

Oracle's net rises 36 percent, but servers slip

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Writer



This March 22, 2011 file photo, the exterior of Oracle headquarters in Redwood City, Calif. Oracle Corp. is scheduled to report quarterly financial results Tuesday, Sept. 20, 2011, after the market close.(AP Photo/Paul Sakuma, File)

(AP) -- Stronger spending on business software helped Oracle Corp.'s quarterly profit jump 36 percent, but the company's server business further deteriorated, a decline Oracle attributed to its move to shed lower-margin deals.

The company said after the stock market closed Tuesday that its net income rose to \$1.84 billion, or 36 cents per share, in the quarter that ended Aug. 31. That compared with \$1.35 billion, or 27 cents per share, a year earlier.

Its adjusted net income for the latest quarter was 48 cents per share, a penny higher than the average forecast of analysts polled by FactSet.

Revenue rose 12 percent to \$8.37 billion, slightly exceeding the \$8.36 billion that analysts expected.

Revenue from new software licenses rose 17 percent to \$1.5 billion, which was the top end of the range Oracle had predicted. But revenue from servers fell 5 percent to \$1 billion, which was at the bottom of the range Oracle had forecast for that category.

Those two figures in particular reflect the tension in Oracle's push to become a more well-rounded technology seller.

The Redwood Shores-based company is the world's leading seller of database software, which helps companies organize their information. It's also one of the leading sellers of business applications, which help companies do things with their data. The businesses are highly lucrative. Software maintenance fees make up nearly half of Oracle's overall revenue.

Oracle's attempt to resurrect Sun Microsystems, a former dot-com star that makes computer servers, hasn't gone as smoothly. After Oracle bought Sun for \$7.3 billion last year, Oracle warned investors that it was going to shed unprofitable deals. It has indeed done that. But uncertainty about Oracle's plans for Sun has allowed rivals to pounce, raising fears that Oracle's market share losses in servers aren't entirely voluntary.

Mark Hurd, an Oracle co-president who was Hewlett-Packard Co.'s CEO until last year, said in a statement that Oracle's high-end servers delivered "solid double-digit revenue growth" in the latest period, Oracle's fiscal first quarter. Meanwhile, revenue in the low-end server business declined. By focusing on the high-end segment, the company was able to increase the overall profitability of the hardware business, he said.

Investors have been concerned about Oracle's server declines. The stock is down more than 20 percent since its 52-week high of \$36.50 in May.

The shares fell 67 cents, or 2.3 percent, to close at \$28.35 on Tuesday. After the earnings were announced, the stock gained 55 cents, or 2 percent, to \$28.90.

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