PALO ALTO, CA – **Hewlett-Packard's** plans to concentrate on business servers could have startling ramifications for the worldwide electronics supply chain, by spinning off or selling its Personal Systems Group and discontinuing WebOS tablet and smartphone products.

The PSG was HP's largest business unit in the second quarter, with $9.6 billion (30.8%) in revenue. HP is expected to divest the unit, however, due to its relatively low growth and operating margins.

Speculation on potential buyers has thus far centered HP's major PC competitors and certain Asia-based ODMs. HP's PC market share in 2011 is 18%, placing it first in the world, ahead of **Dell**
,
Acer
and
Lenovo
. If HP sells its PSG to
Samsung
, the latter's market share would soar from 4% to 22%. Moreover, the component supply chain would be dramatically affected, as Samsung would likely leverage the acquisition to create a new channel for its memory components and batteries, thus pushing out a number of Taiwanese vendors.

If Lenovo were to purchase HP's PSG, its market share would rise from 12% to 30%, surpassing Dell and Acer's combined market share. (Dell and Acer currently rank second and third, respectively.)

Inventec, **Quanta**, **Foxconn** and **Wistron**, the major ODMs for HP's notebooks, account for 25~30%, 30%, 20~25%, and 5% of HP's shipments this year, respectively.

If HP sells PSG, Inventec is expected to suffer the most severe setback because HP totals 60% of Inventec's NB shipments, says research firm **TrendForce**. HP's WebOS tablet TouchPad is exclusively manufactured by Inventec.

If HP divides and sells part of its PSG, the potential client order decline is expected to mar ODMs' revenues. On the other hand, since Quanta possesses the greatest client diversity among the ODMs, regardless of the final buyer for HP, Quanta will most likely continue to receive orders from this new client, according to the research firm.

In Foxconn's case, HP and Dell account for almost 70% of its NB shipments in 2011. In 2012, however, the NB shipment ratio from HP is expected to increase, while Dell may decrease. Consequently, if HP's orders also drop in 2012, it would affect Foxconn drastically, says TrendForce.

Foxconn dedicates one of its more than 12 production divisions exclusively to HP. A potential

Foxconn acquisition of HP’s PSG would be influenced by the ODM’s other clients and a potential lack of capital. But given the aftershock if Samsung were to purchase PSG, Foxconn might feel the need to make a play.

On the other hand, **Compal** and **Pegatron**, both not currently included in HP’s supply chain, would mostly likely benefit from other companies’ acquisition of HP’s PSG.

HP’s PSG sale will not affect Taiwanese NB ODMs’ businesses as a whole because the cooperative system between brand vendors and ODMs has been established for years. Regardless of the final buyer, they will most likely outsource their production orders to Taiwanese ODMs. However, in the long run, it may change the dynamic between Taiwanese NB ODMs and affect the global PC ODM industry, according to the research firm.