Flash | Citi Research

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Oracle Corporation (ORCL.K)

Oracle AI World Day 1 Shows AI Strength Across Apps + Data

CITI'S TAKE

We attended Oracle AI World 2026 in Las Vegas today and attended keynotes and conducted ~a dozen conversations across partners, customers and meetings with Oracle product management. Our takeaways provided incremental confidence on the key growth drivers across Oracle Database, OCI and SaaS Applications with evidence of building AI monetization. At the opening keynote Co-CEO Mike Sicilia highlighted Oracle's expanding portfolio of agentic applications, including 25 new Fusion Claw-powered offerings, reinforcing Oracle's strategy of embedding AI directly into mission-critical business processes. Separately, EVP Juan Loaiza introduced Deep Trust AI Architecture, which embeds security, policy controls, and governance at the database layer to address enterprise concerns around AI reliability and data protection. We look for a positive update at Wednesday's Investor Day.

Buy	
Catalyst Watch: Upside, expires 24-NOV-26	
Price (26 Oct 26 16:00)	US$126.06
Target price	US$330.00
Expected share price return	161.8%
Expected dividend yield	1.3%
Expected total return	163.0%
Market Cap	US$382,151M

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Positive Checks on Apps / Agents - On apps, conversations pointed to continued strength across the back-office portfolio, with agents potentially adding another leg to the growth story. The ~$500K agent add-on, which includes a meaningful amount of consumption, stood out as a much more tangible monetization mechanism than we see from many application vendors today. More importantly, customers we spoke with highlighted real value from applying agents against existing workflows, giving us more confidence there is willingness to pay rather than agents simply being functionality that gets bundled into the core suite. It is still early, but we think the combination of healthy underlying Fusion demand, agent add-ons and associated consumption could be one factor behind the recent acceleration in SaaS growth, while also providing another lever to sustain growth as adoption broadens.

Cloud database/AI Data Platform - Database conversations were encouraging around 26AI, particularly the push to make AI/security capabilities native to the database vs. duplication or data movement alternatives. Alongside continued multicloud adoption, we see this as another way Oracle can drive more value and consumption from the existing database estate as customers build AI applications and agents on top of proprietary data. Oracle's AIDP is focused on the broader lakehouse opportunity across data engineering, analytics, ML and agents. The product team cited multiple early competitive wins including some Databricks displacements and an ambition to build AIDP into a multi-billion-dollar business, with Oracle's application data, business semantics and governance providing an interesting wedge versus standalone data platforms

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



Launching Outcome-Driven Agentic Applications - Oracle AI World 2026 kicked off with Co-CEO Mike Sicilia outlining Oracle's vision for trusted, outcome-driven agentic applications that can execute complex business workflows rather than simply generate recommendations. Oracle expanded its portfolio with 25 new Fusion Claw-powered Agentic Applications across ERP, HCM, SCM, and CX, highlighting use cases including procurement optimization, workforce planning, supply allocation, service operations, and CPQ migration. Fusion Claw serves as the underlying execution runtime, enabling long-running workflows, continuous replanning, deterministic execution, and governed autonomy, allowing AI agents to perform specialist-grade work while remaining within enterprise controls. Oracle also introduced Fusion Companion and Fusion Agentic Home, new AI experiences that allow users to define objectives, delegate work to agents, and monitor execution through completion. Overall, Oracle is positioning Fusion as a system of outcomes where AI increasingly executes business processes while humans retain control over objectives, policies, and approvals.

Addressing Rising AI Threats with Deep Trust AI - EVP of Database Juan Loaiza unveiled its Deep Trust AI Architecture, which positions trust, governance, and security as foundational infrastructure rather than application-level guardrails. The keynote focused on a growing enterprise concern that AI agents can bypass application controls, hallucinate business logic, or expose sensitive data, arguing that traditional guardrails alone are insufficient. Oracle's approach embeds policy enforcement, identity verification, business rules, and data access controls directly within the database layer, where AI agents cannot circumvent them. Loaiza also emphasized improving answer accuracy through enterprise-specific semantic knowledge and feedback-driven learning, while simplifying AI-generated application development by separating business intent from implementation. Oracle highlighted tangible customer benefits, including Rappi's deployment of AI Vector Search, which delivered 40% lower search latency and 25% higher conversion rates.

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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) 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.