

**Do Oracle's Results Show Evidence of a European Downturn?**

September 19, 2008 - IDC Link

Comment by [David Bradshaw](#)

Last night, Oracle released its [results](#) for the first quarter of its fiscal year 2009, covering the summer months of June, July, and August 2008. The timing makes Oracle an early indicator of the European software market in 2H08 but also a fairly unreliable guide, as the months covered are holiday time in Europe, when large chunks of the working population desert their desks for traffic jams, over-crowded airport lounges, and the other joys of holidaying at the busiest time of the year.

Keeping this limitation in mind, what do Oracle's results show about the European market? The most striking result was a sharp fall in European business applications license revenue, from \$123 million a year ago to \$94 million in the quarter just reported (in constant currencies, a fall of 26%). Indeed, Oracle's worldwide business applications license revenues were down year on year from \$376 million in FY07 to \$331 million (in constant currencies, a fall of 14%). This was in contrast to the trend in databases and middleware revenue, which rose in Europe and worldwide by 27% and 28% respectively (19% and 23% in constant currencies), though some of the rise would have been from acquisitions, particularly the acquisition of BEA.

A downturn in business applications license sales would be a worrying sign for the whole market. The purchase of new licenses tends to be the trigger for new projects (as Oracle customers get version upgrades while they are on maintenance). Any downturn in new projects would affect everyone in the food chain.

Oracle CFO and co-president Safra Catz repeatedly warned not to read too much into a single quarter's earnings, because the numbers tend to "move around." We think she has a point. Oracle had extraordinarily strong applications license sales in FY 1Q08. Indeed, they were so strong that they were higher than in the previous 4Q. In a "normal" year, the sales teams empty the pipeline of any winnable deals in order to make their quotas and earn their annual bonuses, and that seems to be what happened in FY 4Q08 – leaving little on the table for FY 1Q09.

So people who see these results as a sign of a downturn are jumping the gun. Oracle's next quarter will be a far more reliable indicator. However, we have no doubt that a downturn is on the way, but we expect to see it bite in CY 4Q08.

Subscriptions Covered:[European Enterprise Applications and Services](#)

Please contact the IDC Hotline at 800.343.4952, ext.7988 (or +1.508.988.7988) or sales@idc.com for information on applying the price of this document toward the purchase of an IDC service or for information on additional copies or Web rights. Visit us on the Web at www.idc.com. To view a list of IDC offices worldwide, visit www.idc.com/offices. Copyright 2008 IDC. Reproduction is forbidden unless authorized. All rights reserved.