Oracle misfires in fiscal 2Q, raising tech worries

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Oracle's quarterly earnings missed analyst estimates as the business software maker struggled to close deals, signaling possible trouble ahead for the technology sector.

The performance announced Tuesday covered a period of economic turbulence which has raised concerns that major companies and government agencies may curtail technology spending.

Oracle's results for the three months ending in November suggested the cutbacks have already started. The showing alarmed investors, causing Oracle Corp. shares to slide 8 percent.

In a telling sign of weakening demand, Oracle's sales of new software licenses edged up just 2 percent from the same time last year. Analysts had expected a double-digit gain in new software licenses. Wall Street focuses on this part of the business because selling new software products generates a stream of future revenue from maintenance and upgrades.

Oracle's software is a staple in companies and government agencies throughout the world. Its database products help companies store and manage information. Its line of applications are designed to automate a wide range of administrative tasks.

Things looked even bleaker in Oracle's computer hardware division, which the company has been trying to build since buying fallen Silicon

Valley star Sun Microsystems for $7.4 billion last year. Oracle's hardware revenue dropped 10 percent from the same time last year

The company earned $2.2 billion, or 43 cents per share, in its fiscal second quarter. That was a 17 percent increase from net income of $1.9 billion, or 37 cents per share at the same time last year.

If not for certain items, Oracle said it would have earned 54 cents per share. That figure fell below the average estimate of 57 cents per share among analysts polled by FactSet.

Revenue for the period edged up 2 percent from last year to $8.8 billion. Analysts, on average, had projected revenue of $9.2 billion.

Oracle's shortcomings in its more recent quarter could mean management's guidance for the three-month period ending in February will be a letdown too. The company is expected to provide its outlook during a conference call later Tuesday.

In a statement, Oracle President Mark Hurd said the company has expanded its sales force by about 1,700 people in hopes of delivering "solid" growth during the final half of the fiscal year ending in May.

The company's shares shed $2.34 to hit $26.83 in extended trading after the second-quarter figures were released. The stock has been sagging since hitting $36.50 in May.

In an effort to bolster the stock, Oracle announced it will spend an additional $5 billion buying back its shares. The company, which is based in Redwood Shores, Calif., didn't set a timetable to complete the stock purchases.

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