

As Oracle readies takeover, Sun's loss widens

28 April 2009, By JORDAN ROBERTSON , AP Technology Writer



In this Nov. 14, 2008 file photo, the exterior view of Sun Microsystems Inc. headquarters in Santa Clara, Calif. is shown. Sun Microsystems Inc.'s loss ballooned in the latest quarter as restructuring charges and a 20 percent drop in sales compounded the financial woes Oracle Corp. is set to inherit by acquiring Sun for \$7.4 billion, the company said Tuesday, April 28, 2009. (AP Photo/Paul Sakuma, file)

(AP) -- Sun Microsystems Inc.'s loss ballooned in the latest quarter as restructuring charges and a 20 percent drop in sales compounded the financial woes Oracle Corp. is set to inherit by acquiring Sun for \$7.4 billion.

Sun, a server and software maker whose wobbly performance for most of the last decade pushed it into Oracle's clutches, said after the market closed Tuesday that it lost \$201 million, or 27 cents per share, in the three months ended March 29. A year ago, Sun lost \$34 million, or 4 cents per share.

Stripping out one-time charges, including \$46 million for a restructuring that has cost thousands of workers their jobs, the latest quarter's loss amounted to 7 cents per share. Analysts were expecting a loss of 19 cents per share, but the numbers don't directly compare because Sun subtracted out charges that analysts didn't.

When both sides use the same metric, Sun says its loss was 5 cents per share wider than estimates.

Sun's sales of \$2.61 billion were short of Wall Street's forecasts. Analysts surveyed by Thomson Reuters were expecting \$2.86 billion.

Sun didn't provide color on the quarter and did not hold its customary conference call with analysts, probably because of the pending acquisition by Oracle, which is expected to close this summer.

The deal, announced last week, was a surprise because Oracle hasn't made hardware. More than half of Sun's sales come from its hardware division, primarily servers and data storage machines. And Sun's software properties, like the Java programming language and Solaris operating system, haven't been big moneymakers. Oracle thinks it can change that.

A key measure of how well Sun controlled its costs was off.

Sun's gross profit margin was 42.7 percent of the company's total revenue in the latest period. That measures how much money Sun made on each dollar of revenue, once manufacturing costs are stripped out. It was down 2.2 percentage points from the same quarter last year, indicating that Sun's deep cost-cutting wasn't enough to offset its rapid sales decline.

Sun's sales are suffering because of the recession - companies aren't forking out as much for computing infrastructure - and because of a shift in the industry away from the high-end, specialty servers that have long been Sun's own specialty.

Server sales in general are at their weakest point in seven years, according to market research firm IDC, chewing into the hardware numbers for Sun and bigger rivals like IBM Corp. and Hewlett-Packard Co. Sun's takeover by Oracle came about

after talks with IBM broke apart on a standoff over price and other terms.

Sun's product revenue was \$1.52 billion, down 24 percent from last year. Services revenue, which consists of things like technical support, was \$1.10 billion, down 13 percent.

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