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Signature Event

Enrique Lores

Speaker

**Enrique Lores
President and CEO
HP Inc.**

Moderator

**David M. Rubenstein
Chairman
The Economic Club of Washington, D.C.**

**Washington, D.C.
Thursday, February 8, 2024**

DAVID M. RUBENSTEIN: Enrique Lores is the CEO of HP, Inc. His wife, Rocio, is right there. Thank you very much for coming – to make sure your husband doesn't make any mistakes, right? [Laughter.]

ENRIQUE LORES: I will get a lot of feedback tonight, so please be kind. [Laughter.]

MR. RUBENSTEIN: So you've been the CEO for how long?

MR. LORES: It's been almost five years.

MR. RUBENSTEIN: Five years? OK. So we'll go through your background in a moment. But for those people that haven't spent their lifetime studying HP, let me go through the history a little bit and see if I have it right. So Hewlett Packard, of course, was the original – or the granddaddy of Silicon Valley startups. It was started in a garage in 1938, or so. And the garage is still around?

MR. LORES: Yes, it's still around.

MR. RUBENSTEIN: OK. So that company became one of the largest technology companies in the world, actually. And then in 2015, the company was split into two parts. One was Hewlett Packard Enterprises, which is software, more or less, and services. And then HP, Inc., which is you, was the part that makes the computers and the printers. Is that more or less right?

MR. LORES: Yes.

MR. RUBENSTEIN: OK. So which company is better? [Laughter.] Hewlett Packard Enterprises or HP, Inc.?

MR. LORES: So, as you can imagine, I have a very unbiased view. [Laughter.] And I have say, of course, HP, Inc. It's not only that we do printers and PCs. As you saw from the video, we think we are the company that can enable a more flexible way of working to make employees productive, to make employees engaged. And this is what we stand for.

MR. RUBENSTEIN: OK. So but their main business is – today, is computers and, to some extent, printers, as their main businesses, right? So I can tell from your accent you're not from Baltimore or Washington, D.C. Where did you grow up?

MR. LORES: I can say, you're very astute. [Laughter.] So you're really – detecting that I'm not from the U.S. is very difficult, I know. But I am originally from Spain.

MR. RUBENSTEIN: OK, so you grew up in Spain?

MR. LORES: I grew up in Spain.

MR. RUBENSTEIN: Now, how many companies in Silicon Valley are run by people who were born in Spain?

MR. LORES: One.

MR. RUBENSTEIN: One. [Laughter.] So, all right, so you're born in Spain. Did you say, I want to run HP someday? Or what was your aspiration as a young boy in Spain?

MR. LORES: No, it was not my aspiration to run a company like HP. I joined HP as an intern in 1989. So I have worked for the company for a very long time. When I was studying, there was a group of HP engineers that came to my university in Spain, in Valencia. And they explained what it took to develop a printer. It was when printers were starting to be created. And I was amazed by both the technology, complexity, but also by the passion these people showed about the printer. And in fact, I was thinking: How can someone feel passion for something so strange? I have to say, though, that 34 years later, I have more passion for printers than these people had. [Laughter.] So I have learned and I have been converted to the religion.

MR. RUBENSTEIN: OK, so you went to college in Spain and you got an MBA or an engineering degree?

MR. LORES: I got an engineering degree first.

MR. RUBENSTEIN: OK, so you're an electrical engineer?

MR. LORES: Mmm hmm.

MR. RUBENSTEIN: All right, so what did you say to your family, that there was no good job in Spain and you're going to move to someplace else? Is that what – you moved to Silicon Valley, or where'd you move to?

MR. LORES: No, actually, the full story was I got the opportunity to work as an intern in HP. And it was – I had the opportunity to go to San Diego. So we went to San Diego for the summer. And when the internship was finishing, HP was opening an R&D center in Spain, in Barcelona. So they told me, you are from Spain. We are creating this new R&D center. You might be interested in joining. And I said at that point, yeah, maybe for a couple of years, because we were living in a different city. And in Spain, you don't change cities. You grow up in – you are born in one place, you go to school in one place, and you build – you live all your life there. So we said, oh, for a couple of years will be nice to go to Barcelona. Thirty-five years later, we never came back. We came to – we went to Barcelona. Sometime later, we came to the U.S. And here we are.

MR. RUBENSTEIN: You've been in the United States – since what year have you been here?

MR. LORES: We came in 2008, so –

MR. RUBENSTEIN: OK. And now your headquarters are in what city?

MR. LORES: Palo Alto, California.

MR. RUBENSTEIN: Palo Alto. How many employees do you have?

MR. LORES: Worldwide we have slightly less than 60,000 employees.

MR. RUBENSTEIN: Sixty thousand. And your market capitalization is now roughly \$27 billion, something like that?

MR. LORES: Yes.

MR. RUBENSTEIN: OK. And since you become the CEO – you were – when the split occurred, you were not the CEO.

MR. LORES: No.

MR. RUBENSTEIN: So how long did it take after the split occurred in 2015 for you to become the CEO? What were you doing before you became a CEO?

MR. LORES: So before I became CEO, I led the separation of the company. So when Meg, or the CEO, decided to split the company, we created what was called a separation office. And there were two leaders, one from HPE and one – Hewlett Packard Enterprise – one for HP, Inc. I led the separation from my side. In fact, when I was asked to lead the separation, my immediate response was, no, I don't want to do that.

And then Meg – that was Meg Whitman, that was a CEO at that time – after a few days, a weekend, she called me at home and said: Enrique, I need to talk to you. So I went to her home. And she said I know you don't want to do that. This is the opportunity of your career. You're going to learn things you will never forget. You should be taking this role. And when the CEO calls you to her home on a weekend, you know there is only one answer. [Laughter.] Which was, yes, I will do it. And I have to say, I learned a lot.

MR. RUBENSTEIN: So what is – what was the theory – the business theory behind why splitting up Hewlett Packard, a very successful company, into two separate companies – why was that going to be such a great idea?

MR. LORES: I think the main theory, which at least in our case has proven to be true, was focus. HP was a very big company. We were selling from printers to servers, data centers, all sorts of technology products. And the theory that the board had at that point was that focus was very important. Each market was moving in a different direction. We were competing with different companies. So being focused, being able to invest in our segments, was a critical thing, and in our case has proven to be good.

MR. RUBENSTEIN: Right. So when the company split occurred in 2015, many people thought that Hewlett Packard Enterprises, which was in the sexier area of software and services, would become more valuable. But actually your company is – now has a higher market capitalization than Hewlett Packard Enterprises. Does that make you sad or happy? [Laughter.]

MR. LORES: I usually am only concerned about what happens with our company. And as I said, the separation has been good for us. We have proven that we can create value to shareholders. Our TSR in the last seven years has been 200%, significantly higher than the average of the market. So we have done well. And what is most important, we have a lot of opportunities and ideas of how to continue to make the company better, which is really – which is more exciting.

MR. RUBENSTEIN: All right, let's talk about in the computer world, you compete against, I guess, Dell, and Lenovo, and also Apple, I assume. So which of your – which of those companies makes the best personal computer, would you say?

MR. LORES: HP.

MR. RUBENSTEIN: Really? [Laughter.] And what makes your computer better? Why should I want to buy yours over somebody else's? Aren't they all really pretty much the same at this point?

MR. LORES: I think there are three big differentiations for our products, especially in the PC space. One is security. Cybersecurity is every time more important, and we build both software and hardware in our PCs to make them more secure. Second big differentiation is industrial design. We have made a big effort to make our PCs the best-looking PCs, the most attractive, and the ones that have the better used model. And finally is sustainability. We think that sustainability is really important. And we use in our PCs all type of materials that are environmentally friendly, from plastic that we get from the oceans to coffee beans, to you can look at our portfolio and see any type of computer –

MR. RUBENSTEIN: OK. All right. Well, let's suppose I say I'm not really a computer expert, which is obviously the case, but I just care about price. So what's the cheapest of the four ones? If I want to have a basic personal computer, is your price competitive? Or you're the lowest? Or you're more expensive, or what?

MR. LORES: Yeah. We have a super broad portfolio of PCs. So we can compete on price with whoever in the market.

MR. RUBENSTEIN: All right. So where do you sell them? You don't have HP stores the way Apple has stores. So where do you sell your computers?

MR. LORES: It actually depends, country by country. In the U.S., for example, we sell online, on HP.com, or on Amazon. You can buy our products in any large consumer electronics retailer, like Best Buy. But also, we – for commercial customers we have a big network of resellers – commercial resellers – that will sell our product. And for our top customers, we have our direct sale force. But in other countries, we have our own stores.

MR. RUBENSTEIN: Oh, you do?

MR. LORES: For example, in India, we have more than 500 stores that really we use to cover the market.

MR. RUBENSTEIN: Why does – why does India rate 500 stores and the U.S. rates none? [Laughter.]

MR. LORES: Because of the structure of the distribution and retail model. In India, there is not an electronic retail network in many of the cities. So we had to build our own to be able to really reach consumers anywhere in the country. And we continue to expand because we see, continue to see a big opportunity.

MR. RUBENSTEIN: So if I buy a computer, it seems like every year you come out with a new model and I have to upgrade or sell. Is that intentional, that kind of every year you're trying to get a new model out there? [Laughter.]

MR. LORES: I mean, as in any big market where – that has an in-store base, driving innovation to drive replacement is one of the ways to continue to grow. And we have a very highly skilled development team that continues to drive and push innovation forward.

MR. RUBENSTEIN: So suppose I buy one of your computers and then a year later you have another model. Can I trade it in and get a discount? Like a car, I can trade when I buy a new car? You don't – you don't have trade-ins, or anything like that?

MR. LORES: Today we don't. But this is one of the businesses that we are starting to develop. Both because we see we can really help customers to always stay on the latest technology, but also because from a sustainability perspective recycling and refurbishing is a very important thing to do. So we are going to be building that model at scale.

MR. RUBENSTEIN: All right. So where are your computers manufactured?

MR. LORES: Today, majority are still produced in China.

MR. RUBENSTEIN: China. And are you worried about somebody putting a chip in there that can enable the Chinese government to listen to what you're doing? You're worried about that? Or should I worry about that?

MR. LORES: You should not worry about that, because we worry about that.

MR. RUBENSTEIN: OK.

MR. LORES: And what we have built is what we call a secure supply chain. So across every step of the manufacturing process, we control anything that is inside our printers, inside the chips, inside the software to make sure that the printers, the PCs, or the printers are secure.

MR. RUBENSTEIN: So in a typical personal computer, how many parts are actually in there? Is it, like, 1,000 different parts, or 500, or something, or?

MR. LORES: I mean, if you include all the different components, probably between 1,000 and 1,500.

MR. RUBENSTEIN: But the key is the semiconductors or the chips. And where are the – are the chips made in China, or they're made in Taiwan, or U.S., or?

MR. LORES: Majority today are still built in Taiwan. We are working with all the key chip providers to make sure they will diversify their location. And this is why, for example, last year, we were very supportive of the CHIPS Act, because getting government funds to accelerate the change we think is very important.

MR. RUBENSTEIN: So are computer buyers different in different parts of the world? I mean, basically people in the United States are the same in Europe or China or Latin America or Middle East. When they buy a computer are they focused on mostly the price and the reliability? Is that their biggest –

MR. LORES: There are – there are differences, as almost in any other consumer product. There are countries that use – where for which education, for example, is more important. So countries like India or China, using the products for education is – and then, based on that, the size of the screen, the type of keyboard you're using is different. Others will be more focused towards gaming. So then you need to add graphic accelerators with the screens to fulfill the needs of those. So there are differences across countries.

MR. RUBENSTEIN: So when you're at your home and you're working on a computer, do you ever use the opposition or the competitors' to see what they're doing? Or you only can use HP?

MR. LORES: I use both. As you can guess, I have lots of HP PCs at home, because every time there is something new the team wants me to train. And sometimes they don't like it, because I find things they didn't like me to find. So I give a lot of feedback. [Laughter.] But of course, I test also the latest innovation from our competitors to make sure I understand –

MR. RUBENSTEIN: Do you ever look at your competitors' computers and say, why don't we have this? And how come we don't have that? You ever ask that?

MR. LORES: Yes. And the team hates it. [Laughter.]

MR. RUBENSTEIN: And you ever had the problem I have when I'm on a computer, it doesn't work all the time. And I always, you know, hit the computer, or something like that. It doesn't usually work. But what do you do when your computer doesn't work? You call somebody, or you yell at it, or what?

MR. LORES: First of all, you told me before you don't use an HP PC. So the first thing you should do is buy an HP PC. [Laughter, applause.]

MR. RUBENSTEIN: Well, I'm thinking about it, but I can't find any stores. I got to go to India to find a store. [Laughter.] I need to go to – I can't find any stores you sell them at. Where can I go buy one?

MR. LORES: [Laughs.] So you're going to get a visit from an HP associate very soon. [Laughter.]

MR. RUBENSTEIN: All right. OK. OK.

MR. LORES: But answering your question, yes. From time to time, I experience some problems in the PCs. And this is the second thing they hate – the team hates. Because when they get that call, this is not working, I immediately get attention.

MR. RUBENSTEIN: So suppose I want to buy a computer but I want – I want to have AI in my computer. I want to be really up-to-date. Do you have AI in your computers yet?

MR. LORES: Not yet, but it is coming soon. And we think this is going to be one of the largest transformations in the PC industry in decades. What will be possible, starting this summer, is to run large language models in AI PCs. Which means that what today all of us are doing in the cloud, where you use any of the applications that you can, you will be able to do it locally.

And what this means, which is why we think this is important, is it will be much better from a cost perspective, because running models in the cloud is expensive. It will be better from a security perspective, because you will be able to use the model with your own data locally, without having to upload your data to the cloud. And you will be able to do it anywhere in the world. And also for applications where speed is important, where latency is important, you will be able to do it locally much faster. For example, in gaming, where you are – where the game needs any resource the computer has, it will be a much better model. So it's going to be a big change, starting this summer.

MR. RUBENSTEIN: At the – at the same price too?

MR. LORES: Slightly higher price, but if we look at the increase of price versus the increase of value, not comparable.

MR. RUBENSTEIN: OK. So when will this be? Can you say when you're going to have AI at your computers?

MR. LORES: In the early – in the early summer is when we will start introducing the portfolio. Very soon.

MR. RUBENSTEIN: OK. A lot of people do their computing, or they get their information these days, not from computers but from smartphones. But you don't – you're not in that business, right?

MR. LORES: No.

MR. RUBENSTEIN: So is that a competitor to you, or you're not really worried about the smartphone business?

MR. LORES: I think at this point, the – I think the two markets are fairly distinct. And at this point, we don't worry about that. What we are doing is really expand and explore new use models for PCs, new form factor for PCs. For example, we just introduced foldable PCs, where the screen is like a big tablet, and then in the – in the center, you can put the keyboard. So we are exploring new models. But phones and PCs are different markets.

MR. RUBENSTEIN: You know, all the personal computers that I mentioned – Lenovo, or Dell, or yours, or Apple – they're all subject to being hacked by somebody, I guess. No computer is completely safe. How do you protect against hacking? And how do you kind of give your people who are customers warning about what they're going to see if a hacker is coming in?

MR. LORES: What we have done is we have developed both software and hardware to protect our PCs. For example, in, in any of our commercial PCs we have a chip embedded in the board that detects if the BIOS has been modified. The BIOS is kind of the brain of the PC. So we can detect if there has been an intrusion in the BIOS. And if we detect that, we can restore it to the original level. This is a unique technology that HP has that really helps to protect our PCs. And we have many other software developments in other layers to do similar things.

MR. RUBENSTEIN: OK. Do you make servers as well?

MR. LORES: No, we only do PCs.

MR. RUBENSTEIN: You don't do servers.

MR. LORES: We do workstations, which is a very high-end type of PC. But we don't do servers.

MR. RUBENSTEIN: Right. You make cartridges right?

MR. LORES: Mmm hmm.

MR. RUBENSTEIN: And printers. So on printers, is one printer really different than another, from your competitors? Aren't all the printers pretty much the same?

MR. LORES: Printers are fairly different. In fact, there is more difference printer-to-printer than PC-to-PC. Because printers are a totally integrated business. So we developed the printer, we develop the ink, we develop the cartridge. It's a much more vertically integrated model that drives more differentiation.

MR. RUBENSTEIN: Is the printing business a growth business? Because people are now not printing stuff as much. They're just sending it by email or computer – digital means to other people. So is printing a growth business, or it's kind of a shrinking business?

MR. LORES: In printing, there are three very different segments. There is what we call home printing. So printers you will buy to use at home, to print photos, or to print email. This is clearly a not growing business. Then we have an office segment, people – copiers, printers that you will do in the – you will use in the office. That’s a market that is stable. It’s declining in more developed countries. It’s growing in emerging countries. And then we have our third segment, which is industrial printing. Industrial printing means printing labels, packaging, these type of – and this is a significantly growing –

MR. RUBENSTEIN: All right. So I actually do have an HP printer.

MR. LORES: Very good.

MR. RUBENSTEIN: But the cartridge is always running out. I’m running out of ink all the time. [Laughter.] So is that a problem? Or how do I – how do I know when my ink is going to be out, and I’m right in the middle of printing something? Is that a big problem that you guys have, that you – what do you – what should I do about it?

MR. LORES: Yes, when we talk to customers they always have two concerns about printing. One is what you just said, I want to print. My kid has finished homework. I need to print homework. The printer is not working because the cartridge is not working. Second complaint that we have is printing is expensive. I really hate paying \$50, \$45, \$55 for the cartridge. And we have a solution for that.

We have created a subscription model where we monitor the amount of ink that is being used in the printer. Customers pay us for the number of pages they print per month. And before the printer runs out of ink, we send a new cartridge to customers. And by doing that, depending on your volume, you can save up to 70% of – I mean, you print 70% cheaper. And it’s a model that has been growing –

MR. RUBENSTEIN: OK, explain that to me. Let’s say I’m printing a lot in one day. And the middle of the day the ink goes. You’re not kind of going to get me a new cartridge for a day or two. So what do I do for that interim period of time now?

MR. LORES: No, we send you the cartridge before you run out of ink.

MR. RUBENSTEIN: Oh, really? How do you know?

MR. LORES: So we monitor the amount. We know – we can predict when you will be running out. So then we can send it to you.

MR. RUBENSTEIN: Suppose I don’t like your cartridges; I like somebody else’s cartridges that are cheaper. Is that OK, to use your – somebody else’s cartridges on your system? Is that going to work?

MR. LORES: It all depends on how the cartridge has been built. First, our goal is to make sure that we develop the best cartridges that develop the best experience. We also enable customers, for example, to take one of our cartridges, refill them, and use them in our printers. What we don't support is when cartridges violate our IP, because inside the cartridge there is a lot of IP. And when we detect that, we stop the printers to work, because we think we need to protect our IP.

MR. RUBENSTEIN: So you have – how many people sign up to get subscriptions to your cartridge business?

MR. LORES: So far, it's around 13 million customers worldwide.

MR. RUBENSTEIN: Thirteen million.

MR. LORES: So a fairly large customer –

MR. RUBENSTEIN: So these are people that really want to be – make sure they have enough ink all the time, right?

MR. LORES: [Laughs.] Yes. [Laughter.]

MR. RUBENSTEIN: OK, so –

MR. LORES: We have a lot of smart people that can really detect when this happens. [Laughter.]

MR. RUBENSTEIN: OK. So where do you make your cartridges? Are they made in China as well? Or someplace like that?

MR. LORES: A very small percentage is produced in China. Some of them are built actually here in the U.S., in Singapore, and in Malaysia.

MR. RUBENSTEIN: But, as a general rule of thumb, are you worried about being too dependent on China for your manufacturing because there could be U.S. problems with China? Who knows what could happen. Why not diversify?

MR. LORES: Actually, we are diversifying. We realized and learned painfully during COVID, as many other companies, that depended on a specific territory or having too much dependency was too risky. And that what we had done over many years of really pushing for cost, and therefore concentrating all manufacturing in one place, created some the issues from a resiliency perspective. So since then, we have been diversifying to increase resiliency. And this is a process that we embarked on a few years ago that is going to take some time but, clearly, we are doing it.

MR. RUBENSTEIN: OK. So other than artificial intelligence, what's the next best thing that's going to happen to personal computers? What are you going to have a year from now or two

years from now that I need to buy to update my personal computer? What's the next best thing you're going to be coming up with?

MR. LORES: So, first of all, I will emphasize again what AI is going to do, because the value and the productivity improvement that all of us are going to experience is very significant. Beyond that, we are also experimenting with new form factors. I was mentioning before, I should have brought one, we have now PCs that have this size of screen, but you can fold it and look like a portable, which creates a very different experience using PCs.

And the third big change on PCs is more and more they're used as communication tools. Very few people uses them to create their own documents, to do spreadsheets. Almost all of us use them to communicate – to do Zoom calls, Teams calls. And this has a lot of implications on what microphones we put in place, what cameras we put, what screens we use, what software we use to remove noise. All this really to create a totally different experience.

MR. RUBENSTEIN: All right. So one of your competitors, Apple, has recently come out with a product that is – they called it spatial computing, I guess it is. It's like a virtual reality. Do you have that kind of product yet?

MR. LORES: We have a – we have had a similar product for some time, focused on two spaces. One was gaming. One was in some commercial uses. And we think that over time, this category is going to grow. But what we really think is that computing is going to become, we call it, immersive. Today, we interact with computers through a screen or through a keyboard. More and more, we are going to interact with our full body, with our gestures, with – and this is the trend that we are – we are pushing for. You will see these in some models, like what Apple has done. There are also very interesting concepts where you interact with holograms. And we are really exploring a multitude of different things. Which one will win at this point is difficult to see, but clearly immersive is the future.

MR. RUBENSTEIN: So that's the future? OK. So let me ask you this, suppose I'm living in China, Russia, or Korea, and I want to be a hacker and I want to hack into other computers. Do you sell products where you say to people, this is the best for hacking because you have the best equipment to hack into somebody else's? [Laughter.] You don't have that kind of – you don't advertise that way?

MR. LORES: [Laughs.] We don't advertise that way.

MR. RUBENSTEIN: But your computers are good for that purpose, I guess?

MR. LORES: But, as any other computer – though, we don't sell in North Korea. We don't sell our products in Russia, so.

MR. RUBENSTEIN: Oh, OK. So, today why should somebody want to join Hewlett Packard as an employee? Why is it better than working at Apple, or one of the other competitors that you might have?

MR. LORES: So when I became CEO we defined four objectives for the company. And one of the four objectives is to become a school of talent. And our value proposition to employees is that they can join the company, they will learn their job, they will be able to experience multiple businesses, multiple functions. If they want, they can live in multiple countries – just because of the presence that we have. So we really focus on employee development as the key value proposition. To the point that we say when someone leaves we celebrate their graduation, because really that person has learned from us and has developed. And this also gives us the opportunity to bring someone new, to bring someone younger, to continue to refresh. So that's one of the key values that we have.

MR. RUBENSTEIN: OK. So if somebody wants to work at a company like yours, what's the best way to get a job? You get an engineering degree from a good school, or not a good school? Being an engineer is the best way?

MR. LORES: I think there are multiple ways. Clearly, there are a lot of engineers in the company. So studying engineering and graduating from a good school is important. But we hire people that graduate from marketing, we get people from law schools. I mean, we are a very large company that has any function that you can think of in the company. So we have lots of people.

MR. RUBENSTEIN: Right, but the average person you hire, does he or she lasts one year, two years, five years? How long are your average people?

MR. LORES: In general, we are a company with long tenure. I mean, I said before, I've been more than 34 years in the company. You will find people that has been in the company for a long time.

MR. RUBENSTEIN: All right. So you're in Washington, D.C. today, and I guess tomorrow as well. Are you going to see members of Congress or the administration, and tell them that they're doing something wrong or something good, or what?

MR. LORES: Not this trip. This trip I'm more focused on the customer side. We were this morning with the – to the federal government, we sell through a network of resellers. So we had a great session this morning to meet our top resellers to discuss what are we doing well, what opportunities we have, how can we grow our business? And tomorrow, I will be visiting some of our large customers that are here in D.C.

MR. RUBENSTEIN: So when you have these large government customers, you mark up the price or do you lower the price? [Laughter.] Mark it up because they don't know better, or lower it because they buy a big amount of products?

MR. LORES: Actually, the federal government – actually government in general has very strict rules on how to buy. And generally, we need to offer the lowest price for the viable technology. It's kind of a complicated rule that they have. And usually, government customers are fairly aggressive on price.

MR. RUBENSTEIN: So computers are often used now in the military, and for fighting, and so forth. But, for example, there's a company called Lenovo, which is based in China. Should anybody be worried if you're a military person and you're using a Lenovo computer that maybe the Chinese might know what you're doing, or no? Lenovo, is that a problem?

MR. LORES: For example, you were talking about the federal government. The federal government only buys PCs from us and Dell. And, as you can imagine, they have done some work and some analysis, and they have reached that conclusion.

MR. RUBENSTEIN: OK. So today would you say the future of your industry is good, or it's going to be supplanted by some other industry? In other words, do you think it's a pretty good industry to be in, and not worried about obsolescence, or something?

MR. LORES: I think it's a – it's a good industry to be in. If you think about computers, there are going to be more computers in the world five years from now than there are today. And this is the opportunity that we have. And more and more we have the challenge to bring more value to the computers, to make them smarter, to make them more intelligent. So we think it's going to be a growing business that will continue to expand in the future. For example, we estimate that today in the world there are still 2 billion people without – that don't have access to a computer. This is going to change in the next years. So developing the right products for these people is one of the opportunities that we have.

MR. RUBENSTEIN: OK. So today, would you say that the computing business is one that is likely to increase in value as more companies come in, or as computers become more sophisticated? Or you think they it's pretty much a solid business, but not going to be a high-growth business?

MR. LORES: It depends on what you mean by "high growth." It's a business that we think is going to grow between 2 and 4%. But it's a \$400 billion business, or 2% of \$400 billion is a lot of additional business every year.

MR. RUBENSTEIN: All right. So when you're not working on your computers, what are you doing on the outside? Do you have any hobbies? Or do you – what do you do to stay in shape?

MR. LORES: I exercise regularly. I think that staying fit is important. I run. I ride my bike. I swim.

MR. RUBENSTEIN: Do you run marathons? Or what do you run? No?

MR. LORES: No. My kids do, and I was training with them, but then I realized that it was – it was better for them to do it, not for me.

MR. RUBENSTEIN: OK. All right. So but you stay in shape. And any hobbies you have, other than staying in shape?

MR. LORES: I read a lot. I am a very active reader, both of business books, history books, and then novels. So I'm always, always reading one or two books at the same time.

MR. RUBENSTEIN: OK. So in your business today, would you say that your biggest problem is, what? Your biggest concern is competition, government regulation, the economy? What is your biggest concern?

MR. LORES: I think one is the geopolitical changes that we are seeing. I think we have had a very stable environment for the last 20 years. It was very clear how to manage the company to be successful. Things have changed extremely fast. And this is having significant impact on our business. And the second is, to make sure that we stay in the lead from an innovation perspective. The pace where – that technology is changing by is faster than ever. So making sure that we are making the right technology bets, that we hire the right people to develop those technologies is – that's one of the challenges.

MR. RUBENSTEIN: Now, do you ever meet members of Congress and tell them what a good job they're doing, or something like that?

MR. LORES: We regularly do. And we tell them what we think they're doing right, and what are those things where we would like them to help us.

MR. RUBENSTEIN: OK. And today, do you get a lot of people coming to you with great ideas about what new businesses you should be in, or do you generate your own ideas of new businesses that can expand your business base?

MR. LORES: It's both. We have teams in the company that are constantly exploring new ideas, but we also have a small venture fund that looks what is being invented, what is being created in startups, and then we invest in those. The innovation model has changed a lot in the last 30 years. Thirty years ago, companies like us used to have big central labs that were the ones creating new things. The model is way more decentralized today. And the combination of universities, startups is really now driving the innovation. So we need to be much more external focus than we were before to continue to stay on the lead.

MR. RUBENSTEIN: So let me ask you, on a computer I can take my personal computer anywhere pretty much in the world and, you know, plug it in, and whatever. But if I want a portable printer, what do – I don't have that, so much. Why don't you have a little printers I can take with my computer?

MR. LORES: We do have some, and what we're showing in the video is one of them. And we have realized it is important because what consumers want now is immediate gratification. And one of the problems with printing is you take a photo and then you forget you have that photo, and you never print it. So what we are trying to do is bring in printing now close to where the action happens. And, for example, in weddings there is a lot of printing being done, because you really – that's the time where you want the photo of you with the bride or with the family. That's something we are trying to do.

But what this video also shows is what we call the power of print. When you – all of us take millions of millions of photos every year and we forget them. We keep them in the phone. We never look at them again. And what we're trying to do, and we say we are trying to release these photos from the phone jail, because they are there. Nobody's looking at them. [Laughter.] And we need to make sure that they can see the light of light by making sure they get printed.

MR. RUBENSTEIN: Now, in your printing business, you have different colors, right? You have different colors for printing. But why not just have black, and make it simpler and cheaper? Do you really need to have all those colors?

MR. LORES: You mean colors of the colors for the printer?

MR. RUBENSTEIN: Yeah, colors for printing. You have red, you have yellow, blue, whatever you want. In terms of the – you know, why not just have black and white? Wouldn't that be cheaper?

MR. LORES: I mean, it depends. If you have a printer in the office where you're going to be printing documents, we sell mono printers. And this is the only thing customers buy. If you're going to print photographs, there is a big difference when the photograph is in color.

MR. RUBENSTEIN: So if I want to buy a car, I go in to buy it and, you know, you can negotiate the price a little bit. What about in computing? Why can't you negotiate the price? Can people come in and say, I'll pay \$100 less because Lenovo down the street is \$100 less? Or you don't do that?

MR. LORES: We don't do that. Most of the sales are done in – as I said before, through retailers. But more and more customers buy online. And then they can do this comparison. And this is – for us, it's very important to stay competitive in price. And managing our cost structure, managing where our factories are, to make sure we can do that, is very important.

MR. RUBENSTEIN: So the average person who buys an average computer, what is the average price of a personal computer that somebody spends money for?

MR. LORES: It depends on the consumers. For one of us to buy the computer at home, someplace between \$1,000 and \$1,500. For a business user, someplace between \$1,500 and \$2,000.

MR. RUBENSTEIN: Well, if I say, look, I only care about price, I don't care about anything else, what's the cheapest personal computer I can buy?

MR. LORES: Three, \$400.

MR. RUBENSTEIN: Really? What does it do? [Laughter.] Three or \$400? What am I getting there? It's like an abacus or something, right? [Laughter.]

MR. LORES: [Laughs.] The minimum set of things you expect. Usually, we use older technology. So it will not have the latest memory. It will not have the latest processor. It may not have the latest quality in the display. But we –

MR. RUBENSTEIN: Well, suppose somebody comes in and says, look, I don't really care about price. I'm not price-sensitive. Sell me whatever you got. Give me your best stuff. What's the best price – I mean, what's somebody going to spend, \$5,000 or something?

MR. LORES: For a consumer, \$5,000. So we have products at \$5,000. For a business customer, if you want to buy the top-of-the-line workstation with the top-of-the-line processor, \$10, 15,000.

MR. RUBENSTEIN: Wow. So if somebody goes into one of your stores in India and they spend \$5,000 for a personal computer, do they call you up and say: We just sold somebody a \$5,000 personal computer? They don't call you about that?

MR. LORES: They don't call. [Laughs.] But since you mentioned it, this summer we were in India. So I decided to go to some of our stores without telling them who I was.

MR. RUBENSTEIN: Without telling them?

MR. LORES: Without telling them. So you should see their faces when I went to the store, they look at me. I asked them about what products they were selling with an interpreter, because it was hard to communicate. And at some point I said, well, you know, I'm the CEO of the company. And they –

MR. RUBENSTEIN: What did they say? [Laughter.]

MR. LORES: [Laughs.] First was, like, surprise.

MR. RUBENSTEIN: They didn't believe it? They didn't believe, or?

MR. LORES: After a while, they believed it. Some of them looked at the web to make sure it was me. [Laughter.]

MR. RUBENSTEIN: OK. And then did you fire anybody who wasn't doing a good job selling things, or?

MR. LORES: No, I didn't.

MR. RUBENSTEIN: OK. So how much of your time do you spend traveling around the world?

MR. LORES: A lot. I mean, it depends on the month, but I travel more than 50 percent of my time.

MR. RUBENSTEIN: All right. So you have how many engineers? How many employees did you say?

MR. LORES: Fifty-eight, 59,000.

MR. RUBENSTEIN: All right. How many are engineers? A third of them, or so?

MR. LORES: About a third.

MR. RUBENSTEIN: And who are the better engineers, men or women?

MR. LORES: The same.

MR. RUBENSTEIN: The same, really? OK.

MR. LORES: I have to say, my wife is an engineer.

MR. RUBENSTEIN: Oh, OK.

MR. LORES: So I need to also be careful here.

MR. RUBENSTEIN: All right. You should say that women are better then, you should say. OK.

MR. LORES: [Laughs.]

MR. RUBENSTEIN: OK. So do you have children who are in the computing business? Or are they don't want to be in the computing business?

MR. LORES: I have three kids. One of them is in the computing business. He is working in – of course – in an AI startup in San Francisco.

MR. RUBENSTEIN: OK. But suppose he wanted to work at Apple, what would you say? [Laughter.]

MR. LORES: That would be a – that will be a difficult conversation. [Laughter.]

MR. RUBENSTEIN: A difficult conversation? OK. So you don't get as much publicity as some of the other CEOs that I see in the tech business. You're a little more publicity-shy, I think. But is that wrong? Or, like, if you walk down the street in Palo Alto, people come up to you for autographs, or selfies, or something like that?

MR. LORES: No. People come to me for selfies when I visit our offices. And I think it's good that nobody's stopping me asking for selfies in Palo Alto.

MR. RUBENSTEIN: So are – now, sometimes people in our country when they're very successful businesspeople eventually they want to go into government or something. You want to go into government anywhere, in the United States or in Spain? Or could you go back to government and be the prime minister, or something, in Spain? Or you don't want to do anything like that?

MR. LORES: [Laughs.] I don't think this is in the plan at this point. [Laughter.]

MR. RUBENSTEIN: So you've been CEO for a while? How long would you intend to stay? You're going to do another five years, 10 years?

MR. LORES: Probably another four or five years, yes.

MR. RUBENSTEIN: And then what would you want to do?

MR. LORES: I don't know. I think there are many things. I could – I enjoy education, for example. So this could be an interesting opportunity. Joining other boards. I have time to think about that.

MR. RUBENSTEIN: OK. So what is the most important message you would like to convey to anybody watching here today about the personal computer world. Is it that it's a great thing for society, and that they should buy more personal computers? And what is the most important thing you want to convey about HP, Inc.?

MR. LORES: About HP? Is that it is a company that really cares about helping society. That we have a big opportunity to help, as you saw in the first video, to enable our employees to be more productive, to be more engaged. And that we see a lot of opportunities to innovate to make it happen. And also, it is a company with very strong values and strong principles. Since the company was founded in 1938, defined – before all the conversation about sustainability or diversity even existed – they defined the values of the company. They defined that the company – great companies create a lot of value for shareholders but also have a positive impact for our communities. And since then, we have been doing both.

MR. RUBENSTEIN: OK. What are you doing about carbon and your global footprint? Are you trying to reduce it, keep it the same, or you don't focus on it that much?

MR. LORES: We try to – we have an aggressive plan to reduce that, to be carbon-free by 2030. And we are working in the areas of the company where we have more impact. For example, we – because of the products that we build, we use a lot of plastic. So we have an important initiative to reuse – to use recycled plastic in any of our products. We are also – I mentioned before – we are going to be changing business models to move into refurbished products, so we give to our products two or three lives.

And finally, and one of the things that I feel most proud of in this space, is people always associate printing with paper, paper with trees. And therefore, if you print, you're doing something wrong for the environment. So what we have is an initiative that we call forest-free

printing – or, forest-positive printing. So we look at the amount of paper that is used in our printers. If that paper is not coming from recyclable forest, or forest that have been planted to create paper, we plant trees. And we have programs with reforestation to compensate for that. So remember, next time you print you need to print in an HP printer, because it will be forest-positive.

MR. RUBENSTEIN: So what about DEI? I mean, Silicon Valley companies are not famous for diversity. So what do you do in that regard? Do you have a program to ensure you have a fair amount of diversity?

MR. LORES: Yes. We have a diversity program across the board. And we have specific goals to grow diversity across all dimensions. And we take it extremely seriously. And, for example, my compensation and the compensation of my direct team is dependent on the progress that we make on diversity.

MR. RUBENSTEIN: OK. So in philanthropy, what is your company doing? And I know Bruce Broussard – where is Bruce? Bruce is right here. Bruce is the CEO of Humana, one of the largest healthcare companies in the United States. And he's also the chairman of the Trust for the National Mall. And do you have any interest in the National Mall? [Laughter.]

MR. LORES: Not because Bruce is on my board – [laughs] – but because we think it's really a space where we can make a contribution. We are part of the initiative to restore and to really put in great shape the National Mall, between now and the 250th anniversary. It's in four years, three years? So we are part of the effort. And we think it's a great contribution. I think the National Mall has been very important for this country. [Applause.]

MR. RUBENSTEIN: All right. OK.

MR. LORES: And we really see an opportunity to really help and to contribute to that.

MR. RUBENSTEIN: So as somebody from – who was paid for by a Spanish government that came to discover America, is Christopher Columbus a big hero in Spain, or not so much?

MR. LORES: [Laughs.] I wouldn't say so much. I mean, he's a famous historical person. But I wouldn't say –

MR. RUBENSTEIN: You're not an expert on Christopher Columbus?

MR. LORES: A little bit, yes.

MR. RUBENSTEIN: You know, OK, all right.

MR. LORES: Why?

MR. RUBENSTEIN: OK, so you don't have to be an expert on him. I mean, but he's popular there, right?

MR. LORES: He is, of course, yes.

MR. RUBENSTEIN: OK. So, listen –

MR. LORES: You know, that something we say in Spain, is that venture capital was invented in Spain, because the kings of Spain at that point, they gave money to Christopher Columbus to discover. He required them to create a company. So it's kind the first venture capital.

MR. RUBENSTEIN: Well, you're correct. He had the first carried interest, because his deal was 5% of all the gold he was supposed to get and 10 percent of all the profits. Unfortunately, he came back with no gold and there were no profits. So it wasn't a great venture capital deal. [Laughter.] But they did have that – you know, he was he was way ahead of his time. And they were going to tax him favorably. [Laughter.]

OK, so, all right. Well, look, I want to thank you for being here. And I'm going to go learn more about personal computers. You recommend your personal computer over the one I already have, right, because it's better, more efficient, cheaper, something like that.

MR. LORES: More secure.

MR. RUBENSTEIN: OK. All right. I'm going to try to do that. And I'll get my printer – I should subscribe to your cartridge service. I'm just never going to figure out how that works, but OK. [Laughter.] I can't believe there's 13 million people subscribing to this service, but OK. I don't know. [Laughter.] I'd like to see what I can sell them, but OK. [Laughter.] All right. So, thank you very much for being a good sport, OK? OK. [Applause.]



Enrique Lores
President and CEO
HP Inc.

Enrique Lores is the President and CEO of HP Inc., a global technology leader and creator of solutions that enable people to bring their ideas to life and connect to the things that matter most. Based in Palo Alto, California and operating in more than 170 countries, HP delivers a wide range of innovative and sustainable devices, services and subscriptions for personal computing, printing, 3D printing, hybrid work, gaming, and more.

Enrique became CEO in November 2019 and is driving a bold strategy to position HP for the future, focusing on building a more growth-oriented portfolio, becoming a more digital company, and making the company the leading place for talent development.

During his more than 30-year career at HP, Enrique has held senior leadership positions spanning HP's Personal Systems, Print, Industrial, and Services businesses across country, region, and worldwide roles.

As President of the company's \$20 billion Imaging, Printing, & Solutions business, he consistently outperformed the company's peer set with a focus on differentiated innovation, business model evolution, and strategic M&A—including the company's acquisition of Samsung's printer business in 2017.

He was a key architect of the separation of Hewlett-Packard Company in 2015, one of the largest and most complex corporate separations in business history, and he successfully led the Separation Management Office. He was instrumental in transforming HP's cost structure while simplifying the organization and creating the capacity to invest in innovation to drive profitable top and bottom-line growth.

Other previous leadership roles include GM of HP's commercial PC business, SVP of worldwide customer support and services, and SVP of worldwide sales and solutions, among others.

Enrique began his career as an HP intern, earning his degree in electrical engineering from the Polytechnic University of Valencia and his MBA from Esade Business School. Enrique serves on the Board of Directors for PayPal and on the International Advisory Boards of the Atlantic Council, Esade Business School, San Telmo Business School, and Silicon Valley Leadership Group. He is also a member of the Business Roundtable, the Welcome.US CEO Council, and the World Economic Forum's International Business Council and Alliance of CEO Climate Leaders.