

## Oracle Touts Rising Profits, But Analysts Mixed On What It Means

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Oracle reported better-than-expected quarterly earnings and sales of new software licenses, but analysts seem divergent on whether Oracle is positioned for longer-term, or even more explosive, growth heading into 2010. Throughout 2009, Oracle has continued to release new products and enhancements to existing lines, as it positions itself to challenge IBM in the systems arena.

Oracle's quarterly results may have been solid, but analysts seem a bit mixed on both the company's and the tech sector's prospects heading into 2010.

On Dec. 17, Oracle reported quarterly profits above Wall Street expectations, with revenues of \$5.86 billion and net income of \$1.46 billion. Sales of new software licenses rose 2 percent year-over-year, a marked reversal from last quarter, when the company predicted that sales of new licenses would be either flat or markedly down.

But will Oracle maintain that growth? And what does it mean for the tech sector as a whole as miserly, recessionary 2009 comes to a close?

"**PGR experts** are skeptical about Oracle maintaining the level of growth seen in Q2 going into 2010," **Laxmi Poruri, an analyst at Primary Global Research**, wrote in an email to eWEEK. "Experts believe the technology value proposition for additional modules like order management, talent model, etc. are not going to drive sales as much as Oracle would like us to believe unless there is a more significant turnaround than what we are seeing in terms of total IT spend."

Investors "are looking for new and compelling products from Oracle (including SAAS, hosted offerings) that would improve the business of the app side," Poruri said. "Ellison addressed the vision of Fusion (in terms of SOA and its advantages in the SAAS and hosted environment), but again, initial uptake may not be there due to high upfront TCO (total cost of ownership)."

On the bright side for Oracle, Poruri added, "Our experts are seeing that there is less attrition in terms of movement to third-party support and maintenance firms for Oracle, relative to Microsoft and SAP."

However, not all analysts saw dark clouds for the country's second-largest software company.

Oracle's results "showed up that enterprise IT spending is picking up nicely, that Oracle is executing well with its broad product portfolio, and that Street estimates...have continued to move higher," Jefferies & Co. analyst Ross MacMillan wrote as chief author of a Dec. 18 research note. "Oracle's database/middleware business outperformed as we would expect, given its shorter sales cycle and some additional drivers of growth (such as new releases and the Exadata OLTP/database machine)."

While some tech companies chose to narrow their product pipelines during the recent global recession, Oracle chose to continue releasing a variety of new upgrades and releases throughout 2009. Many of these, such as the Oracle Enterprise Governance, Risk and Compliance Manager (Oracle Enterprise GRC Manager) and a new version of Oracle Enterprise Governance, Risk and Compliance Controls (Oracle Enterprise GRC Controls), are designed to provide an end-to-end solution for organizations' needs.

However, by offering end-to-end solutions and closed-loop products, Oracle seeks to further penetrate its brand into the enterprise at a time when it faces increased competition along a number of fronts.

During the summer, Oracle also introduced Fusion Middleware 11g, an upgrade to its middleware platform that allows for increased operational insight and automation. Many of its subsequent products seek to leverage the middleware stack.

But perhaps the most dramatic news from Oracle came in April, when the company announced it would acquire Sun Microsystems in a deal worth roughly \$7.4 billion. By completing the deal, Oracle positions itself to more fully integrate Java and Solaris into its products. That deal is currently under antitrust scrutiny, particularly from the European Commission.

Based on previous comments by Oracle CEO Larry Ellison, it seems like 2010 will see Oracle moving to challenge IBM in the systems arena.

"We have a deep interest in the systems business," Ellison told an audience at the Churchill Club in San Jose, Calif. in September. "We've already beaten IBM in software. Now we want to beat them in systems."