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UPDATE

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Oracle Corporation | North America

Analyst Day 2026: Clearer Path to Cash Flow; Capacity Delivery Is Critical

AI World's analyst session reaffirmed FY30 targets as floors ($225B+ revenue, $21+ EPS) and added margin, FCF and funding frameworks, improving visibility into the GPUaaS pivot. From here, the trajectory for shares hinges on execution, as ORCL enters the peak of its investment cycle. Remain EW.

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Oracle Corporation (ORCL.N, ORCL UN)

Software | United States of America

Stock Rating	**Equal-weight**
Industry View	**Attractive**
Price target	**$210.00**
Shr price, close (Oct 28, 2026)	$144.54
Mkt cap, curr (mm)	$433,620
52-Week Range	$285.42-114.51

Fiscal Year Ending	05/26	05/27e	05/28e	05/29e
EPS ($)**	7.63	8.09	10.06	12.93
Prior EPS ($)**	-	-	-	-
P/E	34.9	21.7	17.4	13.4
EPS ($)§	7.47	8.14	11.05	15.64
Div yld (%)	0.9	1.4	1.4	1.4

framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates

QUARTERLY EPS ($)

Quarter	2026	2027e Prior	2027e Current	2028e Prior	2028e Current
Q1	1.47	-	1.92a	-	2.33
Q2	2.26	-	1.84	-	2.37
Q3	1.79	-	2.09	-	2.61
Q4	2.11	-	2.24	-	2.74

The Vision and the Visibility Are Here, Now Oracle Must Deliver the Build. Heading into the event, investors were looking for greater insight into the underlying drivers of the ambitious FY30 financial targets laid out in October 2025, and specifically, the capex and funding requirements to support Oracle's pivot to GPUaaS. We think ORCL gave clear visibility around these areas, helping explain the positive share price reaction. On capex, Oracle sees a total gross capex need of ~ $220bn (2Q27-4Q28) for the remaining ~6GW of the 10GW ambition (vs. consensus of ~$171bn), with FY27 and FY28 being the peak investment years. What's more, given the ability to leverage vendor financing/pre-pay/BYOH deal constructs, Oracle also expects to only need to raise an incremental ~$20bn of funding (50/50 debt/equity), with FCF expected to turn positive in 2H of FY28 and improve to $30bn+ in FY29 (vs. consensus of -$1bn). All together, this assessment of capex needs came in ahead of more cautious investor expectations, evidenced by the shares trading at ~10x CY28 consensus EPS into the event. More broadly, FY27 guidance was reiterated, and FY30 targets were reaffirmed as floors at $225 billion+ in revenue and $21+ in EPS, alongside the introduction of a 40%+ FY30 non-GAAP operating margin target. At the same time, the trajectory from here now hinges on execution. Oracle exited FY26 with ~3GW of capacity and plans to reach ~10GW by end-FY28, leaving ~6GW to deliver after 1Q27. Lifting non-GAAP op income from ~$29 billion in FY26 to $90 billion+ in FY30 also implies meaningful leverage on the opex base, and no discrete FY28/FY29 revenue or EPS targets were given. As such, critical areas of the debate remain: a) whether Oracle can land the remaining ~6GW on schedule and on cost, b) whether Oracle can realize implied leverage on its opex base without disrupting growth in the core, and c) how the unsized vendor financing/pre-pay/BYOH mix ultimately shakes out. Simply put, we walk away with the vision and the visibility, but need more confidence in execution, namely capacity tracking the path to ~10GW by FY28 and margins holding near 40% through the ramp, before turning more positive; remain EW, $210 PT.

What Was New?

- **FY30 Targets Recast as Floors, With Margin and FCF Milestones Added.** Oracle reaffirmed its FY30 framework at $225 billion+ in revenue and $21+ in non-GAAP EPS (vs. ~$225 billion/~$21 at the 2025 event). FY27 guidance

investors should be aware that th

Research as only a single factor i
decision.

**For analyst certification and oth
refer to the Disclosure Section, l
report.**



was reiterated at $90 billion+ and $8.10. New this year, Oracle introduced a 40%+ FY30 non-GAAP op margin target, and outlined expectations for FCF to turn positive during 2H FY28, improving to $30 billion+ in FCF in FY29. Importantly, Oracle did not reiterate discrete FY28/FY29 revenue or EPS targets (prior $130 billion/$185 billion revenue and $10.65/$16.00 EPS). Instead, management framed "reasonably consistent" revenue growth across FY28–FY29, with margins "not significantly below" 40% at the peak of the ramp.

- **A Defined Funding Path for the Build.** Management sized ~$220 billion of remaining self-funded capex for ~6GW through 4Q28. Vendor financing, BYOH and prepayments cut upfront cash needs on that amount by ~50%. That leaves a $20 billion raise ($10 billion equity/$10 billion debt), executable as early as CY26, with gross debt flat thereafter and net debt/adj. EBITDA <3.5x by FY29. Building upon the illustrative GPUaaS contract economics provided last year, Oracle illustrated how 70% vendor financing cuts the initial two-year outlay on a 1GW project to ~$18 billion from the ~ $37 billion contemplated in a self funded scenario while still driving ~35% GM. Similarly, BYOH drops capex to ~$6 billion on ~$11 billion of revenue at 35%+ GM.
- **1GW Unit Economics Get a Fuller Blueprint.** Hilary described the updated 1GW contract model as roughly reflective of the next few years of projects. It shows ~$80 billion of RPO over a ~5-year average contract and ~$37 billion of capex, a bit under half of contract value. Once ramped, it generates ~$16 billion of annualized revenue at ~35% GM, ~34% OM, 100% FCF conversion and ~28% ROI. This compares with the 2025 example of a 6Y, 1GW, $60 billion TCV deal at 35% GM. Management reiterated that large AI contracts are effectively all cost-plus, so revenue and capex may move while margin and ROI hold. Oracle used this to explain the step-up to ~$16 billion per GW from ~$10 billion last year, largely on memory pricing.
- **Seeing Positive AI Adoption Signals in Fusion Suite**. Fusion customers made 150M+ embedded AI calls in 1Q27. Token consumption reached ~500 billion in September (+22.7% MoM), and live agents rose to 3,500 from 1,000 in May.

Where Was Management Bullish?

- **Funding Conviction, With $20 Billion Framed as the Final Raise.** Management framed the $20 billion raise ($10 billion equity/$10 billion debt) as the final capital needed for the cycle. It could be executed as early as CY26, with gross debt flat thereafter. Separately, management also noted the financing mix for contracted capacity is "primarily solidified." In management's framing, structure rather than additional capital closes the gap: vendor financing, BYOH and prepayments cut upfront cash needs on ~ $220 billion of remaining self-funded capex by ~50%. Longer term, management posited FCF growing well beyond $30 billion after the cycle.
- **Delays Already Contemplated, and Gear Is Redeployable**. Oracle noted that guidance already contemplates up to a couple of quarters of slippage on any large site. Additionally, management added that costs ramp data hall by

data hall, so delays defer spend as well. Separately, management also stressed that racks, network gear, chillers and UPS can be redeployed across sites, and noted that GW-scale campuses represent only ~half of the ~10GW footprint. To this point, Oracle noted that the 850MW delivered in 1Q27 spanned ~38 projects in ~11 countries.

- **Fusion Setup Skills Could Unlock Migration and Cross-Sell.** Management expects new setup skills to cut implementation effort 50 – 70%. That is a potential unlock for an ERP base it said is still ~half on-prem. More broadly, management also reiterated the substantial uplift it sees on premise to cloud migrations (~3-4x), with greater upside on upsell (~9x).

What Remains Uncertain?

- **Can Oracle Land the Remaining ~6GW by End-FY28?** Oracle exited FY26 with ~3GW of capacity and targets ~10GW by end-FY28, leaving ~6GW to deliver after 850MW in 1Q27. Four of the five large sites are not expected to start first service until CY27. This matters because both the revenue ramp and the 2H FY28 FCF inflection depend on capacity landing on schedule, with revenue in the 1GW model beginning only ~T+4Q. We see capacity execution as the gating factor for the stock.
- **How Much Opex Leverage Is Implied?** Lifting non-GAAP op income from $29 billion to $90 billion+ while lower-margin infrastructure increases in the mix requires meaningful leverage on the opex base. With core apps and database yet to see an acceleration in growth, we remain mindful of the risk that opex discipline could come at the expense of core growth.
- **What Is the Financing and BYOH Mix?** Management declined to size the mix across vendor financing, BYOH and prepayments, and did not name financing counterparties. Vendor financing also sits within Oracle's net debt definition, so it shifts rather than removes obligations, and BYOH lowers revenue per GW (~$11 billion vs. ~$16 billion self-funded). This matters because the mix drives both the leverage path to <3.5x and revenue per GW.
- **Where Do Apps and Database Fit?** SaaS was guided only to "double-digit" growth after 10% cc in 1Q27, and management noted AI units/consumption revenue are not yet meaningfully in its model. Cloud database was framed as growing "well in excess of 50%", consistent with last year's AI Database / AI Data Platform outlook, though against 26% AI database/data platform growth in 1Q27. Last year, Oracle likewise refrained from discrete expectations for Cloud Applications.

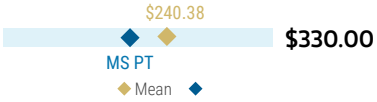
Risk Reward – Oracle Corporation (ORCL.N)

Big Opportunity, Little Room For Error

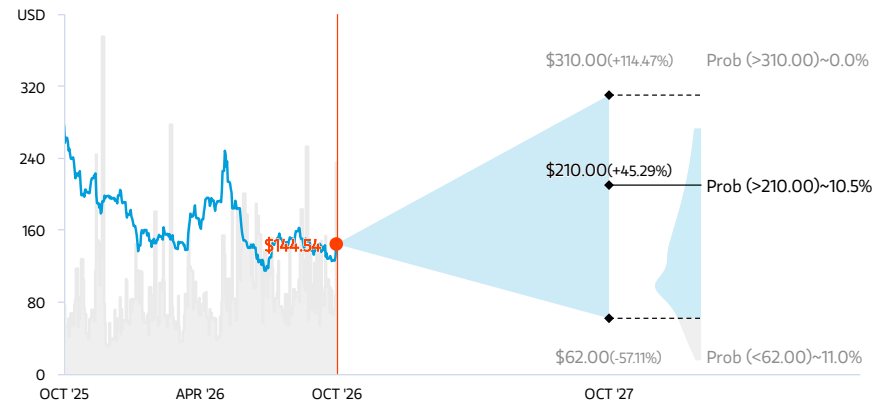
PRICE TARGET $210.00

Derived from ~19x CY28e base case NGAAP EPS of $11.08. Our ~19x multiple a slight discount to ORCL's 5Y average (~20x), and larger discount on PEG (~0.9x, vs ~1.6x L5Y avg) given execution risk and lack of FCF support given GPUaaS investment.

Consensus Price Target Distribution



RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



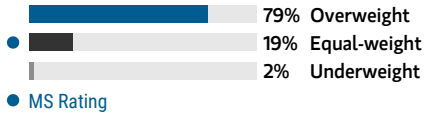
Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 28 Oct 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

EQUAL-WEIGHT THESIS

- Our assessment of the underlying drivers within Oracle's FY30 targets suggest a) acceleration is expected in other areas of the business (e.g. SaaS, core OCI) b) substantial operating leverage and c) favorable outcomes in financing its infrastructure build out.
- While robust RPO provides visibility towards achievement of $225 billion of FY30 revenue, magnitude and duration of GPUaaS investment cycle remain highly uncertain, as do longer term economics -- particularly given mounting balance sheet obligations.
- Given the importance of execution across numerous vectors, we see a balanced risk reward on shares at current levels.

Consensus Rating Distribution



BULL CASE $310.00

~23x FY30e NGAAP EPS of $16.05 (disc. back)

- FY30 revenue scales ~$204bn

- FY30 gross margins compress to ~47.5%, and operating margins compress to 39.2%, given mix shift towards GPUaaS

- Yields FY30 EPS of ~$16.05, reflecting ~21% 5Y CAGR, but undershoots ~$21 target

BASE CASE $210.00

~19x CY28e Base Case NGAAP EPS of $11.08

- CY28 revenue scales to ~$146bn, reflecting 38% CAGR (CY26-CY28)

- NGAAP gross margins compress to ~51%, operating margins compress to 39.7%, given mix shift towards GPUaaS

- Yields $111.08 CY28 EPS, reflecting ~22% CAGR (CY26 - CY28)

- 19x multiple discount to historical average (~20x), with larger discount implied by PEG (0.9x, vs L5Y ~1.6x) given execution risk and lack of FCF support given GPUaaS investment.

BEAR CASE $62.00

~15x FY28e Core (ex-GPUaaS) GAAP EPS of $4.16

Our Bear Case Core (ex-GPUaaS) EPS of $4.16 reflects our FY28 core earnings power, burdened by a) SBC and intangible amortization and b) 50% of our estimated FY28 lease expenses (implying that Oracle would be able to exit ~50% of existing lease agreements).

Risk Reward – Oracle Corporation (ORCL.N)

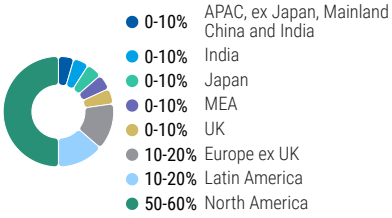
KEY EARNINGS INPUTS

Drivers	May 2026	May 2027e	May 2028e	May 2029e
Cloud Services and License Support YoY Growth (%)	22.2	43.0	44.3	42.4
Total Revenue YoY Growth (%)	17.4	34.2	37.4	37.7
Operating Margin % (%)	42.9	41.1	40.3	39.2
Earnings Per Share YoY Growth (%)	26.5	6.0	24.3	28.6

INVESTMENT DRIVERS

- Execution of GPUaaS build out
- Additional share repurchases
- Accretive acquisitions

GLOBAL REVENUE EXPOSURE



View explanation of regional hierarchies here

MS ALPHA MODELS

3/5 BEST	24 Month Horizon	3/5 MOST	3 Month Horizon

the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Faster than expected OCI capacity ramps
- Stronger than expected OCI gross margins
- Accelerated adoption of Fusion Apps and Cloud Database across the installed base
- Accelerated market share gains in non-AI Cloud

RISKS TO DOWNSIDE

- Challenges in ramping OCI capacity
- Weaker than expect OCI gross margins
- GPUaaS capacity investments drive substantial leverage
- Disruptive technologies in the data management market

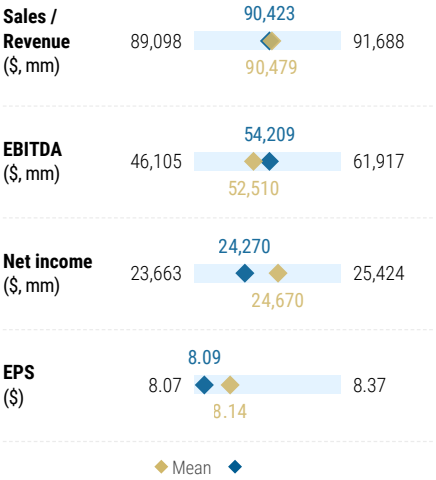
OWNERSHIP POSITIONING

Inst. Owners, % Active	49.5%
HF Sector Long/Short Ratio	2.2x
HF Sector Net Exposure	30.6%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY May 2027e



Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf