



[Home](#) > [Investor Relations](#) > [Financial News](#) > [Financial News Details](#)

Financial News Details

Oracle Reports 22% Software License Growth in Q4, Net Income Increases 31% to 36 Cents Per Share

June 15, 1999

REDWOOD SHORES, Calif., June 15, 1999 -- Oracle Corporation (Nasdaq: ORCL), the world's second largest software company, today announced record fourth quarter and fiscal year end results for the period ended May 31, 1999. For fiscal year 1999, revenue grew 24% to \$8.8 billion while net income increased 35% to \$1.3 billion, or \$0.87 per share. This compares to revenue of \$7.1 billion and net income of \$955 million, or \$0.64 per share, for fiscal year 1998, excluding one-time charges.

For the fourth quarter revenue increased 22% to \$2.9 billion from \$2.4 billion in the same period last year. Net income for the period increased 31% to \$527 million, or \$0.36 per share, compared to net income of \$403 million, or \$0.27 per share, in the same period last year.

Overall, Q4 software license revenue grew 22% year-over-year. Specifically, database software sales increased 25%, applications software sales increased 28%, while services revenue increased 22%, versus Q4 last year.

These results solidify Oracle's position as the world's number one supplier of database software. In fact, the latest survey from IDC reports that Oracle's overall relational database market share is now more than double that of the Company's closest competitor, IBM DB2. IDC shows Oracle with a 40.4% share, IBM DB2 with a 17.8% share and Microsoft SQL Server with a 5.1% share. (This independent research study dramatically contradicts reports circulating in the media that IBM DB2 has taken a narrow lead over Oracle in the database market.)

In the rapidly growing UNIX and Windows NT relational database markets, Oracle's lead over IBM DB2 is much greater. On UNIX, Dataquest reports that Oracle has a 61.1% share, over 8 times larger than the IBM DB2 share of 7.4%. On Windows NT, Dataquest shows Oracle with a 47.3% share, again far larger than the IBM DB2 share of 9.9%.

"We view the database survey results on UNIX and Windows NT as most telling," said Larry Ellison, Oracle Corporation founder and CEO. "These are the operating systems that power the Internet. This is the growth segment of the market."

"Oracle's applications software license growth rate of 28% is especially impressive when you consider the following two facts," Ellison continued. "Y2K is just around the corner. And every other ERP vendor -- SAP, Peoplesoft, BAAN and JD Edwards -- has reported declines of software sales in their most recent quarter. Furthermore, our CRM software business grew so fast in the fourth quarter that we passed all but one of our CRM competitors."

"The reason that our ERP and CRM application software businesses are growing much faster than our competitors' is because we offer 100% pure Internet server based applications," Ellison explained. "All you need to use any Oracle application is a standard Internet browser. In contrast, all of our competitors (with the exception of Ariba) still sell older, more costly client-server technology."

"We've now shown four consecutive quarters of consistent margin improvement," said Jeffrey O. Henley, Executive Vice President and Chief Financial Officer. "This kind of margin expansion over the next couple of years will be possible principally through continued productivity gains, as we transform our business to an e-business."

During the 1999 fiscal year, Oracle delivered 100% Internet enabled versions of its major product lines:

- > * On March 1, 1999, Oracle announced the immediate availability of Oracle8i, the world's first Internet database and the core of Oracle's Internet Platform. Oracle 8i was built on 20 years of experience in providing scalable, reliable and secure database systems. Oracle's Internet Platform, comprised of Oracle8i, Oracle(R) Application Server and Oracle's Internet development tools, uniquely delivers the technology required to move an entire business to the Web. In just six months more than 250,000 Internet developers have joined Oracle's online resource for Internet development, increasing the membership by more than 300%.
- > * On May 26, 1999, Oracle announced the availability of Oracle CRM 3i, the third generation of Oracle's customer relationship management applications, and the first 100% Internet-enabled marketing, sales and service applications. By integrating all front office applications, Oracle CRM3i manages all aspects of customer relations necessary for an effective e-business through channels including the web, direct sales forces and call centers. Oracle CRM 3i offers solutions for both business-to-business and business-to-consumer web stores, Internet bill, payment and presentment and Internet marketing.
- > * During the 1999 fiscal year, Oracle announced the successful completion of the Oracle Business OnLine(TM) pilot program, the world's leading Internet application software hosting service. During the pilot phase, Oracle proved that it could run mission-critical applications software for its customers more economically and efficiently on Oracle(R) Applications. With their financial, manufacturing or human resources software systems up and running in record time, the first three pilot phase customers -- Core Technology Group, Robert Mondavi Corp. and Triton Network Systems -- substantially reduced their IT costs. Since the completion of the pilot program, Oracle Business OnLine continues to build momentum, with a total of 15 customers signed on to date.

Oracle Corporation is the world's second largest software company. With annual revenues of more than \$8.8 billion, Oracle offers its database, tools and application products, along with related consulting, education and support services, in more than 145 countries around the world. For more information about Oracle, please call Oracle Investor Relations at 650-506-4073 or see Oracle's World Wide Web page: ([URL](http://www.oracle.com)) <http://www.oracle.com>.

Safe Harbor Statement Under the Private Securities Litigation Reform Act 1995: Information in this release relating to Oracle's future prospects which are "forward-looking statements" are subject to certain risks and uncertainties that could cause actual results to differ materially, including, but not necessarily limited to the following: (1) Management's ability to manage growth, continuously hire and retain significant numbers of qualified employees, forecast revenues and control expenses continues to be a challenge. An unexpected decline in the growth rate of revenues without a corresponding and timely slowdown in expense growth could have a material adverse effect on results of operations. (2) The market for Oracle's products is intensely competitive and is characterized by rapid technological advances and frequent new product introductions. There can be no assurances that Oracle will continue to introduce new products and new versions of existing products that keep pace with technological developments, satisfy increasingly sophisticated customer requirements and achieve market acceptance. (3) Intense competition in the various markets in which Oracle competes may put pressure on Oracle to reduce prices on certain products. (4) Delays in product delivery or closing of sales can cause quarterly revenues and income to fall significantly short of anticipated levels. (5) Oracle is introducing new products, such as web applications servers and Internet computing software; the market acceptance and contribution to Oracle's revenues of these products cannot be assured. (6) As the year 2000 approaches, many companies have been testing and modifying their systems to ensure their ability to accommodate the change in date to the year 2000. Oracle expects that many companies will postpone the purchase of new software products until after the year 2000, in order to assure the continuing ability of their information systems to handle the year 2000 date change. This could cause the software industry and Oracle to experience a significant decrease in the demand for new products. In prior quarters and to a lesser extent on an ongoing basis, demand for applications software may have been and continue to be generated by customers in the process of replacing and upgrading applications in order to accommodate the change in date to the year 2000. Once such customers have completed such preparations, the software

industry and Oracle may experience a significant deceleration from the strong annual growth rates previously experienced in the applications software marketplace. In addition, Oracle may generally experience increased expenses in addressing issues associated with the transition to software that is year 2000 compliant. Oracle undertakes no obligation to update information contained in this release. For further information regarding risks and uncertainties associated with Oracle's business, please refer to the "Risk Factors" section of Oracle Corporation's SEC filings, including, but not limited to, its annual report on Form 10-K and quarterly reports on Form 10-Q, copies of which may be obtained by contacting Oracle Corporation's Investor Relations Department at 650-506-4073 or Oracle's Investor Relations website at <http://www.oracle.com/>.

ORACLE CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
(\$ in thousands, except per share data)

	4th Quarter Ended May 31,		Fiscal Year Ended May 31,	
	1999	1998	1999	1998
	(unaudited)			
REVENUES				
Licenses and other	\$1,512,735	\$1,242,960	\$3,688,366	\$3,193,490
Services	1,430,543	1,169,593	5,138,886	3,950,376
Total Revenues	2,943,278	2,412,553	8,827,252	7,143,866
OPERATING EXPENSES				
Sales and marketing	953,792	825,746	2,622,379	2,371,306
Cost of services	812,988	670,412	3,064,148	2,273,607
Research and development (a)	243,307	192,153	841,406	719,143
General and administrative	126,892	119,298	426,438	368,556
Acquired in-process research and development (b)	--	--	--	167,054
Total Operating Expenses	2,136,979	1,807,609	6,954,371	5,899,666
OPERATING INCOME	806,299	604,944	1,872,881	1,244,200
Other income (expense) (b) (c)	20,721	14,782	109,197	83,619
INCOME BEFORE TAXES	827,020	619,726	1,982,078	1,327,819
Provision for income taxes	299,600	216,904	692,320	514,124
NET INCOME (b)	\$527,420	\$402,822	\$1,289,758	\$813,695
EARNINGS PER SHARE (b) (d)				
Basic	\$0.37	\$0.28	\$0.89	\$0.55
Diluted	\$0.36	\$0.27	\$0.87	\$0.54
Shares Outstanding				
Basic	1,436,898	1,460,511	1,445,588	1,466,399
Diluted	1,482,809	1,488,654	1,484,225	1,499,588

(a) In accordance with Statement of Financial Accounting Standards No. 86, \$8,669 and \$8,216 were capitalized in the quarters and \$32,855 and \$38,079 were capitalized in the fiscal years ended May 31, 1999 and 1998, respectively. Amortization of capitalized software costs was \$8,791 and \$8,008 in the quarters and \$33,000 and \$38,035 in the fiscal years ended May 31, 1999 and 1998, respectively.

(b) Acquisition charges incurred in the first quarter of fiscal 1998 included in-process research and development charges of \$91,500 and \$75,554, respectively, for the Treasury Services Corporation and Navio Communications, Inc. merger transactions that closed in August, 1997. Excluding the effect of these transactions, which also included a credit of \$25,726 for minority interest in other income (expense), the provision for income taxes would have been 35% and net income and diluted earnings per share for the twelve months ended May 31, 1998 would have been \$955,023 and \$0.64 per share, respectively.

(c) Other income (expense) includes a gain on sale of existing shares in Oracle Japan in the amount of \$24,457 during Q3 fiscal 1999.

(d) All earnings per share and shares outstanding amounts have been adjusted to reflect a 3:2 stock split during Q3 fiscal 1999.

ORACLE CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS
(\$ in thousands)

	May 31, 1999 ----	May 31, 1998 ----
ASSETS		
Current Assets		
Cash and short term investments	\$2,562,764	\$1,919,199
Trade receivables, net	2,238,204	1,857,480
Prepaid and refundable income taxes	299,670	260,624
Other current assets	346,636	285,747
	-----	-----
Total Current Assets	5,447,274	4,323,050
	-----	-----
Long-term cash investments	249,547	186,511
Property and equipment, net	987,482	934,350
Computer software development costs, net	98,870	99,012
Other assets	476,481	276,088
	-----	-----
TOTAL ASSETS	\$7,259,654	\$5,819,011
	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Notes payable, including current maturities	\$3,638	\$2,924
Accounts payable	283,896	239,698
Income taxes	277,700	181,354
Customer advances and unearned revenues	1,007,149	877,087
Other current liabilities	1,474,040	1,183,102
	-----	-----
Total Current Liabilities	3,046,423	2,484,165
	-----	-----
Long-term debt	304,140	304,337
Long-term liabilities	77,937	57,095
Deferred income taxes	135,887	15,856
Stockholders' equity	3,695,267	2,957,558
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$7,259,654	\$5,819,011
	-----	-----