

Oracle's 3Q earnings top analyst forecasts

March 20 2012

Sales of new software licenses at Oracle accelerated in the latest quarter, easing concerns about customers defecting to less expensive alternatives on the Internet.

The improvement announced Tuesday follows through on the business software maker's promise to rebound from a disappointing performance at the end of last year. Oracle said it expanded its sales staff and did a better job of closing deals.

"All we really needed to do was focus on execution, and that we did," Safra Catz, Oracle's president and chief financial officer, told analysts in a conference call.

The growth is also a reflection of an improving economy. Oracle's fiscal third quarter covers December through February, which coincided with the biggest three-month hiring spurt in the U.S. during the past two years. The trend could signal that companies aren't as worried about the threat of another recession, encouraging them to increase spending in other areas such as new software.

The positive vibes from the latest quarter subsided slightly after Oracle provided a forecast that raised the possibility of a revenue decline in the current quarter, which ends in May, compared with a year ago. The current three-month stretch is typically Oracle's busiest period.

Oracle Corp. earned \$2.5 billion, or 49 cents per share, during the most recent quarter, an 18 percent increase from net income of \$2.1 billion,

or 41 cents per share, at the same time last year.

If not for acquisition expenses and other costs, Oracle said it would have earned 62 cents per share. That figure soundly exceeded the average estimate of 56 cents per share among analysts surveyed by FactSet.

Oracle thrived, despite meager growth in its total revenue, which grew just 3 percent from last year to \$9 billion. The total mirrored analyst forecasts.

The key to the quarter was a 7 percent increase in revenue from new software licenses. Investors focus on this category because the new licenses unleash a steady stream of future revenue from maintenance and software upgrades. The new business also helps offset defections to Oracle rivals that specialize in Internet-based software known as cloud computing.

Although they still much smaller, cloud-computing specialists such as Salesforce.com Inc. and Workday Inc. have been luring away Oracle customers by selling applications over the Internet as a subscription service. That approach is a departure from the industry's long-established practice of licensing and installing applications on employees' individual machines.

After once dismissing cloud computing as a kooky concept, Oracle is expanding into the field as part of its effort to create a one-stop technology shop for big companies and government agencies. Oracle CEO Larry Ellison boasted to analysts Tuesday that his company is in a far better position to succeed in cloud computing than its longtime foil, SAP. Both Oracle and SAP have been spending billions to buy smaller companies that specialize in cloud-computing services.

The recent quarter's increase in new software licenses indicated that

Oracle bounced back from the problems that turned its previous quarter into a huge letdown. Oracle's year-over-year sales of new software increased by just 2 percent in its fiscal second quarter, well below management and investor expectations. After those numbers were released, Oracle's plummeted nearly 12 percent, its biggest one-day drop in nine years.

Oracle also has been trying to expand into computer hardware with its \$7.3 billion purchase of Sun Microsystems Inc. in 2010. That hasn't worked out so well.

In the latest quarter, Oracle's revenue from hardware fell 11 percent from the same time last year. The company predicted another decline in the current quarter, but Ellison assured analysts Tuesday that hardware revenue will begin to climb in the company's next fiscal year, which begins in June.

Software still accounts for about 70 percent of Oracle's revenue.

Oracle's stock increased 39 cents, or 1.3 percent, to \$30.49 in extended trading. The stock had risen to as much as \$31.54, or nearly 5 percent, until Oracle released its projections for the current quarter during its conference call.

The forecast calls for revenue from new software licenses to decline up to 2 percent or grow up to 8 percent, weighed down partly by changes in currency-exchange rates. Oracle said total revenue for the quarter could decline as much as 2 percent or grow as much as 2 percent - well below the 4 percent increase expected by analysts surveyed by FactSet.

The company expects its adjusted earnings for the quarter to range from 76 cents to 81 cents per share. Analysts had expected 76 cents.

©2012 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed.

Citation: Oracle's 3Q earnings top analyst forecasts (2012, March 20) retrieved 6 May 2024 from <https://phys.org/news/2012-03-oracle-3q-analyst.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.