

We Live in Interesting Times

2001-2001: A Year of NonStop Change

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What a Long, Strange Year it's Been...

- IT Industry Changes at CPQ and Elsewhere
- Intel-Inside, Alpha Cast Aside
- Merger Musings
- NonStop Systems Remain Unstoppable
- Parting Thoughts

What Went Wrong in Y2K01? *Boom Dot Bust...* *IT Industry Nuked by a Dot.Com Bomb!*

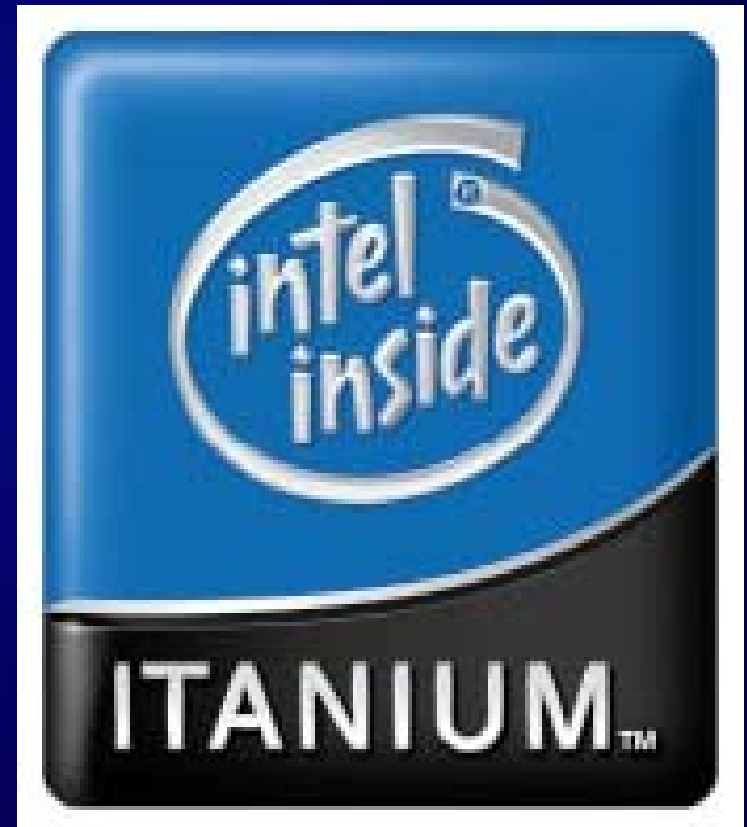


180 Days to a New Solution: Compaq's Plan

Michael Capellas' 12 June 2001 *Transformation Memo*

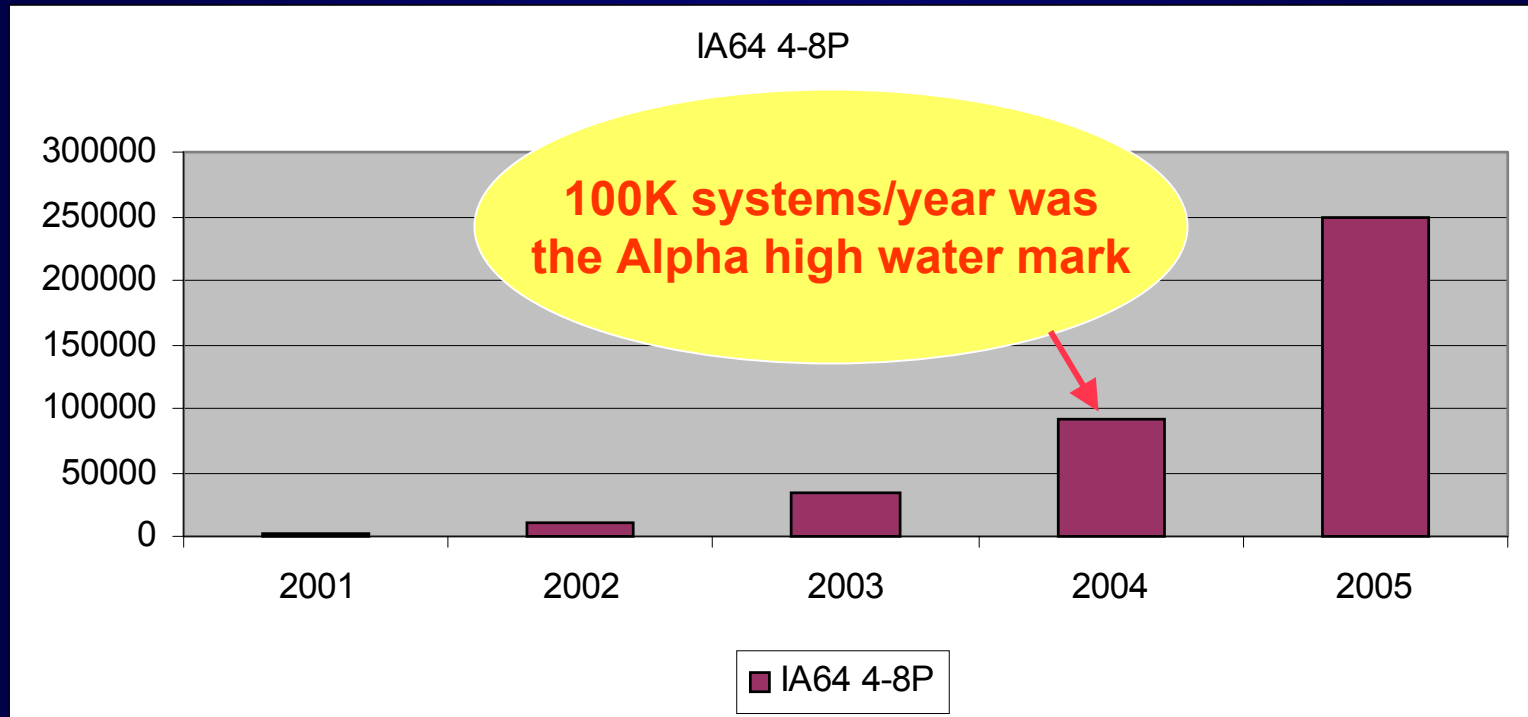
- Goal: **Simplify and Standardize**
- *Chairman Capellas says "Customers see **less and less differentiation in the core technology components**"*
- Result: a multi-phase **180 day agenda** designed to:
 - Leverage industry-standard **building blocks**
 - Emphasize **software, services, and integration**
 - **Consolidate three services** organizations into one
 - Create a new **Solutions** organization
 - Reduce **structural costs**, headcount, inventory, etc.
- *Alpha's fate writ large... and Compaq's, too*

June 25, 2001: An Omega for Alpha



Waiting For IPF: How Long?

Industry 4P/8P IA64 Volume Projections

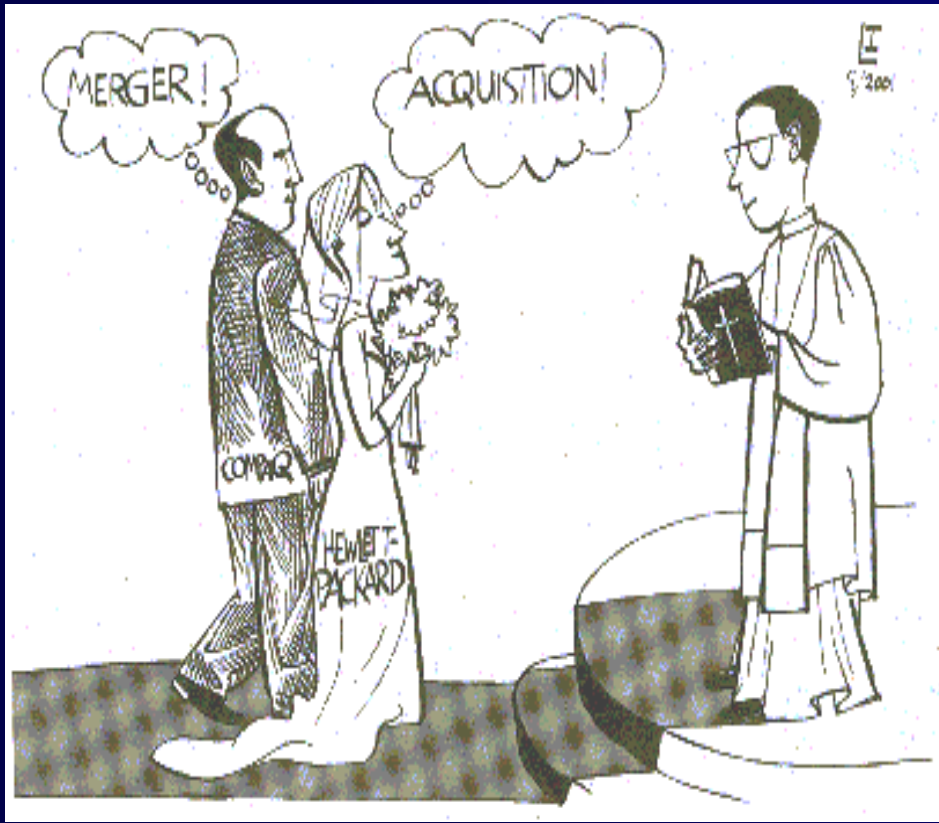


Note: 2002 IA64 forecast is heavily dependent on McKinley availability and NT64 availability.

What Compaq *Still* Needed after June 25...



Another Big Change on September 4, 2001 *Compaq and HP Get an “Urge to Merge”*



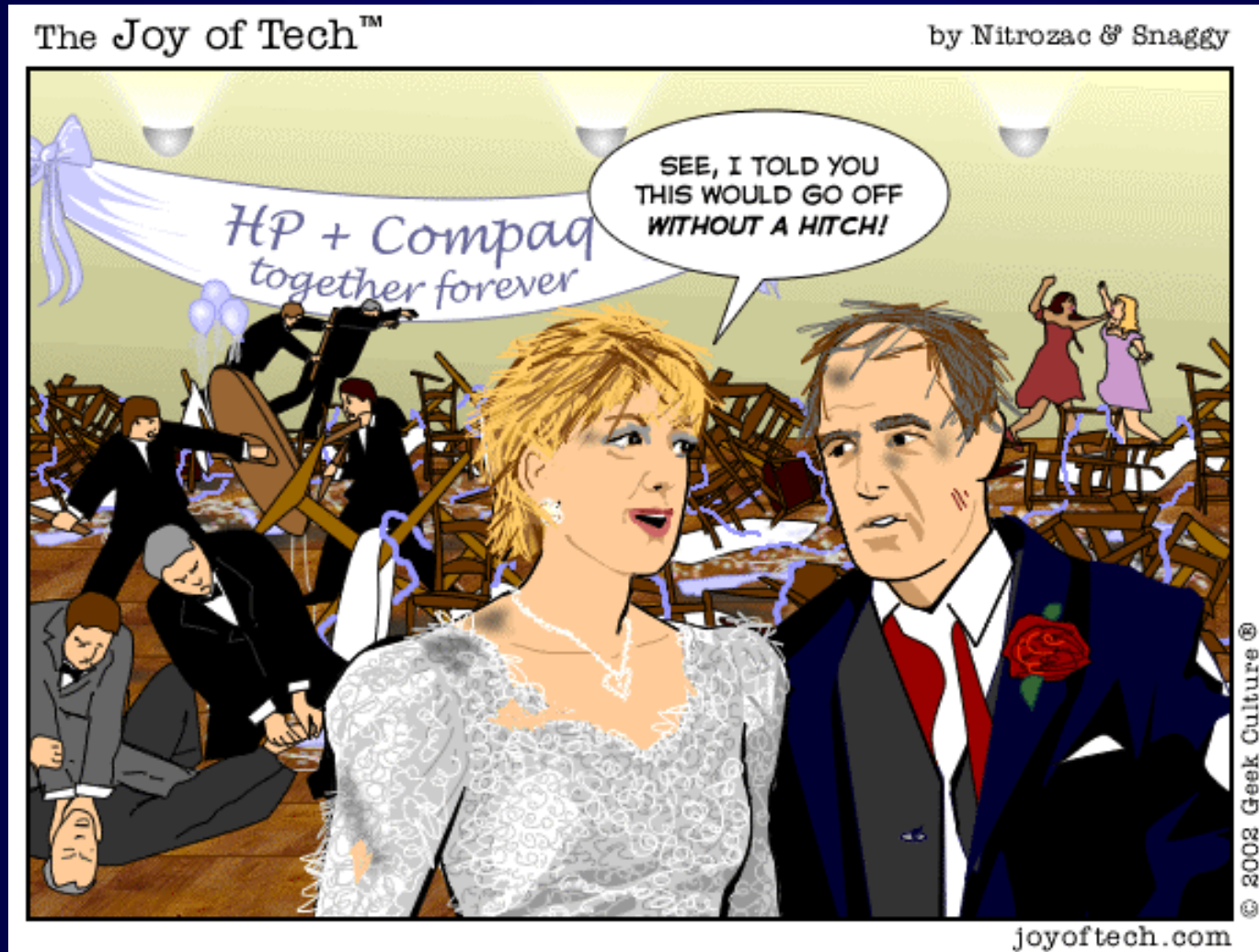
- An *Acquisition*, *not* a Merger
- New name: Hewlett Packard
- ~\$87B USD Company
- ~135K employees after ~15K layoff
- NSK, OpenVMS are safe
- Tru64 “merges” with HP-UX
- Successful 5/02 closure
- Prognosis? Guarded

Hewlett Packard's Acquisition of Compaq

The Mother of all Silicon Valley Soap Operas... an Eight-Month Serial Thriller

- “Lawyers, No Guns, But Plenty of Money”
 - Rumour, innuendo, mudslinging, back-biting, whining, lawsuits, and more
 - Estimated cost **\$250M USD** (a very conservative guess, at that)
 - *Lots of luck*: History proves that **IT mergers have a habit of cratering**
- What possessed CPQ and HWP to do a **Risky Merger Scheme**?
 - **Kill the Alpha** architecture? *Seems like a real expensive “murder!”*
 - Realize **near-term financial accretiveness**? *Don't hold your breath!*
 - **Gain scale** for scale's sake? *I don't think so!*
 - **Get peecee religion** and products in a big way? *Heresy, absolute heresy!*
 - Attain **near-term growth**? *Not bloody likely! (Eckhard tried that!)*
 - Cater to **conspiracy theorists**? *Only if Usenet is your gospel.*
- So, **what's it all about, Carly? IBM, of course!**

May 7, 2002: Houston, We Have A “Merger”



The New HPQ: *Plus ca Change, Plus la Meme Chose*

- *How will the HPQ Consolidation Impact Customers and Users?*
- 1.2K CPQ and HWP staffers were **VERY Busy in the Clean Room...**
 - The merger appears to be very **carefully thought out and executed**
 - Many complementary **core competencies** leveraged
 - Much **stronger storage and services story** (Sorry, EMC)
 - Careful and cogent staffing initiative, **not a political spoils system**
 - Far greater scale, scope, and reach = **more leadership** for HPQ
 - New **opportunities for Linux, instant UNIX critical mass**
 - Renewed and **fortified R&D focus** at HP Labs... (\$4B USD/year)
 - Compelling **combined product set, greater market share** inevitable
 - Promises made, promises kept... Alpha, VMS, NSK, ProLiant **roadmaps**
 - **SKHPC** suggests: *Don't write this merger off just yet...*

HPQ Consolidation Continues: The Next Steps

- **Top-down approach:** *so it is written, so it will be done*
- Announcement of **country managers** (done on Day One)
- Initial release of **product roadmaps** (done on Day One)
- Initial release of **transition plans** (well underway)
- **Consolidation** of product, sales, and marketing groups (now)
- **Minimal impact** on customer-facing functions (underway)
- **Reduce overlap**, infrastructure simplification (underway)
- **The "L-Word" Writ Large** (~15K positions next 6-18 months)
- **Taking it to the streets:** Day One collateral, concalls, messaging
- **Internal training** heavily emphasized, employees ready on Day One
- **Rapid execution:** "adopt, implement, move on" strategy continues
- **Magic Number: 180 Days**

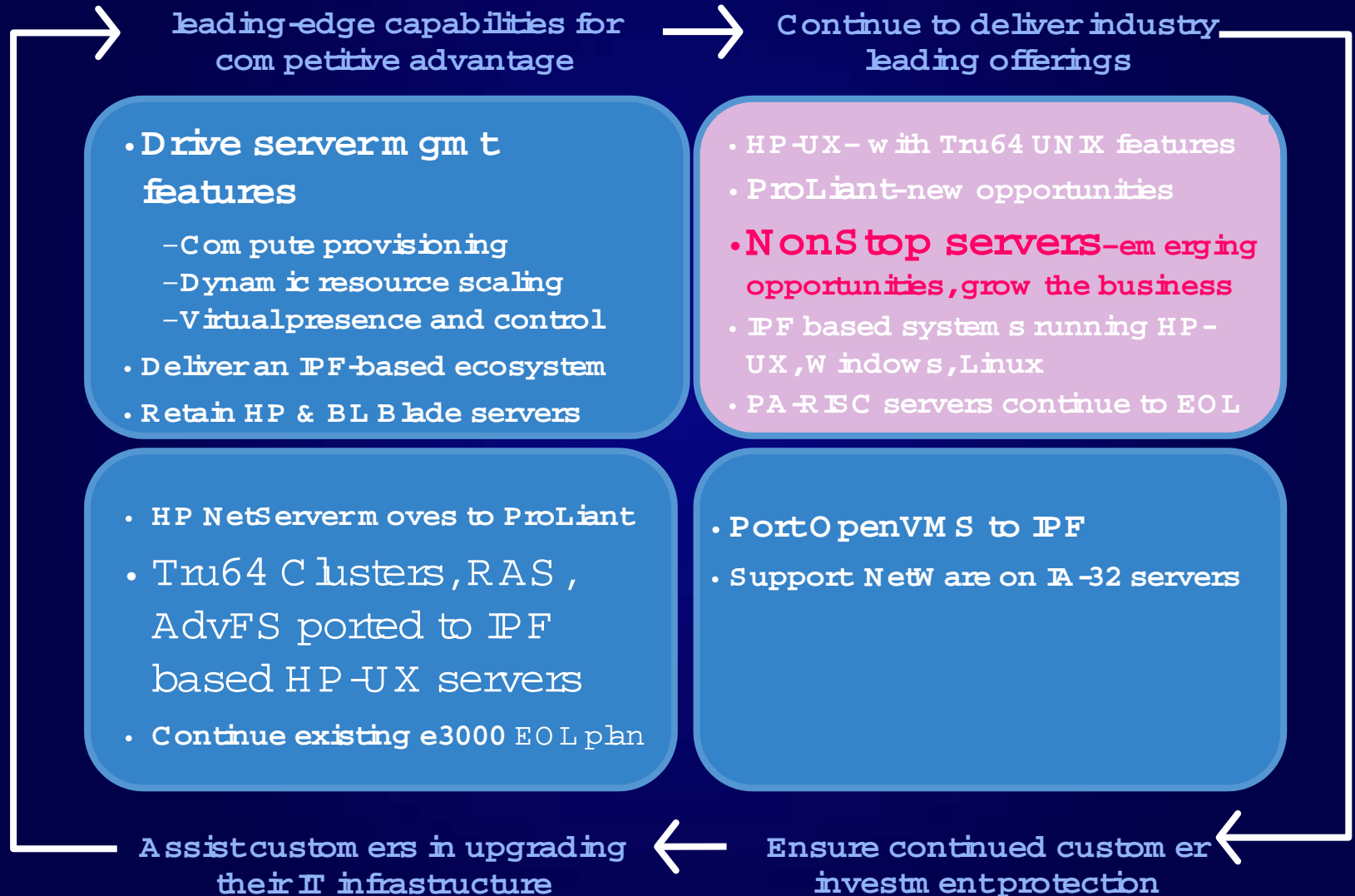
SKHPC's Fearless Acquisition Prognostications

- CPQ and HWP learned from the past, did their homework
- Take near-term “financial accretiveness” with a **grain of salt**
- **Expect an interval of disruption, HPQ will address aggressively**
- **Increased competitive attacks/pressure/FUD** are inevitable
- It's not about next month or next year... **it's five years out!**
- Compaq “held its own” in the market, so did HP
- **SKHPC** has seen some lousy mergers, this is an **exception**
- *HPQ Hit The Ground Running... and it hasn't slipped yet!*

NonStop Systems and the New HP



What Changed on May 7: Server Investment



HP NonStop Server Strategy and Roadmap

	02	03	04	05
HP NonStop Server	S86000 S76000 MIPS® R14000™	S88000 S78000 MIPS speed-up	Yosemite Itanium™ Madison	Yosemite Itanium™ future
NonStop Kernel Quarterly releases	Q Q Q Q	G06.20 Itanium™ ready ★ Q Q Q	Q Q Q Q	64-bit NSK ★ ★ Q Q

- **Roadmap and Strategy for NonStop Servers Remains Unchanged**

- sales of S78000 & S88000 through at least 2005
- support for MIPS products through at least 2010

- **Investment Protection**

- preserve investment in packaging & software
- work with ISVs and drive early availability of Itanium™-based software to ensure smooth transition
- separate 64-bit NSK software from CPU delivery to reduce risk

- **continue to drive market leadership in NonStop servers**

- uncommon advantages delivered through common standards
- ideal platform for delivery of Zero Latency Enterprise (ZLE) solutions

So, Who is Buying Himalayas?

- Is this a replacement, expansion of system/application or new application platform?
 - 48% replaced **older systems**
 - 18% **expansion**
 - 27% plan **new applications**
 - 5% **new customer**
- Is this your **first S-series** system?
 - 45% **Yes**
 - 55% **add-on/additional S-series**

Source: Compaq NonStop Division

March/April 2000 S-series survey data: 65 interviews of recent S-series purchasers

...And Why are they Buying Them?

- Business continuity, especially post-9/11
- Scalability Daze (AOL, et al)
- The Price is Right (Just ask Sabre)
- 24 x 7 stock trading; 25–50B shares traded in 24 hours
 - T + 1 settlement, possibly T + 0 settlement
 - Real-time risk positions, potentially worldwide
- Pervasive automation of B2B transactions driving real-time supply-chain planning
- 24 x 7 continuous global business transactions
- Wireless device population explosion: >1B and counting
 - Transactions from many different devices, HLR, e911
- Financial services embracing e-CRM and “consolidated view” via ZLE technology

Parting Thoughts and Post-Merger Observations

- We *still* “live in interesting times”... and so does HPQ!
- **Big-Time Challenges for HPQ Loom Large.** So does the 180-day deadline...
 - Managing the **consolidation** of CPQ and HWP into HPQ
 - Managing the **IPF Transition** and platform consolidation
 - Delivering on **roadmap and strategy, maintaining customer trust**
 - Ensuring **key employee retention**, maintaining morale
 - Managing the **restructuring and integration...** and the trade press
 - Neutralizing **competitive FUD...** and capitalizing on same
 - Returning to **growth mode**, debunking nay-sayers, educating analysts
 - Effectively **leveraging partners and channels**, maintaining ISV buy-in
 - **Flawlessly executing credible** marketing and messaging programs, etc.
 - And of course, effectively **leveraging the resources of HPQ user groups**

Questions and Comments?

- *Thanks very much for your time and attention!*
- I can be reached at...

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- Back issues of *Shannon Knows Compaq* are at

www.tru64.org and **www.openvms.org**