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Oracle Corporation (ORCL.K)

Oracle AI World Preview: Looking For Positive Revisions To Targets

CITI'S TAKE

Oracle's AI World and Analyst Day (10/28) will take place amidst numerous investor concerns around rising interest rates and risks to data center delays. At AI World, we look for expanding customer AI references across Oracle's traditional and emerging AI infrastructure businesses. At Analyst Day, we see room for management to raise long-term revenue and EPS targets given backlog strength. We expect management to provide greater visibility on Capex and FCF timing with a greater focus on ROIC. Overall we believe the event could set up positively and help shift the debate from funding risk toward Oracle's long-term earnings power, where Citi estimates are above guidance and consensus. We increase our FY28-29 Infrastructure and EPS outlook modestly, but our TP is unchanged.

Scope for Higher Targets — We see room for management to raise its OCI revenue and EPS outlook following continued backlog strength. The $200B+ of new net RPO added over LTM, with ~50% expected to convert over the next three years, increases our confidence in an upward revision to the $166B FY30 OCI target. We look for greater detail on backlog conversion, capacity deployment and the contribution from GPU vs Core infrastructure and AI database, where the latter is tracking below the $4B+ FY27 outlook. We also expect discussion around GPU-related COGS, OpEx discipline and funding optionality under CFO Hillary Maxson. We raise our FY28-29 OCI and EPS estimates slightly driven by the backlog strength.

Financing + Project Updates — We look for greater clarity on CapEx and financing requirements as Oracle scales AI capacity beyond FY27, including the mix of debt, customer prepayments and third-party capital. Media reports of delays at Project Jupiter and Lighthouse put greater focus on power, permitting and utility interconnection timelines, alongside modular transmission and microgrid solutions that could accelerate deployments in 2HFY27. While higher borrowing costs could pressure near-term FCF, take-or-pay commitments, power-cost pass-throughs and premium pricing should support attractive overall ROIC.

Looking for AI Monetization and Breadth — We look for AI World to demonstrate that OCI demand is broadening beyond large training customers, production deployments, inference workloads and repeat consumption than incremental product announcements. We also expect updates on connecting AI models with Oracle Ai Database and Fusion applications.

EPS (US$)	Q1	Q2	Q3	Q4	FY	FC Cons	VA Cons
2026A	1.47A	2.26A	1.79A	2.11A	7.64A	7.63A	7.66A
2027E	**1.95A**	**1.91E**	**2.06E**	**2.34E**	**8.25E**	**8.14E**	**8.21E**
Previous	1.95A	1.90E	2.06E	2.34E	8.25E	na	na
2028E	**2.27E**	**2.49E**	**2.87E**	**3.44E**	**11.08E**	**11.05E**	**11.05E**
Previous	2.27E	2.48E	2.82E	3.35E	10.92E	na	na
2029E	**3.54E**	**3.73E**	**4.12E**	**4.68E**	**16.07E**	**15.65E**	**15.54E**
Previous	3.47E	3.77E	4.14E	4.66E	16.03E	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

Buy

Catalyst Watch: Upside, expires 24-NOV-26

Price (19 Oct 26 16:00)	US$129.59
Target price	US$330.00
Expected share price return	154.6%
Expected dividend yield	1.2%
Expected total return	155.9%
Market Cap	US$392,852M

Price Performance
(RIC: ORCL.K, BB: ORCL US)



Tyler Radke [AC]

Yitchuin Wong

Peter Griffith

Andrew Girard, CFA

Room To Raise OCI Targets

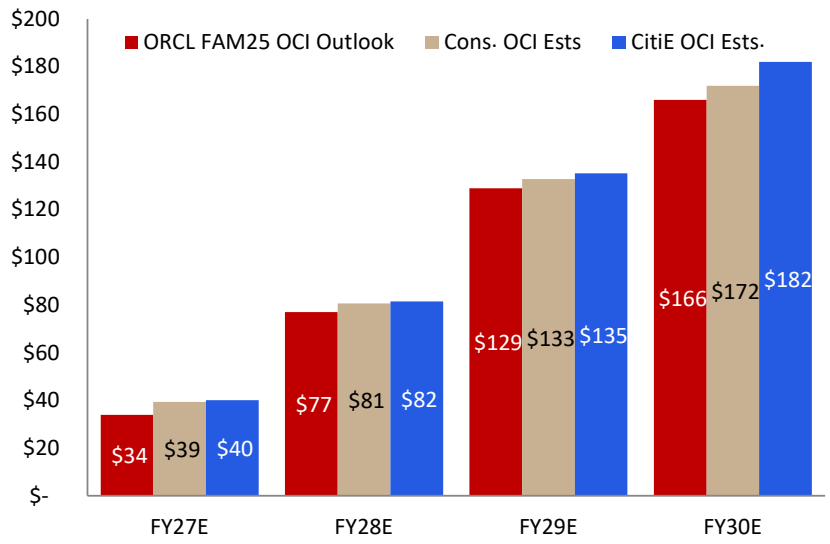
We see a strong case for Oracle to raise its $166B FY30 OCI revenue target at the upcoming Analyst Day. The original framework, which implied a ~75% CAGR from the 2025 FAM, preceded more than $200B of net new RPO added in the LTM and an implied ~$5-6B increase to the FY27 OCI outlook. The revised near-term trajectory lowers the required growth rate in FY28-30, while the improving RPO conversion profile provides greater visibility into the revenue ramp. Roughly half of the backlog is now expected to convert within three years, helping address prior concerns that recent bookings were predominantly long dated or speculative.

Figure 3-4 shows net new RPO growth has materially outpaced the increase in the Consensus OCI trajectory. The new net RPO 13M-36M added of ~ $150B compared to the Consensus Infrastructure increase of ~$3-5B for FY28-FY29 vs. management targets. The coverage ratio for both the CRPO and 13M-36M RPO, increased steadily from 63% to 88% for CRPO and from 47%-72% for the 13-36M RPO. We therefore see meaningful scope for Oracle to raise its FY208-FY30 OCI target.

Assuming CRPO and 13-36 month RPO continue to trend higher by ~1pt QoQ while maintaining a ~70-80% coverage ratio, we believe FY28-29 OCI targets could increase by approximately $5-10B, respectively. However, given ongoing permitting and power availability constraints, management may adopt a more conservative stance on its medium-term outlook.

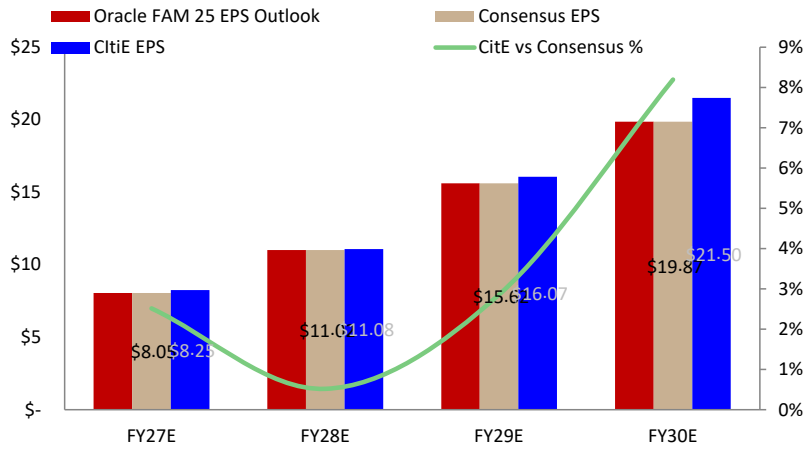
Ahead of the October 28 Analyst Day, we are modestly increasing our FY28-29 Infrastructure revenue and EPS estimates to align with our expectation for higher OCI and EPS targets. Our FY30 EPS estimate remains over 5% above both Consensus and company guidance.

Figure 1. CitiE & Cons, OCI Estimates vs FAM 2025 Targets



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Source: Citi Research, Company Reports, FactSet, Visible Alpha

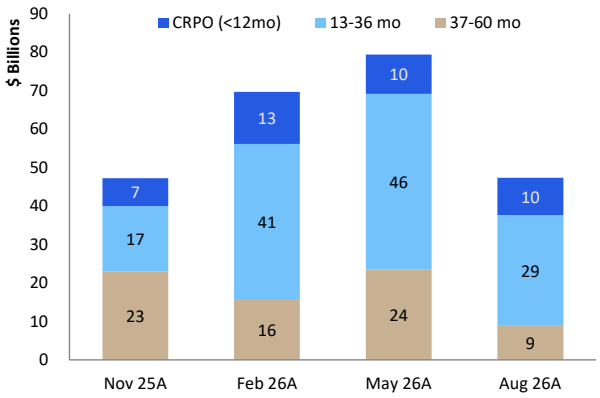
Figure 2. CitiE & Cons, EPS Estimates vs FAM 2025 Outlook



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Source: Citi Research, Company Reports, FactSet

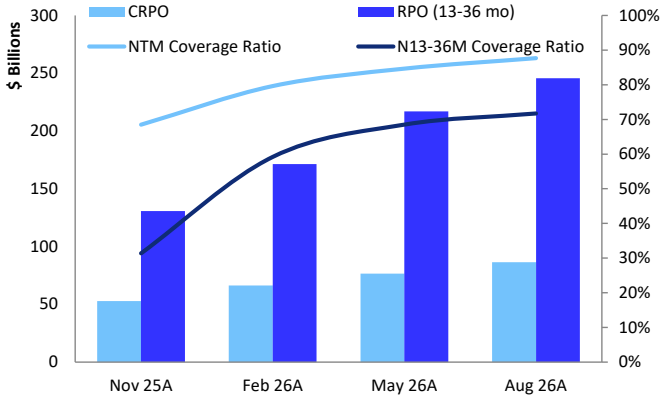
Figure 3. ORCL Has Added $200B+ of Incremental Backlog Since Last Year



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Source: Citi Research, Company Reports

Figure 4. RPO Coverage Ratio Increased Since FAM25



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Source: Citi Research, Company Reports

Bull/Bear: Oracle Corporation (ORCL.K)

US$ 380.00 ▲193% Upside | US$ 330.00 ▲155% Upside | US$ 130.00 ▲0.3% Upside



Spread 193pp
Current Price and expected returns (upside/downside) as of 19 Oct 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 ~ 57% CAGR thru FY30
- Op Margins Reach 39% 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 $21.50 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) includ

Higher-than-Expected Capital Expenditures (CapEx): Should incur higher-than-expected CapEx over the next few years to contracted workloads and keep pace with competition in the build-out, this could drive margins below our long-term mod

