



HP Inc.  
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Palo Alto, CA 94304

hp.com

## News Release

# HP Board of Directors Unanimously Rejects Unsolicited Xerox Proposal

## Determines Xerox Proposal Significantly Undervalues HP and is Not in Best Interests of HP Shareholders

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PALO ALTO, Calif., November 17, 2019 — HP Inc. (NYSE: HPQ) today announced that its Board of Directors has unanimously rejected the unsolicited proposal from Xerox Holdings Corporation (NYSE: XRX) to acquire the Company.

Following is the full text of the letter that was sent on November 17, 2019 to John Visentin, Xerox Vice Chairman and CEO:

Dear John,

Our Board of Directors has reviewed and considered your unsolicited proposal dated November 5, 2019 at a meeting with our financial and legal advisors and has unanimously concluded that it significantly undervalues HP and is not in the best interests of HP shareholders. In reaching this determination, the Board also considered the highly conditional and uncertain nature of the proposal, including the potential impact of outsized debt levels on the combined company's stock.

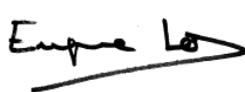
We have great confidence in our strategy and our ability to execute to continue driving sustainable long-term value at HP. In addition, the Board

and management team continue to take actions to enhance shareholder value including the deployment of our strong balance sheet for increased repurchases of our significantly undervalued stock and for value-creating M&A.

We recognize the potential benefits of consolidation, and we are open to exploring whether there is value to be created for HP shareholders through a potential combination with Xerox. However, as we have previously shared in connection with our prior requests for diligence, we have fundamental questions that need to be addressed in our diligence of Xerox. We note the decline of Xerox's revenue from \$10.2 billion to \$9.2 billion (on a trailing 12-month basis) since June 2018, which raises significant questions for us regarding the trajectory of your business and future prospects. In addition, we believe it is critical to engage in a rigorous analysis of the achievable synergies from a potential combination. With substantive engagement from Xerox management and access to diligence information on Xerox, we believe that we can quickly evaluate the merits of a potential transaction.

We remain ready to engage with you to better understand your business and any value to be created from a combination.

On behalf of the Board of Directors,



Enrique Lores



Chip Bergh

Following is the full text of the letter that was received from Xerox on November 5, 2019:

November 5, 2019

Board of Directors  
HP Inc.  
1501 Page Mill Road,  
Palo Alto, California 94304

Attention: Chip Bergh, Chairman

Ladies and Gentlemen:

I want to thank you for facilitating our recent discussions regarding a potential business combination between our two companies. The substantial synergies generated from a transaction are only the beginning of the unique value creation opportunity you and we identified together – enhanced capital allocation, revenue growth, diversification, balance sheet strength and best in class human capital all result from combining our two industry leading companies. Consequently, our Board of Directors fully supports the transaction outlined below. The nature of the opportunity and the moment, combined with the overwhelming support we believe your and our shareholders, employees and other stakeholders will extend to our coming together as one company, furthers our resolve to pursue a potential transaction with you.

Accordingly, we are providing you with the following definitive written proposal to effect the combination of Xerox Holdings Corporation (“Xerox”) and HP Inc. (“HP”):

### **The Proposal**

- 1. Offer.** We are prepared to offer HP shareholders \$22.00 per share comprised of \$17.00 in cash and 0.137 Xerox shares for each HP share<sup>1</sup>, for a total transaction value of approximately \$33.5 billion, assuming 1,515 million fully diluted shares outstanding and the balance sheet as of July 31, 2019. Our offer implies 77% cash consideration, with the balance comprised of Xerox shares, resulting in HP shareholders owning approximately 48% of the combined company – allowing your shareholders to both realize immediate cash value and enjoy equal participation in the substantial upside of synergies resulting from our combination.

Our compelling offer represents:

- a 20% premium to the closing share price of \$18.40 as of November 5, 2019

- incremental value of at least \$14 billion to our respective shareholders based on a 7x multiple of EBITDA
- a 29% premium to the 30-day volume weighted average trading price of \$17.00, excluding the significant value of the shared synergies
- an implied transaction multiple of 6.9x HP's LTM Adjusted EBITDA of \$4.8 billion

**2. Strategic Rationale and Potential Synergies.** A combination between us is supported by strong industrial logic given our respective strengths in the A3 and A4 markets, complementary footprint, deep cultural fit and shared DNA of innovation. Our combined scale, product portfolio and global reach would allow us to compete effectively in the Production, Large Enterprise and SMB segments, while offering a truly differentiated Managed Services capability. It is difficult to conceive of a strategic alternative for either company that delivers superior value.

Our preliminary analysis shows a clear path to cost synergies of at least \$2.0 billion within 24 months:

- \$0.5 billion in cost savings by leveraging our scale, combined supply chain and distribution footprint, and
- \$1.5 billion in cost savings from combining our world class R&D groups and streamlining corporate functions

Our Board of Directors strongly believes the industry is overdue for consolidation and that those who move first will have a distinct advantage in a secularly declining macro environment. By combining R&D capabilities and financial resources, together we can accelerate the transformation of our businesses and take a leadership role in key growth markets such as: 3D Printing, Digital Packaging and Labels, Graphics, Textile Printing, Workflow Software and IoT Enabled Services.

- 3. Financing.** We will fund the cash component of our offer with a combination of cash on hand and new financing to support the transaction and the new combined company. We have been engaged in ongoing discussions with Citi on the transaction financing and they have provided to us a highly confident letter evidencing their certainty in arranging financing for the transaction. Given the current status of the capital markets, we and they expect that we will be able to finance the transaction fully with investment grade rated notes. We will obtain a fully committed financing package before signing any final agreement, and closing of the transaction will not be subject to a financing contingency.
- 4. Fuji Xerox Relationship.** Many of your diligence questions to our management team concerned our relationship with FUJIFILM Holdings Corporation (“Fujifilm”) and our ownership stake in Fuji Xerox Co. Ltd. (“Fuji Xerox”). The transactions with Fujifilm and Fuji Xerox that we announced this morning, through which we will divest our ownership stake in Fuji Xerox at an attractive valuation (over 20x annual cash flow), permanently resolve pending litigation without any monetary payment and achieve a more flexible strategic sourcing relationship, will greatly facilitate the speed and ease with which you and we could effect a timely transaction and successful integration of our operations. Fujifilm has already obtained the necessary regulatory approvals in Japan, and as a result we expect to close the transactions with Fujifilm and Fuji Xerox on Friday, November 8, 2019.
- 5. Due Diligence Timetable.** We are prepared to devote all necessary resources to finalize our due diligence on an accelerated basis. Given our discussions to date and our familiarity with each other’s operations and business plans, we believe that you and we could complete our work and concurrently negotiate final documentation in 3 – 4 weeks. We have already engaged Citi as financial advisor and King & Spalding as legal advisor to assist us with completing the transaction.
- 6. Required Approvals and Closing Conditions.** This proposal and potential business combination have been extensively reviewed and approved by Xerox’s Board of Directors – we have their full support.

Completion of the proposed transaction would be subject to the approval of the Board of Directors of each of Xerox and HP, as well as our respective shareholders. As you know, we have been working diligently with our regulatory advisors and have a strong understanding of the regulatory framework for a transaction of this nature and do not anticipate any meaningful regulatory hurdles to its completion.

7. **Governance.** We anticipate that the parties will agree to a governance framework, including board representation, that is customary for a combination of this type.
8. **Confidentiality/Definitive Agreement.** This letter is submitted to you on a strictly confidential basis and is intended for the Board of Directors of HP only. The terms outlined here are subject to the completion of due diligence and the negotiation and execution of mutually acceptable definitive transaction documents.

Our Board of Directors and management are excited about the opportunity to create significant value for both of our shareholders, employees and other stakeholders through this unique combination of our two companies. Please do not hesitate to contact me with any questions. I look forward to hearing from you.

Our offer remains open until Wednesday, November 13, 2019.

Sincerely,

A handwritten signature in black ink, appearing to read "John Visentin". The signature is fluid and cursive, with a prominent initial "J" and a long, sweeping underline.

John Visentin  
Vice Chairman and CEO  
Xerox Holdings Corporation

Cc: Board of Directors

Xerox Holdings Corporation

<sup>1</sup> Based on Xerox share price of \$36.37 as of November 5, 2019.

### **Advisors**

Goldman Sachs & Co. LLC is serving as financial advisor to HP, and Wachtell, Lipton, Rosen & Katz is legal advisor.

### **Forward-Looking Statements**

This news release contains forward-looking statements that involve risks, uncertainties and assumptions. If the risks or uncertainties ever materialize or the assumptions prove incorrect, the results of HP and its consolidated subsidiaries 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 any statements of expectation or belief, including with respect to the timing and expected benefits of acquisitions and other business combination and strategic transactions; any statements relating to the plans, strategies and objectives of management for future operations, including, but not limited to, our sustainability goals, our go-to-market strategy, share repurchases, the execution of restructuring plans and any resulting cost savings, net revenue or profitability improvements; any statements concerning the expected development, performance, market share or competitive performance relating to products or services; any statements regarding current or future macroeconomic trends or events and the impact of those trends and events on HP and its financial performance; and any statements of assumptions underlying any of the foregoing.

Risks, uncertainties and assumptions include the need to address the many challenges facing HP's businesses; the competitive pressures faced by HP's businesses; risks associated with executing HP's strategy and business model changes; successfully innovating, developing and executing HP's go-to-market strategy, including online, omnichannel and contractual sales, in an evolving distribution and reseller landscape; successfully competing and maintaining the value proposition of HP's products, including supplies; the impact of macroeconomic and geopolitical trends and events; the need to manage third-party suppliers, manage HP's global, multi-tier distribution network, limit

potential misuse of pricing programs by HP's channel partners, adapt to new or changing marketplaces and effectively deliver HP's 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; the protection of HP's intellectual property assets, including intellectual property licensed from third parties; risks associated with HP's international operations; the development and transition of new products and services and the enhancement of existing products and services to meet customer needs and respond to emerging technological trends; the execution and performance of contracts by HP and its suppliers, customers, clients and partners; the hiring and retention of key employees; integration and other risks associated with business combination and investment transactions; the results of the restructuring plans, including estimates and assumptions related to the cost (including any possible disruption of HP's business) and the anticipated benefits of the restructuring plans; the impact of changes in tax laws, including uncertainties related to the interpretation and application of the Tax Cuts and Jobs Act of 2017 on HP's tax obligations and effective tax rate; the resolution of pending investigations, claims and disputes; and other risks that are described in HP's Annual Report on Form 10-K for the fiscal year ended October 31, 2018, and HP's other filings with the Securities and Exchange Commission.

HP assumes no obligation and does not intend to update these forward-looking statements. HP's Investor Relations website at <http://investor.hp.com> contains a significant amount of information about HP, including financial and other information for investors. HP encourages investors to visit its website from time to time, as information is updated, and new information is posted.

#### **About HP Inc.**

HP Inc. (NYSE: HPQ) creates technology that makes life better for everyone, everywhere. Through our product and service portfolio of personal systems, printers and 3D printing solutions, we engineer experiences that amaze. More information about HP Inc. is available at [www.hp.com](http://www.hp.com).