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Oracle Corporation (ORCL.K)

Greater Clarity on AI Growth and Funding

CITI'S TAKE

We came away from Oracle's Analyst Day increasingly confident that the company's AI strategy is strengthening from a demand and financing perspective. On the business, management articulated a differentiated growth flywheel spanning OCI, databases, applications, governance, and AI agents. Accelerating agent adoption, continued cloud migrations, and a shift toward consumption/outcome-based monetization suggest AI can help sustain or accelerate the core business. On infrastructure, we were impressed by the regional and size diversification suggesting less reliance on large-scale sites. The Financial section was a significant positive with management messaging just ~$20B of incremental capital required through FY30, much of which is already identified, supported by BYOC/vendor financing. This drives ~$30B of FCF by FY29 (vs. expectations for FCF burn). We reiterate our Buy rating/positive catalyst view and see room for recovery in shares with demand remaining strong (see Day 1 takeaways here) and financing concerns likely to settle down.

Buy	
Catalyst Watch: Upside, expires 24-NOV-26	
Price (28 Oct 26 16:00)	US$144.54
Target price	US$330.00
Expected share price return	128.3%
Expected dividend yield	1.1%
Expected total return	129.4%
Market Cap	US$438,173M

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Full-Stack AI Strategy Driving Adoption - CEO Mike Sicilia positioned Oracle as a unique end-to-end AI platform spanning OCI, databases, data platforms, applications, and security. A key theme was that enterprise AI requires governed access to data, workflows, and business processes, with Oracle's integrated stack designed to keep agents operating securely within established controls. Management introduced the concept of "AI is the UI," where users increasingly interact with software through intelligent agents. Adoption is accelerating, with production AI agents growing from <1,000 in May to >3,500 by September, while >7,000 customers are already leveraging Oracle AI capabilities.

OCI Scaling Through Power, Speed and TCO Advantages - President Mahesh Thiagarajan highlighted power availability, deployment speed, and TCO as Oracle's key infrastructure differentiators. Oracle continues expanding capacity through behind-the-meter gas turbines, fuel cells, reciprocating engines, and utility partnerships while leveraging modular, standardized data-center designs to accelerate deployment. Last quarter, Oracle completed ~850MW of deployments across 38 projects in 11 countries and signed 72 new data-center contracts. Average time from signing to available power was cited at 161 days, with revenue generation occurring ~21 days later. Encouragingly, the growth isn't overly reliant on large-scale(GW) sites, with ~half of new capacity coming from a broader range of sites.

Applications Transitioning to Systems of Outcome - Chris Leone, EVP Oracle Applications and AI outlined Oracle's vision of moving enterprises from AI-assisted workflows to AI-executed workflows. The portfolio now includes Fusion Agentic

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Applications, Fusion Claw, AI Agent Studio, and Fusion Companion, creating a unified framework for deploying agentic capabilities across disciplines. Oracle expects AI-driven setup and configuration tools to reduce implementation and extension efforts by 50-70%. Longer term, management sees monetization shifting from seat-based pricing toward consumption and outcome-based models, creating an additional growth vector.

Industry Expansion Increasing Addressable Market - Simon de Montfort Walker, EVP Oracle Industry Applications highlighted their strategy of combining horizontal applications with deep vertical capabilities. NetSuite remains a significant growth driver as Oracle connects ERP, HR, supply chain, project management, payments, and other industry-specific workflows into a unified platform. Management reiterated that cloud migrations are driving 3-4x revenue uplift, with cross-selling adjacent applications providing another ~3x opportunity and AI/agents further expanding monetization.

AI CapEx Funding Mostly Completed - CFO Hillary Maxson led the financial outlook section with the core focus around funding required to support Oracle's cloud buildout. Oracle estimates just $20B of incremental funding remains necessary through the FY26-FY30 investment cycle, with peak infrastructure spending occurring in FY27 and FY28 before stepping down thereafter. Of this amount ~$10B would be from equity and $10B from debt, while FY28 capital needs are effectively funded and in FY29 could generate ~$30B of FCF. Management also highlighted customer prepayments, vendor financing arrangements, and BYOC are aiding to reduce their upfront cash requirements by ~50% while keeping the ROI generally the same across contract types. Management also highlighted that OCI capacity is reaching approximately 10GW by FY28 and increasing revenue visibility from infrastructure projects already under construction. The FY30 framework around revenue/EPS was reiterated with emphasis on at least $225B in revenue, $21 EPS.



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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.