

Zacks Investment Research

Oracle Corporation (ORCL)

Investment Thesis: The Database Giant's AI Data Center Bet

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Executive Summary

Entrenched database moat funding a generational AI pivot

Mission-critical database switching costs anchor a 47-year enterprise franchise now redeploying cash flow into AI infrastructure.

\$638 billion Remaining Performance Obligations, up 363% YoY

Multi-year contracted backlog as of May 31, 2026 provides revenue visibility rarely seen in enterprise software.

Leverage is elevated but not alarming against backlog-secured EBITDA

Net Debt/EBITDA of roughly 4.1x sits within normal ranges for infrastructure-heavy, contracted-revenue businesses.

Base case \$180 / Bull case \$278 price targets

Implies 24% and 92% upside respectively from the current \$144.71 share price.

The Economic Moat

Switching Costs

Oracle Database underpins mission-critical workloads at most Fortune 500 firms; migration risk and cost make displacement rare.

Applications Lock-In

Fusion Cloud ERP/HCM and NetSuite embed Oracle deep into finance and HR operations of tens of thousands of enterprises.

Distribution Scale

Multicloud database deals with AWS, Azure, and Google Cloud extend Oracle's reach into rivals' own customer bases.

The AI Data Center Bet

93%

OCI (IaaS) revenue growth, Q4
FY26

\$55.7B

FY26 total capital expenditures

\$70B

Planned net capex, FY27

\$638B

Total RPO backlog, May 2026

Much of the buildout is pre-funded through customer prepayments and customer-supplied GPUs, reducing pure balance-sheet risk relative to the headline capex figures.

Backlog Visibility Is the Key Differentiator

- Remaining Performance Obligations reached \$638 billion as of May 31, 2026, up 363% year-over-year.
- Multicloud database availability across AWS, Azure, and Google Cloud has driven a surge in contracted database consumption commitments.
- Long-duration AI infrastructure contracts with hyperscaler and enterprise AI customers lock in multi-year revenue recognition.
- Backlog growth of this magnitude materially outpaces reported quarterly revenue growth, indicating an acceleration still working through the P&L.

Competitive Advantages vs. Hyperscalers

Cost & Performance

Oracle markets OCI GPU clusters as lower cost and higher network throughput than comparable AWS/Azure/Google Cloud offerings for large training workloads.

Multicloud Neutrality

By embedding Oracle Database inside rival clouds, Oracle monetizes workloads it would otherwise lose entirely to competitors.

Applications Bundle

Fusion applications, NetSuite, and industry verticals (health, government) create cross-sell paths unavailable to pure infrastructure players.

Enterprise Relationships

Decades-long procurement relationships with large enterprises and governments create built-in demand for OCI capacity.

Financial Trajectory

FY26 Revenue

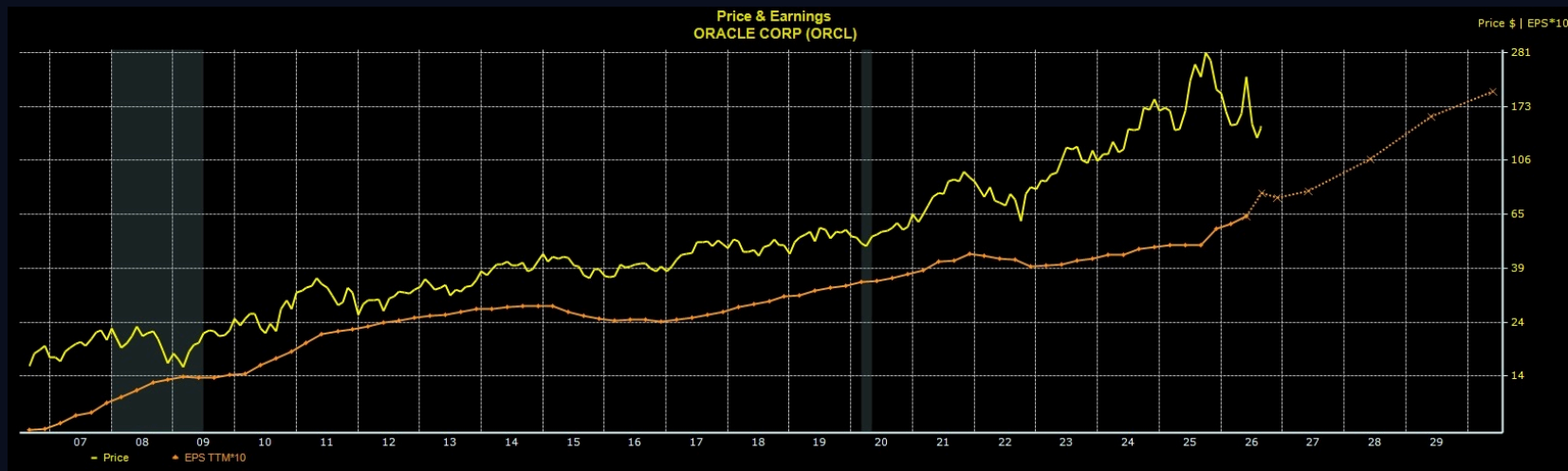
Cloud + license growth accelerating on
AI demand

Cloud Growth

OCI leading segment growth, database
close behind

EPS Trend

Long-term price has tracked trailing
EPS closely



Oracle long-term price vs. trailing-12-month EPS x10 trend

Addressing the Debt Concern

\$124.3B

Net debt

\$30.3B

FY26 EBITDA

~4.1x

Net Debt / EBITDA

A leverage ratio near 4x is within normal ranges for infrastructure-heavy technology issuers backed by a \$638 billion contracted backlog, and does not, in our view, warrant the discount at which shares currently trade relative to the sector.

Base Case Price Target: \$180

\$8.03

Zacks FY2027 consensus EPS

22.4x

Applied forward P/E multiple

+24%

Upside vs. \$144.71 current price

The base case multiple sits below Oracle's recent trading range and reflects steady cloud/OCI growth without assuming further multiple expansion.

Bull Case Price Target: \$278

\$10.69

Zacks FY2028 consensus EPS

26x

Applied forward P/E multiple

+92%

Upside vs. \$144.71 current price

The bull case assumes RPO conversion accelerates and OCI margins scale as data centers reach full utilization, consistent with the high end of the Zacks analyst price target range of \$266 average / \$400 high.

Price Target Summary

Scenario	EPS Basis	Multiple	Target	Upside
Base Case	FY27E \$8.03	22.4x	\$180	+24%
Bull Case	FY28E \$10.69	26.0x	\$278	+92%
Zacks Avg. Target	—	—	\$266	+84%
Zacks High Target	—	—	\$400	+176%

Upside calculated versus \$144.71 current price. Source: Zacks consensus estimates and price targets.

Key Risks to the Thesis

- Execution risk: a rapid, multi-year data center buildout raises the potential for cost overruns and delays.
- Free cash flow has been negative during the heaviest phase of AI capex, requiring continued market access to funding.
- Customer concentration: a meaningful share of the \$638 billion RPO backlog is tied to a small number of large AI customers.
- Valuation premium versus historical multiples if AI infrastructure demand growth decelerates faster than expected.

Investment Thesis Summary

Oracle's database and applications moat continues to fund a large-scale pivot into AI infrastructure, evidenced by 93% OCI growth and a \$638 billion contracted backlog.

Leverage near 4.1x Net Debt/EBITDA is elevated but defensible given backlog visibility, and does not fully justify the current valuation discount.

Base case (\$180, +24%) and bull case (\$278, +92%) targets suggest meaningful upside from the current \$144.71 share price.

Questions & Feedback

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