

# *Electrical Workers Pension Fund, Local 103, I.B.E.W. v. HP Inc.*

**COURT:** United States District Court for the Northern District of California  
**CASE NUMBER:** 3:20-cv-01260  
**CLASS PERIOD:** 02/23/2017 - 10/03/2019  
**CASE LEADERS:** Jeremy P. Robinson, Jonathan D. Uslaner, Hannah Ross, Avi Josefson, Michael D. Blatchley  
**CASE TEAM:** Will Horowitz, Alexander T. Payne

On February 19, 2020, Bernstein Litowitz Berger & Grossmann filed a class action lawsuit for violations of the federal securities laws in the U.S. District Court for the Northern District of California against HP Inc. (“HP” or the “Company”) and certain of the Company’s current and former senior executives (collectively, “Defendants”) on behalf of investors in HP common stock between February 23, 2017 and October 3, 2019, inclusive (the “Class Period”).

BLB&G filed this action on behalf of its client, the Electrical Workers Pension Fund, Local 103, I.B.E.W., and the case is captioned *Electrical Workers Pension Fund, Local 103, I.B.E.W. v. HP Inc.*, No. 3:20-cv-01260 (N.D. Cal.). The complaint is based on an extensive proprietary investigation and a careful evaluation of the merits of this case. Click [here](#) to view the complaint, or click on the Case Documents tab on the left-hand side of the page.

## **HP’s Alleged Fraud**

Based in Palo Alto, California, HP is a global provider of personal computers, printers and related supplies, solutions, and services. One of the Company’s primary segments is Printing, which encompasses the Supplies business unit consisting of ink and laser cartridges and other consumable products. The Supplies business has been a significant revenue driver for HP. The claims alleged in this case arise from Defendants’ misrepresentations and omissions concerning HP’s fundamental changes to its Supplies business strategy, which the Company called its “four-box model.” For several years, the Company measured its Supplies business through this model.

The complaint alleges that, throughout the Class Period, Defendants falsely emphasized that the four-box model was an accurate, reliable tool to determine demand and revenue in the Company’s Supplies business, and reassured investors that, based on the four-box model, HP had a “clear line of sight to supply stabilization.” Defendants repeatedly made false and misleading statements to investors about the reliability of the Company’s four-box model and the revenue growth of the Supplies business, touting their “continued confidence in the predictive value of the four box model” and stating that the Company’s “Supplies revenue is in line with the expectations that we set, and that our 4-box model continues to drive predictability.” As a result of Defendants’ misrepresentations, shares of HP’s common stock traded at artificially inflated prices during the Class Period.

The truth emerged through a series of disclosures, beginning on February 27, 2019, when HP reported disappointing total Supplies revenue for the first quarter of fiscal 2019. Significantly, in reporting these results, the Company admitted that its four-box model had been based upon incorrect data concerning inventory, market share, and pricing assumptions. The Company revised its market share and pricing assumptions and announced a plan to lower channel inventory levels, which created a \$100 million headwind to the Company’s Supplies revenue

for the remainder of fiscal 2019. As a result, HP reduced its previous Supplies revenue guidance for fiscal 2019. On May 30, 2019, the Company admitted that the consumer segment of the Supplies business had had telemetry data for years, such that management should have known all along the importance of telemetry data for an accurate model and yet hid the fact that the commercial Supplies business lacked this key input.

Then, on August 22, 2019, HP announced that its Chief Executive Officer, Dion Weisler, would step down at the end of October 2019, attributing the reason to a family health matter. HP also announced disappointing earnings results for the third quarter of fiscal 2019, with Supplies revenue down 7% year-over-year. The Company also further reduced its Supplies revenue guidance for fiscal 2019.

Finally, on October 3, 2019, after the market closed, HP announced that it was “departing from the purely transactional Supplies-centric business model” and moving away from using the four-box model, transitioning instead to a hardware-driven business model. Under the new business model, the Company would de-emphasize Supplies revenue “as the singular metric to determine our progress” and instead focus on “the key metrics [of] service growth and operating profit dollars, which better reflect[] the system profitability.” The Company also announced mass layoffs as part of a major restructuring, in which it expected to cut between 7,000 to 9,000 positions, or up to 16% of its global workforce, over three years. As a result of these disclosures, the price of HP common stock declined precipitously.

On May 20, 2020, the Court appointed Iron Workers Local 580 Joint Funds (“Iron Workers”) as co-Lead Plaintiff and BLB&G as co-Lead Counsel for the Class. On July 20, 2020, Iron Workers filed the operative Complaint. On October 3, 2020, Defendants filed a motion to dismiss. Iron Workers’ opposition to that motion is due on December 11, 2020 and Defendants’ reply is due on January 20, 2021. Oral argument on the motion to dismiss was held on February 5, 2021.

If you wish to discuss this action or have any questions concerning this notice or your rights or interests, please contact Jeremy Robinson of BLB&G at 212-554-1492, or via e-mail at [jeremy@blbglaw.com](mailto:jeremy@blbglaw.com).

## Case Documents

- May 4, 2021 - Consolidated Class Action Complaint
- February 19, 2020 - Notice of Complaint
- February 19, 2020 - Initial Complaint