Oracle Corp. (ORCL)

4QFY: Capacity ramp progressing; capital intensity and ROI still in focus

ORCL	12m Price Target: **$239.00**	Price: **$201.26**	Upside: **18.8%**

BUY

Gabriela Borges, CFA
+1(212)902-7839 | gabriela.borges@gs.com
Goldman Sachs & Co. LLC

Maura Hager
+1(212)9028724 | maura.hager@gs.com
Goldman Sachs & Co. LLC

Oracle is indicated down 10% post its 4QFY (May) report, with revenue in line with the Street. IaaS was 2% above (+93% yoy) and SaaS -1% below (+9% yoy, FactSet). Oracle maintained FY27 guidance of $90bn and introduced capex guidance of $90-95bn (or $70bn adjusted for customer prepayments, vs. Street at $72bn). The stock reaction is likely a function of the slimmer beat and higher headline capex (and associated funding needs), which reinforces concerns around duration and funding of the buildout. Management pointed to progress across its data center pipeline, with Abilene already partially delivered and an outline on the ramp trajectory across multiple Stargate sites that supports a near-term step-up in capacity and, ultimately, revenue conversion. We think the underlying funding is somewhat better than headline optics suggest, with ~$20-25B of customer prepayments and increasing use of BYOC structures reducing net cash outlay to ~$70B and shifting part of the capital burden to customers. **We believe key for the stock will be Oracle's ability to stay on pace with its capacity ramp, while demonstrating that incremental supply is translating into RPO conversion and ultimately gross profit.**

Key takeaways:

- **OCI capacity ramp is accelerating with buildout pipeline that supports a near-term step function in supply.** Abilene, Texas, the most advanced site, has already delivered 42% of total capacity, with another 35% within 90 days and the remainder through the next quarter, implying a near-term ramp in available compute. Beyond Abilene, Oracle is bringing multiple large-scale sites online across Shackelford (TX), Doña Ana County (NM), Saline (MI), and Port Washington (WI), with most of these entering delivery phases in 2027. Execution is tracking ahead of schedule in several cases, including early power availability in Texas and accelerated network deployment in

Key Data

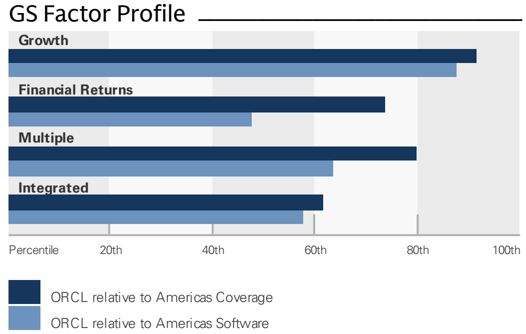
Market cap:	$608.5bn
Enterprise value:	$738.9bn
3m ADTV:	$4.8bn
	United States
	Americas Software
M&A Rank:	3

GS Forecast

	5/26	5/27E	5/28E	5/29E
Revenue ($ mn) New	**67,358.0**	**89,013.5**	**125,852.8**	**165,807.7**
Revenue ($ mn) Old	67,286.7	88,782.0	125,445.0	165,193.0
EBITDA ($ mn)	36,548.0	51,152.7	74,828.7	105,112.5
EBIT ($ mn)	28,925.0	34,240.1	47,141.1	65,318.7
EPS ($) New	**7.66**	**7.72**	**10.84**	**15.07**
EPS ($) Old	7.32	6.09	10.59	14.81
P/E (X)	27.4	26.1	18.6	13.4
Dividend yield (%)	1.0	1.1	1.3	1.3
Net debt/EBITDA (X)	2.7	2.6	2.2	1.6

	5/26	8/26E	11/26E	2/27E
EPS ($)	2.14	1.64	1.77	2.02

GS Factor Profile



Source: Company data, Goldman Sachs Research estimates. See disclosures for details.

BUY

Oracle Corp. (ORCL)

Rating since Jan 11, 2026

Ratios & Valuation

	5/26	5/27E	5/28E	5/29E
P/E (X)	27.4	26.1	18.6	13.4
EV/EBITDA (X)	19.2	13.9	10.1	7.3
EV/sales (X)	10.4	8.0	6.0	4.6
FCF yield (%)	(3.9)	(7.9)	(4.2)	0.8
EV/DACF (X)	23.0	16.3	11.6	8.4
CROCI (%)	20.7	20.7	21.8	22.8
ROE (%)	70.3	36.8	34.7	36.3
Net debt/EBITDA (X)	2.7	2.6	2.2	1.6
Net debt/equity (%)	228.2	163.4	154.4	115.1
Interest cover (X)	6.3	5.8	6.8	7.5
Inventory days	–	–	–	–
Receivable days	51.3	50.0	49.7	52.1
Days payable outstanding	132.5	113.2	95.5	70.2

Growth & Margins (%)

	5/26	5/27E	5/28E	5/29E
Total revenue growth	17.4	32.1	41.4	31.7
EBITDA growth	22.5	35.8	45.6	40.0
EPS growth	27.1	0.7	40.4	39.0
DPS growth	19.0	6.5	17.4	6.5
Gross margin	67.1	56.7	50.8	49.8
EBIT margin	42.9	38.5	37.5	39.4

Price Performance

	3m	6m	12m
Absolute	34.7%	(9.8)%	13.4%
Rel. to the S&P 500	25.7%	(14.5)%	(5.8)%

Source: FactSet. Price as of 10 Jun 2026 close.

Income Statement ($ mn)

	5/26	5/27E	5/28E	5/29E
Total revenue	67,358.0	89,013.5	125,852.8	165,807.7
Cost of goods sold	(22,162.0)	(38,566.0)	(61,951.8)	(83,154.0)
SG&A	(8,804.0)	(8,591.0)	(8,762.8)	(8,938.1)
R&D	(7,467.0)	(7,616.3)	(7,997.2)	(8,397.0)
Other operating inc./(exp.)	–	–	–	–
EBITDA	**38,219.0**	**51,882.6**	**75,520.9**	**105,734.3**
Depreciation & amortization	(9,294.0)	(17,642.5)	(28,379.8)	(40,415.6)
EBIT	**28,925.0**	**34,240.1**	**47,141.1**	**65,318.7**
Net interest inc./(exp.)	(4,598.0)	(5,941.8)	(6,954.3)	(8,703.9)
Income/(loss) from associates	–	–	–	–
Pre-tax profit	**27,875.0**	**28,298.3**	**40,186.7**	**56,614.8**
Provision for taxes	(5,537.0)	(5,659.7)	(8,037.3)	(11,323.0)
Minority interest	–	–	–	–
Preferred dividends	–	–	–	–
Net inc. (pre-exceptionals)	**22,338.0**	**22,638.6**	**32,149.4**	**45,291.8**
Net inc. (post-exceptionals)	**17,087.0**	**17,439.4**	**25,694.4**	**37,568.9**
EPS (basic, pre-except) ($)	**7.81**	**7.82**	**10.98**	**15.25**
EPS (diluted, pre-except) ($)	**7.66**	**7.72**	**10.84**	**15.07**
EPS (ex-ESO exp., dil.) ($)	**--**	**--**	**--**	**--**
DPS ($)	2.02	2.15	2.53	2.69
Div. payout ratio (%)	25.9	27.6	23.0	17.7
Wtd avg shares out. (basic) (mn)	2,860.5	2,895.5	2,929.0	2,969.2
Wtd avg shares out. (diluted) (mn)	2,914.5	2,932.5	2,966.0	3,006.2

Balance Sheet ($ mn)

	5/26	5/27E	5/28E	5/29E
Cash & cash equivalents	31,289.0	19,083.4	15,664.7	12,702.5
Accounts receivable	10,385.0	14,010.9	20,268.1	27,061.1
Inventory	–	–	–	–
Other current assets	4,893.0	5,613.7	7,476.1	9,279.2
Total current assets	**46,567.0**	**38,707.9**	**43,409.0**	**49,042.8**
Net PP&E	99,957.0	175,556.3	242,500.2	289,767.3
Net intangibles	65,490.0	64,760.1	64,067.9	63,446.1
Total investments	0.0	0.0	0.0	0.0
Other long-term assets	49,745.0	65,672.0	89,846.7	96,523.1
Total assets	**261,759.0**	**344,696.4**	**439,823.8**	**498,779.3**
Accounts payable	10,977.0	12,941.0	19,469.2	12,497.4
Short-term debt	7,199.0	7,199.0	7,199.0	7,199.0
Current lease liabilities	–	–	–	–
Other current liabilities	23,588.0	51,001.9	82,152.9	104,204.7
Total current liabilities	**41,764.0**	**71,141.9**	**108,821.2**	**123,901.1**
Long-term debt	122,342.0	142,342.0	171,342.0	171,342.0
Non-current lease liabilities	26,648.0	26,648.0	26,648.0	26,648.0
Other long-term liabilities	27,949.0	24,712.0	27,496.2	32,766.6
Total long-term liabilities	**176,939.0**	**193,702.0**	**225,486.2**	**230,756.6**
Total liabilities	**218,703.0**	**264,843.9**	**334,307.3**	**354,657.7**
Preferred shares	–	–	–	–
Total common equity	**43,056.0**	**79,852.5**	**105,516.5**	**144,121.6**
Minority interest	0.0	–	–	–
Total liabilities & equity	**261,759.0**	**344,696.4**	**439,823.8**	**498,779.3**
BVPS ($)	15.05	27.58	36.02	48.54

Cash Flow ($ mn)

	5/26	5/27E	5/28E	5/29E
Net income	17,087.0	17,439.4	25,694.4	37,568.9
D&A add-back	9,294.0	17,642.5	28,379.8	40,415.6
Minority interest add-back	–	–	–	–
Net (inc)/dec working capital	4,135.0	5,867.3	8,169.0	5,077.9
Others	1,461.0	5,594.1	7,376.5	9,031.9
Cash flow from operations	**31,977.0**	**46,543.3**	**69,619.8**	**92,094.4**
Capital expenditures	(55,663.0)	(92,511.9)	(94,631.5)	(87,060.9)
Acquisitions	–	–	–	–
Divestitures	–	–	–	–
Others	3,809.0	–	–	–
Cash flow from investing	**(51,854.0)**	**(92,511.9)**	**(94,631.5)**	**(87,060.9)**
Dividends paid	(5,787.0)	(6,237.0)	(7,406.9)	(7,995.6)
Share issuance/(repurchase)	1,243.0	20,000.0	0.0	–
Inc/(dec) in debt	36,866.0	20,000.0	29,000.0	0.0
Others	8,058.0	–	–	–
Cash flow from financing	**40,380.0**	**33,763.0**	**21,593.1**	**(7,995.6)**
Total cash flow	**20,503.0**	**(12,205.6)**	**(3,418.6)**	**(2,962.2)**
Free cash flow	(23,686.0)	(45,968.6)	(25,011.7)	5,033.4
Free cash flow per share (basic) ($)	(8.28)	(15.88)	(8.54)	1.70

Source: Company data, Goldman Sachs Research estimates.

Michigan, reinforcing management's confidence in an increasing delivery cadence. This rollout is part of a broader capacity expansion where Oracle delivered over 1.2GW in FY26 and expects roughly 1GW of incremental capacity in Q1 FY27, signaling a materially faster pace of infrastructure deployment.

- **Capital intensity remains elevated and management is increasingly leveraging customer funding structures.** Oracle reported a FY26 net cash outlay for capital expenditures of $48B (vs. stated capex of $56bn, with the delta driven primarily by customer prepayments); and guided to $90-95bn of reported capex and $70B in FY27 net cash outlay reflecting $20-25bn of customer prepayments, which effectively reduce the company's funding requirement. These funding structures allow Oracle to collect cash upfront and deploy less balance sheet capital. For the balance sheet capital, Oracle expects to raise $40bn in FY27 through a mix of debt and equity, including a previously announced $20bn ATM equity issuance, while not anticipating additional debt raises in calendar 2026. At maturity, management sees these projects generating ROIC in the high 20% range, with potential upside from more favorable contract structures such as prepaid or customer-funded hardware. Management expects FY27/FY28 to be peak years of capex, trending downward in FY29 and beyond.
- **RPO reached $638B, up 363% yoy, with increasing diversification across large customers.** This backlog is supported by large-scale AI infrastructure contracts, including $67bn signed in the quarter and a total of $75bn in combined prepaid or BYOC agreements. Customer concentration is broadening, with 4 customers committing to $8bn+ in the quarter. Global GPU utilization rate was 97.5%.
- **Margin pressure expected from data center ramp.** Oracle's gross margin declined 5pp in FY26, and management guided to continued gross margin pressure in FY27 as new data centers come online and scale toward full utilization, but emphasized that margins should improve as contractual revenue ramps to steady state (towards the previously disclosed target of 30-40%). Operating leverage is offsetting some of this pressure, with opex expected to decline next year. Prepaid/BYOC contracts have no degradation in margin compared to other contracts.
- **Beyond AI infrastructure, Oracle continues to see growth across SaaS and database, supported by pricing innovation and embedded AI.** SaaS grew 9% in the quarter (11% FY26, up from 10% in FY25), with SaaS deferred revenue +16% indicating forward demand visibility. On pricing, Oracle is introducing new agentic consumption models, including token-based pricing and outcome-based pricing tied directly to customer value, which aims to simplify adoption and align spend with realized business outcomes. In database, revenue was +29% with multicloud revenue +400% and bookings +300%+, reflecting early-stage but accelerating adoption as customers deploy Oracle databases across multiple cloud environments. We believe the database footprint remains critical as AI inference scales.

Earnings Recap

Exhibit 1: 4Q26 Actuals vs. Estimates

$ millions, unless specified	Actual	GSe	4Q26A Street	Actual vs GSe	Actual vs Street
SaaS (Back Office Cloud + Other Cloud)	$4,126	$4,193	$4,178	-1.6%	-1.2%
%yoy	*10%*	*12%*	*12%*		
Infrastructure Cloud (IaaS)	$5,787	$5,750	$5,696	0.6%	1.6%
%yoy	*93%*	*92%*	*90%*		
Cloud Services	$9,913	$9,943	$9,998	-0.3%	-0.8%
%yoy	*47%*	*48%*	*48%*		
Total Revenue	$19,184	$19,113	$19,096	0.4%	0.5%
% yoy	*21%*	*20%*	*20%*		
Operating Income	$8,590	$7,778	$8,292	10.4%	3.6%
% margin	*45%*	*41%*	*43%*		
%yoy	*22%*	*11%*	*18%*		
Earnings Per Share	$2.14	$1.80	$1.97	19.1%	8.8%
%yoy	*26%*	*6%*	*16%*		
Capital Expenditures	$16,493	$12,712	$11,737	29.7%	40.5%
% margin	*86%*	*67%*	*61%*		
%yoy	*282%*	*240%*	*229%*		
Reported RPO	$638,000		$592,519		7.7%
%yoy	*362%*		*329%*		

Source: FactSet, Company data, Goldman Sachs Global Investment Research

Valuation and Key Risks

We maintain our Buy rating. Our FY27-29 EPS estimates move higher reflecting the revised guidance. We raise our 12-month price target to $239 (from $228), based on 18x (maintained) Oracle's 2030E adjusted net income, discounted back to SNTM (Q5-Q8) to be consistent with our broader coverage framework.

Key risks include customer concentration risk, timing and execution of the data center build-outs, intense capex investment cycle, and accelerating share losses in the database/SaaS market.