

The HP-Autonomy Saga is Not Over... Yet!

Written by Marco Attard
15 May 2013

HP tried to pull out of the October 2011 \$11.1 billion Autonomy acquisition just weeks before the deal was sealed, a shareholder class-action lawsuit claims-- one suing HP execs past and present for no less than \$1bn in damages.



Clearly, it is never over until the fat lady sings...

In part based on a January 2013 Wall Street Journal report, the suit accuses 8 defendants (including HP CEO Meg Whitman, then-CEO Leo Apotheker, former HP chairman Ray Lane, Autonomy founder Mike Lynch, and HP banking aides Barclays Capital and Perella Weinberg Partners) of "cursory due diligence on a polluted and vastly overvalued asset." In other words, paying too much for way too little.

Then again one surely recalls the November 2012 \$8.8bn writedown on the value of Autonomy, one HP blamed on "serious accounting improprieties" (read cooked books) before acquisition. The writedown wiped \$3.1bn off HP's ledgers, causing shares to plummet.

Within 101 pages the suit also tells the story of an HP too busy infighting to effectively oversee a massive acquisition properly, while "self-interested auditors, Wall Street bankers and other investment advisers" urged Apotheker to open the purse strings in order to cash in nearly \$100m in fees.

Lynch is accused of "hoping to cash out of Autonomy before it collapsed under the weight of its own fraud," while then-chairperson (later CEO) Whitman is supposed to have ignored warnings of questionable practices within Autonomy, including "red flags" from the Centre for Financial

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Research and Analysis (CFRA).

"Rather than engage in embarrassing failed foreign litigation with Autonomy," the filings say, Lane, Whitman and HP CFO Cathie Lesjak "resolved to try to quietly clean up the HP/Autonomy debacle internally."

Putting further salt in the wound are accusations of Autonomy making "an outdated product that was not user-friendly... This was not a product that could be easily sold"-- and HP knowing that was the case before paying premium for the honour.

"HP was desperate to be able to claim that the acquisition gave it a competitive advantage in the 'Big Data' field by having a next generation integrated information platform," the documents continue

In its defense HP statement insists it "relied on the audited financial statements and the representations of Autonomy's management and its auditors regarding Autonomy's business and revenue."

Either way hearings are expected to take place later this year, with damages expected to exceed over \$1bn if enough shareholders join in the fun.

Go [HP Faces \\$1bn Lawsuit from Shareholders over Autonomy Deal \(The Guardian\)](#)

Go [Inside HP's Missed Chance to Avoid a Disastrous Deal \(WSJ.com\)](#)

Go [HP: Q4 Revenues Down, Allegedly Cooked Autonomy Books](#)