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Oracle Corporation (ORCL.K)

Lands AI Capacity And Clears Runway to Investor Day

CITI'S TAKE

ORCL delivered a solid FQ1 that checked nearly every box and reinforces the bull case heading into Investor Day. Cloud revenue accelerated meaningfully as roughly 850MW of capacity deliveries drove IaaS growth of 120%, while SaaS growth also improved, moving back above 10%. Bookings remained robust, highlighted by $40B of new RPO capacity that does not require incremental financing. Management also confirmed completion of the previously announced $20B ATM issuance, consistent with our expectations entering the quarter. While the FY27 outlook update was modest, with the $90B revenue target largely reiterated and EPS guidance raised only $0.05 to $8.10, we continue to view management's framework as conservative. Given the magnitude of FQ1 outperformance, we see a favorable setup for upward revisions at Investor Day and AI World. We reiterate our Buy rating, Positive Catalyst Watch, and $330 (~30x FY28 PE) target price on modestly higher estimates.

Buy	
Catalyst Watch: Upside, expires 24-NOV-26	
Price (10 Sep 26 16:00)	US$152.94
Target price	US$330.00
Expected share price return	115.8%
Expected dividend yield	1.0%
Expected total return	116.8%
Market Cap	US$440,539M

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OCI continues to accelerate, RPO Growth Remains Balanced — Total revenue of $19.3B grew 30% y/y cc, ahead of consensus estimates of 28% y/y cc, while total cloud revenue accelerated to 61% y/y cc beating consensus by 1 pt and in line with our estimates. OCI revenue reached $7.4B, and accelerated 29 pts to +121% y/y/120% cc. SaaS Apps grew +10% y/y cc which missed citi/consensus estimates by ~1 pt but did accelerate 1pt vs. last Q. Software license revenue declined 3% to $5.6B as customer migrations to cloud continued. Operating margins were ~42% vs. citi/consensus estimates 41.5%/40.6% while EPS grew 30% to $1.92 which was 9/11 pts surprise to citi/consensus estimates. OCF was $23.1B (+184% y/y) while FCF remained negative $5.4B. as ORCL continued investing heavily in datacenter capacity. 2Q CapEx totaled to $28.5B (+235% y/y) which was well above citi/consensus growth expectations of +115/111%. RPO grew +209% Y/Y seeing a $26Bn increase Q/Q with management disclosing more than $30B of new AI cloud contracts booked during 1Q. Oracle delivered more than 300,000 GPUs during the quarter while adding 850MW of datacenter capacity and older GPUs seeing 20% premium on renewed and resold contracts. Roughly Half of RPO is expected to flow into revenue over the next 36 months with RPO conversion to revenue expected to

EPS (US$)	Q1	Q2	Q3	Q4	FY	FC Cons	VA Cons
2026A	1.47A	2.26A	1.79A	2.11A	7.64A	7.63A	7.63A
2027E	**1.95A**	**1.90E**	**2.06E**	**2.34E**	**8.25E**	**8.07E**	**8.05E**
Previous	1.81E	1.95E	2.12E	2.39E	8.26E	na	na
2028E	**2.27E**	**2.48E**	**2.82E**	**3.35E**	**10.92E**	**10.98E**	**11.04E**
Previous	2.18E	2.54E	2.90E	3.43E	11.05E	na	na
2029E	**3.47E**	**3.77E**	**4.14E**	**4.66E**	**16.03E**	**15.56E**	**15.68E**
Previous	3.47E	3.92E	4.27E	4.73E	16.39E	na	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus. VA Cons: Visible Alpha Consensus.
Click here for Visible Alpha consensus data

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations

accelerate. Multicloud DB cloud grew 353% y/y and multicloud customers grew 180% y/y with multicloud DB regions reaching 70. They also completed their $20B At-the-market equity issuance in Q1.

Guidance Largely Reiterated, Expect Long-term Updates at Analyst Day — Q2 total revenue is expected to grow 30-34% y/y which is generally in-line with consensus expectations and Q2 cloud revenue is expected to grow between 67% y/y cc at the midpoint which was 3 pts above street expectations . 2Q EPS is expected to be $1.87 at the mid-point which missed consensus $1.89. FY27 total revenue is expected to be at least $90B or +34% y/y growth (prior language was at $90B) with EPS of $8.10 (prior was $8.05). Capex remains at $90-95Bn with no more than $70B net cash CapEx. We expect management to give updates to long-term targets at their Analyst Day hosted at Oracle AI World in Las Vegas.

Estimate Changes — We are largely keeping our top and bottom-line estimates unchanged following the reiteration of FY27 guide of at least $90B and F2Q guide in-line with expectations. We raise our FY29-FY30 Infrastructure estimates by ~$5B given the incremental RPO this Q. Our EPS decreases slightly driven incremental share count from the ATM issuance. We are modeling a 4-YR CAGR for Cloud revenue and EPS growth of 57% and 30%, respectively. Our target price remains unchanged at $330 on slightly lower FY28 EPS of $10.92, implying ~30x PE.

ORCL.K: Fiscal year end 31-May

Price: US$152.94; TP: US$330.00; Market Cap: US$440,539m; Recomm: Buy

Profit & Loss (US$m)	2025	2026	2027E	2028E	2029E
Sales revenue	57,399	67,358	90,411	129,992	186,680
Cost of sales	-16,926	-23,022	-38,816	-64,453	-98,547
Gross profit	40,473	44,336	51,596	65,539	88,133
Gross Margin (%)	70.5	65.8	57.1	50.4	47.2
EBITDA (Adj)	**31,208**	**38,219**	**61,906**	**90,236**	**125,383**
EBITDA Margin (Adj) (%)	54.4	56.7	68.5	69.4	67.2
Depreciation	-3,867	-7,623	-24,442	-39,105	-51,820
Amortisation	-2,307	-1,671	-808	-635	-561
EBIT (Adj)	**25,034**	**28,925**	**36,656**	**50,497**	**73,002**
EBIT Margin (Adj) (%)	43.6	42.9	40.5	38.8	39.1
Net interest	-3,578	-4,598	-6,689	-10,207	-13,639
Associates	0	0	0	0	0
Non-Op/Except/Other Adj	-7,298	-4,772	-4,571	-4,093	-4,173
Pre-tax profit	**14,158**	**19,555**	**25,396**	**36,197**	**55,190**
Tax	-1,715	-2,468	-3,837	-6,877	-10,486
Extraord./Min.Int./Pref.div.	0	0	0	0	0
Reported net profit	**12,443**	**17,087**	**21,560**	**29,320**	**44,704**
Net Margin (%)	21.7	25.4	23.8	22.6	23.9
Core NPAT	17,283	22,257	24,794	33,024	48,365

Per share data	2025	2026	2027E	2028E	2029E
Reported EPS ($)	4.34	5.86	7.17	9.70	14.82
Core EPS ($)	6.03	7.64	8.25	10.92	16.03
DPS ($)	1.65	1.99	1.49	1.29	1.29
CFPS ($)	7.26	10.97	21.65	27.97	34.41
FCFPS ($)	-0.14	-8.13	-9.69	-7.44	-0.96
BVPS ($)	7.16	14.85	27.56	32.81	48.77
Wtd avg ord shares (m)	2,789	2,861	2,972	2,989	2,982
Wtd avg diluted shares (m)	2,866	2,915	3,006	3,023	3,017

Growth rates	2025	2026	2027E	2028E	2029E
Sales revenue (%)	8.4	17.4	34.2	43.8	43.6
EBIT (Adj) (%)	8.6	15.5	26.7	37.8	44.6
Core NPAT (%)	10.0	28.8	11.4	33.2	46.5
Core EPS (%)	8.4	26.6	8.0	32.4	46.8

Balance Sheet (US$m)	2025	2026	2027E	2028E	2029E
Cash & cash equiv.	11,203	31,894	27,945	16,550	3,245
Accounts receivables	8,558	10,385	13,741	12,482	14,533
Inventory	0	0	0	0	0
Net fixed & other tangibles	76,988	141,390	224,590	300,812	361,314
Goodwill & intangibles	66,794	73,802	73,286	72,651	72,090
Financial & other assets	4,818	4,288	6,803	4,822	6,723
Total assets	**168,361**	**261,759**	**346,364**	**407,317**	**457,905**
Accounts payable	5,113	10,977	9,607	10,819	10,989
Short-term debt	7,271	7,199	7,625	7,625	7,625
Long-term debt	85,297	122,342	135,212	150,212	145,712
Provisions & other liab	49,711	78,185	111,371	139,637	147,509
Total liabilities	**147,392**	**218,703**	**263,816**	**308,292**	**311,835**
Shareholders' equity	20,451	43,056	82,549	99,025	146,071
Minority interests	518	0	0	0	0
Total equity	**20,969**	**43,056**	**82,549**	**99,025**	**146,071**
Net debt (Adj)	**81,365**	**97,647**	**114,892**	**141,287**	**150,092**
Net debt to equity (Adj) (%)	388.0	226.8	139.2	142.7	102.8

Valuation ratios	2025	2026	2027E	2028E	2029E
PE (x)	25.4	20.0	18.5	14.0	9.5
PB (x)	21.4	10.3	5.5	4.7	3.1
EV/EBITDA (x)	16.9	14.1	8.9	6.4	4.7
FCF yield (%)	-0.1	-5.3	-6.3	-4.9	-0.6
Dividend yield (%)	1.1	1.3	1.0	0.8	0.8
Payout ratio (%)	27	26	18	12	8
ROE (%)	85.4	53.8	34.3	32.3	36.5

Cashflow (US$m)	2025	2026	2027E	2028E	2029E
EBITDA	24,151	31,683	56,965	85,662	120,863
Working capital	-1,500	4,135	14,253	11,612	2,798
Other	-1,830	-3,841	-6,139	-12,710	-19,857
Operating cashflow	**20,821**	**31,977**	**65,079**	**84,564**	**103,804**
Capex	-21,215	-55,663	-94,199	-107,061	-106,714
Net acq/disposals	0	0	0	0	0
Other	-496	3,809	69	0	0
Investing cashflow	**-21,711**	**-51,854**	**-94,130**	**-107,061**	**-106,714**
Dividends paid	-4,743	-5,787	-4,473	-3,898	-3,895
Financing cashflow	**1,098**	**40,284**	**27,945**	**11,102**	**-10,395**
Net change in cash	**332**	**20,503**	**-1,095**	**-11,395**	**-13,305**
Free cashflow to s/holders	**-394**	**-23,686**	**-29,121**	**-22,497**	**-2,910**

For definitions of the items in this table, please click here.

Additional Takeaways from 4Q26

Capacity Deployment / Outdelivery

- Upside is a function of either delivering more capacity than originally planned or bringing capacity online faster than expected.
- Power remains the key bottleneck, and the organization is focused on accelerating installation timelines wherever possible.
- The company maintains a detailed deployment waterfall and continues to see opportunities for capacity acceleration throughout FY27.
- Execution against deployment schedules remains one of the most important variables for near-term upside.

Margin Structure & Profitability

- Some newly deployed capacity is still ramping and therefore currently operates below steady-state margins.
- Business mix is also evolving as Oracle pursues multiple deployment and commercial models.
- Contractual margin profiles continue to track at or above expectations, including opportunities involving bring-your-own-compute arrangements.

CapEx Trends & Financing

- Management discouraged investors from focusing heavily on quarterly CapEx fluctuations.
- Oracle remains on track to achieve its previously communicated $90B-$95B annual CapEx target.
- Approximately $20B of incremental financing capacity remains expected for the remainder of the fiscal year.

Agentic AI & Application Adoption

- Oracle believes recent Agentic AI announcements could accelerate application adoption.
- Management views these innovations as potential catalysts for increased application demand and customer conversions.

Revenue per GW Economics

- Management remains comfortable with FY27 revenue objectives despite ongoing debate around monetization assumptions.
- Revenue per GW can move higher when more capable and expensive hardware configurations are deployed. Conversely, lower-cost deployments may generate less revenue per GW. Hardware mix therefore remains an important determinant of future monetization levels.
- Current capacity coming online was described positively from an economics standpoint.

Hardware Durability & Useful Life

- Management argued that investors materially underestimate hardware useful lives.
- OCI customers continue utilizing compute infrastructure that is 8-9 years old.
- Optimization generally increases the value of existing equipment rather than replacing it.

VA Opportunity

- The company referenced both its federal enclave initiatives and the expanding VA rollout.
- Management characterized the VA deployment opportunity as significant and increasingly important to growth.

Vera Rubin

- Early feedback on NVIDIA's Vera Rubin platform has been encouraging.
- While these systems require substantial power and infrastructure investment, initial operating metrics appear favorable.
- Early quality and performance indicators have exceeded expectations.

Guidance Philosophy

- The goal is to provide targets that are achievable while accurately reflecting business conditions.

AI Contract Backlog

- The portfolio continues to broaden across customers, workloads, and deployment locations.
- When particular jurisdictions become difficult to build in, Oracle can redirect investment elsewhere.
- Most AI workloads remain location agnostic, allowing Oracle substantial flexibility in infrastructure planning.

Figure 1. F'1Q27 Results vs Citi Consensus Expectations

(in millions, USD)

	F1Q'27						Surprise			
	Actual	Estimates		Guidance (USD)			vs Citi		vs Street	
		Citi	Street	Low	Mid	High	$	%	$	%
Software License	**655**	**711**	**716**	-	-	-	**(56)**	-8%	**(61)**	-8%
y/y (%)	*(14%)*	*(7%)*	*(7%)*							
y/y cc (%)	*(14%)*	*(7%)*	-							
Total Cloud	**11,607**	**11,588**	**11,367**	**11,354**	**11,569**	**11,785**	**19**	0%	**240**	2%
y/y (%)	*62%*	*61%*	*58%*	*58%*	*61%*	*64%*				
y/y cc (%)	*61%*	*61%*	*60%*	*57%*	*60%*	*63%*				
Infrastructure	**7,388**	**7,346**	**7,207**				**42**	1%	**181**	3%
y/y (%)	*121%*	*119%*	*115%*							
y/y cc (%)	*120%*	*120%*	*117%*							
Applications	**4,219**	**4,242**	**4,258**				**(23)**	-1%	**(39)**	-1%
y/y (%)	*10%*	*10%*	*11%*							
y/y cc (%)	*10%*	*11%*	*11%*							
Total Revenue (non-GAAP)	**19,345**	**19,153**	**19,131**	**18,956**	**19,105**	**19,255**	**192**	1%	**214**	1%
y/y (%)	*30%*	*28%*	*28%*	*27%*	*28%*	*29%*				
y/y cc (%)	*30%*	*28%*	*28%*							
Total Gross Margin	**61.0%**	**60.7%**	**61.9%**					56 bps		-147 bps
Operating Income	**8,151**	**7,952**	**7,775**				**199**	3%	**376**	5%
y/y (%)	*31%*	*28%*	*25%*							
Operating Margin	**42.1%**	**41.5%**	**40.6%**					148 bps		368 bps
EPS (non-GAAP)	**$1.95**	**$1.81**	**$1.73**	**$1.72**	**$1.74**	**$1.76**	**$0.14**	8%	**$0.22**	12%
y/y (%)	*32%*	*23%*	*18%*	*16.8%*	*18.2%*	*19.5%*				
Free Cash Flow	**(5,396)**	**1,050**	**(9,658)**				**(6,446)**	-614%	**4,262**	-44%
CapEx	**28,499**	**18,304**	**17,948**				**10,195**	56%	**10,551**	59%
y/y (%)	*235%*	*115%*	*111%*							
Remaining Performance Obligation	**664,000**	**660,185**	**639,892**				**3,815**	1%	**24,108**	4%
y/y (%)	*46%*	*45%*	*41%*							

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Source: Citi Research, Company Reports, FactSet

Figure 2. F'2Q27 Citi Estimates & Expectations vs. Consensus Expectations

(in millions, USD)

	F2Q27						Variance Citi After				F2Q27
	Street	Citi		Guidance (USD)			vs. Before		vs Street		Comments
		Before	After	Low	Mid	High	$	%	$	%	
Software License	**928**	961	**958**	-	-	-	**(3)**	0%	**30**	3%	
y/y (%)	*(1.2%)*	*2.3%*	*2.0%*								
y/y cc (%)	-	*(2.0%)*	*(2.0%)*								
Total Cloud (IaaS + SaaS)	**13,016**	13,369	**13,383**	**13,162**	**13,401**	**13,641**	**14**	0%	**367**	3%	
y/y (%)	*63%*	*68%*	*68%*	*65%*	*68%*	*71%*					
y/y cc (%)	*65%*	*67%*	*67%*	*64%*	*67%*	*70%*					
Infrastructure	**8,829**	9,033	**9,069**				**36**	0%	**240**	3%	
y/y (%)	*116%*	*121%*	*122%*								
Applications	**4,323**	4,336	**4,314**				**(22)**	-1%	**(9)**	0%	
y/y (%)	*11%*	*11%*	*11%*								
Total Revenue (non-GAAP)	**21,176**	21,399	**21,399**	**20,875**	**21,197**	**21,518**	**(0)**	0.0%	**223**	1%	FX Tailwind of ~ 1%
y/y (%)	*32%*	*33.3%*	*33.3%*	*30%*	*32%*	*34%*					
Total Gross Margin	**60.5%**	58.3%	**58.4%**					11 bps		-361 bps	
Operating Income	**8,522**	8,626	**8,639**				**13**	0%	**117**	1%	
y/y (%)	*27%*	*28%*	*29%*								
Operating Margin	**40.2%**	40.3%	**40.4%**					15 bps		32 bps	
EPS (non-GAAP)	**$1.89**	$1.95	**$1.90**	**$1.83**	**$1.87**	**$1.91**	**($0.05)**	-3%	**$0.01**	1%	$0.03 FX Tailwind
y/y (%)	*-16%*	*-13%*	*-16%*	*(19.0%)*	*(17.2%)*	*(15.4%)*					
Cash Flow from Operations	**6,785**	13,200	**12,656**	-	-	-	**(545)**	-4%	**5,871**	87%	
y/y (%)	*228%*	*539%*	*513%*								
Free Cash Flow	**(15,587)**	(12,711)	**(7,494)**				**5,217**	-41%	**8,093**	-52%	
CapEx	**14,878**	25,911	**20,150**	-	-	-	**(5,761)**	-22%	**5,272**	35%	
y/y (%)	*24%*	*115%*	*67%*								
Remaining Performance Obligation	**677,004**	706,050	**706,050**				**-**	0%	**29,046**	4%	
y/y (%)	*29%*	*35%*	*35%*								

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Source: Citi Research, Company Reports, FactSet

Figure 3. FY27 Citi Estimates & Expectations vs. Consensus Expectations

(in millions, USD)

	FY'27						Variance Citi After				FY'27
	Street	Citi		Guidance			vs. Before		vs Street		Comments
		Before	After	Low	Mid	High	$	%	$	%	
Total Cloud (IaaS + SaaS)	**55,692**	57,652	**57,695**				**43**	0%	**2,004**	4%	
y/y (%)	*63.8%*	*69.6%*	*69.7%*								
Infrastructure	**39,094**	39,964	**40,087**				**123**	0%	**993**	3%	Infra should continue to accelerate QoQ
y/y (%)	*116.0%*	*120.8%*	*121.5%*								
Applications	**17,629**	17,688	**17,608**				**(80)**	0%	**(21)**	0%	
y/y (%)	*11.0%*	*11.3%*	*10.8%*								
Total Revenue (non-GAAP)	**89,636**	90,186	**90,411**		**90,000**		**225**	0%	**775**	1%	
y/y (%)	*33.1%*	*33.9%*	*34.2%*		*34%*						
y/y cc (%)	*14.0%*	*33.8%*	*34.3%*								
Total Gross Margin	**59.8%**	57.2%	**57.3%**					28 bps		-413 bps	
Operating Income	**36,026**	36,365	**36,656**		-		**291**	1%	**630**	2%	
y/y (%)	*24.5%*	*25.7%*	*26.7%*								
Operating Margin	**40.2%**	40.3%	**40.5%**		-			55 bps		88 bps	
EPS (non-GAAP)	$8.06	$8.27	**$8.25**		**$8.10**		**($0.02)**	0%	**$0.19**	2%	
y/y (%)	*5.5%*	*8.3%*	*8.0%*								
Cash Flow from Operations	**42,819**	54,975	**65,079**		-		**10,104**	18%	**22,260**	52%	
y/y (%)	*33.9%*	*71.9%*	*103.5%*								
Free Cash Flow	**(47,986)**	(37,657)	**(29,121)**		-		**8,537**	-23%	**18,865**	-39%	
CapEx	**90,804**	92,633	**94,199**				**1,567**	2%	**3,395**	4%	Total CapEx of ~$90-95Bn
y/y (%)	*63.1%*	*66.4%*	*69.2%*								
Remaining Performance Obligation	**743,305**	765,600	**765,600**				**-**	0%	**22,295**	3%	
y/y (%)	*16.5%*	*20.0%*	*20.0%*								

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Source: Citi Research, Company Reports, FactSet

Bull/Bear: Oracle Corporation

US$ 380.00 ▲148% Upside | US$ 330.00 ▲116% Upside | US$ 130.00 ▼15% Downside



Spread 163pp
Current Price and expected returns (upside/downside) as of 10 Sep 2026

BULL Assumptions

- EPS growth CAGR into FY30 of 40%+
- Cloud revenue grows at 60%+ CAGR thru FY30
- Op Margins to be ~300bps higher in FY30

BASE Assumptions

- EPS growth CAGR into FY30 of ~30%
- Cloud revenue grows at ~ 56% CAGR thru FY30
- Op Margins Reach 37.5% by FY30

BEAR Assumptions

- EPS growth CAGR into FY30 of <20%
- Cloud revenue grows ~30% CAGR thru FY30
- Op Margins to be 500bps lower in FY30



Oracle Corporation

Company description

Oracle is a global technology company best known for its database software. It provides a comprehensive suite of enterprise-grade software and hardware products, and cloud services. Their primary offerings include database management systems used by businesses worldwide for storing and managing critical data. Beyond databases, Oracle develops enterprise applications for various functions like enterprise resource planning (ERP), customer relationship management (CRM), and supply chain management (SCM). They also offer cloud infrastructure services (Oracle Cloud Infrastructure - OCI) to host these applications and customer workloads. Essentially, Oracle helps organizations manage their information and operations through integrated software, hardware, and cloud platforms.

Investment strategy

We rate Oracle Buy with the following key investment points:

Bookings Strength — OCI RPO continues its significant ramp, attributable to escalating AI Infrastructure demand from leading AI customers. This trajectory points to substantial potential for upward revisions in estimates into FY2028.

Margins Upside — Despite lower gross margins from GPU-based revenue streams, the accelerating scale of this ramp and management's renewed focus on OpEx discipline (potentially leveraging AI efficiencies) could temper the pressure on Oracle's operating margins and drive better-than-expected EPS growth.

Valuation Re-rate — Even as Oracle currently trades above the high end of its historical valuation range, we see the ramping AI infrastructure demand within OCI and its sustainable earnings growth as strong catalysts that could drive the stock significantly higher than current levels.

Valuation

Our 1-year target price of $330 is based on ~18x PE multiple to our FY30E Non-GAAP EPS of $22 discounted back. We see the EPS multiple as a better valuation metric due to the more stable earnings growth for a mature company like Oracle and the ramp in near-term CapEx that results in a more volatile FCF. We see the premium multiple as appropriate and justified given the near-term demand for AI infrastructure and the significant ramp in RPO.

Risks

Key downside risks to our target price for Oracle (ORCL) include:

Higher-than-Expected Capital Expenditures (CapEx): Should ORCL need to incur higher-than-expected CapEx over the next few years to support contracted workloads and keep pace with competition in the AI infrastructure build-out, this could drive margins below our long-term modeled levels.
Weakening AI Infrastructure Demand: A sudden shift in AI Infrastructure demand or a slower-than-expected ramp-up in usage could negatively impact growth projections.
Increased Competition: Incremental competition from other hyperscalers and rising "neo-clouds" (emerging cloud providers) within the AI Infrastructure landscape could adversely affect ORCL's revenue and earnings.