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**HP, Inc.** (HPQ)

Q4 2025 Earnings Call

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### Enrique Lores

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### Karen L. Parkhill

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### Brian Luke

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### Irvin Liu

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### Joseph Cardoso

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### Michael Ng

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good day, everyone, and welcome to the Fourth Quarter 2025 HP, Inc. Earnings Conference Call. My name is Regina, and I will be your conference moderator for today's call.

At this time, all participants will be in listen-only mode. We will be facilitating a question-and-answer session toward the end of the conference. [Operator Instructions] As a reminder, this conference is being recorded for replay purposes.

I would now like to turn the call over to Alok Juyal, Head of Investor Relations. Please go ahead.

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### Alok Juyal

*Senior Vice President-Finance & Chief Financial Officer-Personal Systems Global Business Unit, HP, Inc.*

Good afternoon, everyone, and welcome to HP's fourth quarter 2025 earnings conference call. With me today are Enrique Lores, HP's President and Chief Executive Officer; and Karen Parkhill, HP's Chief Financial Officer.

Before handing the call over to Enrique, let me remind you that this call is a webcast, and a replay will be available on our website shortly after the call for approximately one year. We posted the earnings release and accompanying slide presentation on our Investor Relations webpage at investor.hp.com. As always, elements of this presentation are forward-looking and are based on our best view of the world and our business as we see them today.

For more detailed information, please see disclaimers in the earnings materials relating to forward-looking statements that involve risks, uncertainties, and assumptions. For a discussion of some of these risks, uncertainties and assumptions, please refer to HP's SEC reports, including our most recent Form 10-K. HP assumes no obligation and does not intend to update any such forward-looking statements.

We also note that the financial information discussed on this call reflects estimates based on information available now and could differ materially from the amounts ultimately reported in HP's SEC filings.

During this webcast, unless otherwise specifically noted, all comparisons are year-over-year comparisons with the corresponding year-ago period. In addition, unless otherwise noted, references to HP channel inventory refer to Tier 1 channel inventory and market share references are based on calendar quarter information. For financial information that has been expressed on a non-GAAP basis, we've included reconciliations to the comparable GAAP information. Please refer to the tables and slide presentation accompanying today's earnings release for those reconciliations.

With that, I will now turn the call over to Enrique.

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## Enrique Lores

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

Thank you, Alok, and a special welcome to your first earnings call, and thank you to everyone for joining today's call. Today, we will cover our Q4 performance and 2025 full-year results. We will also highlight the opportunities ahead of us, expectations for fiscal year 2026, and how we are continuing to advance our company strategy.

I want to begin by saying how proud I am of the progress we have made across our priorities, especially as we have navigated a challenging external landscape. We have driven sequential profit improvement the last two quarters, demonstrating our ability to quickly respond to the challenging trade environment we began to face in Q2.

We also invested in our supply chain, making it more resilient to mitigate future risks, which is core to the Future Ready plan we laid out three years ago. Our performance both for the quarter and the full year underscores the strength of our strategy, the power of our portfolio, and the tenacity of our team.

Let's start with our Q4 results. I am pleased to report that HP delivered its sixth consecutive quarter of revenue growth, up 4% year-over-year, largely driven by Personal Systems gains in Commercial and Consumer. In Print, the market remained soft, but we delivered revenue in line with our expectations.

Collectively, key growth areas grew double-digit year-over-year and delivered gross margin above our core business. Non-GAAP EPS came above the midpoint of our guidance.

We continued to execute our Future of Work strategy. We are accelerating innovation with AI-powered devices that harness AI at the edge and create better-together experiences across our portfolio.

We are also empowering CIOs with the tools they need to drive transformation, and we are leveraging the power of customer data to deliver meaningful insights. These priorities guide our innovation. For example, we introduced a new edge-class device, the AI station, powered by NVIDIA, which can run up to 200 billion parameter models. It brings highly performant AI compute to the data instead of moving this data to the cloud for processing.

We also launched innovations that boost productivity, as for example, the industry's first 49-inch ultra-wide monitor that integrates AI noise reduction. And focusing on solutions, we are making printing smarter and more intuitive with new AI-driven printing and scanning features. These enhancements make printing easier by cleaning web and email layouts, reducing unnecessary pages. They also streamline everyday tasks, improving scan quality and auto-generating file names.

Our Workforce Experience Platform now uses telemetry from 48 million endpoints to manage 2.4 million connected devices, and already remediate more than 12 million IT issues every month. With its new integration with Microsoft Security Copilot, we are bringing generative AI directly into IT management for faster, smarter responses to critical issues.

Inside HP, we are adapting our AI-powered innovations first, leading as a customer zero. For example, by deploying AI PCs with curated applications, we are equipping teams to deliver better results, with their productivity up 16%.

Now, I will take a closer look at the performance of each business unit. In Personal Systems, revenue grew 8% year-over-year, above our expectations. We drove worldwide PC market share gains particularly in high-value categories including Commercial and Consumer premium and workstations.

With 40% of the installed base still on Windows 10 at the end of Q4, the Windows 11 refresh will remain a tailwind for the PC market into 2026, and demand for AI PCs continues to accelerate, now representing more than 30% of our shipments this quarter. In our key growth areas for Personal Systems, strong performance in Data Science workstations contributed to double-digit revenue growth in advanced compute solutions.

In Print, revenue declined 4%, reflecting market softness and delayed purchasing decisions across all regions. Print units declined year-over-year, but improved sequentially. We maintained our number one share in Print. Supply revenue performed as expected and we gained share.

Looking closer at Print key growth areas, Consumer subscriptions delivered double-digit revenue growth, and is just under \$1 billion in annual revenue. We continue to see strong adoption of our All-in Plan offering, which subscribers up double-digit sequentially.

Momentum continued in Industrial Graphics, which exceeded \$1.8 billion in annual revenue driven by the ninth consecutive quarter of year-over-year growth. We also saw double-digit growth in 3D, driven by applications in drone and robotics manufacturing.

In Workforce Solutions, double-digit growth was accompanied by key wins in industries such as energy, technology, and services. We added 10 new customers from the world's 200 largest companies, a testament to the strength of our sales team.

Turning to our full-year performance, revenue grew by 3%, returning to growth. Our key growth areas collectively grew double-digit year-over-year and represented over a third of our revenue for the year.

Personal Systems revenue grew 6%, driven by commercial strength. Print revenue declined 4% as market weakness persisted and we prioritized placement of profitable units. Supplies revenue declined 2% in constant currency and we gained share.

Operating profits declined as trade-related cost during the year took a few quarters to be absorbed. Aligned to our commitments, we executed with discipline in a challenging environment, driving a double-digit operating profit increase from the first half to the second. This reflects our ability to act decisively and accelerate supply chain transformation.

HP continues to evolve, highlighted by recent leadership transitions that underscore our focus on combining the best internal and external talent to drive our long-term strategy.

I am excited to welcome Ketan Patel as Head of Personal Systems, Manoj Leelanivas as Head of HP Solutions, and Prakash Arunkundrum as Chief Strategy and Transformation Officer to our leadership team. Each brings the right capabilities, experiences, and a proven track record of driving innovation and delivering results. I also want to thank Alex Cho and Dave Shull for their many contributions to HP. Their leadership has been instrumental in strengthening our business.

Now, let me address the trend of rising memory costs and its implications for our business. Memory costs are currently 15% to 18% of the cost of a typical PC. And while an increase was expected, its rate has accelerated in the last few weeks. Our portfolio is less sensitive to the commodities market than it was during the last memory cycle. Over a third of the PS gross profit comes from services and peripherals. We expect to mitigate the impact of these cost headwinds in the first half of our fiscal year, with our inventory on hand, [ph] an asset of actions (00:13:08) across our portfolio and basket of commodities.

For the second half of the year, we expect Personal Systems margins to be impacted, therefore, we are taking a prudent approach to our guide while implementing aggressive actions to mitigate this. They include qualifying lower-cost suppliers and redesigning the portfolio for reduced memory configurations, accelerating our AI-enabled transformation to drive further cost savings and raising prices in close partnerships with our channel and direct customers. From a supply perspective, we are in a good position due to our strong relationships and long-term contracts with key suppliers.

Moving to fiscal year 2026, our plan is built on four pillars. First, in Personal Systems, we expect the revenue market to be up low single-digit with Windows 11 refresh, AI PCs, and pricing as catalysts. We also expect to see a positive impact from the growth of premium devices, including workstations and an increase of attach rate from services and peripherals. Our goal is to perform better than market.

Second, in Print, we expect to grow slightly faster than industry projections of low-single-digit market decline. We intend to take share by doubling down on Big Tank. We are increasing our marketing investments, driving new product and solution introductions and expanding globally our successful All-in subscription offering.

We also intend to grow share in office with new products and solutions designed for SMB and enterprise customers, reinforcing HP's leadership in manageability, security, and AI. And we intend to strengthen our leadership in 3D printing and further build on the momentum from labels and packaging to maintain our lead in industrial printing.

Third, in Workforce Solutions, we are focused on growing recurring revenue by expanding our software, security, and services businesses. We are also scaling our Workforce Experience Platform in key verticals, building on the strong momentum generated in fiscal 2025.

Four, driving an improved cost structure remains a top priority. We have demonstrated our ability to execute major transformations as part of our Future Ready program, overdelivering on our initial expectations.

And as we look ahead, we see a significant opportunity to embed AI into HP to accelerate product innovation, improve customer satisfaction, and boost productivity. We have launched a company-wide program led by an executive reporting directly to me and we have a line of sight to drive approximately \$1 billion of gross run rate savings over three years across product development, customer service and support, and many of our operational processes. This will result in workforce reductions of 4,000 to 6,000 people over the next years. These are some of the most difficult decisions we need to make, and we are committed to treating our colleagues with care and respect.

We are planning to hold our Investor Day on April 23 where we will share the full plan on how AI is transforming HP. We remain confident in our ability to lead the Future of Work through technology. With a clear strategy and disciplined execution, we are focused on driving long-term value while managing short-term headwinds.

I will now turn it over to Karen.

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## **Karen L. Parkhill**

*Executive Vice President & Chief Financial Officer, HP, Inc.*

Thank you, Enrique, and good afternoon, everyone. We are pleased with our results in Q4, delivering another quarter of solid performance to close out the fiscal year. Our teams executed well, driving better than expected top line growth fueled by continued momentum in Personal Systems and in our key growth areas. We delivered operating margins within our expected ranges for both businesses and non-GAAP EPS slightly above the midpoint of our guidance range, underscoring our ability to meet or exceed our financial commitments.

We are also proud of the results we delivered with our multi-year Future Ready cost plan. We surpassed our original \$1.4 billion savings target, ultimately delivering \$2.2 billion in cumulative gross annualized savings and on \$1.2 billion of restructuring spend, we delivered a savings to charge ratio of almost 1.8 times, well above our initially projected ratio of 1.4 times.

On the quarter, we delivered revenue growth of 4% year-over-year, both nominally and in constant currency. In constant currency, EMEA grew 6% and APJ was up 9% on strong Personal Systems performance. Americas revenue is flat in constant currency, reflecting demand softness in North America, particularly in Commercial. Our gross margin at 20.2% was impacted by a higher mix from Personal Systems and increased trade-related costs, which we partly offset with pricing actions and cost reduction.

Contributions from our Future Ready cost program, and continued strong expense management drove operating expenses down as a percent of revenue year-over-year. These efforts also enabled our investment in key strategic and go-to-market initiatives aligned with our Future of Work strategy. All-in, our non-GAAP operating margin was 8%, down year-over-year, but improving almost 1 point sequentially, in line with our expectations and our non-GAAP diluted net earnings per share was \$0.93, representing a sequential increase of 24%.

Now, let's turn to segment performance. We delivered better than expected top line growth in Personal Systems, with revenue up 8% on increased ASPs and 7% unit growth. We outperformed the market in both Consumer and Commercial, and continued to shift mix toward premium categories while maintaining discipline pricing to help mitigate cost increases. Key growth areas performed well, including in AI PCs where we doubled revenue year-over-year.

In Commercial, we drove revenue in units up 7% on continued momentum from Win 11 refresh and AI PC adoption. We also delivered strong performance in Consumer, growing revenue 10% on 8% unit growth. We

drove higher ASPs and share gains in consumer premium in line with our strategy to rebalance our portfolio to a more profitable mix. And with holiday seasonality in Consumer, we delivered revenue and unit growth of 17% sequentially. As we had signaled, the actions we started earlier in the year to leverage supply chain flexibility, reduce costs, and maintain pricing discipline gained traction in the second half.

As a result, we drove sequential improvement in our PS operating margins, reaching 5.8% in Q4, in line with our guidance. In print, our results reflect a pricing environment that remains competitive despite higher industry costs and continued market softness globally as customers delay printer hardware refresh decisions. Against this backdrop, we continue to focus on profitable long-term unit placement, increasing lifetime value per customer, and cost reduction actions. We also drove solid growth in key growth areas in the quarter.

Looking at the details, print revenue declined 4% on lower supplies volume and market-driven hardware declines in both Consumer and Commercial. Consumer revenue was down 9% year-over-year, and Commercial revenue down 4% as higher ASPs were offset by lower volumes. Supplies performed as expected, down 3% year-over-year in constant currency. We continue to drive market share gains with favorable pricing that partially offset installed base and usage headwind. For the year, Supplies revenue declined 2% in constant currency, in line with our long-term range, and we delivered operating margin of 18.9%, in line with our guidance and at the top end of our range.

Now, let me move to cash flow and capital allocation. We generated \$1.6 billion in cash from operations, and roughly \$1.5 billion in free cash flow on the strength of the sequential growth in Personal Systems. Free cash flow for the fiscal year was \$2.9 billion, consistent with our outlook and we improved our cash conversion cycle quarter-over-quarter, driving days payable up through higher manufacturing activity.

On capital allocation, we remain committed to returning approximately 100% of our free cash flow to shareholders as long as our gross leverage remains below 2 times and there aren't better return opportunities. In Q4, we returned close to \$800 million to shareholders through both dividends and share repurchase, and returned more than \$1.9 billion for the fiscal year. While we finished the quarter slightly above our target leverage ratio, we increased our cash balances, reserving sufficient funds to pay down 2026 debt maturities, which enabled us to buy back shares in the quarter. And if needed, as we move through the year, we can operate with higher cash balances in fiscal 2026 to further reduce leverage with maturities in fiscal 2027.

Our Q4 and FY 2025 results reflect strong execution against challenging trade dynamics with continued sequential improvement as promised in the back half of the year. Looking ahead, our guidance reflects the increasing inflationary pressures predicted for memory costs, which we expect at this point to have an impact as we move into the back half of our fiscal year. That said, we have a proven track record of managing challenges and this one will be no different. We are prudently including these pressures in our outlook yet we remain confident in the strength of our organization and partnerships we built with our suppliers to deliver the best possible outcome for our shareholders.

We are also continuing to invest in driving transformation within the company and we see a significant opportunity ahead to embed AI into almost all that we do to improve productivity, accelerate innovation, and improve customer experiences. As Enrique said, we have already made excellent progress in identifying key focus areas that are expected to generate approximately \$1 billion in gross run rate savings by the end of our fiscal year 2028, and we expect approximately \$300 million of those savings to be achieved by the end of fiscal 2026. We estimate associated restructuring charges of around \$650 million over the three-year period, which include roughly \$250 million in charges to be incurred in FY 2026. We continue to identify additional opportunities as part of this initiative and we'll share those with you at our upcoming Investor Day.

Now, turning to our segment outlook for FY 2026, in Personal Systems, we are aligned with industry experts projecting the PC unit TAM to decline in units, but the revenue TAM to grow low single-digit. Against that backdrop, we expect to gain share in premium categories, including AI PCs, workstations, and new device categories, and increase our attach of higher margin offerings, all leading to revenue share gains. And we anticipate revenue to be stronger in the second half of the year driven by normal seasonality and pricing as needed against rising costs.

On operating margin, we expect the PS OP rate to stay in the 5% to 6% range in the first half of the year and as Enrique said, we are already taking decisive steps to manage commodity inflation. However, with higher memory cost increases impacting our back half, we estimate our OP rate for the full year could be at the low end of our long-term 5% to 7% range.

In print, we anticipate a low single-digit decrease in the hardware market in 2026, with growth in big tank and industrial market offset by declines in traditional hardware. We expect to outperform the market as we execute our plans to gain share in big tank and higher value office categories through new products and solutions, and to expand our subscription business and deliver continued growth in industrial. We also anticipate Supplies revenue to be down low single digits in constant currency. Within our long-term guidance range, with favorable pricing and continued share gains, and we expect print revenue by quarter to be generally in line with historical seasonality.

We expect print operating margins for the year to be in the upper half of our 16% to 19% range while we continue to focus on profitable unit placement and disciplined cost management. Beyond the segments, we expect corporate, other and OI&E to be roughly flat year-over-year. And as is typical, we expect corporate/other expense to be more heavily weighted in Q1 due to the timing of our stock compensation expense. With all of this and including an estimated \$0.30 impact from projected memory cost increases net of mitigations, we expect FY 2026 non-GAAP diluted net earnings per share to be in the range of \$2.90 to \$3.20, and FY 2026 GAAP diluted net earnings per share to be in the range of \$2.47 to \$2.77.

For Q1, we expect non-GAAP diluted net earnings per share to be in the range of \$0.73 to \$0.81, and first quarter GAAP diluted net earnings per share to be in the range of \$0.58 to \$0.66. On FY 2026 free cash flow, we expect to deliver between \$2.8 billion to \$3 billion. As typical, we expect the second half to be stronger than the first, consistent with our earnings and recognizing that our first quarter is typically lower given the timing of our incentive comp payment.

Before closing, over the past year since joining HP, I have had the opportunity to not only learn and understand our businesses more deeply, but also reflect on key drivers of growth and value ahead. Across both print and Personal Systems, we have a relatively small but growing base of services, subscriptions, software, and products as a service that are contractual in nature. And as we look to the future, we intend to drive greater growth in this important base of higher margin, more stable recurring revenue. So, expect us to highlight this even more for you as we continue to focus on strengthening our company and increasing the value we offer to our investors.

Lastly, we are pleased to announce today that we are raising our quarterly dividend to \$0.30 per share. This is the 10th consecutive annual increase since our separation in 2015 and reflects the confidence we and our board have in our long-term outlook ahead.

With that, I would like to hand it back to the operator and open the call for your questions.

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. We will now begin the question-and-answer session. [Operator Instructions] We'll take our first question from the line of Wamsi Mohan from BofA. Please go ahead.

**Wamsi Mohan**

*Analyst, BofA Securities, Inc.*

Q

Yes, thank you so much. I guess to start, your free cash flow guide for next year is flat year-on-year despite the margin pressures you alluded to from increased memory pricing. What are some of the elements offsetting these headwinds in cash flows and does the \$2.9 billion in free cash flow include any cash restructuring charges? And I will follow-up.

**Karen L. Parkhill**

*Executive Vice President & Chief Financial Officer, HP, Inc.*

A

Yeah. Thanks, Wamsi, for your questions. We obviously remain focused on driving value to our shareholders through strong free cash flow and like we're doing with our earnings guide, we're taking a prudent approach to our expectations there, particularly the recently projected increase in memory costs. So, at this point, we expect our free cash flow to be relatively flat, as you said, with slightly lower earnings and that's offset by improvements in working capital, primarily due to the favorable cash conversion cycle we have with the expectations of our growing PS business.

We also expect CapEx and restructuring costs to be down slightly year-over-year. And I would just say on free cash flow, as always, if we can do better, we will.

**Enrique Lores**

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

A

And yes, it includes the restructuring, the funds for the restructuring activities.

**Karen L. Parkhill**

*Executive Vice President & Chief Financial Officer, HP, Inc.*

A

Yes and we expect for the year the restructuring costs to be roughly \$250 million.

**Wamsi Mohan**

*Analyst, BofA Securities, Inc.*

Q

Okay. Okay, great. And then maybe Enrique, like we've seen plenty of memory cycles in the past. This one is fairly unprecedented in rate and pace of change. And I'm just wondering, as you think about the various strategies you're going to deploy to navigate this, how do you think about price elasticity in a somewhat weaker consumer market? How do you think about de-speccing and any other sort of strategies that HP could deploy in terms of being able to raise price without sort of impacting the demand elasticity if that's at all possible? Like what are some of the things that you're looking at executing to limit this impact to what you quantified about \$0.30 or so? Thank you.

**Enrique Lores**

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

A

Thank you. So, as you said, this is not the first time we'll go through a situation like that. So, the team has plenty of experience handling these situations. I think the first thing that helps us in this situation is our scale and by using our scale, we have today a good supply position, thanks to the long-term agreements and the relationships we have with many suppliers. And we are using that also to qualify additional suppliers to mitigate this even further.

We also can use the breadth of our portfolio to make sure that customers get the right configuration and to de-scale in those cases where it's possible to balance company profitability with experience from customers. Something unique that we have this time is something that I have been mentioning before, which is the Workforce Experience Platform. This is a tool that we deploy to our commercial customers that allows [ph] CIS (34:28) to monitor the performance of individual users, and by using telemetry data that we have been capturing over time, we can make recommendations on what is the optimal configuration per customer. This will help us significantly for those customer that when we deploy the tool to make sure that they get the right solution and the right memory configuration.

And then what we have seen in the past in these situations, from a demand perspective, are usually the more low-end categories, those that are impacted. And by managing our portfolio and shifting demand to the areas where we think we will have more product available and better configurations is an important way for us to manage that. And then finally, of course, pricing will be another tool to mitigate the impact and we will use this as soon as we can given the contracts and the different relationships that we have.

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**Operator:** Our next question will come from the line of David Vogt with UBS. Please go ahead.

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**Brian Luke**

*Analyst, UBS Securities LLC*

Q

Hey, guys. Thanks for taking the question. This is Brian Luke on for David. Just on the topic of higher memory prices, you talked about in a number of actions you could take. Staying on topic of pricing, now, would you consider price increases across the entire portfolio, or would you consider them more tactical in nature and would you be able to quantify any price increases you'd be considering going forward? Then I have a follow-up. Thank you.

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**Enrique Lores**

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

A

Yeah, I would say we're going to be looking at each case by case, country by country, category by category, but the impact on memory costs is significant. I would say it's going to happen across the board, but more selectively or higher or lower, depending on specific situations.

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**Brian Luke**

*Analyst, UBS Securities LLC*

Q

Got it. That's helpful. And then in regards to the Windows 11 refresh, we talked about us being roughly 60% of the way through. According to our checks, that's roughly in line and you expect it to be a tailwind going forward in fiscal year 2026. Do you expect it to be a tailwind for longer than that time period and would you expect tariff considerations to be having an impact going forward? Thank you.

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**Enrique Lores**

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

A

Yes, so you read it right. We estimate that about 60% of the installed base have moved to Windows 11. We have seen the conversion happening faster in the enterprise space and also in North America. The biggest opportunity now is going to be in SMB and in Europe and in Asia. And this is very consistent with previous processes.

In terms of the tailwind, if you think about what has been the conversion during the last quarter, has been about 10 points. This can give you a prediction of for how long within this is going to last. For sure for the first half of a year, but probably beyond that.

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**Karen L. Parkhill**

*Executive Vice President & Chief Financial Officer, HP, Inc.*

A

We also have the catalyst of AI PCs being a continued uptick. As we look ahead, too, we had about 30% or more than 30% of our shipments being AI PCs in the fourth quarter, and we expect that to be higher next year, 40% to 50%.

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**Operator:** Our next question will come from the line of Amit Daryanani with Evercore ISI. Please go ahead.

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**Irvin Liu**

*Analyst, Evercore Group LLC*

Q

Hi. Thank you for the question. This is Irvin Liu dialing in for Amit. I wanted to understand the rationale behind the company cost savings initiative that was announced today. Since you already recently completed the – you already recently completed the Future Ready program. Was this new initiative more of a response to higher memory costs, or should we view this as kind of a broader cost savings program in nature?

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**Enrique Lores**

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

A

Yes, I actually started to talk about this in the last earnings call. So, this was way before the memory cycle started and this is really driven by the opportunity that we think AI is going to bring us to accelerate product development, improve customer satisfaction, and also boost productivity.

Two years ago, we started to do some pilots on how AI could help us to drive these things and during the last two quarters, we have been shifting from pilots to specific initiatives in areas where we can have significant impact. What we have learned is that we need to start from redesigning the process and once the process – once we know how the process could be redone using AI, using agentic AI can really have a very significant impact. And this is why we think that really over the next years, this can have a very significant impact across areas I mentioned before, faster product development, customer satisfaction, and also productivity. And we have quantified productivity around \$1 billion over the next three years. And this is really what we have deployed now and what we are working with the teams to deliver on.

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**Operator:** Our next question will come from the line of Samik Chatterjee from JPMorgan. Please go ahead.

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**Joseph Cardoso**

*Analyst, JPMorgan Securities LLC*

Q

Hey. Good afternoon. Thanks for the question. This is Joe Cardoso on for Samik. Maybe just wanted to follow-up on kind of the PS momentum or PC momentum you're thinking about or seeing going into 2026. I was curious if you could just flesh out the conviction here, particularly as we're cycling past the bulk of the Win 11 refresh. I know [indiscernible] (00:40:25) you talked about 60% or 50%-plus of the installed base moved over and so there's

some headroom there to continue, but interestingly enough, when you guys talked about the forecast for next year, it seemed like pricing was a bigger contributor for the next year relative to this year where I think units were bigger. So, I'm just curious like where you guys are seeing that dynamic play out and what's kind of the conviction behind it. And then I have a follow-up. Thank you.

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**Enrique Lores**

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

A

Yes, the conviction comes from the same drivers that we have seen driving demand during the last few quarters. We have a [ph] net (00:41:00) installed base of PCs that need to be refreshed of all the PCs that were bought for five years ago. We have the opportunity driven by the change to Windows 11, and we have seen that tailwind helping us during the last quarter. As you said, the conversion has been done to 60% of the installed base. So, we have still close to 40% of the installed base to be converted, especially in SMB and especially outside of North America. And this will be a tailwind now for several quarters. And we also see the opportunity to continue to improve the mix of AI PCs that has exceeded the expectations that we had for the year. So, all these will be positive drivers.

On top of that, our strategy is going to continue to be focused on premium categories as it has been during the last few quarters where we have made very significant progress both in commercial customers, consumer customers, and workstations. And we also have an opportunity to continue to drive attach of peripherals, attach of services. So, all these kind of will help us to drive revenue growth faster than unit growth in 2026.

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**Joseph Cardoso**

*Analyst, JPMorgan Securities LLC*

Q

Got it and then maybe follow-up for Karen. So, just curious if you could share any thoughts on how you're thinking about seasonality for next year. Seems like a lot of moving pieces with the company cycling past the tariffs of this year, maybe the bulk of the Windows 11 refresh this year, and then kind of entering a dynamic memory pricing environment, just to kind of name a few of the things that are going on obviously. Anything we should keep on top of mind relative to maybe first half, second half dynamics relative to revenues? I know you talked about the margin implications as you kind of cycle past some of the inventory that you built on the memory side, but any other moving pieces we should think about as we're thinking about our models for next year in terms of some of the different dynamics we should be considering just given that we've been in somewhat of a volatile or moving pieces environment? Thanks for the question, everyone.

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**Karen L. Parkhill**

*Executive Vice President & Chief Financial Officer, HP, Inc.*

A

Thanks, Joe. Happy to talk about that. So, I did mention that we anticipate our revenue to be stronger in the second half of the year and that's really just driven by normal seasonality as well as pricing as needed against the tariffs and the rising costs. When you look at our margins, we expect our print operating margins to be in line with seasonality where we see Q3 typically lower seasonally than the rest.

And on PS, as we talked about, we expect our PS operating profit rate to stay in the 5% to 6% range in the first half of the year, but then with higher memory cost increases in our back half, we expect – we said we expected our full year rate to be at the low end of our long-term 5% to 7% range. So, given that we could see Q3 and Q4 temporarily below that 5% range, but as you know, we're working to minimize that and ultimately mitigate the full impact. So, if we can do better, we will.

When you think about it from an EPS perspective, we typically have EPS more stronger in the back half, but with the impact of memory in the back half of this year, you can think about EPS being more evenly weighted through the year. Hopefully, that helps.

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**Enrique Lores**

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

A

And maybe let me add a couple of comments on the memory side. As we said in our prepared remarks, we expect the major impacts of the memory cost increases to impact the second half of the year. In fact, almost no impact in the first half given the inventories on hand that we have. I think it's important to have in mind that we are one of the first companies that are guiding for the full year, and the impact we really see on the second half, we don't see it in the first half.

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**Operator:** Our next question will come from the line of Michael Ng with Goldman Sachs. Please go ahead.

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**Michael Ng**

*Analyst, Goldman Sachs & Co. LLC*

Q

Hey. Good afternoon. Thanks for the question. I was wondering, Karen, Enrique, if you could just expand a little bit about the comment around the growing base of services, subscriptions, and software that are more contractual in nature. Was that a comment more about Workforce Solutions or print subscriptions? Appreciate the highlight. Just if you could expand on anything that you're thinking about in the future, that would be helpful and how you would work to grow that type of business. Thank you.

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**Enrique Lores**

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

A

Yes, it's a comment across the board. So, we have seen very solid growth, for example, in the consumer subscription side of instant ink [indiscernible] (00:45:55). We mentioned that business is approaching \$1 billion, which is really a significant milestone for these type of businesses. We have also seen very solid growth in the Workforce Solutions space, especially in PCs, in PCs-as-a-Service that has driven very significant growth during 2025, and that we expect to continue to see in 2026. And also, our software businesses are having very strong performance, and I will let Karen make a few comments.

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**Karen L. Parkhill**

*Executive Vice President & Chief Financial Officer, HP, Inc.*

A

Yeah, I would just add that we're excited to drive even greater growth in value in the future, with revenue that is less cyclical and more stable and higher margins. It's really an important focus for us at the company, and it means that as we innovate products and develop new business models around them, we'll be focused on driving more recurring revenue. And when we think about doing our capital allocation, too, this is going to be a priority focus for us.

But I would say it's not something that's going to change rapidly overnight. We see this as an important gradual transition and we'll just continue to highlight it for investors.

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**Michael Ng**

*Analyst, Goldman Sachs & Co. LLC*

Q

Great. Thank you. And if I could just follow up around the headwind for memory of \$0.30 on EPS, net of mitigations, what do you think the gross impact is and what's your confidence level on the mitigations? Could it be

better or worse? And then just as a quick follow-up, are you also seeing similar kind of tightness on PCB and kind of inflation related to that. Thank you.

**Enrique Lores**

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

A

Sure. So, let me start on the quantification. We have shared enough numbers that you can calculate. We have shared that the cost of memory is between 15% and 18% of PCs. So, from there you can calculate the gross impact that you will see is significantly bigger than the \$0.30 that we are quantifying. And we have fairly high confidence in the actions that we have put in place. In fact, we mentioned that we have been conservative in the guide for the full year, and that based on the actions I described before, if we can do better, we will be better. But given that we are guiding the full year and we expect to see the majority of the impact in the second half, we thought it was important to be prudent at this point.

In terms of other components, when – this is the area where we see the biggest impact, memories and storage. The rest of the space, we are confident and we don't see any shortages at this point. And as I said before, even in the memory and storage space, we are in a good position from a supply perspective, given the relationships and the contracts we have with our suppliers.

**Operator:** Our next question will come from the line of Asiya Merchant with Citigroup. Please go ahead.

**Michael Anthony Cadiz**

*Analyst, Citigroup Global Markets, Inc.*

Q

Hi. Good afternoon. This is Mike Cadiz on behalf of Asiya Merchant at Citi. So, my question is on AI PC penetration. So, despite you hitting the 25% to 30% penetration ahead of schedule, how do you think that tariffs and now the elevated commodity costs have affected the expected trajectory toward the 50% in the coming years that you've telegraphed?

**Enrique Lores**

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

A

So, we continue to be very optimistic about the penetration of AI PCs. And as I mentioned before, as – we will be prioritizing premium categories into – as we will be working on the memory situation next year. The penetration of AI PCs, as I said before, is above 30% today as at the end of the quarter, and easily driven by the additional value these PCs bring compared to the installed base, and the fact that our customers want to be ready as soon as applications start taking advantage of the capabilities of these products.

Last quarter, I mentioned the work that we are doing with software companies to leverage those, and this work has continued and we have continued to make progress. With the announcements that Microsoft made last week on the consumer side, the ability to manage PCs with voice, I think are going to be exciting, very exciting for our consumers. We have improved the tools that they have for other companies to take advantage of GPUs and NPUs in the devices. We have made progress with other software companies like Adobe in leveraging those assets, with more local vendors like Rakuten or in Japan to take their models and the systems that they have in the cloud and bring them to the edge, an announcement we made a few weeks ago. And we have also worked with smaller companies that drive very specific value, for example, in helping sales teams to be more efficient or in helping product managers to present better. All these are really helping to drive adoption.

And something very – we think very relevant is that we have deployed these solutions internally in HP, with not only the PCs, but with a curated set of applications. We have seen up to 17% of productivity improvement, and this is a very important value proposition for us, but also for our customers.

**Michael Anthony Cadiz**

*Analyst, Citigroup Global Markets, Inc.*

Q

Thank you for that. And then as my follow-up, for both PC and Print, would you mind talking about the customer and market reception to the pricing actions that you've taken and whether or not it's differed between Consumer and Commercial, and how you perhaps balance that with maintaining margins and share as well? Thank you.

**Enrique Lores**

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

A

Sure. The majority of – I mean, if I look at Print, we have done price actions both in the Consumer and Commercial space. In the Commercial space, probably because our – most of our competitors are Japanese and they continue to have a very significant help from yen, we didn't see these changes happening across the board, and this is why we lost some share in Q4. It didn't happen in Consumer. It didn't happen in Supplies where we grew our share, especially in Supplies where we grow our share. And in the PC space, our price increases have been smaller because the impact of tariffs so far has been smaller, and therefore we haven't seen a strong reaction one way or another. Prices had grown year-on-year, quarter-on-quarter, but less than what we have seen in other spaces.

**Karen L. Parkhill**

*Executive Vice President & Chief Financial Officer, HP, Inc.*

A

And even with this pricing environment, you're seeing us have strong revenue performance both last quarter and for the full year. We expect that to continue.

**Operator:** Our next question will come from the line of Erik Woodring with Morgan Stanley. Please go ahead.

**Maya Neuman**

*Analyst, Morgan Stanley & Co. LLC*

Q

Hi, thank you. This is Maya Neuman on for Erik Woodring. Maybe just to start to build on some of your comments regarding your mitigation tactics for the memory cycle and your supplier relationships. Could you quantify how many weeks of memory inventory you have on hand and are suppliers willing to sign long-term agreements? And kind of just overall, where do you believe HP is most differentiated within the supply chain or has the greatest competitive differentiation versus peers to weather this memory cycle? Thank you. And then I have a follow-up.

**Enrique Lores**

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

A

Sure. I'm not going to share the specifics of the weeks of inventory we have. But I said before that given the inventory we have today, we are fairly well, in a fairly good situation for the first half of the year. So, this helps you to understand that it's not going to have a short-term impact. In terms of long-term agreements. We have long-term agreements with our key suppliers, and the scale, the depth of our relationships are key assets when we go through situations like this.

As you know also, after COVID, we made a lot of work to improve our operational processes within supply chain, both in terms of supply-demand matching, in terms of forecasting, and they will be very useful now that we need

to go through to this situation, because it's not only about getting the memory, it's also about getting other supplies that will work with memory, like processors. And it's about aligning demand to that. We did a lot of work during the last quarters of COVID to improve that, and the team is very experienced now in how to manage these situations.

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**Maya Neuman**

*Analyst, Morgan Stanley & Co. LLC*

Q

Got it. Thank you very much. And then last question for me, if we take a step back and think about your overarching strategy in Print, how should we think about it going forward? I understand we'll probably get more details at the Analyst Day, but it's obviously a secularly declining business. But you're also seeing operating income decline in Print as well on a dollar basis, which I know a lot of actions around pricing, Big Ink, toner subscriptions, the graphics market are meant to protect. Is this a business where we should expect operating income growth, and if so, how do we get there on a sustainable basis? Thank you.

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**Enrique Lores**

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

A

Yeah. As we said, we will talk about – more about this in our Investor Day in a few months, but the strategy that we have been executing in the last years is not changing. Our goal continues to be to capture more value per customer and reduce the number of unprofitable customers, which we have been doing during the last years.

Our shift or our doubling down on Big Ink is a consequence of that strategy as well. We see a big opportunity to grow profitable units in that space, while at the same time continue to accelerate and continue to drive the transition into subscriptions in this space. And we have been making very good progress both on the supply side and are also integrating printers in our All-in program.

In the office space, we see an opportunity to grow our share in profitable units, and the new portfolio that we will be launching during 2026 and the work that we continue to do in cost will help us to achieve that goal.

And then finally, on the industrial space, both especially in the graphics side, is a business that has been growing during the last nine quarters, and we expect it to continue to grow during 2026.

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**Operator:** Our final question will come from the line of Mark Newman with Bernstein. Please go ahead. Mark, you might be on mute.

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**Mark C. Newman**

*Analyst, Bernstein Institutional Services LLC*

Q

Apologies, apologies. Thanks for taking my question. Yeah, yeah, just following up a bit on the memory price environment. Thanks very much for the clarity on the \$0.30 impact. Just curious, though, you mentioned that's mostly on the back half. So, presumably it's – if you think, if you just do the math, \$0.30 on \$3 or so annual earnings. So, your impact is more than 10% on the back half. Considering, of course, you can pass through a lot of that with pricing, it seems like that it should be less, given you have quite a few months to correct pricing. So, just wondering if anything I'm thinking about wrong there. Just this seems like it may be conservative from you on the \$0.30, but let me know if I'm thinking about that wrong.

And I also wanted to ask, does it have an impact on mix, given how significant memory prices have moved? And could specs change, average specs of what you sell change? And could that also impact the AI PC dynamic, considering the AI PCs typically have higher specs? Thanks very much.

**Karen L. Parkhill**

*Executive Vice President & Chief Financial Officer, HP, Inc.*

A

Yeah, thanks for the question mark. And let me just talk about the \$0.30 and the guide. I would just say we remain focused on taking a prudent approach to our guidance. And particularly as we start a new year, we're setting our guidance at a level that we have a high confidence in meeting and hopefully exceeding.

I would say we're taking that same prudent approach this year with the rising cost of memory, but we've already been implementing actions to mitigate. And I would note that we have a proven track record of managing challenges like this. And we are confident in the strength of our organizations and the partnerships that we built to deliver the best possible outcomes. So, while we have included that \$0.30 in the guide, if we can do better, we certainly will. And your math is roughly right.

**Enrique Lores**

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

A

And then finally, in terms of configurations, as I said before, we are going to be prioritizing those units where we see more margin for the company. And what we have seen in other cases is where volumes are more impacted are more in the entry space, where customers are usually more sensitive to price. And as Karen said before, we decided to take a conservative approach. We are guiding now the full year, we think the impact will be mostly on the second half, and we are taking a lot of actions to mitigate that impact. But given how fast things have unfolded during the last few weeks, again, we thought it was better to be prudent at this stage.

**Operator:** And that will conclude our question-and-answer session. I'll turn the call back over to Enrique for any closing comments.

**Enrique Lores**

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

Perfect. And thank you, everybody, for joining today's call. We remain confident in our ability to lead the Future of Work through technology. And I'm really proud of the progress we have made across our priorities. We finished 2025, strong growing profit from the first half to the second. In 2026, we intend to grow faster than the market. We have a significant opportunity to embed AI in everything we do and transform the company. The memory headwinds that we have been talking today, while material, are also temporary and we are taking action. And we have managed, as we said also, such challenges before, and we have a lot of experience on how to handle that.

So, with a clear strategy and disciplined execution, we are focused on driving long-term value while managing these headwinds. Again, thank you for joining today. And for those of you in the US, we wish you a very happy Thanksgiving holiday. Thank you.

**Operator:** This concludes today's call. Thank you all for joining. You may now disconnect.