

# Oracle's net swells 20 pct amid Hurd hiring hubbub

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In this Jan. 27, 2010 file photograph, Oracle CEO Larry Ellison speaks at an Oracle and Sun strategy update event in Redwood City, Calif. Oracle Corp.'s quarterly financial report will offer a window into its progress in turning around Sun Microsystems after the market close on Thursday, Sept. 16, 2010, and a chance perhaps to hear Ellison's thoughts on the hubbub over his hiring of Hewlett-Packard Co.'s ousted CEO Mark Hurd. (AP Photo/Jeff Chiu, file)

(AP) -- Oracle Corp.'s net income swelled 20 percent in the latest quarter as the world's biggest maker of database software prospered from freer technology spending by corporations.

Wall Street expected less and Oracle's shares rose nearly 5 percent.

Oracle's results, reported Thursday, came as the company finds itself in a starring role in Silicon Valley's latest soap opera, this one involving Mark Hurd, the ousted chief of Hewlett-Packard Co. Oracle scooped Hurd up to help sharpen its attack on its longtime partner HP.

Hurd's hiring keys up the drama between Oracle and HP at a time when Oracle is giving itself a dramatic makeover by muscling into HP's turf by selling computer servers. That's a business Oracle picked up with the \$7.30 billion acquisition earlier this year of Sun Microsystems, a fallen idol of the tech world.

The Sun deal has squared off Oracle against other allies such as IBM Corp. and Dell Inc., which also sell servers. It is part of the technology industry's consolidation, being driven by big companies' desire to become better one-stop shops.

The theatrics over Hurd's appointment as an Oracle co-president - a move HP has sued to stop - have overshadowed the fact that Oracle's core business is thriving because businesses have pumped up their investments in the programs that run their back offices.

Even as layoffs continue, and hiring, where it's happening, is sluggish, companies are pouring money into technologies that make them faster and more efficient.

Oracle is a bellwether because its software is ubiquitous but largely hidden from the public's view. It's used to keep bank transactions humming, airplanes landing on time and retailers' shelves stocked with the right amount of merchandise, for example.

Oracle's net income in the three months ended Aug. 31 was \$1.35

billion, or 27 cents per share, versus \$1.12 billion, or 22 cents per share, a year ago.

Oracle's earnings came to 42 cents per share excluding one-time items, topping analyst projections for 37 cents per share on the same basis, according to a Thomson Reuters poll.

Revenue was \$7.50 billion, a 48 percent improvement from last year and better than the \$7.27 billion analysts expected. The latest quarter includes results from Sun Microsystems, which Oracle didn't own at this time last year.

A closely watched figure - revenue from new software licenses - rose 25 percent to \$1.3 billion, better than Oracle's estimates. The increase means that Oracle will earn more in the future from support contracts tied to those licenses.

Oracle's hardware division, which is made up of Sun's assets, raked in \$1.70 billion in revenue. Oracle didn't make a comparable figure for last year available.

In Hurd's first public statement as an Oracle employee, he touched on a sensitive topic for his legacy.

He was heavily criticized at HP for cutting research funding. Now at Oracle, he said the company will invest more than \$4 billion in research and development this year. That's up from the \$3.3 billion Oracle spent last year, but down if combined with the \$1.6 billion that Sun spent in its last fiscal year.

One reason why the combined total is lower is that teams from Oracle and Sun were separately working on the same software projects, and areas of duplication have been eliminated as the organizations have been

merged.

Oracle's vision for the current quarter is in line with Wall Street's.

Analysts expect 45 cents per share, excluding items. Oracle sees net income of 44 cents to 46 cents per share, on that same basis.

Analysts expect revenue of \$8.22 billion. Oracle says revenue should rise 38 percent to 43 percent over last year, a range of \$8.08 billion to \$8.38 billion.

Oracle expects its revenue from new software licenses to rise 6 percent to 16 percent, translating to \$1.80 billion to \$1.97 billion.

Like other big technology companies, Oracle has plenty of money to go shopping for acquisitions and new workers. It was sitting on \$23.64 billion in cash and short-term investments at the end of the quarter, and added more than 650 workers, bringing its head count to 105,236.

Shares of Oracle, which is based in Redwood Shores, increased \$1.16, or 4.6 percent, to \$26.55 in extended trading Thursday after the release of results. Earlier, shares fell 38 cents, or 1.5 percent, to close at \$25.36.

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