Software giant Oracle buys Java whizz Sun

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Software developer Oracle has reached a 5.6 billion dollar deal to purchase Sun Microsystems, the two companies announced Monday in a joint communique.

Business software giant Oracle announced Monday it was buying Sun Microsystems and its Java programming language for 7.4 billion dollars after IBM abandoned its bid for the struggling tech company.

The deal amounts to 9.50 dollars per share for one-time Silicon Valley star Sun, or 5.6 billion dollars, and rises to 7.4 billion dollars including Sun's debt and cash.

Oracle, in a statement, described the ubiquitous Java language as "the most important software Oracle has ever acquired" and noted that its fastest growing business, Oracle Fusion Middleware, is based on Java.

Another Sun product, the Sun Solaris operating system, is the main platform for the Oracle database, the Redwood Shores, California-based Oracle's largest business.

The purchase of Sun also gives Oracle a foothold in the hardware arena. Sun is the fourth-largest maker of computer servers but has been steadily losing market share to failed suitor IBM, Hewlett-Packard and Dell.

Sun's share price soared on Wall Street following the purchase announcement, gaining 36.32 percent to 9.12 dollars two hours after the market opened.

Oracle's share price was down 1.94 percent at 18.69 dollars.

"The acquisition of Sun transforms the IT industry, combining best-in-class enterprise software and mission-critical computing systems," Oracle's chief executive Larry Ellison said in a statement.

"Oracle will be the only company that can engineer an integrated system -- applications to disk -- where all the pieces fit and work together so customers do not have to do it themselves," he said.

"Our customers benefit as their systems integration costs go down while system performance, reliability and security go up," he added.

Oracle said it expects the purchase of Sun to add 1.5 billion dollars to its operating profit in the first year and more than two billion dollars in its second year.

Scott McNealy, chairman of Santa Clara, California-based Sun, which employs more than 33,500 people worldwide, hailed the merger as "an industry-defining event."

Sun's board of directors unanimously approved the deal which is expected to close this year pending approval from stockholders and federal regulators.

Gartner analyst Andrew Butler said the purchase "gives Sun a lifeline they desperately needed" and was "much more about software than hardware."

"The hardware component is less obvious," Butler said. "I don't think that Oracle will kill the hardware, but I'm not sure they'll keep all the hardware they're inheriting."

"IBM will try to shrug it off," he adde. "But now they must be looking at their strategy."

Butler said the Oracle purchase of Sun was less likely to receive attention from US anti-trust regulators, which had been one of the concerns surrounding IBM's bid to take over the company.

Amitabh Goel, a securities analyst at First Global, said he was "not very positive on the acquisition, as it remains to be seen how Oracle will run a hardware company, with Sun's market share on a declining trend.

He said the purchase though was "in line with Oracle's goal to gain share in the data centre market and offer more integrated end to-end products.

"With the acquisition, Oracle will now be able to offer an integrated stack of hardware, software, and services to its customers," Goel said.

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