AZ STOCKS
Stocks from A to Z

Oracle

A gigantic bet on AI infrastructure built on a software base with huge switching costs

DEEP DIVE

November 2026

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COMPANY PROFILE

Oracle

THESIS

Oracle went from being seen as a mature software company to becoming one of the main players in AI infrastructure. In this report I assess whether the giant's awakening, driven by OCI, justifies its valuation.

TARGET PRICE
USD 190

UPSIDE / DOWNSIDE
+65.4%

SECTOR
Software

EXCHANGE
NYSE

CURRENCY
USD

LAST UPDATED
November 2026

THE COMPANY

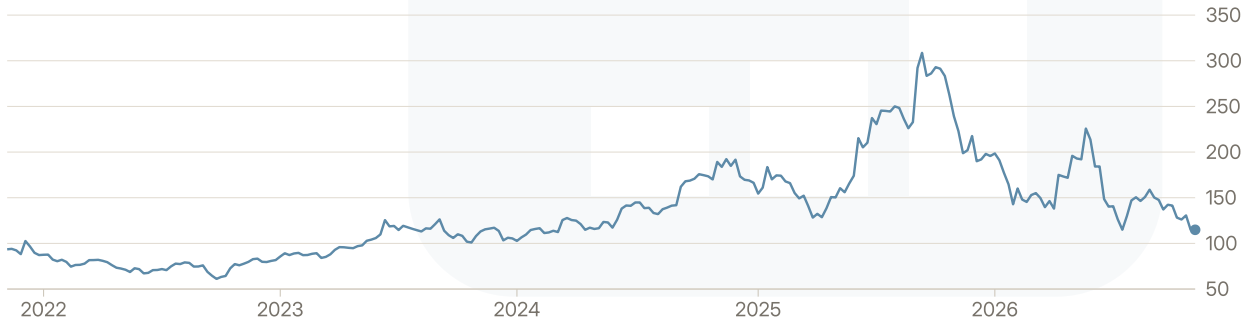
Oracle is one of the world's largest enterprise software companies, known for its database. Today its growth engine is Oracle Cloud Infrastructure (OCI), which rents computing capacity in its data centers and competes with AWS, Azure and Google Cloud.

OCI charges 30% to 50% less than AWS for equivalent workloads and its architecture is especially suited to training AI models. In fiscal 2026 it generated USD 18.1 billion of revenue, up 77%.

MARKET DATA AS OF 2026-11-06

PRICE	52-WEEK RANGE	5-YEAR CHANGE	BETA (5Y)
USD 114.86	109.21 – 250.25	+23%	1.83

WEEKLY SHARE PRICE, LAST 5 YEARS



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SECTION 01

Introduction



Source: Oracle.

In January 2025, on the White House lawn, Larry Ellison appeared alongside Donald Trump, Sam Altman, and Masayoshi Son to announce **Stargate** , the most ambitious AI infrastructure project in history. Five hundred billion dollars were earmarked for building data centers across the United States. Oracle, alongside OpenAI and SoftBank, was one of the founding pillars of the project. The image was symbolic: the man who founded a database company in 1977 with $2,000, standing at the White House, committing Oracle as the technological backbone of the AI revolution.

To understand how we got here, we have to go back to the beginning.

Oracle's story begins in 1977, when Larry Ellison, Bob Miner, and Ed Oates founded Software Development Laboratories in Santa Clara, California. Inspired by an IBM paper on relational databases, they built one of the world's leading enterprise software companies. Their first contract was with the CIA. Not bad for a three-person startup.

In 1982, the company changed its name to Oracle Corporation, taking the name of its flagship product. By the mid-1980s, Oracle was synonymous with enterprise relational databases. The company went public in 1986 with a valuation of just **$31 million** and, despite internal crises and accounting setbacks during the 1990s, managed to establish itself as one of the pillars of global enterprise software.

The 2000s were the years of acquisitions. Oracle bought **PeopleSoft** in 2005 for $10.3 billion in one of the most memorable hostile takeovers in tech history (the battle lasted 18 months), then **Siebel Systems** in 2006, **Sun Microsystems** in 2010 (which brought Java and MySQL to the Oracle ecosystem), and dozens more companies. The strategy was to buy competitors, expand the product portfolio, and create an integrated enterprise ecosystem where Oracle was present at every layer of its customers' technology stack.

The transition to the cloud was late. Amazon launched AWS in 2006 and by 2013 already dominated the cloud market. Microsoft Azure arrived later with force. Google Cloud followed. Oracle tried to build its own cloud too late, with a first generation of infrastructure that couldn't keep up with the

competition. The market punished it. Stocks remained flat for years while hyperscalers grew exponentially.

The turning point was the decision to build **OCI Gen2** (Oracle Cloud Infrastructure 2) from scratch, with a different architecture: a flat network with ultra-low latency, isolated security by design (VMs from different customers don't share hardware), and significantly lower prices than AWS. Clay Magouyrk (now co-CEO) was the architect of that infrastructure, having joined from Amazon Web Services.

And then came AI. **Training large language models requires massive GPU clusters** with ultra-low network latency between nodes. OCI turned out to be perfectly positioned for that workload, and Oracle signed contracts with Cohere, xAI, Meta, NVIDIA and, finally, OpenAI for the Stargate project. The backlog went from about $55 billion three years ago to **$664 billion** at the end of the first quarter of fiscal 2027.

Oracle was declared dead several times and found a way to reinvent itself from within.

SECTION 02

Business model

Oracle reports its results in **three main segments** , although to understand the business, I find it more useful to break it down into five major revenue streams. Each has different dynamics, margins, and growth drivers.

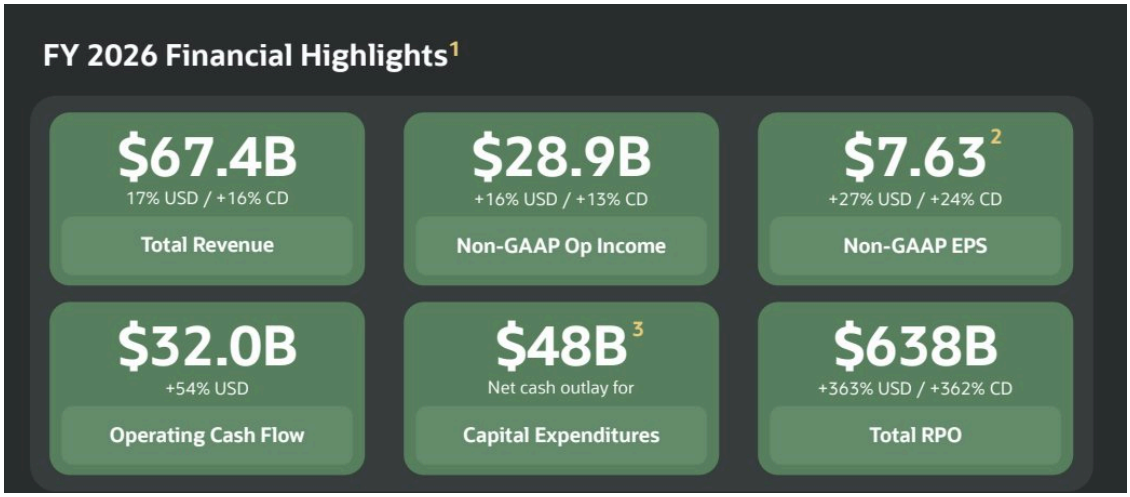
1. Cloud Infrastructure (OCI/IaaS)

It's the fastest-growing business and the one transforming the company's narrative. Oracle **rents computing power in its data centers** to customers who need to run workloads in the cloud: from databases to training AI models with billions of parameters.

OCI competes directly with AWS, Azure, and Google Cloud, but with some key differences. First, price: Oracle charges 30% to 50% less than AWS for equivalent workloads, and its data egress (the cost of extracting information from the cloud) is virtually nonexistent, whereas with AWS it can be very significant. Second, architecture: OCI was built with a bare-metal network (hardware without virtualization) that offers extremely low latency, making it especially well-suited for training AI models where GPU nodes need to communicate with each other with minimal latency.

In fiscal year 2026, OCI generated **$18.1 billion in revenue (+77% year-over-year)** . In the fourth quarter of the fiscal year alone, growth was 93%. The company has 147 active cloud regions worldwide, with another 64 under construction. It is also deploying the **Oracle Cloud@Customer initiative** : dedicated data centers physically installed at customer premises for those who cannot move their data to the public cloud for regulatory or sovereignty reasons.

The $638 billion **Remaining Performance Obligations (RPO) backlog** at the close of Q4 FY26 is the most telling indicator of business traction. The majority of that backlog stems from AI contracts where customers prepaid Oracle for the GPUs (or supplied their own). This model dramatically reduces Oracle's need for financing to build data centers.



Source: author's analysis based on company data.

2. Cloud Applications (SaaS)

Oracle has two cloud-based ERP (Enterprise Resource Planning) franchises. The first is **Oracle Fusion Cloud ERP** , which targets large enterprises (Fortune 500 and equivalent) and closed FY2026 generating revenues of approximately $4.2 billion (+18% year-over-year). The second is **Oracle NetSuite** , acquired in 2016 for $9.3 billion, which serves midsize businesses and generated approximately $4.1 billion in FY2026 (+16%).

Also within the SaaS sector is **Oracle Health** (Cerner's business, acquired in 2022 for $28.3 billion). Oracle Health is the electronic health record provider for thousands of hospitals in the United States and around the world. Ellison's strategy is to transform Oracle Health into the platform that integrates clinical patient data with AI models to accelerate diagnosis and drug development. It's a long-term commitment that is still undergoing a transformation.

SaaS as a whole generated **$15.9 billion in FY2026 (+11% year-over-year)** . Growth is more moderate than that of OCI, but the fundamental characteristic of this business is its **very high recurrence** : contracts are annual or multi-year, the churn rate is very low, and customers tend to expand their use of Oracle over time (what is called positive net dollar retention in the industry).

3. Software (License Support & Cloud License)

This is Oracle's historical business and still its largest source of revenue in absolute terms: **$24.5 billion in FY2026** . It includes two components. The first is **on-premise license support** : customers who purchased Oracle database or application licenses years ago and pay an annual fee (typically 22% of the original license price) to receive updates and technical support. This business is a money-making machine, with extremely high operating margins and minimal marginal costs.

The second component is **new on-premises licenses** , which are declining as customers migrate to the cloud. This is expected and welcomed by Oracle: every customer migrating from on-premises to the cloud goes from paying for license support to paying for SaaS subscriptions or OCI consumption, generally at a higher cost.

4. Hardware

As a legacy of the Sun Microsystems acquisition, Oracle sells servers (Exadata, SPARC) and storage. With **$3.1 billion in revenue in FY2026** , this segment is not strategic but is profitable for customers who prefer dedicated infrastructure in their own data centers. Growth was modest (+5%) and is not a driver of the investment thesis.

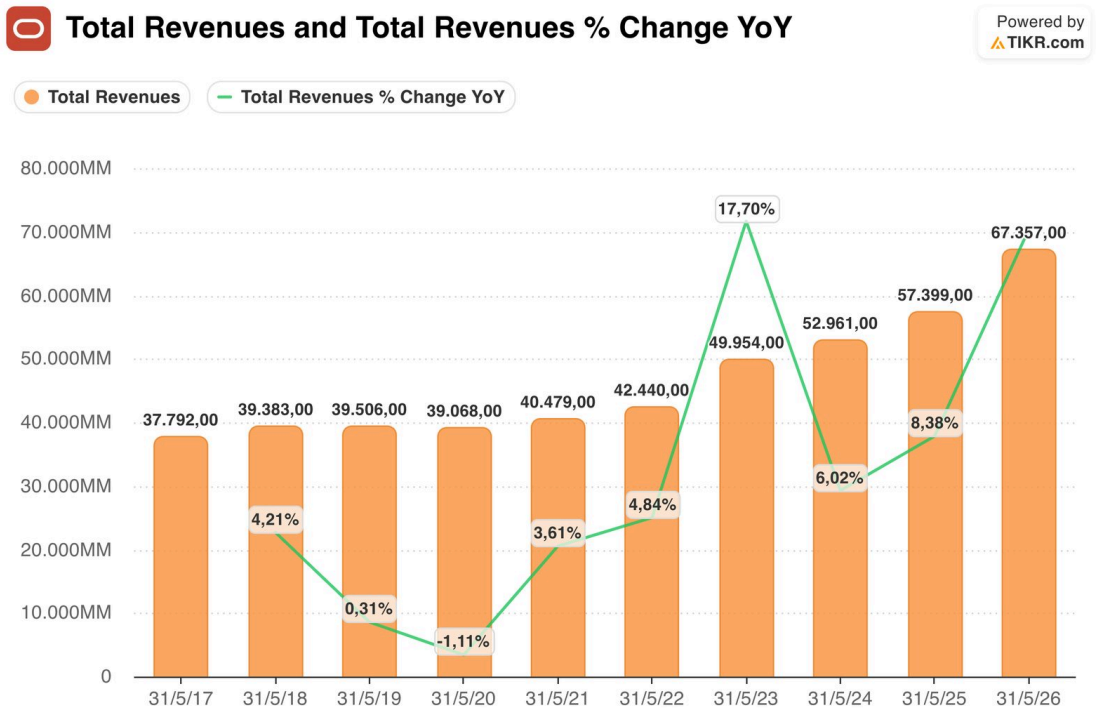
5. Services

Consulting, implementation, and education. With **$5.7 billion in FY2026 (+10%)** , this segment complements the rest of the portfolio and helps customers implement Oracle solutions. Margins are lower than software, but the business acts as a lubricant for the sales cycle.

SECTION 03

Business quality

Revenue



Source: Tikr.

Oracle's sales evolution clearly shows the change of stage the company is going through.

Between 2017 and 2022, Oracle was a moderately growing company. Its revenue increased from **$37.792 billion** in 2017 to **$42.440 billion** in 2022, reflecting slow expansion for a technology company. During that period, the business remained heavily reliant on its installed base, licenses, support, enterprise applications, and databases, with a gradual transition to the cloud, but without a visible leap in consolidated growth.

The first turning point came in 2023, when revenue grew **17.7% year-over-year** to reach **$49.954 billion** . Part of that surge was due to the consolidation of Cerner, but it also marked the beginning of a more cloud- and recurring services-oriented Oracle. From then on, the company began to show a clearer acceleration compared to the previous stage.

In 2024 and 2025, growth remained positive, albeit more normalized, with sales of **USD 52.961 billion** and **USD 57.399 billion** , representing growth rates of **6.0%** and **8.4%** , respectively. These years are significant because they demonstrate that Oracle's growth was not solely driven by a single acquisition, but rather that it began building a larger revenue base with greater exposure to the cloud.

The most significant figure comes in 2026. Oracle reached **USD 67.357 billion** in revenue, with a **year-over-year growth of approximately 17%** . This acceleration is key because it no longer responds solely to the integration of Cerner, but also to the increasingly strong growth of **Oracle Cloud Infrastructure (OCI)** and the demand for infrastructure for artificial intelligence.

Oracle has gone from being a mature software company with low growth to one that once again has a history of structural growth. The difference is that this new growth doesn't come without a price: it's associated with a very aggressive expansion of **capital expenditures, data centers, GPUs, energy, and cloud capacity** .

Therefore, the sales chart must be interpreted in conjunction with the evolution of free cash flow. Demand is emerging, but the key to valuation is whether Oracle can convert that growth into **margin, return on capital, and sustainable cash flow** . On the plus side, the company retains a very valuable characteristic: more than 85% of its revenue is recurring, which gives it uncommon visibility, even within the technology sector.

The revenue mix is systematically shifting toward the cloud. Three years ago, the cloud represented less than 40% of total revenue. Today, it exceeds 50%. In the fourth quarter of fiscal year 2026, the cloud (IaaS + SaaS) already accounted for **52% of total revenue** for that quarter, with OCI driving this acceleration. The trajectory is clear.

Business seasonality exists but is moderate. Oracle, following the enterprise industry norm, tends to report its best numbers in the fourth fiscal quarter (ending in late May), when customers' IT budgets are depleted and contract closings accelerate. The first quarter of the fiscal year (June-August) is typically the weakest.

Revenue evolution by segment (FY2024-FY2026)

Segmento	FY2024	FY2025	FY2026	CAGR 24-26
Cloud Infraestructura (OCI)	$6,9 mil M	$10,2 mil M	$18,1 mil M	+62%
Cloud Aplicaciones (SaaS)	$12,8 mil M	$14,3 mil M	$15,9 mil M	+11%
Total Cloud (IaaS+SaaS)	$19,7 mil M	$24,5 mil M	$34,0 mil M	+31%
Software (License Support)	$26,2 mil M	$26,1 mil M	$24,5 mil M	-3%
Hardware	$2,9 mil M	$3,0 mil M	$3,1 mil M	+3%
Services	$5,2 mil M	$5,2 mil M	$5,7 mil M	+5%
TOTAL	$52,9 mil M	$57,4 mil M	$67,4 mil M	+13%

Source: author's analysis based on company data.

Latest results: first quarter of fiscal 2027

On September 10 Oracle reported results for the quarter ended August 2026, the latest available at the time of this analysis:

- **Revenue:** $19.3 billion, **+30% year over year**, a record for a first quarter.

- **Cloud:** $11.6 billion (+62%), already 60% of revenue. **OCI grew 121%** to $7.4 billion, while cloud applications grew 10% ($4.2 billion) and traditional software fell 3%.
- **RPO (backlog):** $664 billion, $209 billion more than a year earlier. In the quarter it signed more than $30 billion of new AI contracts and delivered more than 300,000 GPUs to customers.
- **Profitability:** GAAP operating income of $6.7 billion (+57%), a 35% margin, and adjusted EPS of $1.92 (+30%).
- **Cash:** operating cash flow of $23 billion thanks to customer prepayments, but **free cash flow of about -$5 billion** because of CapEx. In the quarter it sold $20 billion of stock.

For fiscal 2027 the company expects **revenue of at least $90 billion** (+34%) and adjusted EPS of $8.10. The most important number, however, is another one: **CapEx of around $95 billion** for the year, more than its entire revenue, funded partly with about $40 billion of new debt and equity. According to management, demand for AI capacity is growing faster than available supply.

The stock, however, has fallen sharply from its 2025 highs and trades around $115 today. The market doubts the profitability of the AI investment, the level of debt and the concentration of the backlog in a few customers, especially OpenAI.

Vertical analysis

INCOME STATEMENT

Fiscal year Income Statement — % of revenue	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	FY2026A	3Y avg	5Y avg
Total Revenues	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Cost of Goods Sold	(19.7%)	(20.5%)	(20.2%)	(20.3%)	(19.4%)	(20.9%)	(27.2%)	(28.6%)	(29.5%)	(34.2%)	**(30.8%)**	**(28.1%)**
Gross Profit	**80.3%**	**79.5%**	**79.8%**	**79.7%**	**80.6%**	**79.1%**	**72.8%**	**71.4%**	**70.5%**	**65.8%**	**69.2%**	**71.9%**
Selling General & Admin Expenses	(24.6%)	(24.7%)	(24.7%)	(23.7%)	(22.1%)	(22.1%)	(20.8%)	(18.5%)	(17.9%)	(14.8%)	**(17.1%)**	**(18.8%)**
R&D Expenses	(16.3%)	(15.4%)	(15.3%)	(15.5%)	(16.1%)	(17.0%)	(17.3%)	(16.8%)	(17.2%)	(15.3%)	**(16.4%)**	**(16.7%)**
Total Operating Expenses	**(44.7%)**	**(44.2%)**	**(44.3%)**	**(43.5%)**	**(41.9%)**	**(41.8%)**	**(45.5%)**	**(41.7%)**	**(39.2%)**	**(32.6%)**	**(37.8%)**	**(40.1%)**
Operating Income	**35.6%**	**35.3%**	**35.5%**	**36.2%**	**38.7%**	**37.3%**	**27.4%**	**29.8%**	**31.3%**	**33.2%**	**31.4%**	**31.8%**
Interest Expense	(4.8%)	(5.1%)	(5.3%)	(5.1%)	(6.2%)	(6.5%)	(7.0%)	(6.6%)	(6.2%)	(6.8%)	**(6.6%)**	**(6.6%)**
EBT Incl. Unusual Items	**30.9%**	**31.5%**	**31.1%**	**30.9%**	**32.1%**	**18.0%**	**18.3%**	**22.2%**	**24.7%**	**29.0%**	**25.3%**	**22.4%**
Income Tax Expense	(5.9%)	(22.4%)	(3.0%)	(4.9%)	1.8%	(2.2%)	(1.2%)	(2.4%)	(3.0%)	(3.7%)	**(3.0%)**	**(2.5%)**
Net Income	**25.0%**	**9.1%**	**28.1%**	**25.9%**	**34.0%**	**15.8%**	**17.0%**	**19.8%**	**21.7%**	**25.4%**	**22.3%**	**19.9%**
EBITDA	42.0%	42.4%	42.8%	43.8%	45.9%	44.7%	39.6%	41.3%	38.9%	45.3%	**41.8%**	**42.0%**

Source: author's analysis based on Tikr data.

The vertical analysis of the income statement shows a company that continues to have a profitability structure well above the market average, although with clear signs of change in its business mix.

Between 2017 and 2022, Oracle maintained a **gross margin close to 80%** , a typical level for an enterprise software company with a very strong installed base, recurring revenue, support, licensing, and high-margin products. During those years, the gross margin remained fairly stable, fluctuating between **79% and 81%** , reflecting the quality of Oracle's historical business.

However, a more pronounced compression begins to emerge in 2023. The gross margin falls to **72.9% in 2023** , then to **71.4% in 2024** , **70.5% in 2025** , and finally **65.8% in 2026.** This decline should not necessarily be interpreted as a structural deterioration of the traditional business, but rather as a consequence of the changing business mix. Oracle is increasingly expanding into **cloud infrastructure** , data centers, and artificial intelligence—businesses that are more cost-intensive than pure software.

Oracle may be entering a much more attractive growth phase, but with lower gross profitability. The company is shifting part of its historical software focus toward a more infrastructure-intensive model.

On the positive side, it managed to offset some of that pressure with greater operational efficiency. Selling, General & Admin expenses fell from nearly 24% of sales in 2017-2020 to **14.8% in 2026** , while **R&D** remained relatively stable at around 15-17% of sales. This shows a company that continues to invest in product, cloud, and artificial intelligence, but at the same time is making better use of its scale.

The result of all this is that the operating margin remained surprisingly strong. Oracle had operating margins of over **35%** for much of the 2017-2022 period, fell to **27.4% in 2023** due to the impact of Cerner and other integration costs, but then recovered to **29.8% in 2024** , **31.3% in 2025** , and **33.3% in 2026** .

This recovery in operating margin is a positive sign. Despite the decline in gross margin, Oracle managed to protect operating profitability quite well through scale, efficiency in commercial expenses, and a lower relative weight of some operating items.

Further down the income statement, interest expense remains a significant line item. In 2026, it represented **6.8% of sales** , indicating a more leveraged balance sheet structure. This is a key point, as Oracle is funding a substantial infrastructure expansion, which shows the importance of monitoring debt, financing costs, and return on invested capital.

Finally, the net margin closed 2026 at **25.4%** , a very high level for a company in the midst of an investment phase. This confirms that Oracle remains a company with extremely high operational quality. However, for valuation purposes, the net margin alone is insufficient. It's not just about how much it earns on the books, but how much of that profit can be converted into **free cash flow** after the capital expenditures necessary to sustain OCI and the artificial intelligence infrastructure.

BALANCE SHEET

Fiscal year Balance Sheet — % of total assets	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	FY2026A	3Y avg	5Y avg
Total Cash And Short Term Investments	**48.9%**	**48.8%**	**34.8%**	**37.3%**	**35.5%**	**20.0%**	**7.6%**	**7.6%**	**6.7%**	**12.2%**	**8.8%**	**10.8%**
Total Receivables	**4.5%**	**4.3%**	**5.4%**	**5.5%**	**4.7%**	**6.2%**	**5.7%**	**6.2%**	**5.1%**	**4.0%**	**5.1%**	**5.4%**
Inventory	0.2%	0.3%	0.3%	0.2%	0.1%	0.3%	0.2%	0.2%	–	–	**0.1%**	**0.1%**
Total Current Assets	**55.2%**	**55.2%**	**42.7%**	**45.2%**	**42.4%**	**28.9%**	**15.6%**	**16.0%**	**14.6%**	**17.8%**	**16.1%**	**18.6%**
Net Property Plant And Equipment	3.9%	4.3%	5.8%	5.4%	5.4%	8.9%	12.7%	20.4%	33.7%	49.5%	**34.5%**	**25.0%**
Long-term Investments	0.0%	0.0%	0.0%	0.0%	–	–	1.2%	1.4%	1.2%	0.9%	**1.2%**	**0.9%**
Goodwill	31.9%	31.7%	40.3%	37.9%	33.5%	40.1%	46.3%	44.1%	36.9%	23.8%	**35.0%**	**38.3%**
Other Intangibles	5.7%	4.8%	4.9%	3.2%	1.9%	1.3%	7.3%	4.9%	2.7%	1.2%	**2.9%**	**3.5%**
Total Assets	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Total Current Liabilities	**17.9%**	**13.9%**	**17.1%**	**14.9%**	**18.4%**	**17.9%**	**17.2%**	**22.4%**	**19.4%**	**16.0%**	**19.2%**	**18.6%**
Long-Term Debt	35.8%	40.8%	47.7%	60.0%	58.0%	66.0%	64.3%	54.1%	50.7%	46.7%	**50.5%**	**56.4%**
Capital Leases	–	–	–	–	–	–	–	4.4%	8.4%	12.9%	**8.6%**	**5.2%**
Total Liabilities	**59.8%**	**66.0%**	**79.4%**	**89.0%**	**95.5%**	**105.3%**	**98.8%**	**93.4%**	**87.5%**	**83.6%**	**88.2%**	**93.7%**
Total Equity	**40.2%**	**34.0%**	**20.6%**	**11.0%**	**4.5%**	**(5.3%)**	**1.2%**	**6.6%**	**12.5%**	**16.4%**	**11.8%**	**6.3%**
Total Debt	**43.0%**	**44.1%**	**51.9%**	**62.3%**	**64.3%**	**69.4%**	**67.3%**	**67.0%**	**64.7%**	**64.0%**	**65.2%**	**66.5%**
Net Debt	(5.9%)	(4.7%)	17.1%	25.0%	28.7%	49.4%	59.7%	59.4%	58.1%	51.8%	**56.4%**	**55.7%**

Source: author's analysis based on Tikr data.

The balance sheet shows a profound transformation in Oracle's asset structure: it went from having a much lighter balance sheet, with a significant proportion of cash and financial investments, to one increasingly loaded with physical assets, cloud infrastructure and debt.

The first significant change is in the composition of current assets. In 2017 and 2018, Oracle had a very high position in **cash and short-term investments** , close to **49% of total assets** . This reflected a very liquid balance sheet and a company with strong financial capacity. However, that proportion fell significantly over time. By 2023, cash and short-term investments represented just **7.6% of assets , and although they rose to 12.2%** in 2026 , the current balance sheet no longer resembles the cash-rich Oracle of the past decade.

The most significant change appears in **net property, plant, and equipment** . This line item went from representing only **3.9% of assets in 2017** to **49.5% in 2026.** This is probably the most relevant figure in the entire balance sheet. Oracle is transforming into a much more capital-intensive company. The expansion of OCI, data centers, artificial intelligence infrastructure, and the physical capacity needed to fulfill cloud contracts are changing the nature of the business.

This point directly connects to the investment thesis. Oracle can no longer be analyzed solely as an asset-light software company. A growing portion of its value and risk lies in its ability to efficiently develop physical capital. If these assets achieve high utilization levels and good returns, Oracle can create significant value. Otherwise, the balance sheet may become heavier without generating the expected free cash flow.

The same shift is observed in the relative weight of goodwill. In 2023, it represented **46.3% of assets** , influenced by the acquisition of Cerner, but by 2026 it had fallen to **23.8%** . This wasn't because it disappeared, but because physical assets grew much faster. Oracle's balance sheet is ceasing to resemble that of a purely asset-light company.

On the liabilities side, debt remains a key factor. Long-term debt represented **46.7% of assets in 2026** , while capital leases reached **10.2%** . This shows that Oracle is financing a significant portion of its expansion with debt and infrastructure-related obligations. The company still has scale, profitability, and access to capital, but the margin for error is smaller than when the business was leaner and generated abundant free cash with less need for reinvestment.

Another relevant point is the evolution of equity. For several years, net worth was very low or even negative, partly due to aggressive share buybacks and a leveraged capital structure. By 2026, equity has improved to **16.5% of assets** , but this remains a low proportion relative to the size of the balance sheet and the expansion of physical assets.

Accounts payable also increase as a percentage of assets, rising from less than 1% in the early years to **4.2% in 2026.** This may reflect increased investment activity, equipment purchases, and greater operational scale. However, I wouldn't assume that Oracle will be able to finance its expansion indefinitely with suppliers. For valuation purposes, I prefer to normalize this line item prudently.

CASH FLOW

Fiscal year Cash Flow — % of revenue	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	FY2026A	3Y avg	5Y avg
Net Income	**25.0%**	**9.1%**	**28.1%**	**25.9%**	**34.0%**	**15.8%**	**17.0%**	**19.8%**	**21.7%**	**25.4%**	**22.3%**	**19.9%**
Total Depreciation & Amortization	**6.5%**	**7.1%**	**7.4%**	**7.6%**	**7.2%**	**7.4%**	**12.2%**	**11.6%**	**7.6%**	**12.0%**	**10.4%**	**10.2%**
Stock-Based Compensation	3.6%	4.1%	4.2%	4.1%	4.5%	6.2%	7.1%	7.5%	8.1%	7.1%	**7.6%**	**7.2%**
Cash from Operations	**37.4%**	**39.1%**	**36.8%**	**33.6%**	**39.2%**	**22.5%**	**34.4%**	**35.3%**	**36.3%**	**47.5%**	**39.7%**	**35.2%**
Capital Expenditure	(5.3%)	(4.4%)	(4.2%)	(4.0%)	(5.3%)	(10.6%)	(17.4%)	(13.0%)	(37.0%)	(82.6%)	**(44.2%)**	**(32.1%)**
Cash Acquisitions	(29.7%)	(4.4%)	(0.9%)	(0.3%)	(0.1%)	(0.3%)	(55.5%)	–	–	–	–	**(11.2%)**
Cash from Investing	**(56.9%)**	**(14.3%)**	**67.2%**	**25.2%**	**(32.4%)**	**26.4%**	**(73.0%)**	**(13.9%)**	**(37.8%)**	**(77.0%)**	**(42.9%)**	**(35.1%)**
Total Debt Issued	**46.9%**	**31.6%**	–	**50.9%**	**36.9%**	–	**68.1%**	–	**39.8%**	**73.4%**	**37.7%**	**36.3%**
Total Debt Repaid	**(10.8%)**	**(24.9%)**	**(11.4%)**	**(11.5%)**	**(6.5%)**	**(19.4%)**	**(42.1%)**	**(6.9%)**	**(27.6%)**	**(13.7%)**	**(16.1%)**	**(22.0%)**
Repurchase of Common Stock	(10.2%)	(30.1%)	(92.8%)	(50.9%)	(53.4%)	(40.9%)	(5.0%)	(6.1%)	(2.6%)	(0.3%)	**(3.0%)**	**(11.0%)**
Common Dividends Paid	(7.0%)	(8.0%)	(7.4%)	(7.9%)	(7.6%)	(8.1%)	(7.3%)	(8.3%)	(8.3%)	(8.5%)	**(8.4%)**	**(8.1%)**
Cash from Financing	**24.0%**	**(25.3%)**	**(106.5%)**	**(15.7%)**	**(25.6%)**	**(68.6%)**	**15.8%**	**(19.9%)**	**1.9%**	**59.8%**	**13.9%**	**(2.2%)**
Free Cash Flow	32.0%	34.7%	32.6%	29.6%	34.0%	11.8%	17.0%	22.3%	(0.7%)	(35.2%)	**(4.5%)**	**3.0%**

Source: author's analysis based on Tikr data.

Vertical analysis of cash flow is probably the most important for understanding Oracle's current situation. The income statement shows a profitable company, and the balance sheet shows a company undergoing transformation, but cash flow reveals the truth: **Oracle generates a lot of operating cash, but capital expenditures are consuming an increasing portion of that cash** .

Historically, Oracle has had an exceptional cash conversion rate. Between 2017 and 2021, **cash from operations** represented approximately **33% to 39% of sales** —very high levels consistent with a high-quality enterprise software business. During those years, capital expenditures were low, generally between **4% and 5% of sales** , which allowed for very high free cash flow.

Therefore, between 2017 and 2021, free cash flow remained at very solid levels, close to **30% to 34% of sales** . That was classic Oracle: high margins, low capital intensity, recurring revenue, and plenty of cash available for share buybacks, dividends, acquisitions, or debt reduction.

The situation began to change in 2022 and accelerated sharply in recent years. By 2023, capital expenditures (capex) already represented **17.4% of sales** . In 2024, this figure dropped to **13.0%** , but in 2025 it rose sharply again to **37.0%** . Finally, in 2026, capex reached **82.6% of sales** , an exceptionally high level.

This figure summarizes Oracle's turnaround better than any other. The company continues to generate operating cash flow; in fact, in 2026, cash from operations was equivalent to **47.5% of sales** , a very strong level. But capital expenditures were so large that free cash flow ended up being negative, equivalent to **35.2% of sales** .

This difference between operating cash flow and free cash flow is at the heart of the valuation. Oracle doesn't have a demand or accounting profitability problem. The challenge is that, to capture the opportunity in OCI and artificial intelligence, it needs to invest massively before reaping the benefits.

This also explains the increased financing. In 2026, Oracle issued debt equivalent to **73.4% of sales** and preferred stock equivalent to **7.4% of sales** . The infrastructure expansion is not being financed solely with operating cash flow, but also with access to capital markets. In this context, the company retains significant operating cash flow, but a much larger portion of that cash is now being allocated to infrastructure development.

For valuation purposes, I believe this justifies giving more weight to the **perpetuity method based on free cash flow** than to the EBITDA multiple method. EBITDA may appear very high in a larger-scale Oracle, but if the company needs to continue investing tens of billions of dollars annually to main-

tain its infrastructure, the true value depends on the free cash flow remaining after that capital expenditure.

The cash flow statement reveals two realities simultaneously. The first is positive: Oracle remains a cash-generating machine. The second is more challenging: the new phase of artificial intelligence is absorbing a massive amount of capital.

Financial ratios

- **Growth**

Fiscal year	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	FY2026A	3Y avg	5Y avg
Growth												
Revenue growth		4.2%	0.3%	(1.1%)	3.6%	4.8%	17.7%	6.0%	8.4%	17.3%	**10.6%**	**10.9%**
EBIT growth		3.5%	0.8%	1.0%	10.6%	1.2%	(13.7%)	15.3%	14.1%	24.5%	**18.0%**	**8.3%**
Diluted EPS growth		(62.1%)	249.4%	3.7%	47.7%	(47.0%)	27.4%	20.8%	17.0%	34.3%	**24.1%**	**10.5%**
Change in diluted shares (dilution / buybacks)		0.5%	(11.9%)	(11.7%)	(8.3%)	(7.8%)	(0.7%)	2.1%	1.5%	1.7%	**1.8%**	**(0.7%)**

Source: author's analysis based on Tikr data.

Sales grew 17.3% in FY2026, the highest organic rate in many years, and EBIT 24.5%. Since FY2023 the share count has been rising again (about 2% a year) after years of aggressive buybacks, and in FY2027 dilution will be larger because of share issuance.

- **Profitability**

Fiscal year	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	FY2026A	3Y avg	5Y avg
Profitability												
Gross margin	80.3%	79.5%	79.8%	79.7%	80.6%	79.1%	72.8%	71.4%	70.5%	65.8%	**69.2%**	**71.9%**
SG&A % revenue	24.6%	24.7%	24.7%	23.7%	22.1%	22.1%	20.8%	18.5%	17.9%	14.8%	**17.1%**	**18.8%**
R&D % revenue	16.3%	15.4%	15.3%	15.5%	16.1%	17.0%	17.3%	16.8%	17.2%	15.3%	**16.4%**	**16.7%**
EBIT margin	35.6%	35.3%	35.5%	36.2%	38.7%	37.3%	27.4%	29.8%	31.3%	33.2%	**31.4%**	**31.8%**
EBITDA margin (EBIT + D&A)	42.0%	42.4%	42.8%	43.8%	45.9%	44.7%	39.6%	41.3%	38.9%	45.3%	**41.8%**	**42.0%**
Net margin	25.0%	9.1%	28.1%	25.9%	34.0%	15.8%	17.0%	19.8%	21.7%	25.4%	**22.3%**	**19.9%**
Stock-based compensation % revenue	3.6%	4.1%	4.2%	4.1%	4.5%	6.2%	7.1%	7.5%	8.1%	7.1%	**7.6%**	**7.2%**
Effective tax rate	19.1%	71.1%	9.7%	16.0%	(5.7%)	12.2%	6.8%	10.9%	12.1%	12.6%	**11.9%**	**10.9%**

Source: author's analysis based on Tikr data.

Gross margin fell from 80% a decade ago to 65.8% in FY2026 because of the growing weight of cloud infrastructure, which has lower margins than software. EBIT margin, however, has held at around 33% thanks to the dilution of overhead. Stock-based compensation is 7% of sales.

- **Cash flow and reinvestment**

Fiscal year	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	FY2026A	3Y avg	5Y avg
Cash flow & reinvestment												
Cash from operations % revenue	37.4%	39.1%	36.8%	33.6%	39.2%	22.5%	34.4%	35.3%	36.3%	47.5%	**39.7%**	**35.2%**
FCF margin (TIKR FCF / revenue)	32.0%	34.7%	32.6%	29.6%	34.0%	11.8%	17.0%	22.3%	(0.7%)	(35.2%)	**(4.5%)**	**3.0%**
FCF conversion (FCF / net income)	128.1%	380.5%	116.3%	114.2%	100.0%	74.9%	99.6%	112.8%	(3.2%)	(138.6%)	**(9.7%)**	**29.1%**
Capex % revenue	5.3%	4.4%	4.2%	4.0%	5.3%	10.6%	17.4%	13.0%	37.0%	82.6%	**44.2%**	**32.1%**
D&A % revenue	6.5%	7.1%	7.4%	7.6%	7.2%	7.4%	12.2%	11.6%	7.6%	12.0%	**10.4%**	**10.2%**
Capex / D&A	0.8x	0.6x	0.6x	0.5x	0.7x	1.4x	1.4x	1.1x	4.9x	6.9x	**4.3x**	**3.1x**
D&A % beginning net PP&E		52.4%	49.5%	47.5%	46.7%	44.3%	62.9%	36.0%	15.1%	14.3%	**21.8%**	**34.5%**
Acquisitions % revenue	29.7%	4.4%	0.9%	0.3%	0.1%	0.3%	55.5%	–	–	–	**–**	**11.2%**

Source: author's analysis based on Tikr data.

The sharpest change in the analysis: CapEx went from 4-5% of sales to 37% in FY2025 and 82.6% in FY2026, and it will exceed 100% in FY2027. Free cash flow went from 30% of sales to -35% in FY2026. Operating cash flow, by contrast, rose to 47.5% of sales thanks to customer prepayments.

- **Working capital**

Fiscal year	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	FY2026A	3Y avg	5Y avg
Working capital												
Receivables days (DSO)	58.9	55.0	54.6	59.1	56.0	58.0	56.4	59.9	54.4	56.3	**56.9**	**57.0**
Inventory days (DIO)	14.7	18.0	14.6	9.7	6.6	12.9	8.0	8.1	–	–	**2.7**	**5.8**
Payables days (DPO)	29.3	24.0	26.5	29.3	34.6	54.2	32.4	56.8	110.3	174.0	**113.7**	**85.5**
Cash conversion cycle (DSO + DIO − DPO)	44.2	49.1	42.7	39.5	27.9	16.8	32.0	11.2	(55.8)	(117.8)	**(54.1)**	**(22.7)**
Deferred revenue % revenue	23.4%	22.8%	22.9%	22.0%	23.4%	21.5%	19.9%	19.9%	18.7%	22.9%	**20.5%**	**20.6%**
Operating NWC % revenue	(17.3%)	(16.1%)	(15.8%)	(15.6%)	(18.7%)	(16.0%)	(14.6%)	(13.0%)	(15.5%)	(30.6%)	**(19.7%)**	**(17.9%)**

Source: author's analysis based on Tikr data.

Working capital is very negative (-30.6% of sales in FY2026): customers pay in advance (deferred revenue of 23% of sales) and payable days rose to 174 because of infrastructure purchases.

- **Returns on capital**

Fiscal year	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	FY2026A	3Y avg	5Y avg
Returns on capital												
NOPAT = EBIT × (1 − normalized tax rate)	10,884	11,260	11,345	11,462	12,679	12,827	11,073	12,763	14,561	18,132	**15,152**	**13,871**
Invested capital = debt + equity − cash & ST inv.	46,268	40,389	40,933	41,525	43,643	48,189	81,850	92,992	118,718	178,594	**130,101**	**104,069**
ROIC = NOPAT / average invested capital		26.0%	27.9%	27.8%	29.8%	27.9%	17.0%	14.6%	13.8%	12.2%	**13.5%**	**17.1%**
ROIC incl. cash = NOPAT / average (debt + equity)		10.2%	12.2%	14.0%	14.5%	16.0%	13.7%	13.0%	12.5%	10.7%	**12.1%**	**13.2%**
Pre-tax ROIC = EBIT / average invested capital (reference)		32.1%	34.4%	34.3%	36.8%	34.5%	21.0%	18.0%	17.0%	15.1%	**16.7%**	**21.1%**
ROE = net income / average equity		7.1%	32.0%	57.8%	147.3%	7301.1%	n.m.	193.9%	82.4%	53.4%	**109.9%**	**1907.7%**
ROA = net income / average total assets		2.6%	9.0%	9.0%	11.2%	5.6%	7.0%	7.6%	8.0%	7.9%	**7.9%**	**7.2%**

Source: author's analysis based on Tikr data.

ROIC fell from 28-30% in FY2018-2021 to 12.2% in FY2026. Invested capital has quadrupled since FY2022, first because of Cerner and then because of the data centers. The thesis depends on ROIC rising again once the new capacity is in production.

- **Leverage and liquidity**

Fiscal year	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	FY2026A	3Y avg	5Y avg
Leverage & liquidity												
Net debt (debt − cash & ST inv.)	(7,978)	(6,484)	18,570	28,808	37,691	53,957	80,294	83,753	97,749	135,538	**105,680**	**90,258**
Net debt / EBITDA	(0.5x)	(0.4x)	1.1x	1.7x	2.0x	2.8x	4.1x	3.8x	4.4x	4.4x	**4.2x**	**3.9x**
Interest coverage (EBIT / interest expense)	7.5x	6.9x	6.7x	7.1x	6.3x	5.7x	3.9x	4.5x	5.0x	4.9x	**4.8x**	**4.8x**
Debt / (debt + equity), book	51.7%	56.5%	71.6%	85.0%	93.4%	n.m.	98.3%	91.1%	83.9%	79.5%	**84.8%**	**88.2%**
Current ratio	3.08	3.98	2.49	3.03	2.30	1.62	0.91	0.72	0.75	1.12	**0.86**	**1.02**

Source: author's analysis based on Tikr data.

Net debt reached $135.5 billion in FY2026, 4.4x EBITDA, and interest coverage is below 5x. It is the most leveraged balance sheet among the big tech companies and the main weak point of the thesis.

- **Shareholder returns and valuation**

Fiscal year	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	FY2026A	3Y avg	5Y avg
Shareholder returns & market valuation (TIKR, at fiscal year end)												
Dividends + buybacks % FCF	53.5%	109.8%	307.0%	198.5%	179.3%	413.6%	72.9%	64.6%	n.m.	n.m.	**64.6%**	**183.7%**
EV / EBITDA	11.5x	10.9x	11.2x	11.6x	14.1x	13.1x	18.7x	18.3x	24.9x	18.7x	**20.6x**	**18.7x**
EV / revenue	4.8x	4.6x	4.8x	5.1x	6.5x	5.8x	7.4x	7.6x	9.7x	8.5x	**8.6x**	**7.8x**
P/E	19.8x	53.2x	15.6x	16.7x	16.5x	28.6x	33.6x	30.8x	37.3x	25.1x	**31.1x**	**31.1x**
FCF yield (FCF / market cap)	6.5%	7.2%	7.5%	6.8%	6.1%	2.6%	3.0%	3.7%	(0.1%)	(5.5%)	**(0.6%)**	**0.7%**

Source: author's analysis based on Tikr data.

With negative free cash flow, Oracle funds its dividend with debt and equity, and buybacks are on hold. At the end of FY2026 it traded at 19x EBITDA and 25x earnings; with the stock down to $115, those multiples have fallen by more than half.

SECTION 04

Management and capital allocation

Larry Ellison (Founder, Chairman and CTO)

You can't talk about Oracle without talking about Larry Ellison. The man is the company, the company is the man. At 82, he remains the largest shareholder (with approximately 40% of the shares), the greatest strategic asset, and the mastermind behind every significant move of the last five years.

Ellison grew up on the South Side of Chicago from poverty, attended college twice without graduating, and arrived in Silicon Valley in the 1960s with the ambition to build something big. What he built was the world's second-largest software company by revenue, with a personal fortune that, at some point during the Q3 results in September 2025, briefly made him the richest person on the planet.

His leadership style is direct, competitive to the point of aggression, with a tolerance for risk that sometimes unsettles Wall Street analysts. He owns the Hawaiian island of Lanai, competes in offshore sailing, and on earnings calls speaks with the conviction of someone unafraid to make extraordinarily ambitious predictions. In Q3 of FY2026, he projected that OCI would reach $144 billion in revenue by 2030. That was interpreted by some as exaggerated and by others as a vision that Ellison himself is determined to execute.

As CTO, Ellison leads product strategy and data architecture. His current obsession is to transform Oracle into the unified health record system for global healthcare: a platform where every patient's medical records worldwide are available to physicians and AI models that will accelerate the development of personalized drugs and therapies.

Clay Magouyrk (Co-CEO)

Magouyrk joined Oracle in 2014 directly from Amazon Web Services and was one of the key architects of OCI Gen2. He knows the cloud infrastructure business inside and out: he understands why AWS is where it is, and also where its weaknesses lie. In September 2025, when Safra Catz moved to an Executive Vice Chair role, he was promoted (along with Sicilia) to the position of CEO. His focus is on the infrastructure business, data center expansion, and relationships with major AI clients.

Mike Sicilia (Co-CEO)

Sicilia joined Oracle through the acquisition of Primavera Systems and built his career leading the company's vertical application businesses: healthcare, banking, communications, utilities, and hospitality. His signature has been the integration of AI agents into Oracle's industrial application suites, transforming enterprise management software into platforms that not only record data but also act upon it.

Safra Catz (Executive Vice Chair)

Catz led Oracle from 2014 (first as co-CEO alongside Mark Hurd and from 2019 as sole CEO) until September 2025. Born in Israel, she trained as an investment banker and joined Oracle in 1999. Her tenure was marked by financial discipline, the execution of major acquisitions (Cerner), and the stabilization of the business during the transition to the cloud. Her continued presence on the board as Executive Vice Chair alongside Ellison speaks volumes about how much the company values her.

SECTION 05

Competitive position

Industry and market size (TAM)

Oracle operates in multiple large and growing markets. The **cloud infrastructure** (IaaS) market is currently valued at around $250 billion annually and is growing at approximately 25% per year. By 2030, the most conservative projections place it above $600 billion. The **cloud ERP** (enterprise resource planning) market is estimated at $90-120 billion and is growing at 15% annually. The **healthcare IT market** is another $40-60 billion market and is undergoing rapid digitalization.

The most important catalyst for all these markets in the coming years is AI. Every company on the planet is trying to understand how to integrate AI language models and agents into its operations. Oracle, which owns both the infrastructure (OCI) and the enterprise applications (Fusion ERP, NetSuite, Oracle Health), is uniquely positioned to offer an integrated solution: the customer doesn't have to choose between the cloud and enterprise software; Oracle gives them both.

The moat: why customers don't leave

The concept of **switching cost** is central to understanding Oracle. Oracle databases have been storing the most critical data of the world's largest companies for decades: accounting records, customer data, inventories, medical records. Moving that information to another system is not only expensive in terms of licensing or technical migration. It's risky in a way that CIOs are simply unwilling to accept.

The magnitude of that lock-in is extraordinary. Oracle has over **40% market share in relational databases** . By 2024, it surpassed SAP as the world's largest enterprise ERP provider for the first time ever, with **$8.7 billion in ERP revenue** and a 6.6% share of the global market. That may seem small as a percentage, but in absolute terms, it's number one.

The multicloud strategy is another key element of the moat. Oracle has partnered with AWS, Azure, and Google Cloud to deploy Oracle Database directly within its competitors' data centers (**Oracle Database@Azure** , **Oracle Database@AWS** , **Oracle Database@Google Cloud**). This might seem contradictory (why help the competition?), but it's actually brilliant: Oracle continues to collect its database license fees even if the customer chooses a third-party cloud. And at the same time, it makes Oracle Cloud Interface (OCI) the easiest option for migrating the most demanding workloads.

Growth Drivers

1. The demand for AI infrastructure: Large language models continue to scale. Training GPT-5 or equivalent models requires tens of thousands of GPUs running in parallel for weeks. OCI is currently one of the few providers capable of delivering that scale with the required network latency.

2. Migration from on-premises to the cloud: Oracle has thousands of customers who still run their databases and ERP applications on their own servers. The pressure to migrate to the cloud (reduced operating costs, automatic updates, AI integration) is growing. Each migration means higher revenue

for Oracle Cloud.

3. Oracle Health as a healthcare data platform: Ellison's vision is to build a unified repository of clinical data that will enable AI models to accelerate drug discovery and improve diagnosis. If this project materializes within the next five years, Oracle Health could become one of the most valuable technology companies on the planet.

4. Geographic and sovereign expansion: Oracle Cloud@Customer enables the deployment of cloud infrastructure in countries and organizations that cannot export their data. This is a unique value proposition compared to North American hyperscalers, especially in Europe and Asia.

5. AI embedded in SaaS applications: Fusion and NetSuite are being equipped with AI agents that automate accounting, supply chain, and human resources processes. This gives them greater pricing capabilities and reduces churn.

Porter's Five Forces

Customer bargaining power: LOW/MEDIUM. Enterprise customers have low bargaining power once they are within the Oracle ecosystem. Migrating an Oracle database that has been running a company's critical processes for 15 years is a multi-year project with enormous operational risk. Bargaining power is somewhat higher in new OCI contracts, where customers can compare prices with AWS and Azure.

Supplier bargaining power: MEDIUM. Oracle relies on NVIDIA for GPUs in its data centers. NVIDIA's concentration in the AI chip market gives it considerable power. However, Oracle has signed long-term agreements and is developing relationships with alternative manufacturers (AMD, Intel) to reduce this dependence.

Threat of new entrants: LOW. Barriers to entry in the enterprise software and cloud infrastructure market are extremely high: decades of product development, billions in capital expenditures, a massive installed base, and deep institutional relationships. A startup cannot replace Oracle Database.

Threat of substitute products: MEDIUM. In databases, open-source products (PostgreSQL, MySQL) and NoSQL (MongoDB) have gained ground in modern applications. But for the most critical enterprise workloads, Oracle remains the standard. In the cloud, native services from AWS, Azure, and GCP compete with OCI.

Competitive rivalry: HIGH. In cloud infrastructure, competition with Amazon, Microsoft, and Google is intense. In ERP, SAP remains the major historical rival. But Oracle has the advantage of being able to compete on integrated layers that its competitors cannot easily replicate: infrastructure + database + enterprise applications in a single ecosystem.

SWOT Analysis

Strengths: Extensive installed customer base with exceptional switching costs. Leadership in enterprise databases (40% market share). Unique position at the intersection of cloud infrastructure and enterprise applications. OCI architecture designed for AI workloads. Competitive pricing (30-50% less than AWS). $638 billion backlog providing unparalleled visibility.

Weaknesses: High debt (over $100 billion). Negative free cash flow in FY2026 due to the investment cycle. OCI has only ~3% global cloud market share compared to AWS's 29%. The Cerner integration has not yet generated the expected returns. Dependence on on-premises revenues, which are in structural decline.

Opportunities: AI as a super-catalyst for cloud infrastructure demand. Migration of thousands of on-premises customers to the Oracle cloud. Oracle Health as a global health data platform. Sovereign expansion in Europe, the Middle East, and Asia. Multicloud as an entry point to OCI for AWS and Azure customers.

Threats: Slowdown in AI investment if the industry's capital expenditure cycle cools. Competition from Amazon, Microsoft, and Google with much larger financial resources. Dependence on NVIDIA for GPUs. Risk of execution issues in the accelerated construction of data centers. Potential regulatory problems regarding data concentration (especially in healthcare).

Main Competitors

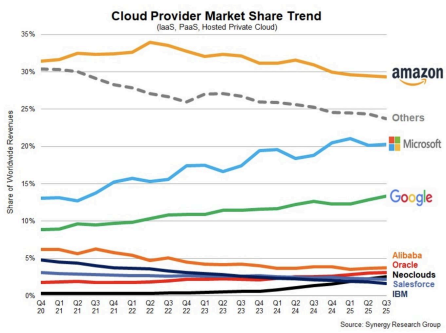
Amazon Web Services (AWS): The market leader in cloud infrastructure with approximately 29-30% global market share. Cloud revenue is around $105-115 billion over the past twelve months. AWS has the greatest depth of services, the largest developer community, and the largest number of enterprise customers. Its disadvantages compared to OCI are its higher price, network latency for intensive workloads, and data egress costs.

Microsoft Azure: The second largest in the market (~20% share), benefiting from integration with OpenAI and Microsoft 365 products. Oracle's relationship with Azure (Oracle Database@Azure) is unique: they are both competitors and partners. Azure grew by approximately 30% in the last year, primarily driven by demand for AI.

Google Cloud: Third in the market (~13% share) and the fastest growing among the Big Three. Google's competitive advantage lies in its expertise in AI/ML and its data ecosystem (BigQuery, Vertex AI). It also shares a competitor/partner dynamic with Oracle.

SAP: The long-standing rival in enterprise ERP. SAP has a massive installed base (over 400,000 customers in 190 countries) and has been running its own cloud migration with SAP S/4HANA for years. The Oracle vs. SAP ERP battle is one of the longest-running and most interesting in the enterprise world. Oracle surpassed SAP in ERP revenue for the first time in 2024.

Salesforce: A competitor in CRM and, increasingly, in enterprise AI platforms (Agentforce). It doesn't compete directly in databases or infrastructure, but it does compete in the SaaS application segment.



Source: Synergy Research Group.

SECTION 06

The bulls vs. the bears

What do the bulls say?

The first argument is the **backlog**: $664 billion of contracted revenue, more than seven times annual sales. Few companies in the world have that kind of visibility.

The second is the **core business**: databases, license support, Fusion and NetSuite generate recurring revenue with huge switching costs, funding much of the expansion.

The third is **price**: with the stock 60% below its highs, the market is already pricing in a very pessimistic scenario.

What do the bears say?

The first argument is **concentration**: a very large part of the backlog depends on OpenAI, a company that still loses money and needs enormous financing to meet its commitments.

The second is the **balance sheet**: net debt of more than 4x EBITDA, negative free cash flow for several years and share issuance that dilutes shareholders.

The third is the **profitability of AI infrastructure**: renting GPUs has much lower margins than software. Oracle is turning into a more capital-intensive and less profitable company than before.

SECTION 07

Valuation

I built a ten-year **discounted cash flow (DCF)** model with two methods for the terminal value: **perpetuity growth** and an **exit multiple on EBITDA**.

Model inputs and assumptions

2. Operating drivers by scenario (explicit forecast)															
Driver	**Δ vs Base**	**FY2024A**	**FY2025A**	**FY2026A**	**3Y avg**	**FY2027E**	**FY2028E**	**FY2029E**	**FY2030E**	**FY2031E**	**FY2032E**	**FY2033E**	**FY2034E**	**FY2035E**	**FY2036E**
Forecast year #						*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*
Revenue growth ▸ selected scenario		6.0%	8.4%	17.3%	**10.5%**	**34.0%**	**40.0%**	**35.0%**	**25.0%**	**15.0%**	**10.0%**	**8.0%**	**6.0%**	**5.0%**	**4.0%**
Best case	4.0%					38.0%	44.0%	39.0%	29.0%	19.0%	14.0%	12.0%	10.0%	9.0%	8.0%
Base case						34.0%	40.0%	35.0%	25.0%	15.0%	10.0%	8.0%	6.0%	5.0%	4.0%
Worst case	(8.0%)					26.0%	32.0%	27.0%	17.0%	7.0%	2.0%	–	(2.0%)	(3.0%)	(4.0%)
Gross margin ▸ selected scenario		71.4%	70.5%	65.8%	**69.2%**	**66.0%**	**60.0%**	**56.0%**	**54.0%**	**53.0%**	**53.0%**	**53.0%**	**53.0%**	**53.0%**	**53.0%**
Best case	2.0%					68.0%	62.0%	58.0%	56.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%
Base case						66.0%	60.0%	56.0%	54.0%	53.0%	53.0%	53.0%	53.0%	53.0%	53.0%
Worst case	(3.0%)					63.0%	57.0%	53.0%	51.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
EBIT margin ▸ selected scenario		29.8%	31.3%	33.2%	**31.4%**	**31.0%**	**29.0%**	**28.0%**	**27.0%**	**27.0%**	**27.0%**	**27.0%**	**27.0%**	**27.0%**	**27.0%**
Best case	3.0%					34.0%	32.0%	31.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Base case						31.0%	29.0%	28.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%
Worst case	(5.0%)					26.0%	24.0%	23.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%
Capex % of revenue ▸ selected scenario		13.0%	37.0%	82.6%	**44.2%**	**105.0%**	**80.0%**	**55.0%**	**38.0%**	**29.0%**	**24.0%**	**21.0%**	**19.0%**	**18.0%**	**17.0%**
Best case	(2.0%)					103.0%	78.0%	53.0%	36.0%	27.0%	22.0%	19.0%	17.0%	16.0%	15.0%
Base case						105.0%	80.0%	55.0%	38.0%	29.0%	24.0%	21.0%	19.0%	18.0%	17.0%
Worst case	3.0%					108.0%	83.0%	58.0%	41.0%	32.0%	27.0%	24.0%	22.0%	21.0%	20.0%

Source: author's analysis.

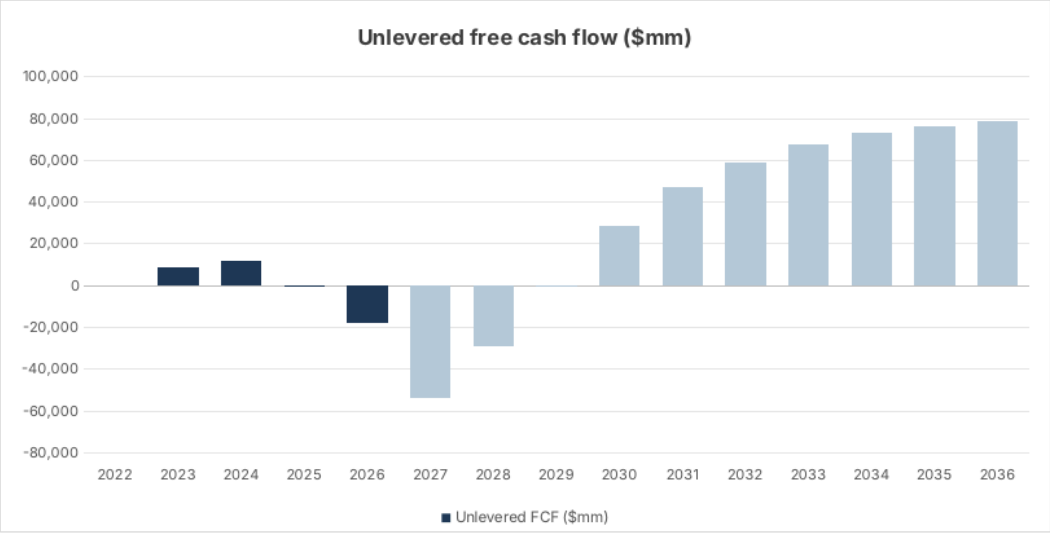
Revenue growth: in the Base Case sales grow 34% in FY2027 (the $90 billion of guidance), 40% in FY2028 and 35% in FY2029 as the backlog turns into revenue, and 25% in FY2030 (about $170 billion, below the long-term targets presented by management). Growth then slows to 4% in FY2036.

Margins: gross margin falls from 66% to 53% as cloud infrastructure gains weight in the mix, and EBIT margin stabilizes at 27%, below today's 33%. It is a bigger Oracle but a structurally less profitable one.

CapEx: the key assumption. I use 105% of sales in FY2027 (the $95 billion of guidance), 80% in FY2028 and 55% in FY2029, then a gradual decline to 17% of sales, a level that covers the replacement of the infrastructure. I use depreciation of 16% per year on fixed assets and a normalized tax rate of 19%.

What does each scenario mean?

- **Base Case:** Oracle converts most of the backlog into revenue, investment starts to ease from FY2029 and margins stabilize.
- **Best Case:** AI demand keeps exceeding supply and customers honor their contracts. It adds 4 points of growth, 3 points of EBIT margin and 2 points less CapEx.
- **Worst Case:** some large customers cannot meet their commitments, capacity is underused and infrastructure prices fall. It subtracts 8 points of growth and 5 points of EBIT margin, and adds 3 points of CapEx.



Source: author's analysis.

Discount rate (WACC)

5. Discount rate (WACC)		Value
Risk-free rate		4.9%
Equity beta (levered)	x	1.50
Equity risk premium		4.2%
Country risk premium		-
Cost of equity		11.2%
Pre-tax cost of debt		6.0%
Tax rate (debt tax shield)		19.0%
After-tax cost of debt		4.9%
Market value of equity	$ mm	330,797
Total debt	$ mm	167,432
Debt / (Debt + Equity)		33.6%
Equity / (Debt + Equity)		66.4%
WACC		9.1%

Source: author's analysis.

I use a 4.9% risk-free rate, a 4.2% equity risk premium and a beta of 1.5 (the five-year historical beta is 1.83, but it includes the stock's most volatile period). The result is a **cost of equity of 11.2%**. For debt I use a 6% pre-tax cost, reflecting today's higher credit risk. With a capital structure of 66% equity and 34% debt at market values, the **resulting WACC is 9.1%**.

To go from Enterprise Value to Equity Value I subtracted net debt of $133.8 billion. The diluted share count is 2,880 million.

Model results

PERPETUITY METHOD

With 2.5% perpetual growth and an 11% return on new invested capital, the model gives an Enterprise Value of $581.5 billion and an Equity Value of $447.7 billion, equivalent to **$155.45 per share**.

Oracle Corporation

ORCL · Discounted Cash Flow · Perpetuity Growth Method

Valuation date 6 Nov 2026 · USD mm · Scenario: Base Case

AZ STOCKS Acciones de la A a la Z

INTRINSIC VALUE PER SHARE

$155.45

Current share price	$114.86
Upside / (downside)	+35.3%

VALUATION SUMMARY

Enterprise value	581,487
Equity value	447,701
PV of forecast cash flows	190,176
PV of terminal value	391,311
Terminal value % of EV	67.3%
Implied exit EV / EBITDA	6.0x

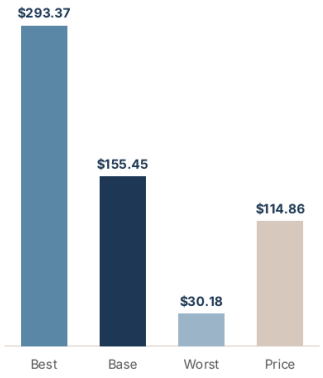
KEY ASSUMPTIONS

WACC (year 1)	9.1%
Terminal WACC	9.1%
Terminal growth (g)	2.5%
RONIC (terminal)	11.0%
Net debt & other claims	133,786
Diluted shares (mm)	2,880.0

SCENARIOS

Scenario	Terminal growth	Enterprise value	Equity value	Value per share	Upside
Best case	3.0%	978,700	844,914	**$293.37**	+155.4%
Base case	2.5%	581,487	447,701	**$155.45**	+35.3%
Worst case	2.0%	220,702	86,916	**$30.18**	(73.7%)
Current share price				*$114.86*	

VALUE PER SHARE VS. CURRENT PRICE



SENSITIVITY · VALUE PER SHARE

Terminal growth rate (g)

WACC / g	1.5%	2.0%	2.5%	3.0%	3.5%
8.1%	$190.41	$194.62	$199.60	$205.55	$212.80
8.6%	$169.48	$172.36	$175.70	$179.64	$184.37
9.1%	$151.37	$153.27	**$155.45**	$157.99	$160.99
9.6%	$135.56	$136.73	$138.08	$139.63	$141.43
10.1%	$121.63	$122.28	$123.01	$123.85	$124.81

Source: author's analysis.

In the Best Case the value is **$293.37** and in the Worst Case **$30.18**.

With a WACC half a point lower, the value rises to $176; with one half a point higher, it falls to $138.

EBITDA MULTIPLE METHOD

Applying a **9x** multiple to EBITDA in the last projected year of the Base Case (11x in the Best Case and 7x in the Worst Case), the model gives an Enterprise Value of $780.6 billion and a value of **$224.60 per share**.

Oracle Corporation

ORCL · Discounted Cash Flow · Exit Multiple Method

Valuation date 6 Nov 2026 · USD mm · Scenario: Base Case

AZ STOCKS Acciones de la A a la Z

INTRINSIC VALUE PER SHARE

$224.60

Current share price	$114.86
Upside / (downside)	+95.5%

VALUATION SUMMARY

Enterprise value	780,636
Equity value	646,850
PV of forecast cash flows	190,176
PV of terminal value	590,461
Terminal value % of EV	75.6%
Implied perpetual growth	3.1%

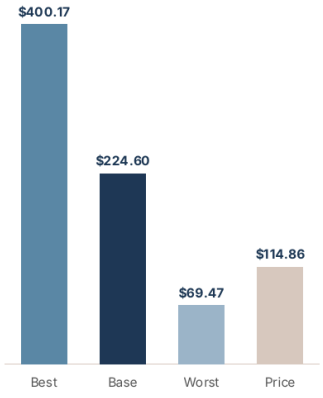
KEY ASSUMPTIONS

WACC (year 1)	9.1%
Terminal WACC	9.1%
Exit EV / EBITDA	9.0x
EBITDA, final forecast year	150,528
Net debt & other claims	133,786
Diluted shares (mm)	2,880.0

SCENARIOS

Scenario	Exit multiple	Enterprise value	Equity value	Value per share	Upside
Best case	11.0x	1,286,268	1,152,482	**$400.17**	+248.4%
Base case	9.0x	780,636	646,850	**$224.60**	+95.5%
Worst case	7.0x	333,847	200,061	**$69.47**	(39.5%)
Current share price				*$114.86*	

VALUE PER SHARE VS. CURRENT PRICE



SENSITIVITY · VALUE PER SHARE

Exit EV / EBITDA multiple

WACC / multiple	7.0x	8.0x	9.0x	10.0x	11.0x
8.1%	$198.71	$223.59	$248.47	$273.35	$298.23
8.6%	$188.65	$212.46	$236.26	$260.06	$283.87
9.1%	$179.04	$201.82	**$224.60**	$247.38	$270.16
9.6%	$169.86	$191.66	$213.46	$235.27	$257.07
10.1%	$161.08	$181.95	$202.83	$223.70	$244.58

Source: author's analysis.

I use a low multiple for a software company because the EBITDA of an infrastructure-heavy Oracle does not include the reinvestment needed to maintain the data centers. 9x implies 3.1% perpetual growth.

In the Best Case the value is **$400.17** and in the Worst Case **$69.47**.

Reading both methods together

Averaging both methods in the base case, I arrive at a **target price of $190 per share**, compared with a market price of $114.86. That is an upside of about 65%.

The perpetuity method, which I consider the more relevant because it starts from free cash flow after reinvestment, is also well above the current price ($155, +35%). But the spread is enormous: from $30 in the Worst Case to $400 in the Best Case. The risk of the thesis is not in the base case but in the probability of the bad scenario.

SECTION 08

Conclusion

Oracle is one of the most interesting stories in the market. A company that was written off several times, that arrived late to the cloud and that found in artificial intelligence a way to reinvent itself. The core business (databases, support, applications) is still excellent, with huge switching costs, and OCI is growing above 100%.

But today's Oracle is very different from the Oracle of three years ago. It is a company with CapEx larger than its revenue, negative free cash flow, more than $130 billion of net debt and a backlog highly concentrated in a few customers. The market has punished the stock hard for those risks.

My model gives a **target price of $190 per share**, an upside of about 65%. Unlike a few months ago, the current price offers a margin of safety above the 25% I consider necessary for a company with this level of execution risk.

At these levels, Oracle looks like an interesting opportunity for long-term investors who trust the company's execution and are willing to tolerate several years of high CapEx and volatility. In my case, I could consider adding it to my portfolio, although with a position that is not too large, at least until there is more evidence that CapEx is turning into sustainable free cash flow and that the big AI customers are honoring their contracts.

The most important signal to watch is simple: free cash flow turning positive around FY2029, as my base case assumes. If that happens, today's price will look very cheap. If it does not, the balance sheet becomes the center of the story.

Alan



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