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HEWLETT PACKARD CO
Form 425
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This filing relates to a planned merger (the "Merger") between Hewlett-Packard Company ("HP") and Compaq Computer Corporation ("Compaq") pursuant to the terms of an Agreement and Plan of Reorganization, dated as of September 4, 2001 (the "Merger Agreement"), by and among HP, Heloise Merger Corporation and Compaq. The Merger Agreement is on file with the Securities and Exchange Commission as an exhibit to the Current Report on Form 8-K, as amended, filed by Hewlett-Packard Company on September 4, 2001, and is incorporated by reference into this filing.

On March 7, 2002, HP issued the following press release.

[LETTERHEAD OF HEWLETT-PACKARD COMPANY]

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HP COMMENTS ON STANDARD AND POOR'S DECISION

PALO ALTO, Calif., March 7, 2002 -- Hewlett-Packard Company (NYSE:HWP) today said the company was disappointed with Standard and Poor's decision to lower its corporate and senior debt ratings on HP. S&P said that irrespective of the company's proposed merger with Compaq, HP's rating will be lower based on challenges in the company's computer hardware business as well as potential business and management disruption if the merger does not happen.

"HP continues to have one of the technology industry's strongest balance sheets with total cash and short-term investments growing \$4.3 billion during the last 12 months," said Larry Tomlinson, HP treasurer.

As of January 2002, HP's total cash and short-term investments totaled \$7.1 billion compared to total short-term and long-term debt of \$6.0 billion, and cash generation from operations was strong, totaling \$4.8 billion. During the period, inventories were down \$2.0 billion and accounts receivable were down \$1.3 billion.

"By merging with Compaq, our balance sheet will become even stronger, with a combined company capable of generating \$6 billion annually in free cash flow and with zero net debt," said Tomlinson.

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"HP's planned merger with Compaq addresses many of the issues raised by S&P by significantly improving our market position and profitability in key segments of the enterprise computing market and by creating a healthy PC business capable of generating significant cash," said Tomlinson.

"Moreover, while S&P acknowledged integration challenges as part of their decision, we believe Institutional Shareholder Services' recent report noting that 'half a million man-hours of work have thus far been devoted to integration planning, which surely makes HP-Compaq one of the most exhaustively planned combinations ever,' validates our efforts to ensure a successful integration."

ABOUT HP

Hewlett-Packard Company -- a leading global provider of computing and imaging solutions and services -- is focused on making technology and its benefits accessible to all. HP had total revenue of \$45.2 billion in its 2001 fiscal year. Information about HP and its products can be found on the World Wide Web at <http://www.hp.com>.

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This document contains forward-looking statements that involve risks, uncertainties and assumptions. If any of these risks or uncertainties materializes or any of these assumptions proves incorrect, the results of HP and its consolidated subsidiaries could differ materially from those expressed or implied by such forward-looking statements.

All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including any projections of profitability, earnings, revenues, cost savings, balance sheet strength or other financial items; any statements of the plans, strategies, and objectives of management for future operations, including the execution of integration and restructuring plans and the anticipated closing of the merger of HP and Compaq or other planned acquisitions; any statements regarding future economic conditions or performance; any statements of belief and any statements of assumptions underlying any of the foregoing.

The risks, uncertainties and assumptions referred to above include the ability of HP to retain and motivate key employees; the timely development, production and acceptance of products and services and their feature sets; the challenge of managing asset levels, including inventory; the flow of products into third-party distribution channels; the difficulty of keeping expense growth at modest levels while increasing revenues; the challenges of integration and restructuring associated with the Merger or other planned acquisitions and the challenges of achieving anticipated synergies; the possibility that the Merger or other planned acquisitions may not close or that HP, Compaq or other parties to planned acquisitions may be required to modify some aspects of the acquisition transactions in order to obtain regulatory approvals; the assumption of maintaining revenues on a combined company basis following the close of the Merger or other planned acquisitions; and other risks that are described from time to time in HP's Securities and Exchange Commission reports, including but not limited to HP's annual report on Form 10-K, as amended on January 30, 2002, for the fiscal year ended October 31, 2001 and HP's registration statement on Form S-4 filed on February 5, 2002.

HP assumes no obligation and does not intend to update these forward-looking statements.

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ADDITIONAL INFORMATION ABOUT THE MERGER AND WHERE TO FIND IT

On February 5, 2002, HP filed a registration statement with the SEC containing a definitive joint proxy statement/prospectus regarding the Merger. Investors and security holders of HP and Compaq are urged to read the definitive joint proxy statement/prospectus filed with the SEC on February 5, 2002 and any other relevant materials filed by HP or Compaq with the SEC because they contain, or will contain, important information about HP, Compaq and the Merger. The definitive joint proxy statement/prospectus and other relevant materials (when they become available), and any other documents filed by HP or Compaq with the SEC, may be obtained free of charge at the SEC's web site at www.sec.gov. In addition, investors and security holders may obtain free copies of the documents filed with the SEC by HP by contacting HP Investor Relations, 3000 Hanover Street, Palo Alto, California 94304, 650-857-1501. Investors and security holders may obtain free copies of the documents filed with the SEC by Compaq by contacting Compaq Investor Relations, P.O. Box 692000, Houston, Texas 77269-2000, 800-433-2391. Investors and security holders are urged to read the definitive joint proxy statement/prospectus and the other relevant materials (when they become available) before making any voting or investment decision with respect to the Merger.

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