

ORACLE CORP
Form 10-Q
December 21, 2007

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended November 30, 2007

OR

**o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____.

Commission file number: 000-51788

**Oracle Corporation
(Exact name of registrant as specified in its charter)**

**Delaware
(State or other jurisdiction of
incorporation or organization)**

**54-2185193
(I.R.S. Employer
Identification no.)**

**500 Oracle Parkway
Redwood City, California 94065
(Address of principal executive offices, including zip code)**

**(650) 506-7000
(Registrant's telephone number, including area code)**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

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Large Accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

The number of shares of registrant's common stock outstanding as of December 17, 2007 was: 5,136,587,722.

ORACLE CORPORATION
FORM 10-Q QUARTERLY REPORT

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ORACLE CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
As of November 30, 2007 and May 31, 2007
(Unaudited)

(in millions, except per share data)	November 30, 2007	May 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,733	\$ 6,218
Marketable securities	1,699	802
Trade receivables, net of allowances of \$258 and \$306	3,264	4,074
Other receivables	373	515
Deferred tax assets	969	968
Prepaid expenses and other current assets	520	306
Total current assets	13,558	12,883
Non-current assets:		
Property, net	1,655	1,603
Intangible assets: software support agreements and related relationships, net	2,887	3,002
Intangible assets: other, net	2,796	2,962
Goodwill	13,663	13,479
Deferred tax assets	412	48
Other assets	682	595
Total non-current assets	22,095	21,689
Total assets	\$ 35,653	\$ 34,572
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Commercial paper and other short-term borrowings	\$ 2	\$ 1,358
Accounts payable	346	315
Income taxes payable		1,237
Accrued compensation and related benefits	1,191	1,349
Accrued restructuring	169	201
Deferred revenues	3,577	3,492
Other current liabilities	1,264	1,435
Total current liabilities	6,549	9,387

Non-current liabilities:		
Notes payable, non-current	6,236	6,235
Income taxes payable	1,382	
Deferred tax liabilities	1,045	1,121
Accrued restructuring	243	258
Deferred revenues	263	93
Other long-term liabilities	640	559
Total non-current liabilities	9,809	8,266
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value authorized: 1.0 shares; outstanding: none		
Common stock, \$0.01 par value and additional paid in capital authorized: 11,000 shares; outstanding: 5,128 shares at November 30, 2007 and 5,107 shares at May 31, 2007		
	11,256	10,293
Retained earnings	7,478	6,223
Accumulated other comprehensive income	561	403
Total stockholders' equity	19,295	16,919
Total liabilities and stockholders' equity	\$ 35,653	\$ 34,572

See notes to condensed consolidated financial statements.

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ORACLE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three and Six Months Ended November 30, 2007 and 2006
(Unaudited)

(in millions, except per share data)	Three Months Ended November 30,		Six Months Ended November 30,	
	2007	2006	2007	2006
Revenues:				
New software licenses	\$ 1,668	\$ 1,207	\$ 2,756	\$ 2,011
Software license updates and product support	2,491	2,007	4,873	3,948
Software revenues	4,159	3,214	7,629	5,959
Services	1,154	949	2,213	1,795
Total revenues	5,313	4,163	9,842	7,754
Operating expenses:				
Sales and marketing	1,095	915	2,070	1,665
Software license updates and product support	246	205	474	404
Cost of services	992	820	1,922	1,599
Research and development	674	519	1,326	1,026
General and administrative	206	170	402	328
Amortization of intangible assets	290	202	575	401
Acquisition related	22	(36)	68	12
Restructuring	6	11	6	20
Total operating expenses	3,531	2,806	6,843	5,455
Operating income	1,782	1,357	2,999	2,299
Interest expense	(89)	(82)	(183)	(166)
Non-operating income, net	122	79	199	183
Income before provision for income taxes	1,815	1,354	3,015	2,316
Provision for income taxes	512	387	871	679
Net income	\$ 1,303	\$ 967	\$ 2,144	\$ 1,637
Earnings per share:				
Basic	\$ 0.25	\$ 0.19	\$ 0.42	\$ 0.31
Diluted	\$ 0.25	\$ 0.18	\$ 0.41	\$ 0.31
Weighted average common shares outstanding:				
Basic	5,125	5,184	5,117	5,200

Diluted	5,232	5,287	5,224	5,297
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See notes to condensed consolidated financial statements.

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ORACLE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended November 30, 2007 and 2006
(Unaudited)

(in millions)	Six Months Ended November 30,	
	2007	2006
Cash Flows From Operating Activities:		
Net income	\$ 2,144	\$ 1,637
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	137	124
Amortization of intangible assets	575	401
Deferred income taxes	(72)	5
Minority interests in income	29	32
Stock-based compensation	168	98
Tax benefits on the exercise of stock options	262	205
Excess tax benefits from stock-based compensation	(187)	(159)
In-process research and development	7	50
Net investment gains related to equity securities	(2)	(18)
Changes in operating assets and liabilities, net of effects from acquisitions:		
Decrease in trade receivables, net	937	681
Decrease in prepaid expenses and other assets	27	23
Decrease in accounts payable and other liabilities	(551)	(855)
Decrease in income taxes payable	(241)	(196)
Increase (decrease) in deferred revenues	70	(162)
Net cash provided by operating activities	3,303	1,866
Cash Flows From Investing Activities:		
Purchases of marketable securities and investments	(1,953)	(4,251)
Proceeds from maturities and sales of marketable securities and investments	1,273	2,204
Acquisitions, net of cash acquired	(651)	(488)
Capital expenditures	(156)	(106)
Net cash used for investing activities	(1,487)	(2,641)
Cash Flows From Financing Activities:		
Payments for repurchase of common stock	(1,023)	(1,936)
Proceeds from issuance of common stock	682	566
Payments of debt	(1,362)	(8)
Excess tax benefits from stock-based compensation	187	159
Distributions to minority interests	(28)	(29)
Net cash used for financing activities	(1,544)	(1,248)

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Effect of exchange rate changes on cash and cash equivalents	243	48
Net increase (decrease) in cash and cash equivalents	515	(1,975)
Cash and cash equivalents at beginning of period	6,218	6,659
Cash and cash equivalents at end of period	\$ 6,733	\$ 4,684
Non-cash financing transactions:		
Fair value of stock awards assumed in connection with acquisitions	\$ 15	\$ 20
Unsettled repurchases of common stock	\$ 24	\$ 48
Debt issued in connection with acquisitions	\$	\$ 13

See notes to condensed consolidated financial statements.

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ORACLE CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
November 30, 2007
(Unaudited)

1. BASIS OF PRESENTATION

We have prepared the condensed consolidated financial statements included herein, without audit, pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. However, we believe that the disclosures are adequate to ensure the information presented is not misleading. These unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements and the notes thereto included in our Annual Report on Form 10-K for the fiscal year ended May 31, 2007.

We believe that all necessary adjustments, which consisted only of normal recurring items, have been included in the accompanying financial statements to present fairly the results of the interim periods. The results of operations for the interim periods presented are not necessarily indicative of the operating results to be expected for any subsequent interim period or for our fiscal year ending May 31, 2008. Certain prior period balances have been reclassified to conform to the current period presentation. There have been no significant changes in new accounting pronouncements or in our critical accounting policies that were disclosed in our Annual Report on Form 10-K for the fiscal year ended May 31, 2007 other than the impact of our adoption of Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109*, which affected our Accounting for Income Taxes policy (see Note 9).

2. NEW ACCOUNTING PRONOUNCEMENTS

Business Combinations: In December 2007, the FASB issued Statement No. 141 (revised), *Business Combinations*. The standard changes the accounting for business combina