

**Oracle announces strong third quarter results**

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Comment by [Michael Fauscette](#)

Yesterday Oracle [announced](#) strong 3rd quarter results, significantly beating Wall Street's revenue and earnings estimates. The momentum, which really started in the 4th quarter of last fiscal year, has continued through all three quarters this fiscal year. Oracle's growth, which was strong across all product lines and services, seems to be fueled by four factors: 1. continuing to hold to an acquisition strategy to drive completeness of the applications product lines, the database products and the Fusion Middleware suite; 2. the focus on providing additional vertical products and subsequent strength in retail, banking and telecommunications verticals, 3. the aggressive program to add new ISV's and increase Oracle's reach into new vertical markets; and 4. increased operational efficiency and effectiveness of Oracle's field organization.

Oracle's application business has steadily posted above market growth, a trend that has accelerated across the last four quarters. Overall new license growth was 57% year over year, when the revenue from new acquisitions (not counted in the prior year) is added in. Excluding i-flex, Portal, MetaSolv, SPL and a few other smaller acquisitions the growth was still 44%; and removing Siebel from the calculations, 32%. Q3 was an active quarter for the Oracle Applications team with the [release](#) of five major application families, activity that reinforced Oracle's Applications Unlimited program and aided the strong growth.

Posting the strongest growth in the Oracle product lines, the Fusion Middleware Suite, excluding the database product line, grew 82% year over year. Fusion, which has grown into a complete middleware suite through both acquisition and in-house development over the last five years, has seen steady and rapid growth over the last four quarters, growing well ahead of the middleware market at an average of over 60% in the last 12 months. The completeness of the product suite, as well as the fact that all of Oracle application product lines are now certified on Fusion, helped fuel the growth.

One area that we are monitoring closely for all the Enterprise Applications vendors is the move into the SMB market. This is particularly interesting as a significant growth opportunity for Oracle. Even though Oracle does have a base of SMB customers, they have been hindered by the perception of complexity of implementation and the lack of enough VAR and ISV partners. During this last quarter Oracle made significant progress on both these issues through a substantial increase in the number of alliance partners and through the increased adoption of the Oracle Accelerate program. Accelerate, first [announced](#) last Fall, has grown into a complete partner program that includes the Accelerator tool kit, a set of process based, verticalized implementation "wizards" for all the Oracle application product lines; a partner accreditation and training program; and a sales tool kit all targeted to the SMB customer.

Oracle continues to show strong and steady growth in the applications and middleware business units, the areas that we believe are key to Oracle's future growth. They have also made progress in their attempt to capture more of the SMB market through the Accelerate program. Their [announcement](#) to acquire Hyperion increases their market share in the BI space and provides best of breed financial analytics to the Oracle product line, an area that had been somewhat lacking in the past. Overall this was a very positive announcement and one that should set Oracle up for a strong showing moving forward, as long as the management team continues to execute effectively.

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