

Oracle's net jumps 25 pct in first full Sun qtr

June 24 2010, By JORDAN ROBERTSON , AP Technology Writer

(AP) -- Oracle Corp.'s net income jumped 25 percent in the most recent quarter as CEO Larry Ellison trumpeted momentum in the company's efforts to sell computer hardware and in its showdown with IBM Corp.

The results, reported Thursday after the market closed, were helped by stronger sales of database and other business software and a bump from its acquisition of Sun Microsystems.

Sun, which makes computer servers, has been struggling with severe market-share declines, but cost cuts under Oracle appear to be turning the company around.

Oracle's numbers are important for what they say about companies' appetite for new technologies. Oracle's sales of new software licenses rose 14 percent to \$3.1 billion, the third straight quarter of increases and a sign of sustained demand.

The quarter was also significant because it marked a turning point: It was Oracle's first full quarter with Sun Microsystems under its belt, which means Wall Street can look at Oracle's numbers and examine its progress in squeezing profits from Sun, an innovative company that was nearly sunk by its big expenses.

Oracle's net income was \$2.4 billion, or 46 cents per share, in its fiscal fourth quarter, which ended May 31. That compares with \$1.9 billion, or 38 cents per share, a year earlier.

Excluding items, Oracle's profit would have been 60 cents per share, better than the 54 cents per share Wall Street expected on that same basis.

Revenue jumped 39 percent to \$9.5 billion, from \$6.9 billion, matching the average forecast of analysts polled by Thomson Reuters.

The story underlying Oracle's numbers is the company's push into making computing hardware, a radical transformation for the world's No. 1 database maker and a top supplier of other types of business software.

Oracle paid \$7.4 billion for Sun in a bid to build servers and software that work better together - and mount a bigger challenge to IBM. Since the deal closed in January, Oracle has been under pressure to cut costs and prove that buying its longtime partner was worthwhile.

Oracle said that had Sun remained a standalone company, it would have been profitable in the latest period, compared with posting a loss last year. Oracle has announced two rounds of layoffs affecting Sun, but has not disclosed the number of affected workers.

Ellison said in prepared remarks that the new Sun Exadata "database machine" was helping Oracle win over IBM customers, as "some of IBM's largest customers began buying Exadata machines rather than big IBM servers" in the latest period. IBM declined to comment.

Ginning up momentum in Sun's hardware business is key for Oracle, since Sun's server market share has experienced severe declines amid uncertainty over Oracle's plans for the business.

For Oracle's full fiscal year, its net income rose 10 percent to \$6.1 billion, or \$1.21 per share, on revenue that rose 15 percent to \$26.8

billion.

Shares in Oracle, which is based in Redwood Shores, rose 73 cents, or 3.3 percent, to \$22.95 in after-hours trading. Earlier, it fell 46 cents to close at \$22.22.

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