Oracle Corp. (ORCL)

1QFY: Backlog conversion begins to emerge; FY28 capital intensity still in focus

ORCL	12m Price Target: **$240.00**	Price: **$150.28**	Upside: **59.7%**

BUY

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Oracle was down 2% on 9/11 post its 1QFY (August) report. Revenue was 1% above the Street; IaaS was 3% above (+121% yoy) and SaaS -1% below (+10% yoy, VisibleAlpha). Oracle updated FY27 guidance to $90bn+ (from $90bn) of revenue and maintained capex guidance of $90-95bn (or $70bn adjusted for customer prepayments).

We believe the quarter largely provided clarity on near-term debates: Oracle is showing evidence of backlog conversion translating into revenue, with OCI growth accelerating to 121% (93% in 4Q) as incremental capacity comes online, alongside delivery of 850MW in the quarter. The company also removed a key financing overhang by completing the $20bn ATM and highlighted that most incremental RPO is being funded through prepayments, supplier financing, and BYOC structures. In our view, the larger debate remains FY28 and beyond as investors look to gain visibility into the magnitude of FY28 capex, future funding requirements, and when the company returns to consolidated positive FCF. We believe the key for the stock from here will be Oracle's ability to stay on pace with its capacity ramp while demonstrating that incremental supply is translating into RPO conversion, revenue, and ultimately gross profit growth. Investor focus now shifts to Oracle's October Investor Day, where we look for greater visibility into backlog conversion, capacity deployment, the magnitude of FY28 capital requirements, and potential upside to the revenue outlook given continued growth in RPO.

Key takeaways:

- **OCI capacity ramp remains on track, with a diversified buildout reducing data center execution risk.** Oracle delivered 850MW of AI capacity and 300k+ GPUs in the quarter, including 131k GPUs at Abilene alone. Six of eight Abilene buildings, representing 618MW and 75% of campus capacity, have now

Key Data

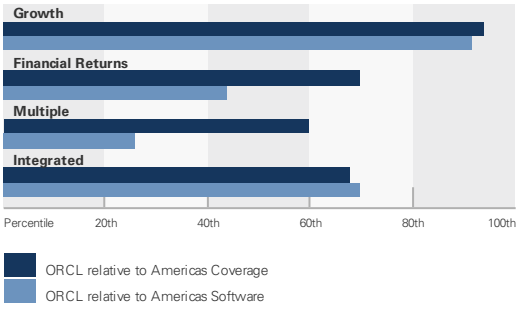
Market cap: $443.7bn
Enterprise value: $563.0bn
3m ADTV: $4.7bn
United States
Americas Software
M&A Rank: 3

GS Forecast

	5/26	5/27E	5/28E	5/29E
Revenue ($ mn) New	**67,358.0**	**89,098.5**	**128,926.5**	**174,131.5**
Revenue ($ mn) Old	67,358.0	89,013.5	125,852.8	165,807.7
EBITDA ($ mn)	36,548.0	52,166.7	77,440.4	113,219.2
EBIT ($ mn)	28,925.0	35,485.0	46,498.0	69,686.3
EPS ($) New	**7.66**	**8.07**	**10.27**	**15.59**
EPS ($) Old	7.66	7.72	10.84	15.07
P/E (X)	27.4	18.6	14.6	9.6
Dividend yield (%)	1.0	1.4	1.4	1.4
Net debt/EBITDA (X)	2.7	2.3	2.0	1.3

	8/26	11/26E	2/27E	5/27E
EPS ($)	1.95	1.81	2.04	2.27

GS Factor Profile



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

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BUY

Oracle Corp. (ORCL)

Rating since Jan 11, 2026

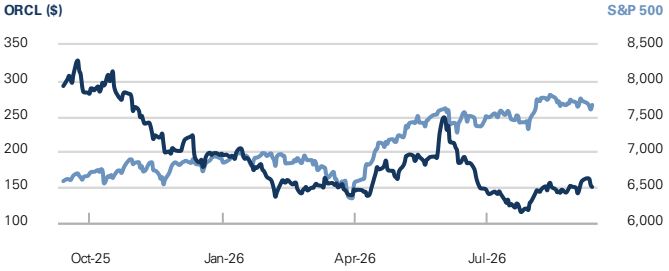
Ratios & Valuation

	5/26	5/27E	5/28E	5/29E
P/E (X)	27.4	18.6	14.6	9.6
EV/EBITDA (X)	19.2	10.9	7.9	5.4
EV/sales (X)	10.4	6.4	4.7	3.5
FCF yield (%)	(3.9)	(6.9)	(6.6)	2.0
EV/DACF (X)	23.1	12.8	9.2	6.4
CROCI (%)	20.7	19.3	19.1	21.3
ROE (%)	71.0	39.2	33.2	37.5
Net debt/EBITDA (X)	2.7	2.3	2.0	1.3
Net debt/equity (%)	228.2	146.6	145.0	101.4
Interest cover (X)	6.3	6.2	6.3	7.5
Inventory days	–	–	–	–
Receivable days	51.3	49.6	47.3	42.6
Days payable outstanding	132.5	111.6	70.0	63.9

Growth & Margins (%)

	5/26	5/27E	5/28E	5/29E
Total revenue growth	17.4	32.3	44.7	35.1
EBITDA growth	22.5	38.4	47.7	45.7
EPS growth	27.1	5.2	27.3	51.9
DPS growth	19.0	3.3	(0.0)	(0.0)
Gross margin	67.1	56.4	47.6	48.8
EBIT margin	42.9	39.8	36.1	40.0

Price Performance



	3m	6m	12m
Absolute	(18.4)%	(7.9)%	(51.2)%
Rel. to the S&P 500	(21.2)%	(18.5)%	(58.0)%

Source: FactSet. Price as of 11 Sep 2026 close.

Income Statement ($ mn)

	5/26	5/27E	5/28E	5/29E
Total revenue	67,358.0	89,098.5	128,926.5	174,131.5
Cost of goods sold	(22,162.0)	(38,818.4)	(67,609.6)	(89,119.4)
SG&A	(8,804.0)	(7,773.5)	(7,797.2)	(7,953.2)
R&D	(7,467.0)	(7,021.6)	(7,021.6)	(7,372.7)
Other operating inc./(exp.)	–	–	–	–
EBITDA	**38,219.0**	**52,912.8**	**78,136.6**	**113,837.3**
Depreciation & amortization	(9,294.0)	(17,427.8)	(31,638.6)	(44,151.0)
EBIT	**28,925.0**	**35,485.0**	**46,498.0**	**69,686.3**
Net interest inc./(exp.)	(4,598.0)	(5,683.2)	(7,327.7)	(9,278.9)
Income/(loss) from associates	–	–	–	–
Pre-tax profit	**27,875.0**	**30,108.8**	**39,170.4**	**60,407.4**
Provision for taxes	(5,537.0)	(5,806.8)	(7,834.1)	(12,081.5)
Minority interest	–	–	–	–
Preferred dividends	–	–	–	–
Net inc. (pre-exceptionals)	**22,338.0**	**24,302.0**	**31,336.3**	**48,325.9**
Net inc. (post-exceptionals)	**17,087.0**	**19,560.3**	**25,256.3**	**40,961.1**
EPS (basic, pre-except) ($)	**7.81**	**8.16**	**10.38**	**15.77**
EPS (diluted, pre-except) ($)	**7.66**	**8.07**	**10.27**	**15.59**
EPS (ex-ESO exp., dil.) ($)	**--**	**--**	**--**	**--**
DPS ($)	2.02	2.09	2.09	2.09
Div. payout ratio (%)	25.9	25.6	20.1	13.3
Wtd avg shares out. (basic) (mn)	2,860.5	2,978.8	3,017.8	3,065.2
Wtd avg shares out. (diluted) (mn)	2,914.5	3,012.8	3,051.8	3,099.2

Balance Sheet ($ mn)

	5/26	5/27E	5/28E	5/29E
Cash & cash equivalents	31,289.0	26,083.7	34,904.7	37,884.0
Accounts receivable	10,385.0	13,821.8	19,564.7	21,090.1
Inventory	–	–	–	–
Other current assets	4,893.0	5,649.1	7,620.6	9,637.4
Total current assets	**46,567.0**	**45,554.5**	**62,090.0**	**68,611.6**
Net PP&E	99,957.0	180,946.4	260,705.1	305,733.0
Net intangibles	65,490.0	95,689.9	94,993.7	94,375.6
Total investments	0.0	0.0	0.0	0.0
Other long-term assets	49,745.0	27,364.3	34,844.2	43,347.3
Total assets	**261,759.0**	**349,555.1**	**452,633.0**	**512,067.5**
Accounts payable	10,977.0	12,766.3	13,183.3	18,011.2
Short-term debt	7,199.0	7,625.0	7,625.0	7,625.0
Current lease liabilities	–	–	–	–
Other current liabilities	23,588.0	41,896.9	72,872.7	100,413.0
Total current liabilities	**41,764.0**	**62,288.2**	**93,681.0**	**126,049.3**
Long-term debt	122,342.0	137,712.0	182,712.0	182,712.0
Non-current lease liabilities	26,648.0	30,594.0	30,594.0	30,594.0
Other long-term liabilities	27,949.0	37,592.7	38,426.6	22,352.1
Total long-term liabilities	**176,939.0**	**205,898.7**	**251,732.6**	**235,658.1**
Total liabilities	**218,703.0**	**268,186.9**	**345,413.7**	**361,707.4**
Preferred shares	–	–	–	–
Total common equity	**42,508.0**	**81,368.2**	**107,219.3**	**150,360.1**
Minority interest	548.0	–	–	–
Total liabilities & equity	**261,759.0**	**349,555.1**	**452,633.0**	**512,067.5**
BVPS ($)	15.05	27.32	35.53	49.05

Cash Flow ($ mn)

	5/26	5/27E	5/28E	5/29E
Net income	17,087.0	19,560.3	25,256.3	40,961.1
D&A add-back	9,294.0	17,427.8	31,638.6	44,151.0
Minority interest add-back	–	–	–	–
Net (inc)/dec working capital	4,135.0	22,034.7	17,032.5	4,248.4
Others	1,461.0	5,084.3	6,903.7	8,587.8
Cash flow from operations	**31,977.0**	**64,107.2**	**80,831.1**	**97,948.3**
Capital expenditures	(55,663.0)	(95,126.1)	(110,701.1)	(88,560.9)
Acquisitions	–	–	–	–
Divestitures	–	–	–	–
Others	3,809.0	(81.0)	–	–
Cash flow from investing	**(51,854.0)**	**(95,207.1)**	**(110,701.1)**	**(88,560.9)**
Dividends paid	(5,787.0)	(6,227.4)	(6,309.0)	(6,408.1)
Share issuance/(repurchase)	1,243.0	19,909.0	0.0	–
Inc/(dec) in debt	36,866.0	14,968.0	45,000.0	0.0
Others	8,058.0	(2,755.0)	–	–
Cash flow from financing	**40,380.0**	**25,894.6**	**38,691.0**	**(6,408.1)**
Total cash flow	**20,503.0**	**(5,205.3)**	**8,821.0**	**2,979.3**
Free cash flow	(23,686.0)	(31,018.9)	(29,870.0)	9,387.5
Free cash flow per share (basic) ($)	(8.28)	(10.41)	(9.90)	3.06

Source: Company data, Goldman Sachs Research estimates.

been delivered; customer acceptance times have compressed to 24 hours, and GPU utilization remained high at ~98%. Shackleford remains the next gigawatt scale campus. On New Mexico and Wisconsin, management emphasized both projects remain on track from a data center construction perspective, with permitting and power related processes progressing as expected; though Oracle noted that neither site is required to achieve FY27 guidance, given capacity growth is diversified across numerous campuses globally and delivery occurs in phases rather than all at once. Management also highlighted extensive contingency planning, backup options, and schedule buffers across its deployment roadmap.

- **Capital intensity remains elevated but funding mechanics shifting.** While RPO reached $664B, up 46% yoy, the vast majority driven by prepay/BYOC contract structures that do not require incremental capital from Oracle. Management expects around half of its RPO to convert into sales over the next 36 months (~$330bn, or 80% coverage vs. Oracle's previously disclosed revenue targets). Oracle also completed its previously announced $20bn ATM equity issuance during the quarter, removing a financing overhang as the company scales infrastructure investment. Management reiterated that FY27/FY28 remain peak capex years and maintained FY27 capex guidance of $90bn to $95bn ($70bn outlay adjusted for customer preapayments.)
- **Underlying contract economics:** GPU capacity coming up for renewal in the quarter was either renewed or resold at approximately 20% higher pricing than prior contracts, despite the majority of those GPUs being more than four years old. While management did not provide a time-frame for returning to consolidated free cash flow positive status, it noted that individual projects become strongly free cash flow generative shortly after ramp, with project level FCF conversion ~100% of post tax EBITDA.
- **Growth in SaaS and database.** Multi cloud database revenue grew 353% while multi cloud customers increased 180%, supported by Oracle's expansion to 70 multi cloud database regions and 119 availability zones across AWS and Azure. On the software side, SaaS revenue grew 10%, with Fusion growing 14% and industry applications growing >20%. Management continues to position AI as an accelerator for application adoption, highlighting strong traction in embedded AI, agent deployments, AI assisted implementations, and the emerging AI Data Platform opportunity.

Earnings Recap

Exhibit 1: 1Q27 Actuals vs. Estimates

$ millions, unless specified	Actual	1Q27A GSe	1Q27A Street	Actual vs GSe	Actual vs Street
SaaS (Back Office Cloud + Other Cloud)	$4,219	$4,216	$4,258	0.1%	-0.9%
%yoy	*10%*	*10%*	*11%*		
Infrastructure Cloud (IaaS)	$7,388	$7,196	$7,207	2.7%	2.5%
%yoy	*121%*	*115%*	*115%*		
Cloud Services	$11,607	$11,412	$11,367	1.7%	2.1%
%yoy	*62%*	*59%*	*58%*		
Total Revenue	$19,345	$19,127	$19,062	1.1%	1.5%
% yoy	*30%*	*28%*	*28%*		
Operating Income	$8,151	$7,233	$7,811	12.7%	4.4%
% margin	*42%*	*38%*	*41%*		
%yoy	*31%*	*16%*	*25%*		
Earnings Per Share	$1.95	$1.58	$1.74	23.1%	12.1%
%yoy	*32%*	*7%*	*18%*		
Capital Expenditures	$28,499	$19,980	$19,324	42.6%	47.5%
% margin	*147%*	*104%*	*101%*		
%yoy	*435%*	*335%*	*327%*		
Free Cash Flow	($5,396)	($10,097)	($9,722)	-13.7%	-18.1%
% margin	*-28%*	*-53%*	*-51%*		

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

Valuation and Key Risks

We maintain our Buy rating. We raise our 12-month price target to $240 (from $239), based on 15x (from 18x on increased capital intensity) Oracle's 2030E adjusted net income, discounted back to SNTM (Q5-Q8) to be consistent with our broader coverage framework. We adjust our FY27/28/29 EPS to $8.07/$10.27/$15.59 from $7.72/$10.84/$15.07.

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.

