



Prophesied for Success?

Few companies have been as central to business software as Oracle Corporation, built on its dominant database franchise and increasingly expanding into cloud infrastructure through Oracle Cloud Infrastructure. As enterprise demand shifts toward AI workloads and cloud migration, Oracle is positioned for steady growth supported by its entrenched customer base and high switching costs. With improving cloud adoption and recurring revenue, we see durable mid-teens growth potential and expanding margins over time.

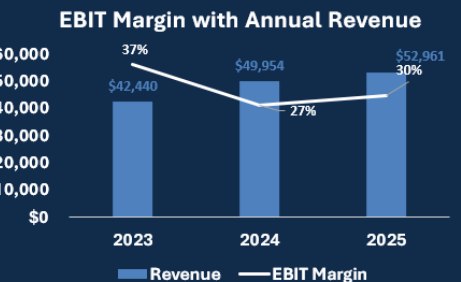
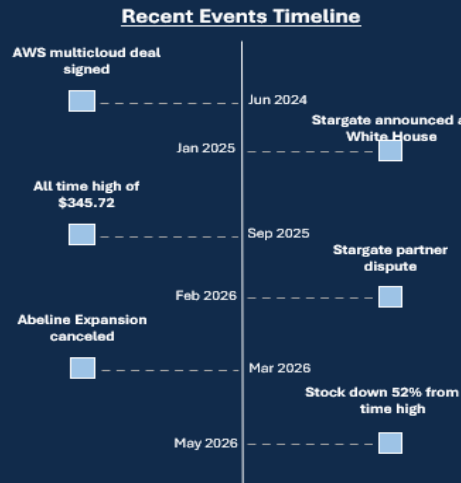
Thesis Point 1: Oracle is currently mispriced as a legacy database company, when in reality, Oracle Cloud Infrastructure is outpacing its legacy systems. OCI is thriving as companies demand high-performance computing for AI workloads, further helping Oracle Corporation retain existing customers and strengthen its position as a credible option against more established cloud providers. While the market has increasingly priced Oracle more in line with SaaS peers, this characterization overlooks the distinct, infrastructure-driven nature of OCI’s growth. As this momentum continues, the market will shift its view of Oracle from a slow-growth legacy software company to a modern cloud and infrastructure provider, creating significant upside.

Thesis Point 2: Oracle’s AI infrastructure is among the most leveraged in large-cap tech companies, with FY2026 capex of ~\$50B compared to ~\$57B in revenue, positioning Oracle to capitalize on AI despite short-term concerns about its overleveraged balance sheet. By leveraging resources and forming partnerships with OpenAI, Nvidia, Google, and the U.S. Department of Energy, Oracle is building the capacity to support AI infrastructure and outpace competitors. The market has reacted negatively to increased debt and aggressive capex, but this investment is aligned with long-term AI implementation. As OCI implementation delivers on their \$523 billion in remaining performance obligations, Oracle will expand margins and reduce investor concern, further validating the current investment.

Company Overview: Oracle Corporation is a major U.S. technology company that specializes in database software, business applications, and cloud infrastructure and hardware. Headquartered in Austin, Texas, Oracle serves 3 segments: Cloud and License Business, Hardware Business, and Services Business, with Oracle Cloud Infrastructure (OCI) as the fastest-growing segment, alongside AI. Oracle is shifting from a legacy database software company to an integrated enterprise cloud and AI data services company. OCI is central to this transition, enabling scalable cloud computing and AI-driven services for enterprise customers. Oracle serves a wide range of customers from large corporations and governments to financial institutions, where its software is often already integrated into their operations, making switching difficult and strengthening its moat.

Risk 1: Oracle is currently undergoing a transition toward cloud infrastructure and AI-driven data centers, which has significantly increased capital expenditures and operating costs. While management expects returns from these investments in the long term, the short-term impact will erode margins and reduce cash flow, with their 86% capex-to-revenue, the highest among large-cap technology companies. If demand for Oracle’s cloud or AI offerings does not scale as expected, the company will face lower returns on its investments, which would lower investor sentiment and leave Oracle stuck with large capex and no materialized returns.

TICKER:	ORCL
RATING:	BUY
PRICE:	\$168.06
PRICE TARGET:	\$183.30
MARKET CAP:	\$397.173bn
52-W RANGE:	\$134.57 - \$345.72
NTM P/E:	24.8x
IMPLIED UPSIDE:	9.10%



Risk 2: Oracle operates in a highly competitive cloud environment dominated by large players such as Amazon, Microsoft, and Google. These competitors have greater scale, established customer bases, and significant pricing power. These high levels of competition could lead to slower customer acquisition and pricing pressure, which would limit Oracle’s ability to expand margins and market share in its cloud segment. Oracle differentiates itself through OCI’s ability to deliver high-performance AI computing at a lower cost, while its deeply embedded database and enterprise software relationships create a sticky customer base that competitors struggle to displace.

Catalysts: Oracle’s expansion in cloud infrastructure and AI-related services presents a significant growth opportunity in the upcoming years. The company has secured large contracts and is investing in data centers to support the rising demand for AI services. Many of these contracts are included in Oracle’s \$523 billion in remaining performance obligations (RPOs), which represent contracted future revenue that has yet to be recognized. As these investments begin to pay off, Oracle is positioned to benefit from operating leverage, with cloud revenues scaling faster than costs. This could drive expansion in operating margins and long-term profitability. Additionally, adoption of AI and database services will strengthen Oracle’s competitive positioning and drive revenue growth.

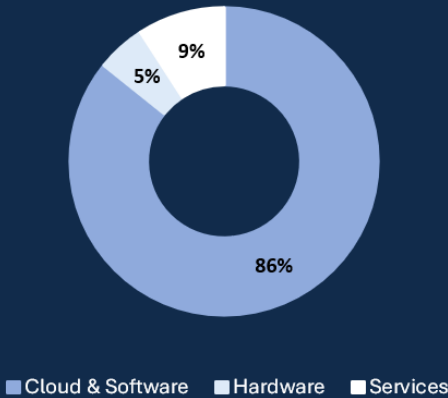
Valuation:

DCF Analysis (\$mm)						
	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
	12/31/2026	12/31/2027	12/30/2028	12/30/2029	12/30/2030	12/31/2031
Revenue	68,200	77,306	85,525	92,195	96,706	98,587
Revenue Growth	19%	13%	11%	8%	5%	2%
Cloud & Software	60,000	69,000	77,108	83,662	88,054	89,815
Hardware	2,800	2,744	2,703	2,676	2,662	2,662
Services	5,400	5,562	5,715	5,858	5,990	6,109
EBIT	20,606	24,738	27,796	30,424	32,396	33,520
EBIT Margin	30%	32%	33%	33%	34%	34%
Tax Expense	1,800	2,474	2,849	3,195	3,483	3,687
Effective Tax Rate	9%	10%	10%	11%	11%	11%
NOPAT	18,806.00	22,264.13	24,946.66	27,229.88	28,913.87	29,832.37
D&A	4,200	4,638	4,918	5,071	5,077	4,929
Capex	50,000	34,788	31,003	25,354	18,132	9,859
Changes in NWC	1,540	0	214	461	725	986
UFCF	(28,534)	(7,885)	(1,352)	6,486	15,133	23,917
PV of FCF	(27,659)	(7,053)	(1,096)	4,764	10,073	14,427

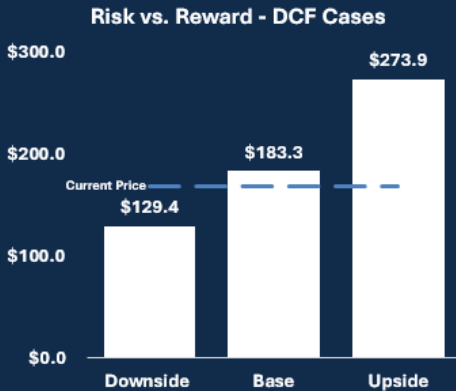
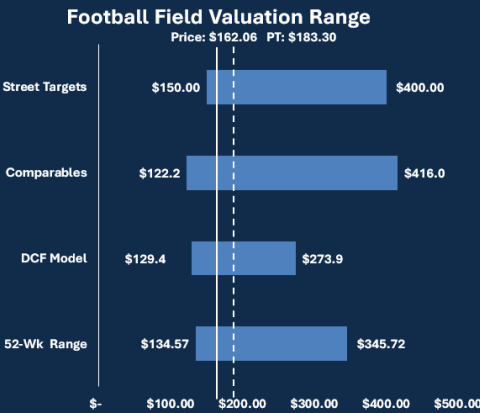
Our base valuation case for Oracle Corporation assumes a 26.5x EV/EBITDA exit multiple, supported by continued momentum in its cloud infrastructure and enterprise software businesses, particularly Oracle Cloud Infrastructure and AI-related workloads. Revenue is projected to grow at a 13.6% CAGR, driven by steady expansion in cloud services and database subscriptions. We expect EBITDA margins to gradually improve as Oracle benefits from operating leverage and an increasing mix of higher-margin, recurring cloud revenue, reinforcing the durability of its earnings growth and supporting our valuation framework.

Conclusion: We rate Oracle Corporation a BUY, supported by continued strength in its cloud infrastructure and applications businesses and steady growth in AI-driven demand. The company’s expanding cloud footprint, strong enterprise customer base, and improving operating margins position Oracle as a durable, long-term compounding company. While competition in the cloud remains intense, we are confident in Oracle’s execution and initiate a BUY rating on \$ORCL with a price target of \$185.64, implying an 8% upside.

Revenue Segments



Terminal Value	
Exit Multiple Method	
2034 EBITDA	\$38,449
EV/EBITDA Exit Multiple	26.5x
Terminal Value	\$1,018,895
PV of Terminal Value	\$618,151
PV of Projection Period	-\$6,379
PV of Terminal Value	\$618,151
Implied TEV	\$611,771
(-) Debt	\$123,033
(+) Cash	\$38,455
Implied Equity Value	\$527,193
Diluted Shares Outstanding	2,876
Implied Share Price	\$183.30
Upside/Downside	9.1%



Income Statement (\$mm)	2025A	2026E	2027E	2028E	2029E	CAGR%
Revenue	57,399	68,200	74,224	80,199	85,999	10.6%
EBITDA	21,821	24,806	24,494	26,666	28,810	7.2%
EBIT	17,954	20,606	20,040	22,055	24,080	7.6%
NOPAT	16,237	18,806	18,036	19,794	21,551	7.3%

Margin & Growth Data	2025A	2026E	2027E	2028E	2029E	AVG%
EBITDA Margin	38.0%	36.4%	33.0%	33.3%	33.5%	34.8%
EBIT Margin	31.3%	30.2%	27.0%	27.5%	28.0%	28.8%
Revenue Growth	8.4%	18.8%	8.8%	8.1%	7.2%	10.3%
EBIT Growth	13.9%	14.8%	-2.7%	10.1%	9.2%	9.0%

Valuation Metrics	2025A	2026E	2027E	2028E	2029E	AVG%
P/FCF	583.4x	-19.6x	-51.2x	-114.8x	253.9x	130.3x
EV/Sales	11.2x	9.4x	8.7x	8.0x	7.5x	9.0x
EV/EBITDA	29.5x	25.9x	26.3x	24.1x	22.3x	25.6x
FCF Yield	0.2%	-5.1%	-2.0%	-0.9%	0.4%	-1.5%

Comparable Companies						
\$mm						
Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM	
Microsoft Corporation (NasdaqGS:MSFT)	\$2,753,943	\$2,787,759	23.2x	\$305,453	\$175,259	
Workday, Inc. (NasdaqGS:WDAY)	\$28,918	\$28,918	43.4x	\$9,552	\$1,371	
Intuit Inc. (NasdaqGS:INTU)	\$97,053	\$97,053	22.8x	\$20,121	\$6,107	
SAP SE (XTRA:SAP)	\$191,025	\$191,025	22.8x	\$43,198	\$13,187	
Oracle	\$397,153	\$525,696	24.8x	\$64,076	\$27,441	

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth	Rate LF
Microsoft Corporation (NasdaqGS:MSFT)	15.9x	68.6%	57.4%	46.7%		16.7%
Workday, Inc. (NasdaqGS:WDAY)	21.1x	75.7%	14.4%	10.7%		13.1%
Intuit Inc. (NasdaqGS:INTU)	15.9x	80.9%	30.4%	27.1%		17.2%
SAP SE (XTRA:SAP)	14.5x	73.8%	30.5%	28.3%		7.7%
Oracle	19.2x	67.1%	42.8%	32.2%		14.9%

High	21.09x	80.9%	57.4%	46.7%	17.2%
75th Percentile	19.16x	75.7%	42.8%	32.2%	16.7%
Average	17.31x	73.2%	35.1%	29.0%	13.9%
Median	15.91x	73.8%	0.0%	28.3%	14.9%
25th Percentile	15.89x	68.6%	30.4%	27.1%	13.1%
Low	14.49x	67.1%	14.4%	10.7%	7.7%

Oracle	
Implied Enterprise Value (25th Percentile)	\$ 436,093
Implied Enterprise Value (Median)	\$ 436,491
Implied Enterprise Value (75th Percentile)	\$ 525,696

Implied Share Price (25th Percentile)	\$ 122.22
Implied Share Price (Median)	\$ 122.36
Implied Share Price (75th Percentile)	\$ 153.38

Weighted Average Cost of Capital (\$mm)	
Market Risk Premium	4.33%
Beta	1.54
Risk Free Rate	4.39%
Cost of Equity	9.34%
Weighted Average Cost of Debt	6%
Tax Rate	10%
Cost of Debt	8.4%
Total Equity	456,277
Total Debt	123,033
Equity/Total Capitalization	0%
Debt/Total Capitalization	15.61%
WACC	10.91%

Upside Case: Upside case assumes a 27.0x EV/EBITDA multiple, which could come from faster-than-expected adoption of Oracle Cloud Infrastructure, particularly as demand for AI workloads accelerates and enterprise customers consolidate vendors. This could drive stronger revenue growth and margin expansion, supporting multiple expansion above the base case and EBIT margins around 35%.

Downside case: Downside risk assumes a 24.0x EV/EBITDA multiple, stemming from intense competition with hyperscalers like Amazon Web Services and Microsoft Azure, which could limit Oracle's cloud market share gains. Slower cloud adoption or pricing pressure could weigh on growth and margins, leading to multiple compressions with EBIT margins at 29%.