

Oracle upbeat on sales, Sun acquisition

By Brandon Bailey

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Oracle executives declared victory Thursday in their quest to acquire computer maker Sun Microsystems, as CEO Larry Ellison outlined plans to focus on building high-end systems for corporate and government data centers.

"We expect full and unconditional clearance from the European Commission in January," Oracle President Safra Catz said after recent talks with European regulators who were withholding approval for the \$7.4 billion acquisition because of antitrust concerns.

Catz spoke as Oracle gave an upbeat financial report for its most recent quarter, announcing that the company earned \$1.5 billion in profit for the period ending Nov. 30, up 12 percent from a year ago, while revenue increased 4 percent to \$5.9 billion.

Earnings amounted to 29 cents a share, or 39 cents a share after excluding one-time charges. Analysts polled by Thomson Reuters were expecting earnings of 36 cents a share, excluding those charges, on revenue of \$5.7 billion.

Oracle, based in Redwood City, is a leading seller of database programs and other software used by big corporations and public agencies. Ellison wants to buy Santa Clara-based Sun, which makes software and high-end computer hardware, so he can expand Oracle's business.

But the deal has been on hold since it was announced in April. While U.S. regulators gave their blessing, European officials said the acquisition might hinder competition in the database market. This week, however, those officials reacted favorably to Oracle's proposal for responding to those concerns.

Ellison and Catz spoke Thursday on a conference call scheduled to discuss Oracle's earnings. But with the deal approaching conclusion, Ellison described his plans for Sun with characteristic swagger: He said Oracle will let rival computer makers sell large volumes of low-margin, standard hardware.

"That's something Dell and HP are very good at and we're going to avoid that business," he said. "Instead, we are pursuing the high-value, high-performance market."

As an example, Ellison said the company will sell Sun's higher-priced, high-speed Sparc servers already loaded with Oracle's database software. Rather than sell individual components, he added, Oracle will assemble systems that combine high-end servers, data storage and networking hardware with management software that lets customers easily reconfigure their systems as their needs change.

"It's a high-margin product for us and a high value purchase" for customers, he said.

Rival tech vendors such as Hewlett-Packard and Cisco Systems are pursuing similar strategies, although Ellison implied Oracle may sell systems with higher prices and performance.

"The strategy is a good one," said analyst **Laxmi Poruri of Primary Global Research**, which focuses on the tech industry. "The question is, can they compete against the other big players that are doing the same thing?"