

Instant View: Oracle posts solid Q3 as IT spending firms

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Oracle Corp (ORCL.O), the world's No. 2 business software maker, beat Wall Street forecasts on third-quarter profit by a penny as bigger spending on corporate information technology lifted sales of its computer programs.

The company run by billionaire Larry Ellison is now integrating Sun Microsystems, which it bought for \$7 billion to propel its foray into the server hardware arena.

COMMENTARY

LAXMI PORURI, PARTNER/ANALYST, PRIMARY GLOBAL RESEARCH

"It's as expected -- nothing too fantastic on either side, positive or negative.

"They're still benefiting from the project delays of 2009. A lot of people are turning back their IT spending and spending on more licenses essentially.

"The economy is still tenuous enough that (you'll see) a healthy uptick" (in the technology sector) but not something that's way out of the ordinary, where it's just going to be growing like gangbusters this year."

KIM CAUGHEY, SENIOR ANALYST, FORT PITT CAPITAL GROUP

"They did well this quarter, but what I'm most interested in is their plan for Sun, because that is a lower-margin business than they are used to being in, and it did drag the margins down somewhat.

On shares' dip: "People don't know how to figure out if they did OK or not" because of the Sun acquisition. "It's a confusion thing at this point.

"On this company, what I'm really looking at is top-line growth, because that tells you a whole lot. More and more they are a company that sells less new licenses and relies more on maintenance revenues and existing customers. New licenses add to that pool of what they are going to be able to collect next year in maintenance, so it's very important.

"We've been getting indications that tech spending didn't decline as much as people anticipated last year and that it is not exactly on fire, but at least, in certain sectors, has some nice traction."

PATRICK WALRAVENS, SENIOR RESEARCH ANALYST, JMP SECURITIES

"They did great on license revenue, but it didn't really follow through to the bottom line.

"The license revenue was a surprise. The consensus was 4 percent growth. I was expecting better than that ... and they did 13. So that's great.

"We're seeing it in our own due diligence -- people are busy. I think tech seems like it could have a good year here in 2010."

(Reporting by Bill Rigby and Dana Ford)