

# Oracle Misfires In 2Q, Raising Tech Worries

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SAN FRANCISCO (AP) — Oracle stumbled in its latest quarter as the business software maker struggled to close deals, a signal of possible trouble ahead for the technology sector.

The performance announced Tuesday covered a period of economic turbulence which has raised concerns that major companies and government agencies may curtail technology spending.

Oracle's results for the three months ending in November suggested the cutbacks have already started. Management reinforced that perception with a forecast calling for meager growth in the current quarter, which ends in February. The developments alarmed investors, causing Oracle Corp. shares to slide 10 percent.

In a telling sign of weakening demand, Oracle's sales of new software licenses edged up just 2 percent from the same time last year. Analysts had expected a double-digit gain in new software licenses. The company had predicted an increase of at least 6 percent and as much as 16 percent.

Wall Street focuses on this part of the business because selling new software products generates a stream of future revenue from maintenance and upgrades.

Oracle's software is a staple in companies and government agencies throughout the world. Its database products help companies store and manage information. Its line of applications automates a wide range of administrative tasks.

Part of the problem was that technology decision makers delayed signing contracts during the final few days of the quarter, according to Safra Catz, Oracle's chief financial officer. That could be an indication that companies and financially strapped government agencies are treading more carefully as Europe's debt problems threaten to hobble a still-fragile global economy.

"Clearly, this quarter was not what we thought it would be," Catz told analysts during a Tuesday conference call. She said the company is hoping some of the deals that were postponed in the last quarter will be completed within the next two months.

Oracle's weakest markets were in the U.S., Europe and Japan.

Things looked even bleaker in Oracle's computer hardware division, which the company has been trying to build since buying fallen Silicon Valley star Sun Microsystems for \$7.4 billion last year. Oracle's hardware revenue dropped 10 percent from the same time last year

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Oracle earned \$2.2 billion, or 43 cents per share, in its fiscal second quarter. That was a 17 percent increase from net income of \$1.9 billion, or 37 cents per share at the same time last year.

If not for certain items, Oracle said it would have earned 54 cents per share. That figure fell below the average estimate of 57 cents per share among analysts polled by FactSet.

Revenue for the period edged up 2 percent from last year to \$8.8 billion. Analysts, on average, had projected revenue of \$9.2 billion.

In the current quarter, Oracle expects its adjusted earnings per share to range from 55 cents to 58 cents — below the average analyst estimate of 59 cents per share. Revenue is expected to rise by 2 percent to 5 percent from the same time in the previous year. If Oracle hits that top end of that target, it would translate to revenue of about \$9.2 billion — below the analyst estimate of \$9.4 billion, according to FactSet.

Oracle has expanded its sales force by about 1,700 people to fish for more customers during the second half of its fiscal year. About 111,000 employees worked at Oracle as of Nov. 30.

The company's shares shed \$2.91 to hit \$26.26 in extended trading after the second-quarter figures were released. The stock has been sagging since hitting \$36.50 in May.

In an effort to bolster the stock, Oracle announced it will spend an additional \$5 billion to buy back its shares. The company, which is based in Redwood Shores, Calif., didn't set a timetable to complete the stock purchases. Oracle spent about \$1 billion buying 33 million shares in its most recent quarter.

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