



Executive Forum Manufacturing and Distribution Industry

How can HPFS can help manage IT
Changes

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HP Financial Services,
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Agenda

- Objectives
- HPFS. Who they are?
- Value Proposition: Reduction on TCO / Components.
- Summary: Questions / Clarifications
- Applied Cases. Discussion:
 - Pharmaceutical
 - Automotive
 - Mining
 - Retail & Distribution
 - Construction
 - Manufacturing
 - Agroindustry
 - Food and Beverage
 - Utility

Objectives

- Review HP/HPFS value proposition
- Communicate how HP/HPFS can help your company to improve increasing productivity, reducing costs or doing both with your IT investments
- Keep you inform about different possibilities HP provides to improve your processes/systems.
- Address questions and concerns you may have

About HP Financial Services

Who we are

- HP's wholly owned leasing and financial services subsidiary
- One HPFS worldwide, complete global linkage
- Full range of financial lifecycle management services – transition, acquisition, management and disposition

Business review

- Q1 06, Revenues of 496 MM US\$
- Operating profit of \$38 million for Q1 06,
- 968 MM US\$ in financed Volume
- Portfolio credit quality improvement, with reduction on Account Receivables.

Mission

- Enhance HP's worldwide sales efforts by providing a broad range of financial services and asset management capabilities that positively impact HP's customer/partner relationships and enhance shareowner value
- Achieve financial performance comparable to the world's best performing financial services companies

Size and scope

- More than \$9 billion in assets
- More than \$2 billion in annual revenue, \$5 billion in annual new volume
- 1,500 people in 51 countries
- Manage 1.5 million units in secondary markets annually
- Multi-vendor/multi-technology financing for transactions from \$399 to multi-millions

HP Financial Services Latin America



- More than US\$420 Million in financed assets
- More than 130 dedicated people in the region
- More than 6,000 commercial customers
- Consistent presence in 8 countries
 - Argentina
 - Brasil
 - Chile
 - Colombia
 - México
 - Perú
 - Puerto Rico
 - Venezuela





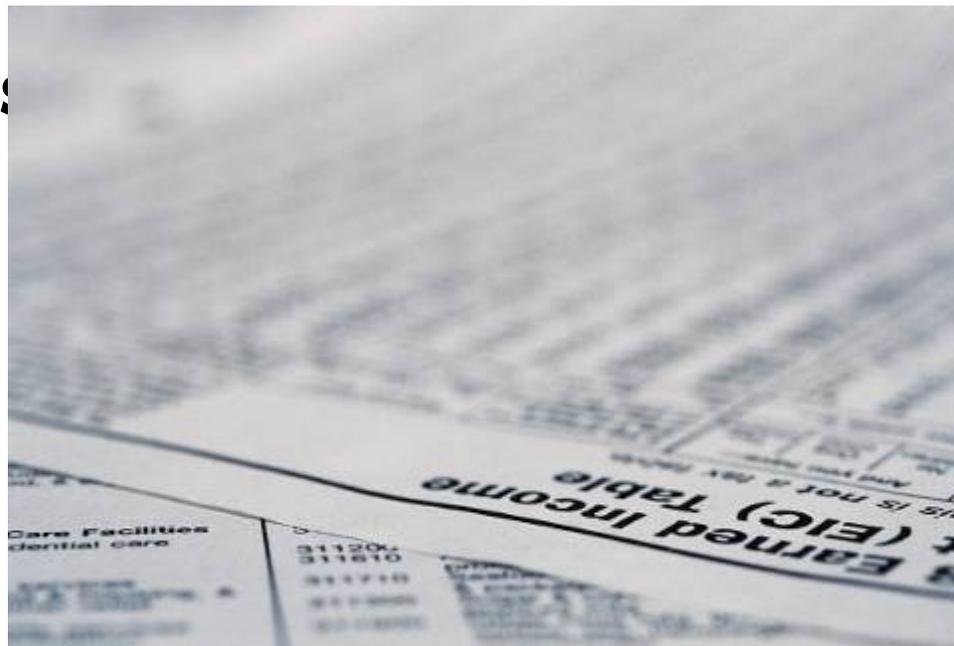
hp

Financial Benefits.

Best practices to reduce
Total Cost of Ownership

Effects on financial reporting can be all important ...

- Companies are highly concerned with *managing financial performance*
- **Public Companies**
 - Shareholders
 - Rating Agencies
- **Private Firms**
 - Bankers
 - Tax authorities
- Leasing is one of the most common tools employed to manage financial performance



Measuring financial performance ...

The three main financial reports (*and their goals*) are:

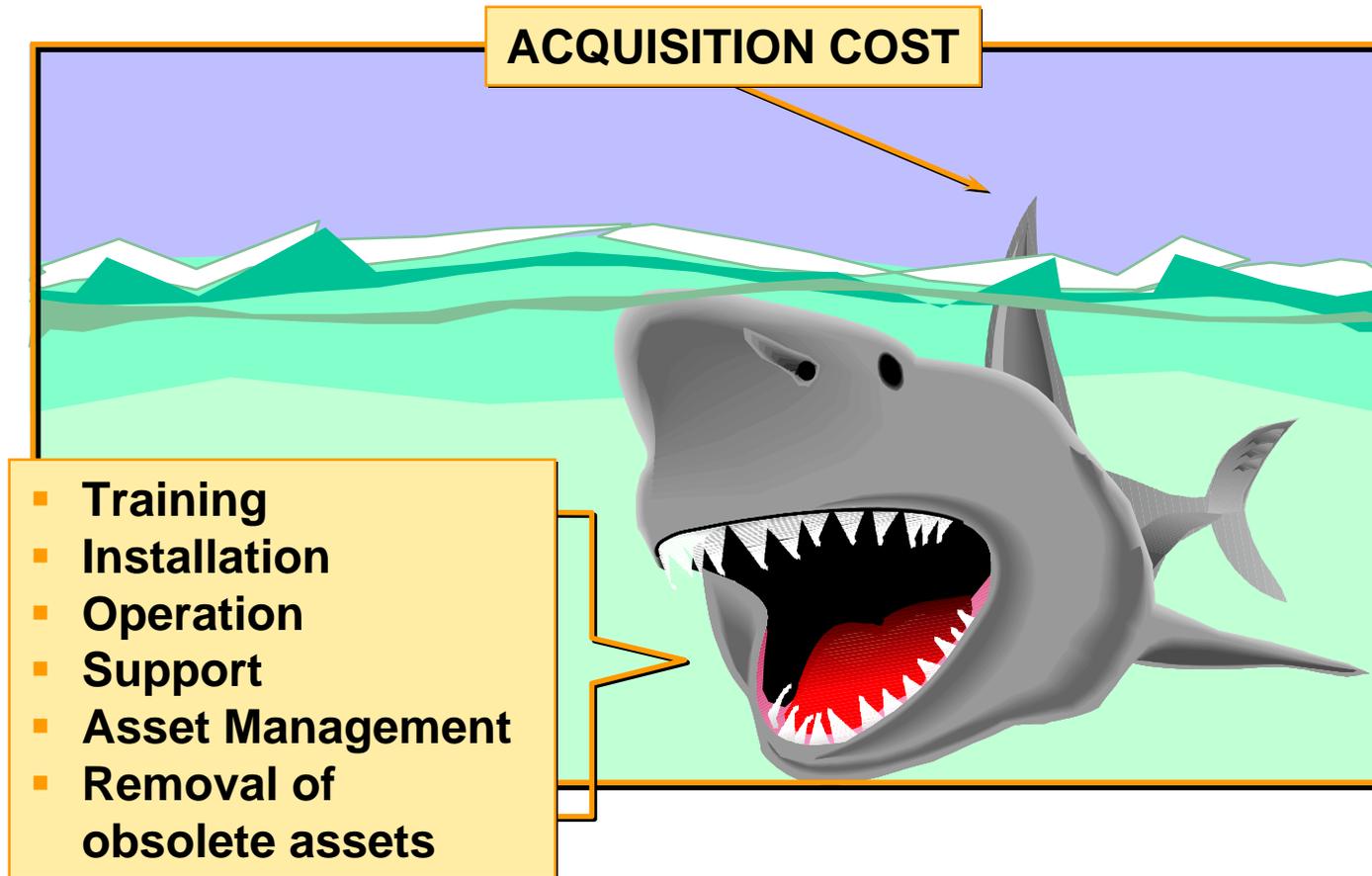
- Income statement
 - *Maximize earnings*
 - *Reduce uncertainty and volatility*
 - *Reduce taxation*
- Balance sheet
 - *Conserve cash*
 - *Minimize investment requirement*
 - *Minimize financial leverage*
- Cash Flow
 - *Maximize cash flow*
 - *Align cash inflows and outflows*



What customers have told us.....

- Cash-rich companies lease in order to:
 - Align IT costs with revenues/incomes
 - Enable regular refresh cycles
 - Keep assets out of balance sheets
 - Improve efficiencies (from admin to supply chains)
 - Eliminate costs and risks of disposition
 - Finance growth
 - Allow Focus on strategic objectives and not in day to day activities

Hardware acquisition represents only 30% of TCO ...

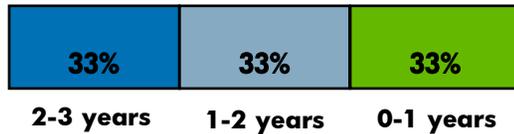


Sources: Intel, Gartner, HP

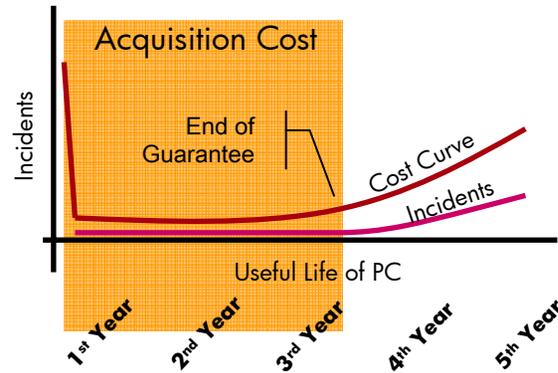
TCO Best Practices

Planned Renewal

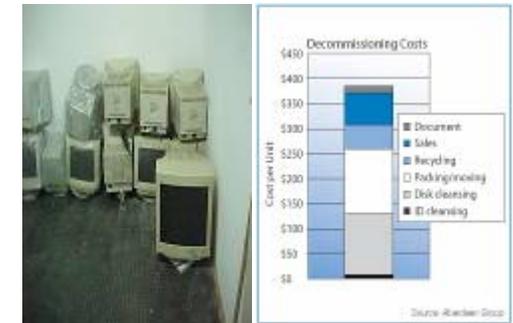
- Renewal due to breakdown,
- Delayed renewal, or
- Planned renewal



Minimize Maintenance Costs



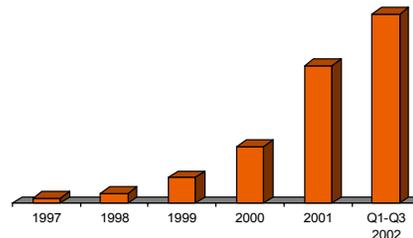
Asset Disposition Strategy



Minimize Environmental Risk



Network security



The estimated overt for digital attacks worldwide was \$7B for 2002

Source: Mi2g Intelligence 10/22/02



Resources optimization



Summary

- IT improvements are business solutions that have a financial impact on customers. (Productivity, Cost Reduction, Process simplification, Control and regulatory compliances)
- TCO Best practices help to achieve these objectives jointly with the product's portfolio.
- Questions? Discussions?



Success Cases for Discussion

Industries covered



Pharmaceutical



Automotive



Manufacturing



Retail



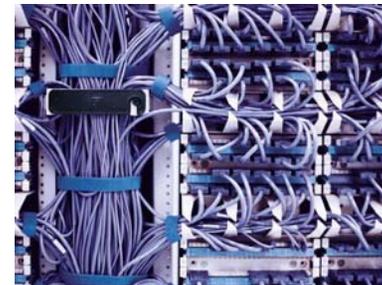
Mining



Construction



Food&Beverages



Utilites



Pharmaceutical Industry

Main concerns

- **Information security**
 - Intellectual property is the most important asset in pharmaceutical industry. Secure information destruction becomes high priority.
- **TCO reduction**
 - Cost reduction is a must in this industry. Eliminating disposal costs is a great deal for them as well as to have good business practices.
- **Environmental regulations**
 - As a health provider, a pharmaceutical company must comply with all international and local environmental regulations.
- **Logistics**
 - Most of pharmaceutical companies have many offices or branches; logistics to collect end of term (old) equipment is important to them.

Company 1, Mexico

- Financed amount: US\$ 1.4 million (100% HP)
 - 48% HP HW products
 - 52% HP Services
- Problem solved:
 - TCO reduction avoiding **disposal costs and warehouses**
 - **Information security** on disposal
 - **Environmental regulations** observance
- Relationship:
 - We developed relationship with Infrastructure Regional Mgr, Service Center Coordinator, Systems Operations Mgr, Financial Mgr
- Regional Scope:
 - **Local** customer with Local Master Lease Agreement.

Company 2 - Puerto Rico

- Financed amount: US\$ 4.5 million
 - 70% HP HW products
 - 30% Non HP HW products (CISCO)
- Problem solved:
 - FMV Lease to eliminate **disposition burden**. Company 2 has to send equipment to USA disposal
 - **Environmental and Logistics solution**
- Repetitiveness:
 - We are considered as reference Lease Company for all IT assets
- Relationship:
 - We developed relationship with CIO, Purchase Managers, Treasurer, Finance Manager and Director
- Regional Scope:
 - Global customer with Local Master Lease Agreement.



Automotive Industry

Main concerns

- **Cash flow**
 - Industries with low growth need to manage more efficiently their cash flow, focusing on core business investments.
- **IT infrastructure renewal**
 - Systems are essential in this industry. While they become more powerful, they require more IT resources as well.
- **TCO reduction**
 - As they have budget restrictions, they need to minimize costs.

Company 3 - México

- Financed amount: US\$ 4.1 million
 - 75% HP HW products
 - 25% Non HP HW products.
- Problem solved:
 - **Cashflow** shortage (more restricted for IT projects)
 - IT Infrastructure **upgrade to support the new manufacturing** processes in their plants
 - TCO: By leasing equipment in Mexico they became more **cost efficient** (cross border lease from NA increases costs due to taxes).
- Repetitiveness:
 - We are participating in recurrent deals with Company 3. They are updating their installed base every three years and we will be participating in this process every year.
- Relationship:
 - Very close relationship allowing us to participate in all their deals and to keep competition out.
 - HPFS LA is negotiating the GMLFA, that will permit Company 3 and HPFS to increase their relationship
- Regional Scope:
 - **Global** customer with Global Master Lease Agreement.

Company 4 - Brazil

- Financed amount: US\$ 10 million
 - 99% HP HW products
 - 1% Non HP HW products
- Problem solved:
 - FMV Lease to reduce TCO and allow **tech refresh**
 - **Disposal, Environmental and Logistics** solution
- Repetitiveness:
 - We are considered as reference Lease Company for IT in Company 4 Brasil
- Relationship:
 - We developed relationship with Treasure, Finance Manager and Director, CIO and Purchase Managers
 - Differs areas Engineering Development, Manufacture, Power Train and Company 4 On Line
- Regional Scope:
 - **Global** customer with Global Master Lease Agreement.



Mining Industry

Main concerns

- Cost and **asset control**
 - Companies in this industry create subsidiaries for every project, they need to have rigorous control on costs and assets.
- TCO reduction
 - Additionally, it's a critical concern work on cost reduction.
- **ROA improvement**
 - ROA is one of the most important metrics on mining industry.
- **Agility**
 - Since companies are created quickly, it must be fast and easy to add new equipment to their contract.
- Working capital
 - Every project requires high investment amounts. They need to be able to have their banking credit lines free as much as they can.



Company 5- Mexico

- Financed amount: US\$ 15 million
 - 80% HP HW products
 - 20% Non HP HW products
- Problem solved:
 - **Planned IT infrastructure upgrade** – IT budget was very low but they used OPEX to acquire IT equipment (planned approval process)
 - Better financial conditions than commercial banks (including disposition costs and asset management capabilities)
 - **ROA** – IT acquisitions are off balance = no financial leverage affectation
 - TCO – Avoidance of obsolete equipment warehouse cost
- Repetitiveness:
 - Every IT equipment is leased with us
- Relationship:
 - CIO, CFO, Acquisitions
- Regional Scope:
 - **Local** customer with Local MasterLease Agreement

Company 6 - Peru

➤ Financed Amount: US\$2.75 million

- 97% HP HW Products
- 3% Non HP HW Products

➤ Problem solved:

- Constant **rotation of technology assets** having hi tech equipment
- TCO proved reduction. TCO analysis favors them economically
- **ROA** significant improvement due to leasing term according to the life asset
- Reduction of the maintenance cost, due to an homogenous IT platform
- Emission agility in quotations and addenda (1 day)
- Banking credit lines used for core business only (mining operations)

➤ Repetitiveness:

- Framework contract signed with 8 addenda. Is a recurrent relationship

➤ Regional Scope:

- Mainly **Local**, depending on project scope and needs

Main concerns

- **Asset management**

- Retailers open new stores quickly and constantly. Asset management becomes a challenge in this industry.

- **Logistics**

- Asset collection is very important since they have equipment all over the country.

- **Agility**

- Since branches are created quickly, it must be fast and easy to acquire new equipment.

- **TCO reduction**

- Retail is a cost driven industry. Their performance depends on their costs management and reduction.

Company 7 (in progress) - México

- Financed amount: US\$ 20.1 K
 - 100% HP HW Products and Services
- Problem solved: .
 - Asset Management
 - Credit line with vendor
- Repetitiveness:
 - Initial project for 5 stores. If the process works properly we can replicate the offer in 271 stores of Company 7 among the country, and then with the rest companies part of the Group Relationship:
 - IT Director and IT Manager
- Regional Scope:
 - Local at the moment, it can be multicountry in the future

Company 8 - Brazil

- Financed amount: US\$ 5 million
 - 75% HP HW/SW products
 - 25% Non HP HW products (basically POS spread all over Brazil)
- Problem solved:
 - Lease Company with Knowledge to **manage IT assets**
 - Efficient back office
 - **Fast operational delivery**
- Repetitiveness:
 - We are considered as reference Lease Company for IT
- Relationship:
 - We develop relationship with Treasure, Finance Manager and Director, CIO, Purchase Managers
- Regional Scope:
 - Local customer with Local MasterLease Agreement

Company 9 - Chile

- Financed amount: US\$ 1.2 million
 - 20% HP HW Products
 - 80% Non HP HW Products
- Problem solved:
 - ROA, ROE, TCO, **Disposal, Environmental**
- Relationship:
 - Company 9 has been a difficult client for HP, and HPFS since it has had a high turnaround of its finance executives.
- Regional Scope:
 - Local customer with Local MasterLease Agreement



Construction Industry

Main concerns

- Flexibility
 - Construction companies usually require non-standard procedures to maintain independence among their projects.
- Working capital
 - Every project requires high investment amounts. They need to be able to have their banking credit lines free as much as they can.
- Cash flow
 - Investments in big construction projects are huge. Cash flow management is critical to maintain investment capabilities for the future.



Company 10 - Mexico

- Financed amount: US\$ 3.5 million
 - 90% HP HW Products
 - 10% HP Software and Services
- Problem solved:
 - TCO reduction managed by project (3 a 5 years duration)
 - **Free cash flow for project investments**
 - **Elimination of warehouses for obsolete equipment**
 - Partial acquisition of EOT equipment
- Repetitiveness:
 - HPFS is the preferred financing provider .
- Relationship:
 - High level HPFS colleagues have visited them so they are very pleased with us as we've showed them to be an important account.
 - We have developed relationship with the COO, CFO, IT, Engineering and Projects managers
- Regional Scope:
 - Local customer with Local MasterLease Agreement



Company 11- México

- Financed amount: US\$5+ million in the past three years
- Problem solved:
 - **Cashflow:** Company wanted to focus their cashflow in the core business and not in the IT investments
 - Company 11 wanted us to invoice to their different 20+ locations.
- Relationship with Company 11:
 - Good in the beginning. Became very unstable due to operating needs from Company 11, and turnaround of officers. Currently developing relationship with multiple contacts.
- Repetitiveness:
 - Recurrent solution
- Regional Scope:
 - Local customer with Local MasterLease Agreement





Manufacturing Industry

Main concerns

- TCO reduction
 - Manufacturing requires low cost structure for its high volume financial model.
- **IT budget / Efficiency**
 - IT budget is low in manufacturing companies since they need to work with low cash flow but their IT needs are high due to their process efficiency requirements.
- **Environmental regulations**
 - Environmental regulations are more strict in manufacturing than in other industries due to their transformation processes.

Company 12 (electrodomestic) - Mexico

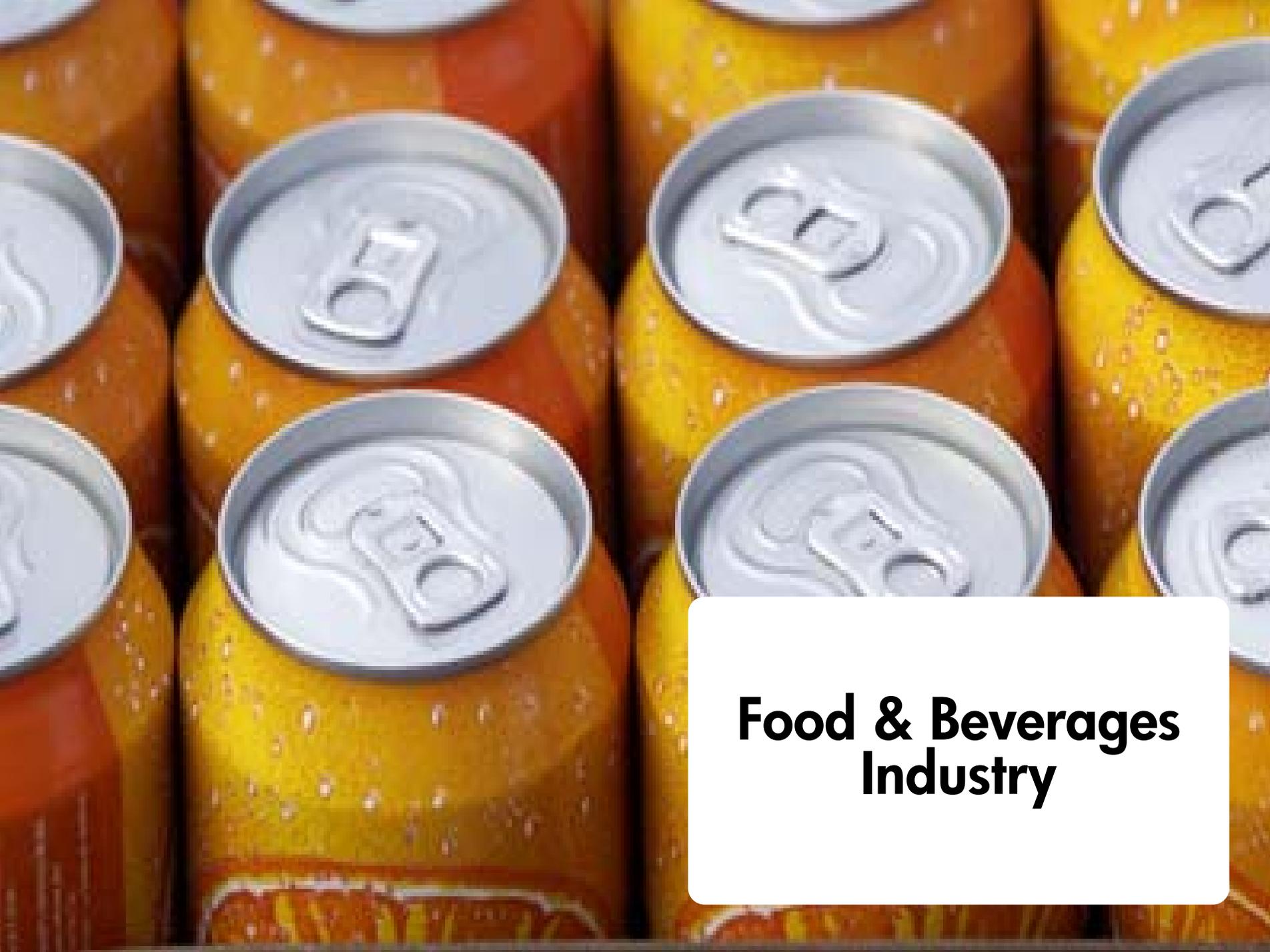
- Amount financed: US\$ 6 million
 - 60% HP HW products
 - 40% Non HP HW products
- Problem solved:
 - Reduced TAX / Reduced TCO (**Minimized disposal costs** - HPFS takes the cost)
 - Payback first year: USD\$900K
 - **Budget accomplishment while strategic objectives are done**
 - **Information security from disposed equipment (HPFS provides certificates)**
 - Observance of environmental laws and regulations
- Repetitiveness:
 - Recurrent solution
- Relationship:
 - We developed relationship with LA IT Manager and Director positioning IT as an excellence unit in the company (Other units asking for help on leasing)
 - HPFS turned on to be their Trusted Advisor as a Finance Consultant (Flexibility / Knowledge)
- Regional Scope:
 - Global customer with Global Master Lease Agreement (To be signed).

Company 13 (cement)- Mexico

- Financed amount: US\$ 5MM
 - 40% HP HW Products
 - 60% Non HP HW Products
- Problem solved:
 - TCO,
 - **TVS (Take-Out Services), logistics through 3 main cities in the country**
 - **US GAAP compliance and environmental regulations**
- Repetitiveness:
 - HPFS is included in continuous IT deals
- Relationship:
 - Developed good relationship with IT team
- Regional scope:
 - Local customer with Local MasterLease Agreement

Company 14 (aluminium) - Brazil

- Amount financed: US\$ 1.2 million
 - 100% HP HW/SW
- Problem resolved:
 - Company 14 needed a true operate lease according to FAS13 (25% services involved). Compliance with corporate budget requirements
- Repetitiveness:
 - It was a one shot deal (customer may update in the future with us)
- Relationship:
 - We developed relationship with Treasure, Finance, Controller Manager, IT Manger, Purchase Managers
- Regional Scope:
 - **Global** customer with Global Master Lease Agreement.



**Food & Beverages
Industry**

Main concerns

- TCO reduction
 - Cost management is important for this industry to be competitive in a high volume - price driven market.
- **Cash flow,**
 - Improving cash flow let companies to grow their core business.
- **Environmental Regulations,**
 - Environmental regulations are very strict due to their transformation processes
- **Finacing Regulations / Controls,**
 - Keep track of liabilities, assets and requirements to allow efficiencies.

Company 15 (food processing) – Mexico

- Financed amount: US\$ 4.8MM
 - 80% HP HW Products
 - 20% Non HP HW Products
- Problem solved:
 - TCO,
 - Disposal processes
 - Company 15 audit Controls
 - Taking control of the administration of the IT equipment
- Repetitiveness:
 - Continuous addendums to the contract
- Regional scope:
 - Local customer with Local MasterLease Agreement

Company 16 (natural juices) – Mexico

- Financed amount: US\$ 1 million
 - 60% HP HW Products
 - 40% HP Services
- Problem solved:
 - Leasing contracts sincronization (HPFS + GE) into one single contract (it was very expensive to have an early termination or to extend contract)
 - Structured payments to pay less while both contracts are valid and higher when GE's finishes
 - Solution fit budgetary topics.
- Repetitiveness:
 - HP&HPFS are the preferred financing provider for IT infrastructure instead of Dell&GE Capital
- Relationship:
 - We developed relationship with CIO and CFO
 - Now we have access to other companies of this Group (Sabormex and La Costeña)
- Regional scope:
 - Local customer with Local MasterLease Agreement

Company 17 (sodas, juices) - Mexico

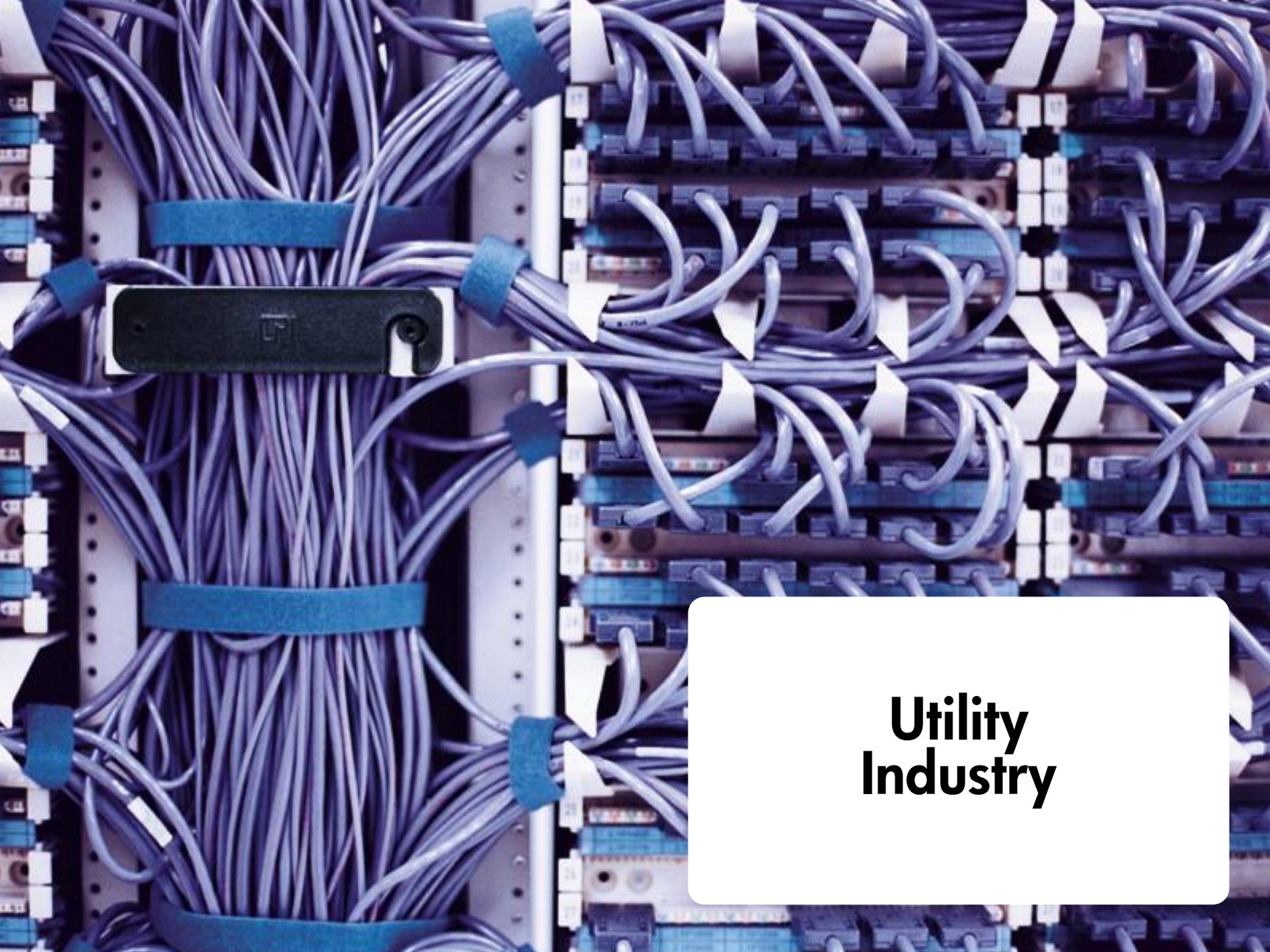
- Financed amount: US\$ 12.4MM
 - 100% HP Products and Services
- Problem solved:
 - TCO reduction (including TVS services)
 - Disposal
- Repetitiveness:
 - HP/HPFS was able to provide help to one company of the group at the time, being able to provide consistent solution throughout the group
- Regional scope:
 - Local customer with Local MasterLease Agreement

Company 18 (int' conglomerate - Brazil, Chile....



- Financed amount: US\$ 8 million
 - 75% HP HW Products
 - 25% HP SW/Services
- Problem solved:
 - Consistent Cash Flow according to company's needs
 - TCO reduction
 - Disposal and Enviromental questions solved
 - Asset control through different countries
- Repetitiveness:
 - Recurrent solution
- Relationship:
 - We developed relationship with Finance, IT Technical, Purchase Managers
- Regional Scope:
 - Multicountry customery, covering main Latin America Countries





**Utility
Industry**

Main concerns

- Environmental
 - This industry is high polluting so environmental activities are very well received.
- Flexibility
 - Most of this companies have special policies regarding financing.
- Cash flow
 - High operative expenses require good cash flow management to be efficient.
- ROA improvement
 - This companies require high asset amounts so improving ROA is a good metric for them.

Company 19 - Chile

- Financed amount: US\$ 308 thousand
 - 79% HP HW Products
 - 21% HP Software/Services

- Problem solved:
 - Internal Policies for Operating Leases
 - ROA, ROE, Cash Flow,
 - TCO,
 - Disposals, Environmental concerns

- Repetitiveness:
 - No

- Relationship:
 - Obtained participation through HP as it is an IBM Global Account

- Regional scope:
 - Local customer with Local MasterLease Agreement

Company 20- Chile

- Amount financed: US\$ 1.3 million (HP 100%)
 - 49% HP HW Products
 - 51% HP Software and Services
- Problem solved:
 - Cash Flow improvement
 - ROE, ROA improvements
- Repetitiveness:
 - No
- Relationship:
 - Excellent presence of HP and HPFS in the account
- Regional scope:
 - Local customer with Local MasterLease Agreement

Conclusions Q&A



Conclusions

- To solve their technological and process related issues, companies have to address financial and asset management concerns as well
- HP/HPFS can add value in several ways to your organization and give a big contribution to allow solutions to be implemented
- To get the most of the HP solutions, we have found that early consideration of asset management/financing provides the best view of the company's topics.

