.

Share Repurchases and Dividends

During the six months ended April 30, 2024, HP returned $1.1 billion to the shareholders in the form of cash dividends of $0.5 billion and share repurchases of $0.6 billion. As of April 30, 2024, HP had approximately $1.4 billion remaining under the share repurchase authorizations approved by HP’s Board of Directors.

For more information on our share repurchases, see Note 10, “Stockholders’ Deficit”, to the Consolidated Condensed Financial Statements in Item 1 of Part I of this report, which is incorporated herein by reference.

Capital Resources

Debt Levels

We maintain debt levels that we establish through consideration of a number of factors, including cash flow expectations, cash requirements for operations, investment plans (including acquisitions), share repurchase activities, our cost of capital and targeted capital structure as well as credit rating considerations. Depending on these factors, we may, from time to time, incur additional indebtedness or repay or refinance existing indebtedness. Outstanding borrowings increased to $9.6 billion as of

April 30, 2024 as compared to $9.5 billion as of October 31, 2023, bearing weighted-average interest rates of 4.2% for both April 30, 2024 and October 31, 2023.

Our weighted-average interest rate reflects the effective rate on our borrowings prevailing during the period and reflects the effect of interest rate swaps. For more information on our interest rate swaps, see Note 8, “Financial Instruments”, to the Consolidated Condensed Financial Statements in Item 1 of Part I of this report, which is incorporated herein by reference.

As of April 30, 2024, we maintained a $5.0 billion sustainability-linked senior unsecured committed revolving credit facility which will be available until May 26, 2026. Funds borrowed under the revolving credit facility may be used for general corporate purposes. Additionally, in March 2024, the $1.0 billion senior unsecured committed 364-day revolving credit facility that HP entered into in March 2023 matured in accordance with its terms.

Available Borrowing Resources

As of April 30, 2024, we had available borrowing resources of $0.9 billion from uncommitted lines of credit in addition to the full capacity of the revolving credit facility.

In February 2024, we filed an automatically effective shelf registration statement with the SEC, which enables us to offer for sale, at any time and from time to time, in one or more offerings, an unspecified amount of debt securities, common stock, preferred stock, depository shares and warrants.

For more information on our borrowings, see Note 9, “Borrowings”, to the Consolidated Condensed Financial Statements in Item 1 of Part I of this report, which is incorporated herein by reference.

Credit Ratings

Our credit risk is evaluated by major independent rating agencies based upon publicly available information as well as information they obtain during our ongoing discussions. While we currently do not have any rating downgrade triggers that would accelerate the maturity of a material amount of our debt, a downgrade from our current credit rating may increase the cost of borrowing under our credit facility, reduce market capacity for our commercial paper, require the posting of additional collateral under some of our derivative contracts and may have a negative impact on our liquidity and capital position and our contractual business going forward, depending on the extent of such downgrade. We can access alternative sources of funding, including drawdowns under our credit facility, if necessary, to offset potential reductions in the market capacity for our commercial paper.

CONTRACTUAL AND OTHER OBLIGATIONS

Retirement and Post-Retirement Benefit Plan Contributions

As of April 30, 2024, we anticipate making contributions for the remainder of fiscal year 2024 of approximately $12 million to our non-U.S. pension plans and $18 million to cover benefit payments to U.S. non-qualified pension plan participants. Our policy is to fund our pension plans so that we meet the minimum contribution required by local government, funding and taxing authorities. For more information on our retirement and post-retirement benefit plans, see Note 4, “Retirement and Post-Retirement Benefit Plans”, to the Consolidated Condensed Financial Statements in Item 1 of Part I of this report, which is incorporated herein by reference.

Cost Savings Plan

As a result of our approved restructuring plans, we expect to make future cash payments of approximately $0.4 billion. We expect to make future cash payments of $0.2 billion in fiscal year 2024 with remaining cash payments through fiscal year 2025. For more information on our restructuring activities that are part of our cost improvements, see Note 3, “Restructuring and Other Charges”, to the Consolidated Condensed Financial Statements in Item 1 of Part I of this report, which is incorporated herein by reference.

Uncertain Tax Positions

As of April 30, 2024, we had approximately $980 million of recorded liabilities and related interest and penalties pertaining to uncertain tax positions. We are unable to make a reasonable estimate as to when cash settlement with the tax authorities might occur due to the uncertainties related to these tax matters. Payments of these obligations would result from settlements with taxing authorities. For more information on our uncertain tax positions, see Note 5, “Taxes on Earnings”, to the Consolidated Condensed Financial Statements in Item 1 of Part I of this report, which is incorporated herein by reference.

Off-balance sheet arrangements

As part of our ongoing business, we have not participated in transactions that generate material relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

HP utilizes certain third-party arrangements in the normal course of business as part of HPs cash and liquidity management and also to provide liquidity to certain partners to facilitate their working capital requirements. For more information on our third-party short-term financing arrangements, see Note 6, “Supplementary Financial Information”, to the Consolidated Condensed Financial Statements in Item 1 of Part I of this report, which is incorporated herein by reference.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

For quantitative and qualitative disclosures about market risk affecting HP, see “Quantitative and Qualitative Disclosures About Market Risk” in Item 7A of Part II of our Annual Report on Form 10-K for the fiscal year ended October 31, 2023. Our exposure to market risk has not changed materially since October 31, 2023.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this report (the “Evaluation Date”). Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were not effective due to the material weakness in our internal control over financial reporting described below.

Material Weakness

As previously reported in the Company’s Annual Report on Form 10-K for the fiscal year ended October 31, 2023, we previously identified a material weakness in internal control over financial reporting. The material weakness resulted from undue reliance on information generated from certain software solutions affecting net revenue without effectively designed information technology general controls (“ITGCs”), specifically around user access and change management. Information generated from these software solutions is used by management in accounting for net revenue, including estimating variable consideration, and certain of these software solutions are used in the processing of revenue-related transactions.

This material weakness did not result in any errors. While this material weakness did not result in a material misstatement of our financial statements, there is a reasonable possibility that it could have resulted in a material misstatement in the Company's annual or interim consolidated financial statements that would not be detected. Accordingly, we determined that it constituted a material weakness.

With respect to the material weakness above, management, under the oversight of the Audit Committee, is in the process of designing appropriate ITGCs specific to the impacted software solutions. While we have taken steps to implement our remediation plan, the material weakness will not be considered remediated until the enhanced controls operate for a sufficient period of time and management has concluded, through testing, that the related controls are effective. The Company will monitor the effectiveness of its remediation plan and refine its remediation plan as appropriate.

Changes in Internal Control over Financial Reporting

As described above, we are taking steps to remediate the material weakness in our internal control over financial reporting. Other than in connection with the remediation process described above, no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter ended April 30, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Information with respect to this item may be found in Note 12, “Litigation and Contingencies” to the Consolidated Condensed Financial Statements in Item 1 of Part I of this report, which is incorporated herein by reference.

Item 1A. Risk Factors.

Our operations and financial results are subject to various risks and uncertainties, including those described in Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended October 31, 2023, which could adversely affect our business, financial condition, results of operations, cash flows, and the trading price of our common and capital stock. There have been no material changes in our risk factors since our Annual Report on Form 10-K for the fiscal year ended October 31, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Recent Sales of Unregistered Securities

There were no unregistered sales of equity securities during the period covered by this report.

Issuer Purchases of Equity Securities

The table below provides information regarding the Company's share repurchases that settled during the three months ended April 30, 2024.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs
	In thousands, except per share amounts			
February 2024	3,174	$ 28.64	3,174	$ 1,443,656
March 2024	318	$ 28.61	318	$ 1,434,564
April 2024	—	$ —	—	$ 1,434,564
Total	3,492		3,492	

The Company's share repurchase program, which does not have a specific expiration date, authorizes repurchases in the open market or in private transactions. On February 22, 2020, HP's Board of Directors increased HP's remaining share repurchase authorization to $15.0 billion in total. All share repurchases settled in the second quarter of fiscal year 2024 were open market transactions. As of April 30, 2024, HP had approximately $1.4 billion remaining under the share repurchase authorizations. From time-to-time HP may repurchase shares opportunistically and to offset the dilution created by shares issued under employee stock plans.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Our directors and officers (as defined in Exchange Act Rule 16a-1(f)) may from time to time enter into plans or other arrangements for the purchase or sale of our shares that are intended to satisfy the affirmative defense conditions of Rule 10b5–1(c) or may represent a non-Rule 10b5-1 trading arrangement under the Exchange Act. On March 21, 2024, Alex Cho, our President, Personal Systems, adopted a written plan for the sale of up to (i) 173,137 shares of our common stock underlying employee stock options; (ii) 78,027 shares of our common stock underlying time-based restricted stock units; (iii) 35,630 shares of our common stock underlying performance adjusted restricted stock units, plus any additional shares that vest based on the achievement of the relevant performance criteria; and (iv) shares of our common stock underlying any dividend equivalent units that accrue with respect to these awards. The plan is scheduled to commence on June 21, 2024 and is scheduled to expire on December 31, 2024, or on any earlier date on which all of the shares have been sold. The plan is intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act.

Item 6. Exhibits.

The Exhibit Index beginning on page 56 of this report sets forth a list of exhibits.

HP INC. AND SUBSIDIARIES

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
3(a)	Registrant's Restated Certificate of Incorporation.	8-K	001-04423	3.2	April 25, 2024
3(b)	Registrant's Amended and Restated Bylaws.	8-K	001-04423	3.1	April 19, 2024
10(a)	Registrant's Fourth Amended and Restated 2004 Stock Incentive Plan.*	8-K	001-04423	10.1	April 25, 2024
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.†				
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.†				
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.††				
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.†				
101.SCH	Inline XBRL Taxonomy Extension Schema Document.†				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.†				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.†				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.†				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.†				
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended April 30, 2024, formatted in Inline XBRL (included within the Exhibit 101 attachments).†				

* Indicates management contract or compensatory plan, contract or arrangement.

† Filed herewith.

†† Furnished herewith.

The registrant agrees to furnish to the Commission supplementally upon request a copy of (1) any instrument with respect to long-term debt not filed herewith as to which the total amount of securities authorized thereunder does not exceed 10% of the total assets of the registrant and its subsidiaries on a consolidated basis and (2) any omitted schedules to any material agreements set forth above.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HP INC.

/s/ TIMOTHY BROWN

Timothy Brown
Interim Chief Financial Officer
(Principal Financial Officer and Authorized Signatory)

Date: May 29, 2024

Exhibit 31.1

CERTIFICATION

I, Enrique Lores, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of HP Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 29, 2024

/s/ ENRIQUE LORES

Enrique Lores
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Timothy J. Brown, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of HP Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 29, 2024

/s/ TIMOTHY J. BROWN

Timothy J. Brown
Interim Chief Financial Officer
(Principal Financial Officer)

Exhibit 32

CERTIFICATION
OF
CHIEF EXECUTIVE OFFICER
AND
CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Enrique Lores, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of HP Inc. for the second quarter ended April 30, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of HP Inc.

May 29, 2024

	/s/ ENRIQUE LORES
By:	Enrique Lores *President and Chief Executive Officer*

I, Timothy J. Brown, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of HP Inc. for the second quarter ended April 30, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of HP Inc.

May 29, 2024

	/s/ TIMOTHY J. BROWN
By:	Timothy J. Brown *Interim Chief Financial Officer*