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AI-Enabled PCs Lift HP's Sales

CEO of computer and printer maker sees trend extending into the next year

By Kelly Cloonan

HP's third-quarter sales got a boost from growing demand for its artificial-intelligence-enabled personal computers, a trend its chief executive expects to continue next year.

The computer and printer maker's AI PC sales continued to rise at a double-digit rate quarter to quarter, CEO Enrique Lores said, which helped the company post better-than-expected revenue.

Part of the accelerating adoption has been driven by a growing set of AI applications from software companies like Zoom and Adobe, he said.

"If you are buying a new PC now, you don't want to buy a PC that will not be able to take advantage of all these improvements that will continue to come to market in the coming months and years, so you better upgrade to an AI PC," Lores said.

The company's AI PCs have seen particularly strong demand from commercial customers looking to take advantage of productivity-focused applications, he said.

The segment has also gotten a boost from customers looking to upgrade aging PCs ahead of a transition to Windows 11 as Microsoft plans to stop supporting Windows 10 in October. The company estimates that just over half of the Windows 11 install base have made the transition so far.

The company has seen strong demand from commercial customers.

Those trends should continue to help sales going forward, driving mid-single digit growth in the current quarter and into the next fiscal year, Lores said.

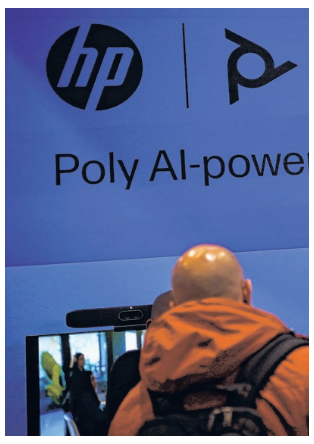
In the recent fiscal third quarter, HP posted a profit of $763 million, or 80 cents a share, up from $640 million, or 65 cents a share, a year earlier.

Adjusted per-share earnings came in at 75 cents, in line with analyst estimates, according to FactSet.

Revenue rose 3.1% to $13.93 billion, topping analyst projections for $13.69 billion.

Personal Systems revenue increased 6%, to $9.93 billion, offsetting a decline in printing sales, down 4% to $3.99 billion.

In the quarter, the company mitigated most of added costs from tariffs, Chief Financial Officer Karen Parkhill said. The company remains on track to fully mitigate all tariff-related costs by the end of the fiscal fourth quarter, and doesn't expect to raise prices again.



YUI MOK/PA WIRE/ZUMA PRESS

HP's profit rose as well.

For the fourth quarter, HP said it expects adjusted earnings per share of 87 cents to 97 cents. Analysts polled by FactSet were looking for adjusted per-share earnings of 92 cents.

Lego Blocks Off Record Sales Amid Toy-Sector Upturn

By Mauro Orru

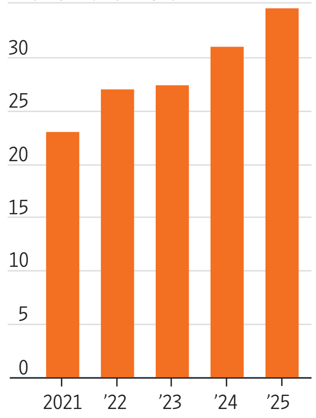
Lego Group posted record sales for the first half of the year as shoppers splurged on the toy-brick maker's sets of homegrown and licensed themes such as Lego City, Lego Technic, Lego Botanicals and Lego Star Wars.

The Danish group booked 34.6 billion kroner, equivalent to $5.4 billion, in sales, up 12% on year. Lego launched 314 new toy sets in the first half, increasing its appeal to customers across generations and interests.

Shoppers flocked to stores to get their hands on Lego Botanicals sets, particularly during Valentine's Day and Mother's Day. Lego Icons and Lego Star Wars sets were also among the bestsellers.

The company expanded its portfolio with new partnerships, including Formula One as well as animated series Bluey and One Piece. It also signed a multiyear collaboration with The Pokémon Company International to bring Lego Pokémon sets to fans next year.

Lego first-half revenue



Note: For the six-month period ended June 30; 1 DKK (Danish kroner) = $0.16

HUU KHOA/AFP/GETTY IMAGES

Lego opened a new factory in Vietnam in April as it pushes to expand its reach across the region.

Lego's blockbuster sales come as the toy industry turns the page on months of sluggish demand when consumers held off spending on nonessential items because of high inflation. The global toy market experienced a strong rebound in the first half, according to Circana, a firm that tracks consumer goods.

"I have been following the toy market for many years and cannot recall the last time all countries Circana tracks were growing at the same time," Frederique Tutt, global toys industry adviser at Circana, said this month. "The surge in sales can largely be attributed to consumers aged over 12-years-old, who have shown unprecedented growth and are consistently outperforming traditional kids' trends."

Products including building sets, trading cards, games, plush toys, and collectibles are seeing increased demand from both teens and adults, Tutt added.

In the U.S., toy maker Mattel posted slightly lower sales for the first half and dialed back its annual profit and sales forecasts. Hasbro, the maker of Nerf blasters and Play-Doh, logged higher sales for the period and raised its revenue and profitability guidance for the year.

The toy industry had to contend with uncertainty from President Trump's tariffs that dominated much of the first half. Now, the U.S. and the European Union have reached a trade agreement under which Washington is setting a 15% tariff for the vast majority of EU exports.

Lego is investing more than $1.5 billion in a factory and a regional distribution center in Virginia, with both facilities expected to open in 2027. The company recently opened a new Americas head office in Boston. It also continued to expand in Mexico, Hungary and Vietnam, where it opened a new factory in April. The group said demand for its toy sets remained strong across regions, especially in Europe, the Middle East and Africa, helping it outpace the toy industry.

Lego's net profit grew 10% to 6.5 billion kroner in the first half. Operating profit also increased 10% to 9 billion kroner. Free cash flow came in at 1.7 billion kroner compared with 3 billion kroner a year earlier as the company invested 4.2 billion kroner to build new factories and upgrade existing facilities.

Flexport, BlackRock to Boost Their Supply-Chain Financing

By Paul Berger

Flexport, the tech-focused freight forwarder, is joining with **BlackRock** to double its supply-chain financing pool to $250 million as tariffs raise costs for U.S. retailers and manufacturers.

BlackRock is providing the $250 million, which will be managed by Flexport. Stuart Leung, Flexport's chief financial officer, said the funding will allow the freight middleman's financing arm, Flexport Capital, to provide funds for importers that face rising supply chain costs.

"It fills an ever-increasing acute challenge for customers, especially today," he said.

U.S. importers are confronting ballooning tariff bills after the Trump administration imposed steep levies on key trading partners such as China, the European Union, Mexico and Canada as well as on commodities such as steel and aluminum.

Most companies have a window of just 45 days to pay tariff bills after products arrive in the U.S. with some of the duties stacking on top of each other.

"We're seeing everything from 15% increases to 150% to 200% increases in some cases," said Brian Barber, a customs broker at Willson International, which specializes in U.S.-Canada trade.

Freight specialists say rising costs aren't confined to the levies themselves.

U.S. Customs and Border Protection is raising costs and collateral requirements for surety bonds, a form of customs insurance that covers duties and fines.

E-commerce companies face new bills after the U.S. this year suspended a duty exemption on shipments valued at $800 or less from China. The Trump administration is ending the exemption for the rest of the world on Aug. 29.

Cindy Allen, chief executive of Trade Force Multiplier, a trade and customs consulting firm, said some importers have gone from having to only think about the costs of buying and shipping goods to also having to hire a customs broker, acquire a surety bond and pay duties.

"They've gone from zero liability to extreme liability and that's going to limit your buying power and limit how much capital you have to invest in your company," Allen said.

GTCR Acquires Innovative Systems In Rural Broadband Access Push

By Maria Armental

Buyout shop GTCR has acquired telecommunications software provider Innovative Systems in a push to expand broadband access to millions of people who lack access to fast-speed internet in rural America.

A person familiar with the deal said it was valued at roughly $500 million and is being financed out of the Chicago-based firm's main buyout strategy.

Scott Alcott, a telecommunications veteran who most recently worked as Comcast's chief information officer, has joined Innovative Systems as chief executive.

The investment marks an exit for private-equity firm Alpine Investors, which backed the company in 2021, and for company founder Roger Musick.

Based in Mitchell, S.D., and founded in 1998, Innovative Systems caters to rural broadband and utility companies that often make the "last-mile" connections to consumers.

"That means from the moment they decide to build a network, we have tools that help them with mapping where to locate their physical plant…all the way through activating the service for an end-user and billing them," Alcott said.

He added that today Innovative Systems serves customers across the continental U.S. as well as in Guam, Puerto Rico and the U.S. Virgin Islands.

Alcott and Stephen Jeschke, the GTCR managing director who led the deal, said Innovative Systems would remain in Mitchell, about an hour west of Sioux Falls. The area, they said, offers abundant engineering talent, including from Musick's alma mater, the South Dakota School of Mines and Technology.

Research firm BroadbandNow estimates some 26 million Americans lack access to internet service fast enough to support video calls or movie streaming.

Closing the digital divide is a longstanding issue that has drawn bipartisan support, with a series of programs intended to help offset companies' costly investments needed to extend those services to poor and rural areas. The Covid-19 pandemic put the technology gap in the spotlight as businesses and schools shut down.

In a July speech in Sioux Falls, Federal Communications Commission Chairman Brendan Carr discussed the need to build the nation's high-speed infrastructure.

The push to extend high internet speed to far-flung communities means many small service providers, like the ones Innovative Systems serves, are growing their subscribers by 30% or more a year, Alcott said.

Maria Armental writes about private equity for WSJ Pro.