

Oracle manages 3Q feat: healthy contract signings

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A sign for Oracle software hangs at the annual National Retail Federation conference Wednesday, Jan. 14, 2009 in New York. Oracle's fiscal third-quarter results, reported after the market closed Wednesday, March 18, 2009, demonstrated that the company was able to sustain a better-than-expected pace of contract signings even as companies pull back on technology spending. (AP Photo/Mark Lennihan)

(AP) -- Oracle Corp.'s sales force pulled off a big feat in the business software maker's latest quarter, sustaining a healthy clip of contract signings amid a dreary time for technology spending.

The efforts helped push Oracle's sales and profit above Wall Street's forecasts. [Oracle](#) also surprised investors by declaring its first dividend, a rare sign of confidence that comes as other bellwethers are cutting or suspending their dividends to save money.

Oracle's shares jumped \$1.11, or 7 percent, to \$16.94 in after-hours trading Wednesday after Oracle reported its results. The stock had gained 43 cents, or 2.8 percent, to close the regular trading session at \$15.83.

Oracle's chief executive, Larry Ellison, called the numbers a "tremendous achievement in the face of the serious slowdown in the world economy."

In Oracle's fiscal third quarter, which covers December-February, Oracle said it earned \$1.33 billion, or 26 cents per share, versus \$1.34 billion, also 26 cents per share, in the year-ago period.

Subtracting out one-time charges, profit was 35 cents per share. That was 3 cents better than the average estimate from analysts polled by Thomson Reuters on that same basis.

Sales were \$5.45 billion, a 2 percent increase over last year, though Oracle said revenue would have jumped 11 percent without the effect of a stronger dollar, which meant deals done in other currencies weren't worth as much in dollars.

Analysts had predicted \$5.42 billion in sales.

A closely watched number for Oracle is its sales of new [software licenses](#), which is significant because it correlates to how much in support fees Oracle can hope to rake in in the future from those contracts.

Sales of new software licenses fell 6 percent to \$1.5 billion, which was within the company's guidance. Some analysts had projected a far worse decline.

Oracle's customers spent more in other areas, however. Sales from software license updates and product support were up 11 percent to \$2.9 billion, which was more than half of Oracle's total revenue for the quarter.

Oracle's main business is selling database software and so-called "middleware," which allows business computing applications to talk to each other - both areas that are under pressure because of the economic malaise.

But a key part of that is locking customers into long-term support contracts for that software. The support deals cover things like fixing software bugs and performing upgrades.

Oracle faces intense competition for support contracts from outsourcers that can do the job cheaper, but Oracle is able to offer things like free license renewals as part of its support contracts to keep all the work in-house.

The company forecast weaker-than-expected numbers for the current period, which ends in May, but it wasn't enough to depress the stock.

Sales are expected to fall 10 percent to 14 percent over last year, when factoring in currency fluctuations, which translates to a range of \$6.23 billion to \$6.52 billion in the fiscal fourth quarter.

Analysts were projecting about \$7 billion in revenue.

Profit should be 42 cents to 46 cents per share, excluding one-time charges, Oracle said. That figure is also adjusted for expected currency fluctuations. Analysts were predicting 46 cents per share.

Trip Chowdhry, a senior analyst with Global Equities Research, said

Oracle's numbers "clearly indicate there was no market-share loss" in the latest quarter, though he questioned Oracle's decision to issue a dividend instead of paying down debt from the company's acquisition spree first.

"What Oracle is selling today is confidence," Chowdhry said. "They had good execution in a terrible environment, but I am concerned about the timing, the amount and the reasons for the dividend."

Oracle's [cash dividend](#) will pay 5 cents per share to stockholders of record as of April 8.

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