Who's HP Gonna Buy?

Scott Raynovich
August 25, 2014
6:46 am PT

Hewlett-Packard's strong cash flow provides the ammunition for it to go out and make some high-profile tech acquisitions other than the much-speculated Rackspace, according to a new report from Raymond James.

Who's on the list? In addition to Rackspace, which is apparently coveted by many companies, Raymond James sees a number of companies in the security, big data, and software defined networking (SDN) space that could be attractive to Hewlett-Packard (HPQ). These include Actifio, Adara Networks, Arista Networks, Cumulus Networks, Fireye, Fortinet, Palo Alto Networks, Hortonworks and Sumo Logic, among others, according to Raymond James.

"Following several consecutive quarters of strong cash flow generation, HP's balance sheet is in the best condition in years, and the company has a $5 billion net cash position (excluding financing debt and receivables)," writes the Raymond James technology team in a research note issued this morning. "As a result, HP management has indicated its readiness and willingness to make acquisitions following a three-year hiatus that can only be described as an Autonomy hangover."

In last week's quarterly earnings report, HP said it did not purchase as much stock as it intended and management disclosed that this is because it is possession of "material, non-public information," which indicates it may be ready to buy something.

HP has not commented on a potential Rackspace deal, but Raymond James thinks HP may have passed. Instead, it's more likely that HP, as the company has stated itslef, would go after small-to-mid-sized tech outfits under $5 billion in market cap, according to Raymond James.

The Raymond James takeout list is actually quite a good one, and many of the names make sense. HP could certainly beef up both its networking and security portfolio. The analysts focused on companies with strong revenue growth rates, strong IP (intellectual property), and a next-gen slant. Software Defined Networking and security, two strong potential growth areas, feature prominently on the list.

In the SDN space, Cumulus comes up quite often as a takeover candidate. The problem for HP would be that other large companies have been looking at Cumulus, including Dell and VMware, so that might trigger a bidding war.

Hortonworks is one of the higher profile big data plays out there, but that company is quickly getting expensive and might rather hold out for an IPO. It recently received a private market valuation in excess of $1B in its latest funding round.

(Disclosure: The author, as previously disclosed, owns HPQ shares in a retirement porfolio as a long-term value play.)

Rayno Report has been acquired by SDNCentral LLC and is part of SDxCentral.com. To see an archive of Rayno Report posts, view the Rayno Report category page. For more information about the acquisition, read the announcement. And if you were a past Rayno Report subscriber or client, you can find more information on the Rayno Report page.

Related Articles

Skyport CEO: People Will Re-Platform for Security

The Cloud Security Boom Has Just Started

Zscaler, Latest Cloud Security Unicorn, Raises $100M

$2.75B Could Be Too Low for LSO

Smartphones & Mobile Bill Exhaust

About Scott Raynovich

Raynovich is the VP of Content and Research at SDxCentral. Previously, he was Chief Analyst and Publisher of The Rayno Report (www.raynoreport.com), which was acquired by SDxCentral in October of 2015. Considered an expert on networking and service-provider technology, he has been covering these areas as an editor, analyst, and publisher for 25 years. He was the Editor in Chief and Editorial Director for Light Reading for a decade, where he started the Heavy Reading Insider research service. Prior to joining Light Reading, Raynovich was Investment Editor at Red Herring, where he started the New York Bureau and helped build the original Redherring.com Website. He has won several industry awards, including an Editor & Publisher award for Best Business Blog and a Folio award for Best Website. His analysis has been featured on prominent media outlets including NPR, CNBC, The Wall Street Journal, Bloomberg, and the San Jose Mercury News.

🐦 in 📶

Leave a Reply

You must be logged in to post a comment.