

Exec embroiled in HP-Autonomy mess lashes out

MICHAEL LIEDTKE - AP Technology Writer - Associated Press

An executive vilified by Hewlett-Packard Co. on allegations of an accounting ruse is escalating his counter-attack on the company accusing him.

In a letter to HP's board released Tuesday, former Autonomy CEO Mike Lynch fiercely defended his integrity. He also questions whether HP is using the charges of financial shenanigans to cover up damage caused by its own ineptitude.

HP fired back with a statement that predicted its findings of misconduct will be proven in anticipated legal proceedings about the dispute.

Lynch's missive represented his most extensive remarks since HP accused him last week of deceiving the company about the growth of Autonomy, a British business software maker that HP bought for \$10 billion last year. He had previously denied HP's accusations in interviews with various news organizations.

HP absorbed an \$8.8 billion charge to reflect Autonomy isn't worth what the company paid. About \$5 billion of that charge stemmed from improper accounting, according to HP.

"Can HP really state that no part of the \$5 billion write down was, or should be, attributed to HP's operational and financial mismanagement of Autonomy since the acquisition?" Lynch wondered in his letter. He demanded that HP's board provide more specifics about how it arrived at its calculations.

The Autonomy mess has deepened a steep decline in HP's stock price, which has cut the Palo Alto, California, company's market value in half since the beginning of the year. HP had already been struggling because its personal computer and printer businesses have been faltering as more people buy smartphones and tablet computers. HP's stock fell 38 cents Tuesday to close at \$12.36.

HP CEO Meg Whitman said last week that she fired Lynch in May because Autonomy wasn't hitting its financial targets. After Lynch departed, Whitman said a whistleblower triggered an extensive investigation that culminated in HP's conclusion that it had been duped before it agreed to buy the British company. HP said it has handed its findings over to securities regulators in the U.S. and the U.K., as well as the U.S. Justice Department.

Even if authorities don't file charges, HP said it plans to take legal action against the people it believes manipulated Autonomy's finances.

"We look forward to hearing Dr. Lynch and other former Autonomy employees answer questions under penalty of perjury," HP said in a statement. The honorific in HP's statement refers to Lynch's doctorate in computing.

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HP, meanwhile, faces at least one shareholder lawsuit. On Monday, a stockholder who owns 200 shares accused HP of concealing problems with Autonomy and other acquisition.

Lynch said he wished he had been given a chance to help "make HP great again. I have been truly saddened by the events of the past months, and am shocked and appalled by the events of the past week."

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