

HP Services

(Fiscal year end: Oct 31)

	2008e	% of	Change	2007	% of	Change	2006	% of
	(\$ Mill)	Rev	08/07	(\$ Mill)	Rev	07/06	(\$ Mill)	Rev
Revenue		20%						17%
Business Segments (est)								
Outsourcing	\$5,340	30.0%	10.8%	\$4,820	29.0%	10.0%	\$4,382	21.0%
Integration	\$3,384	19.0%	7.6%	\$3,146	18.9%	9.0%	\$2,887	19.0%
Maintenance	\$9,087	51.0%	4.7%	\$8,680	52.1%	4.0%	\$8,348	53.5%
Total Revenue (w. Maint.)	\$17,811	100.0%	7.0%	\$16,646	100.0%	6.6%	\$15,617	93.5%
(w/o Maint.)	\$8,724		9.5%	\$7,966		9.6%	\$7,269	
1Q08 Actual	\$4,378		11.3%	\$3,932				
Costs								
Cost of Revenue	\$13,630	76.5%	6.3%	\$12,820	77.0%	5.3%	\$12,170	77.9%
One-time Charges								
Total Costs	\$13,630	76.5%	6.3%	\$12,820	77.0%	5.3%	\$12,170	77.9%
Gross Profit/Margin	\$4,181	23.5%	9.3%	\$3,826	23.0%	11.0%	\$3,447	22.1%
Expenses								
Sales, General & Marketing	\$2,140	12.0%	7.0%	\$2,000	12.0%	3.1%	\$1,940	12.4%
Restr. Charges (apportioned)								
Research & Development								
Total Expenses	\$2,140	12.0%	7.0%	\$2,000	12.0%	3.1%	\$1,940	12.4%
Operating Profit (Loss)	\$2,041	11.5%	11.8%	\$1,826	11.0%	21.2%	\$1,507	9.6%
as reported								
1Q08 Actual	\$489	11.2%	20.4%	\$406	10.3%			
Other Income (Loss)	-\$5	0.0%	0.0%	-\$5	0.0%	0.0%	-\$5	0.0%
Income (Loss) Before Tax	\$2,036	11.4%	11.8%	\$1,821	10.9%	21.2%	\$1,502	9.6%
Income Tax (Benefit)	\$407	20.0%	7.3%	\$380	20.8%	83.0%	\$207	13.8%
Net Income (Loss)	\$1,629	9.1%	13.0%	\$1,441	8.7%	11.3%	\$1,295	8.3%
Earnings per share (basic)	0.66		11.8%	0.56				
Pro Forma Valuation								
	P/E Ratio	Rev Ratio	Market Cap (est.)			Spin-off	Actual (2/21/08)	
			P/E	Rev	Combined	Benefit		
Industry Segment Avg	15.74	0.66	\$25.64	\$11.68	\$18.66		(ACN, EDS, CSC, ACS, Capgemini)	
HP Corp Actual Proratec	16.42	0.86	\$26.75	\$15.32	\$21.03		\$127.46	
HP Services	17.00	0.85	\$24.50	\$14.15	\$19.33	-\$1.71		

Source: Annex Research