



HP Acquisition Targets May Include Palo Alto Networks

By PETE BARLAS, INVESTOR'S BUSINESS DAILY

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Hewlett-Packard (NYSE:HPQ) is likely looking for acquisitions in the Big Data and security fields, with Palo Alto Networks and FireEye on its wish list, says an analyst.

"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 finance debt and receivables)," Michael Turits, an analyst for Raymond James & Associates, wrote in a research note Monday. "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."

HP's \$10.2 billion acquisition of U.K.-based enterprise software maker Autonomy in 2011 famously went south, with legal action still pending in which HP has accused Autonomy executives of misrepresenting the company's finances.



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HP is amid a five-year restructuring plan to reaccelerate growth by focusing on emerging growth areas including cloud computing and Big Data to offset recent declining growth for its core PC and printer businesses.

Last week, HP reported Q3 earnings, including its **first revenue growth in 12 quarters.**

HP stock was up more than 1% in early afternoon trading in the [stock market today](#), near 37.25. HP stock jumped to a three-year high of 37.40 after its earnings report last week, and it has an IBD Relative Strength Rating of 92, putting it among the top 8% of all stocks in performance the past 12 months.

Likely acquisition candidates for HP in the Big Data/software analytics include Sumo Logic and Hortonworks, Turits says. Security companies in its sights, besides **Palo Alto Networks** (NYSE: PANW) and **FireEye** (NASDAQ: FEYE), include **Fortinet** (NASDAQ: FTNT).

In the communications infrastructure category, **Arista Networks** (NYSE: ANET) is a leading candidate, followed by Cumulus Networks and Adara Networks, says Turits. **Arista made its IPO** in June, pricing shares at 43. Arista stock now trades above 75, making for an expensive possible acquisition.

Companies in the storage market that could be targets are SimpliVity and Actifio, Turits says.

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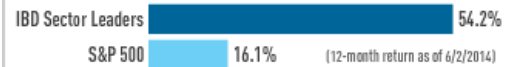


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The potential targets all share the ability to help HP leverage its platform and crack new markets such as software-defined networking (SDN), Turits says. SDN lets software take the lead role in managing networks.

"Management has highlighted that any deal will be small to mid-sized, which we suspect means \$5 billion or less in purchase price," he wrote. "Given HP's history of arguably paying above fair value for many assets, investor scrutiny will be high."

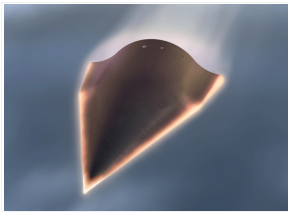
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