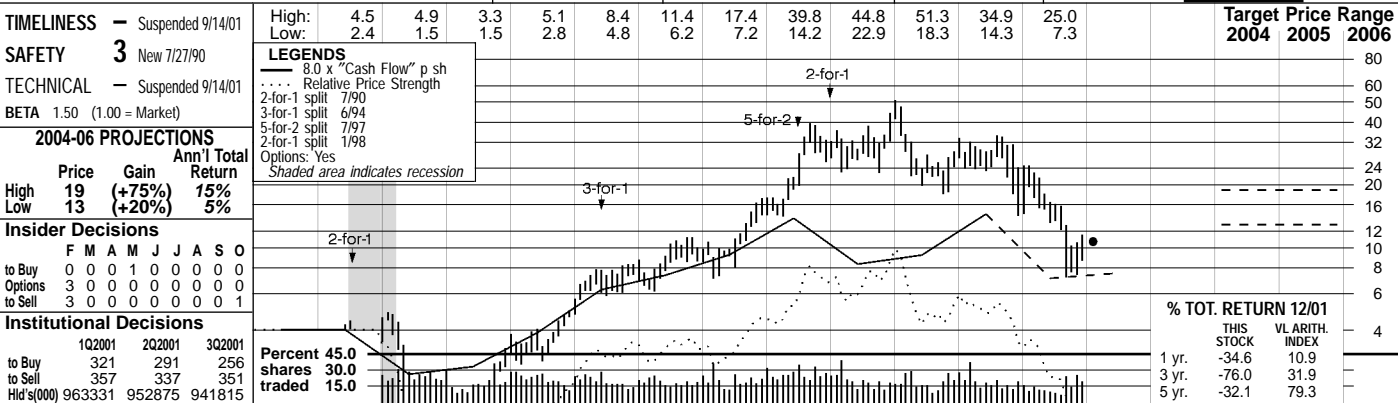


# COMPAQ COMPUTER NYSE-CPO

RECENT PRICE **10.80** P/E RATIO **NMF** (Trailing: 27.7; Median: 15.0) RELATIVE P/E RATIO **NMF** DIV'D YLD **0.9%** **VALUE LINE**



1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	© VALUE LINE PUB., INC. 04-06	
.63	.77	1.19	1.79	2.44	2.79	2.59	3.42	5.68	8.33	11.05	13.24	16.18	18.52	22.74	25.09	19.60	19.75	Sales per sh	24.10
.05	.07	.15	.26	.34	.44	.31	.34	.49	.79	.93	1.17	1.75	1.05	1.16	1.84	.90	.95	"Cash Flow" per sh	1.95
.03	.04	.12	.20	.25	.32	.17	.20	.36	.64	.75	.93	1.35	.53	.34	.95	.10	.12	Earnings per sh <sup>A</sup>	1.00
--	--	--	--	--	--	--	--	--	--	--	--	--	.07	.09	.10	.10	.10	Div'ds Decl'd per sh <sup>B</sup>	.10
.05	.06	.11	.24	.31	.25	.15	.13	.21	.27	.29	.25	.48	.36	.70	.67	.50	.50	Cap'l Spending per sh	1.00
.17	.23	.39	.70	.99	1.44	1.53	1.68	2.10	2.82	3.46	4.49	6.21	6.73	8.76	7.15	6.60	6.65	Book Value per sh	8.50
793.72	811.34	1025.1	1156.5	1178.2	1291.3	1263.0	1197.4	1265.2	1305.0	1335.0	1368.0	1519.0	1687.0	1694.0	1689.0	1695.0	1695.0	Common Shs Outst'g <sup>C</sup>	1700.0
10.8	11.7	12.7	8.9	11.3	10.3	16.4	10.8	10.2	10.8	11.6	11.9	18.1	59.2	82.2	28.1	NMF	NMF	Avg Ann'l P/E Ratio	16.0
.88	.79	.85	.74	.86	.77	1.05	.66	.60	.71	.78	.75	1.04	3.08	4.69	1.86	NMF	NMF	Relative P/E Ratio	1.05
--	--	--	--	--	--	--	--	--	--	--	--	--	.2%	.3%	.4%	.7%	.7%	Avg Ann'l Div'd Yield	.6%

CAPITAL STRUCTURE as of 9/30/01																					
Total Debt \$2101 mill. Due in 5 Yrs \$2084 mill.																					
LT Debt \$600 mill. LT Interest \$40.0 mill.																					
(5% of Cap'l)																					
Leases, Uncapitalized Annual rentals \$235 mill.																					
Pension Liability None in '00 vs. None in '99																					
Pfd Stock None																					
Common Stock 1,694,000,000 shs.																					
(95% of Cap'l)																					
MARKET CAP: \$18.3 billion (Large Cap)																					
CURRENT POSITION (\$MILL.)																					
Cash Assets 3302 2569 3940																					
Receivables 6685 6715 4780																					
Inventory (FIFO) 2008 2161 1582																					
Other 1854 3666 4107																					
Current Assets 13849 15111 14409																					
Accts Payable 4380 4233 3619																					
Debt Due 453 711 1501																					
Other 7005 6605 5925																					
Current Liab. 11838 11549 11045																					

**BUSINESS:** Compaq Computer Corp. manufactures enterprise computing products such as servers, desktop and portable personal computers, and communications products, and provides related professional and customer services. Market breakdown: enterprise computing, 34% of '00 total; commercial personal computer, 31%; consumer products, 18%; services, 17%. Acquired Tandem Computers, 8/97; Digital Equipment, 6/98. R&D: 3.5% of sales. '00 depreciation rate: 19.9%. Had 66,000 employees on 9/30/01; 91,000 stockholders on 1/31/01. Officers & directors control less than 1% of stock (4/01 Proxy). Chairman, President, & CEO: Michael D. Capellas. Inc.: DE. Address: 20555 SH 249, Houston, TX 77070. Telephone: 281-370-0670. Internet: www.compaq.com.

**The fate of the proposed acquisition of Compaq by Hewlett-Packard is uncertain.** Members of both the Hewlett and Packard families and related foundations, which together hold about 18% of H-P shares, have announced plans to vote against the merger, making it difficult, but still not impossible, to win the approval of the majority of shareholders needed to seal the deal. (In a tax-free transaction originally valued at \$25 billion, each Compaq share would be exchanged for 0.6325 H-P share.) As we went to press, no date had been set yet for shareholders of both companies to vote on the combination. Moreover, Wall Street's doubts that the transaction will be consummated seem to have increased, since Compaq shares now trade at more than a 25% discount to their value in the merger, versus at about a 12% discount at the time of our October report. **Compaq's unprofitable personal computer business seems to be the main stumbling block to winning support for the deal.** The business was hurt by a price war launched by rival Dell Computer in late 2000 (which is still ongoing), by efforts to reduce inventory, and by the economic slowdown in the U.S. H-P's post-merger exposure to the PC business would rise, but Compaq probably would benefit from the merger, as its PC exposure would fall from 48% of revenues to 33%, and it would diversify further via the addition of H-P's profitable printer business.

ANNUAL RATES						Past 10 Yrs.		Past 5 Yrs.		Est'd '98-'00 of change (per sh)	
	10 Yrs.	5 Yrs.	Est'd '98-'00	10 Yrs.	5 Yrs.	Est'd '98-'00	10 Yrs.	5 Yrs.	Est'd '98-'00	10 Yrs.	5 Yrs.
Sales	25.0%	21.5%	21.5%	1.5%	1.5%	1.5%	25.0%	21.5%	21.5%	1.5%	1.5%
"Cash Flow"	14.5%	13.0%	6.5%	14.5%	13.0%	6.5%	14.5%	13.0%	6.5%	14.5%	13.0%
Earnings	9.0%	1.0%	8.5%	9.0%	1.0%	8.5%	9.0%	1.0%	8.5%	9.0%	1.0%
Dividends	--	--	4.0%	--	--	4.0%	--	--	4.0%	--	--
Book Value	22.0%	22.0%	2.0%	22.0%	22.0%	2.0%	22.0%	22.0%	2.0%	22.0%	22.0%

QUARTERLY SALES (\$ mill.)						Full Year	
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year	Full Year	
1998	5687	5914	8791	10859	31251	31251	
1999	9419	9420	9208	10478	38525	38525	
2000	9505	10135	11217	11526	42383	42383	
2001	9197	8453	7476	8074	33200	33200	
2002	7700	8100	8600	9100	33500	33500	

EARNINGS PER SHARE <sup>A</sup>						Full Year	
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year	Full Year	
1998	.01	.02	.07	.41	.53	.53	
1999	.16	d.10	.08	.19	.34	.34	
2000	.16	.21	.30	.30	.95	.95	
2001	.12	.04	d.07	.01	.10	.10	
2002	d.01	.02	.04	.07	.12	.12	

QUARTERLY DIVIDENDS PAID <sup>B</sup>						Full Year	
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year	Full Year	
1998	.015	.015	.015	.015	.06	.06	
1999	.02	.02	.02	.02	.08	.08	
2000	.025	.025	.025	.025	.10	.10	
2001	.025	.025	.025	.025	.10	.10	
2002	.025	.025	.025	.025	.10	.10	

(A) Diluted EPS. Excludes nonrecurring gains (losses): '89, \$0.01; '90, \$0.02; '91, (\$0.08); '92, (\$0.03); '93, (\$0.01); '95, (\$0.18); '97, (\$0.16); '98, (\$2.35); '00, (\$0.61); '01, (\$0.50). (B) Next dividend meeting mid-March. Goes ex late March. Approximate dividend payment dates: 20th of Jan., April, July, and Oct. (C) In millions, adjusted for stock splits.

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Company's Financial Strength		A
Stock's Price Stability		30
Price Growth Persistence		80
Earnings Predictability		40