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13 **UNITED STATES DISTRICT COURT**
14 **NORTHERN DISTRICT OF CALIFORNIA**

15
16 ELECTRICAL WORKERS PENSION
17 FUND, LOCAL 103, I.B.E.W., on behalf of
itself and all others similarly situated,

18 Plaintiff,

19 v.

20 HP INC., DION J. WEISLER, CATHERINE
21 A. LESJAK, and STEVEN J. FIELER,

22 Defendants.

Case No. 3:20-cv-01260

**COMPLAINT FOR VIOLATIONS OF
THE FEDERAL SECURITIES LAWS**

CLASS ACTION

DEMAND FOR JURY TRIAL

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1 Plaintiff Electrical Workers Pension Fund, Local 103, I.B.E.W. (“Plaintiff”), by and
2 through its counsel, alleges the following upon information and belief, except as to those
3 allegations concerning Plaintiff, which are alleged upon personal knowledge. Plaintiff’s
4 information and belief are based upon, *inter alia*, counsel’s investigation, which included review
5 and analysis of: (i) regulatory filings made by HP Inc. (“HP” or the “Company”) with the United
6 States Securities and Exchange Commission (“SEC”); (ii) press releases, presentations, and media
7 reports issued by and disseminated by the Company; (iii) analyst and media reports concerning
8 HP; and (iv) other public information regarding the Company.

9 **I. INTRODUCTION**

10 1. This securities class action is brought on behalf of all persons or entities that
11 purchased shares of HP’s common stock between February 23, 2017 and October 3, 2019,
12 inclusive (the “Class Period”). The claims asserted herein are alleged against HP and certain of
13 the Company’s current and former senior executives (collectively, “Defendants”), and arise under
14 Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Rule
15 10b-5, promulgated thereunder.

16 2. Based in Palo Alto, California, HP is a global provider of personal computers,
17 printers and related supplies, solutions, and services. The Company conducts its business
18 primarily through two segments: Personal Systems and Printing. The Personal Systems segment
19 offers commercial and consumer computers and related software, support, and services. The
20 Printing segment provides consumer and commercial printer hardware, supplies, solutions, and
21 services.

22 3. The Company’s Printing segment includes the Supplies business unit which
23 comprises consumable products, including ink and laser cartridges, for recurring use in consumer
24 and commercial printing hardware. The Supplies business has been a significant revenue driver
25 for the Company. Prior to the Class Period, on June 21, 2016, HP reported that its Supplies
26 business was facing challenges from price variability among Supplies products available to
27 customers in an omnichannel world as well as a decreasing impact from the Company’s
28 promotional pricing of its supplies. As a result, the Company announced a one-time investment

1 of \$450 million to buy back supplies from its channel partners to better align supplies inventory
2 levels with demand, with the goal of stabilizing supplies revenue in constant currency by the end
3 of fiscal 2017. HP also announced the fundamental shift in its supplies business from a push
4 strategy to a pull strategy, which involves aligning channel supplies inventory levels with current
5 demand and marketing efforts to drive print relevancy and strengthen HP's Supplies brand value.

6 4. Accordingly, at the start of the Class Period, HP assured investors that its new
7 approach to managing and aligning demand and inventory in its Supplies business would avert the
8 types of problems that necessitated the \$450 million buy-back. The centerpiece of this new
9 approach was focused on what the Company called its "four-box model." For several years, the
10 Company measured its Supplies business through this model, which focuses on the four key drivers
11 of revenue growth: in-store base, usage, market share, and price.

12 5. With the shift to the pull strategy to manage its Supplies business, the Company's
13 four-box model became the primary focus of the Company and its investors because HP assured
14 investors that its use of the four-box model enabled it to accurately assess demand for products in
15 its Supplies business and manage the inventory placed in its sales and distribution channels.

16 6. Throughout the Class Period, the Company emphasized the four-box model as an
17 accurate, reliable tool to determine demand and revenue in the Supplies business, and reassured
18 investors that, based on the four-box model, HP had a "clear line of sight to supply stabilization."
19 Defendants repeatedly highlighted the reliability of the Company's four-box model and the
20 revenue growth of the Supplies business, touting their "continued confidence in the predictive
21 value of the four box model" and stating that the Company's "Supplies revenue is in line with the
22 expectations that we set, and that our 4-box model continues to drive predictability." These
23 statements were false. In truth, Defendants knew HP lacked reliable, automated data for the four-
24 box model and, as a result, the four-box model was not a reliable tool and provided HP with only
25 a partial, outdated indicator of the demand for Supplies products. As a result of Defendants'
26 misrepresentations, shares of HP's common stock traded at artificially inflated prices during the
27 Class Period.

28 7. The truth began to emerge on February 27, 2019, after the market closed, when the

1 Company reported disappointing total Supplies revenue for the first quarter of fiscal 2019 due to
2 weaker than predicted demand from commercial customers in HP’s Europe, the Middle East, and
3 Africa (“EMEA”) market. The Company blamed these results on an increase in online sales, where
4 the Company had a lower market share and faced more competition from cheaper third-party
5 alternatives than with traditional commercial resellers and in-store retailers, in addition to price
6 sensitivity due to increased macro uncertainty. Significantly, in reporting these results, the
7 Company admitted that its four-box model had been based upon incorrect data concerning
8 inventory, market share, and pricing assumptions. Accordingly, due to its limited “visibility into
9 the downstream channel ecosystem,” the Company “did not see clearly enough that we had an
10 issue.” The Company also revealed that it lacked telemetry data to determine reliable market share
11 assumptions for its Supplies business.¹ The Company revised its market share and pricing
12 assumptions and announced a plan to lower channel inventory levels once again—as it had done
13 in the second half of 2016—which created a \$100 million headwind to the Company’s Supplies
14 revenue for the remainder of fiscal 2019. As a result, the Company revised its previous estimate
15 of Supplies revenue for fiscal 2019 to a decline of 3%, versus prior guidance of flat to slightly up
16 revenue year over year. These disclosures caused the Company’s stock price to decline from
17 \$23.85 per share to \$19.73 per share, or over 17%, on high trading volume.

18 8. On May 30, 2019, at the Sanford C. Bernstein Strategic Decisions Conference,
19 Weisler disclosed additional detail on HP’s lack of telemetry data, admitting that the consumer
20 segment of the Supplies business had had telemetry data for years, meaning that management had
21 known all along the importance of telemetry data for an accurate model and that the commercial
22 Supplies business lacked this key input. This was because the Company “started that effort much
23 later” for its commercial customers and faced “problems . . . getting through commercial firewalls”
24 to obtain telemetry data. The lack of sufficient telemetry data for the commercial Supplies
25 business, in contrast to its availability in the consumer segment, meant that management knew or
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27 _____
28 ¹ Telemetry data is data provided automatically by remote units, such as printers that have been
sold to customers, which advise HP about the level of usage and need for new toner.

1 recklessly disregarded that the use of the four-box model was critically impaired. As a result of
2 these disclosures, by the end of the following day, the Company's stock price dropped over 2%,
3 from \$19.14 per share to \$18.68 per share, on high trading volume, wiping out \$690 million in
4 shareholder value.

5 9. On August 22, 2019, after the market closed, HP announced that Defendant Weisler
6 would step down at the end of October 2019 due to a family health matter. HP also announced
7 mixed earnings results for the third quarter of fiscal 2019, with Supplies revenue down 7% year-
8 over-year. On this news, the price of HP stock dropped nearly 6%, from \$18.93 per share to \$17.81
9 per share, on high trading volume.

10 10. Then, on October 3, 2019, after the market closed, HP announced that it was
11 "departing from the purely transactional Supplies-centric business model" and moving away from
12 using the four-box model, transitioning instead to a hardware-driven business model. The major
13 change to the Company's business model would give customers the choice between a discounted
14 HP printer that can only function with HP supplies or a higher-priced HP printer with the option
15 to choose third-party supplies. Under the new business model, the Company would de-emphasize
16 Supplies revenue as "the singular metric to determine our progress" and instead focus on "the key
17 metrics [of] service growth and operating profit dollars, which better reflect[] the system
18 profitability." The Company also announced mass layoffs as part of a major restructuring, in
19 which it expects to cut between 7,000 to 9,000 positions, or up to 16% of its global workforce,
20 over three years. As a result of these disclosures, the price of HP's stock dropped from \$18.40 per
21 share to \$16.64 per share, or nearly 10%, on unusually high trading volume.

22 **II. JURISDICTION AND VENUE**

23 11. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange
24 Act (15 U.S.C. §§ 78j(b) and 78t(a)), and Rule 10b-5 promulgated thereunder (17 C.F.R. §
25 240.10b-5). This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C.
26 §§ 1331 and 1337, and Section 27 of the Exchange Act (15 U.S.C. § 78aa).

27 12. Venue is proper in this District pursuant to Section 27 of the Exchange Act (15
28 U.S.C. § 78aa) and 28 U.S.C. § 1391(b). HP maintains its headquarters in Palo Alto, California,

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