



ORACLE®



Layman Siblings

March 22, 2019

Overview



Overview

Oracle Corporation (NASDAQ: ORCL)

Database & Application Software

Redwood City, CA

Larry Ellison – 30% owner

\$53.17

\$189.3 billion (mega cap)

The company provides services in three primary layers of the cloud: **Software** as a Service, **Platform** as a Service, and **Infrastructure** as a Service.

- 430,000 customers in 175 countries
- 25,000 partners
- More than 18,000 patents worldwide
- #19 of 100 most valuable global brands
(Interbrand Best Global Brands 2018 Rankings)

Industry Leader

Banking
Communications
Engineering & Construction
Financial Services
Healthcare
Insurance
Public Sector
Retail
Utilities

Overview

Outlook

Risks
&
Drivers

Valuation

Conclusion



Overview

■ What customers handle

■ What Oracle Handles

Overview

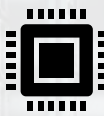
Outlook

Risks & Drivers

Valuation

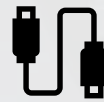
Conclusion

On-Premise




- Apps
- Data
- Runtime
- Middleware
- OS
- Virtualization
- Servers
- Networking

Infrastructure




- Apps
- Data
- Runtime
- Middleware
- OS
- Virtualization
- Servers
- Networking

Platform



- Apps
- Data
- Runtime
- Middleware
- OS
- Virtualization
- Servers
- Networking

Software



- Apps
- Data
- Runtime
- Middleware
- OS
- Virtualization
- Servers
- Networking



Segments

Cloud & Licensing 81%

Hardware 10%

Services 9%

Operating Margin

89%

60%

16%

Key Offerings

Autonomous Cloud management, ERP, IAAS, PAAS, SAAS

Engineered systems, servers, storage, infrastructure

On-site, sales teams, security teams

Est. Overall Growth 5yr.

Cloud: 32%
Average: 5%

2%

3%

Competitive Peers



Overview

Outlook

Risks & Drivers

Valuation

Conclusion



Overview

- #1 database warehouse
- #1 deployment-centric applications platform
- #1 engineered systems and integrated platforms
- #1 enterprise performance management
- #1 human capital management
- #1 identity governance and administration
- #1 lead management and marketing automation
- #1 logistics
- #1 middleware
- #1 project and portfolio management
- #1 supply chain execution
- #1 talent management
- #1 transportation management
- #1 application server
- #1 applications development and deployment
- #1 business analytics
- #1 business software
- #1 database
- #1 database management tools
- #1 database on Linux and UNIX

Source: Oracle Company information,
<http://www.oracle.com/us/corporate/oracle-fact-sheet-079219.pdf>

Overview

Outlook

Risks
&
Drivers

Valuation

Conclusion



Overview: Customers

- 10 of the 10 top aerospace and defense companies
- 20 of the 20 top auto companies
- 20 of the 20 top banks
- 9 of the 10 top consumer goods companies
- 9 of the 10 top engineering and construction companies
- 20 of the 20 top governments
- 20 of the 20 top high-tech companies
- 20 of the 20 top insurers
- 20 of the 20 top manufacturers
- 20 of the 20 top medical device companies
- 20 of the 20 top oil and gas companies
- 20 of the 20 top pharmaceutical companies
- 20 of the 20 top retailers
- 20 of the 20 top supply chains
- 20 of the 20 top telcos
- 20 of the 20 top universities
- 10 of the 10 top utilities

Source: Oracle Company information,
<http://www.oracle.com/us/corporate/oracle-fact-sheet-079219.pdf>

Overview

Outlook

Risks
&
Drivers

Valuation

Conclusion



Overview: Industries



Aerospace & Defense



Automotive



Chemicals



Communications



Construction & Engineering



Consumer Goods



Education & Research



Financial Services



Food & Beverage



Healthcare



High Technology



Hospitality



Natural Resources



Oil & Gas



Professional Services



Public Sector



Wholesale Distribution



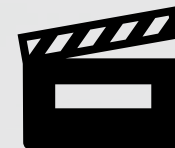
Utilities



Travel & Transportation



Life Sciences



Media & Entertainment



Industrial Manufacturing



Retail

Overview

Outlook

Risks
&
Drivers

Valuation

Conclusion

Overview: Cloud-Based Services

Overview

Outlook

Risks
&
Drivers

Valuation

Conclusion



Private

- Single tenant implementation
- Owned and operated by IT organization
- Define your own data management policies
- Self-service and automation capabilities provide new agility



Hybrid

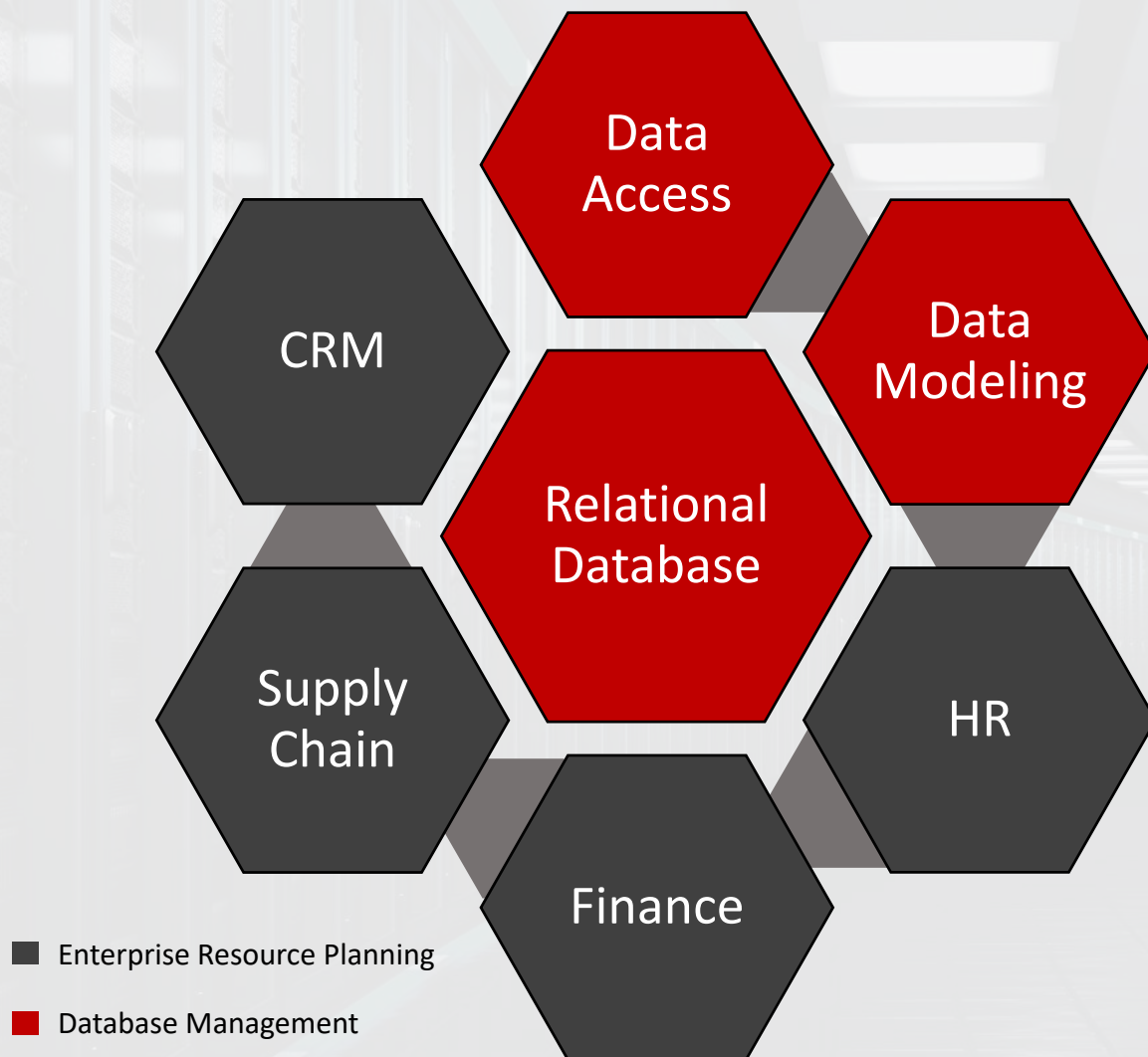
- Combination for Private & one or more public clouds
- Allows IT organizations to become brokers of services



Public

- Multi-tenant implementation
- Owned and operated by Service Provider
- Bound by multi-tenant data management policies
- Similar self-service and automation capabilities as Private Cloud

Moat – Back Office Suite



- Thousands of companies with years of data stored in Oracle databases
- Oracle ERP paired with big data enables automated back office operations, bringing down costs
- Top tier security offerings from Oracle are critical as firms cannot lose critical data & applications used day-to-day

Overview

Outlook

Risks
&
Drivers

Valuation

Conclusion

Moat – Migration costs (1)

Overview

Outlook

Risks
&
Drivers

Valuation

Conclusion

[Amazon](#) is learning how hard it can be to move off of [Oracle](#)'s database software.

On Prime Day, while the e-retailer was [dealing with a major website glitch](#) that slowed sales, the company was also dealing with a technical problem in Ohio at one of its biggest warehouses, leading to thousands of delayed package deliveries, according to an internal report obtained by CNBC.

The problem was in large part due to Amazon's migration from Oracle's database to its own technology, the documents show. The outage underscores the challenge Amazon faces as it looks to [move completely off Oracle's database by 2020](#), and how difficult it is to re-create that level of reliability. It also shows that Oracle's database is more efficient in some aspects than Amazon's rival software, a point that Oracle will likely emphasize during this week's annual OpenWorld conference in San Francisco.

Amazon's move off Oracle caused Prime Day outage in one of its biggest warehouses, internal report says

TECH
PUBLISHED TUE, OCT 23 2018 - 8:57 AM EDT | UPDATED MON, OCT 29 2018 - 9:44 PM EDT

Moat – Migration costs (2)

Overview

Outlook

Risks
&
Drivers

Valuation

Conclusion

ENTERPRISE
Larry Ellison says it will be 'really hard' for Amazon to abandon Oracle
PUBLISHED TUE, AUG 7 2018 - 5:50 PM EDT | UPDATED WED, AUG 8 2018 - 5:45 PM EDT

“They’ve got a goal to get off by 2020,” he said at a company event. “SAP couldn’t do it. Salesforce couldn’t do it. I don’t think they can do it. Anyway, we’ll find out.”

The comments represent the latest in an ongoing spat between the two companies, which compete in the market for cloud infrastructure as well as database systems.

Ellison said Oracle’s software is stronger than Amazon’s offerings, which include the Aurora database and Redshift data warehouse. He said no database is as easy to use as Oracle’s.

They think of themselves as a competitor, so it’s kind of embarrassing when Amazon uses Oracle, but they want you to use Aurora and Redshift,” he said. “hey’ve had 10 years to get off Oracle, and they’re still on Oracle. And it’s not going to be easy for them to use their own technology. It’s not going to be cost-effective. I mean, it’s really, really hard.”

Moat – Migration costs (3)

Overview

Outlook

Risks
&
Drivers

Valuation

Conclusion

It's back on – SAP SuccessFactors HANA migration take 2

By [Phil Wainewright](#) March 21, 2018

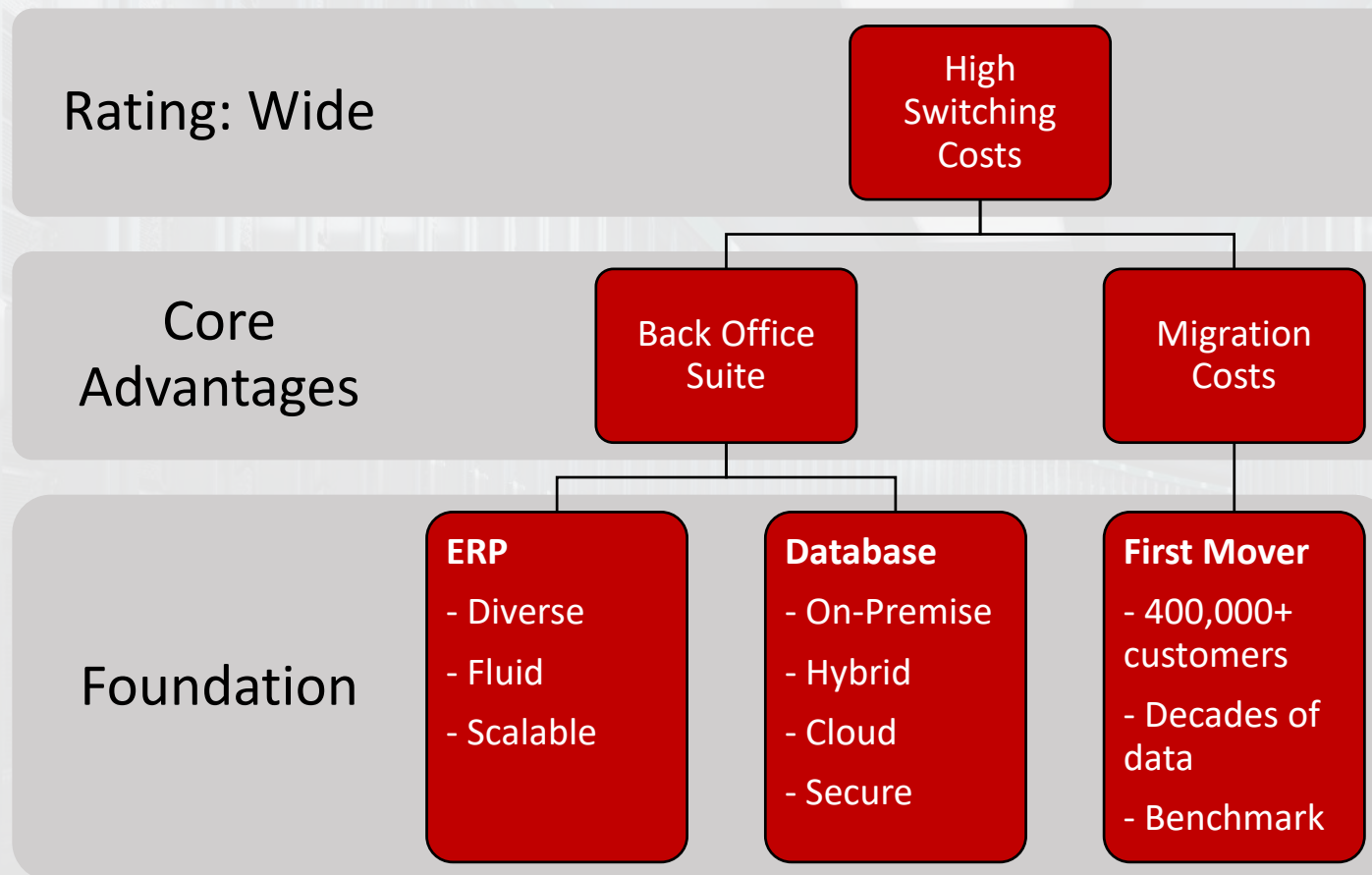
SUMMARY: The long-awaited HANA migration of SAP SuccessFactors is taking place this year. Hang on, wasn't it meant to have happened last year?

That hiatus has allowed other applications to increase their HANA footprint, and as Wilson explains, that creates a new incentive for SuccessFactors to complete its migration. There are also proof points with S/4 HANA for what can be achieved on the HANA platform. To that extent, by delaying, SuccessFactors is now less of a 'guinea pig' for running HANA at scale than it would have been a year ago.

But therefore that proof point of running large multi-tenant instances on HANA at scale still has to be demonstrated. Meanwhile the competitive bar has been raised by advances at Oracle, whose technology underpins the old BizX infrastructure. SAP is fully committed to making the break with Oracle and standardizing entirely on HANA, and no doubt customers are confident that SAP will deliver a solid platform. But they can only benchmark the actual results of that once the migration has been completed. We'll continue to watch developments.



Moat



- Oracle has been at the very core of business operations for 400,000+ firms across the globe
- Although slow to react to the cloud database movement, we believe that Oracle has a strong enough economic moat and is now having to exercise its “capacity to suffer”
- Oracle’s cloud offerings are considered market leading & customers can easily switch from on-premise to hybrid or full cloud with ease relative to switching providers altogether

Overview

Outlook

Risks
&
Drivers

Valuation

Conclusion

Industry Outlook



Outlook

Overview

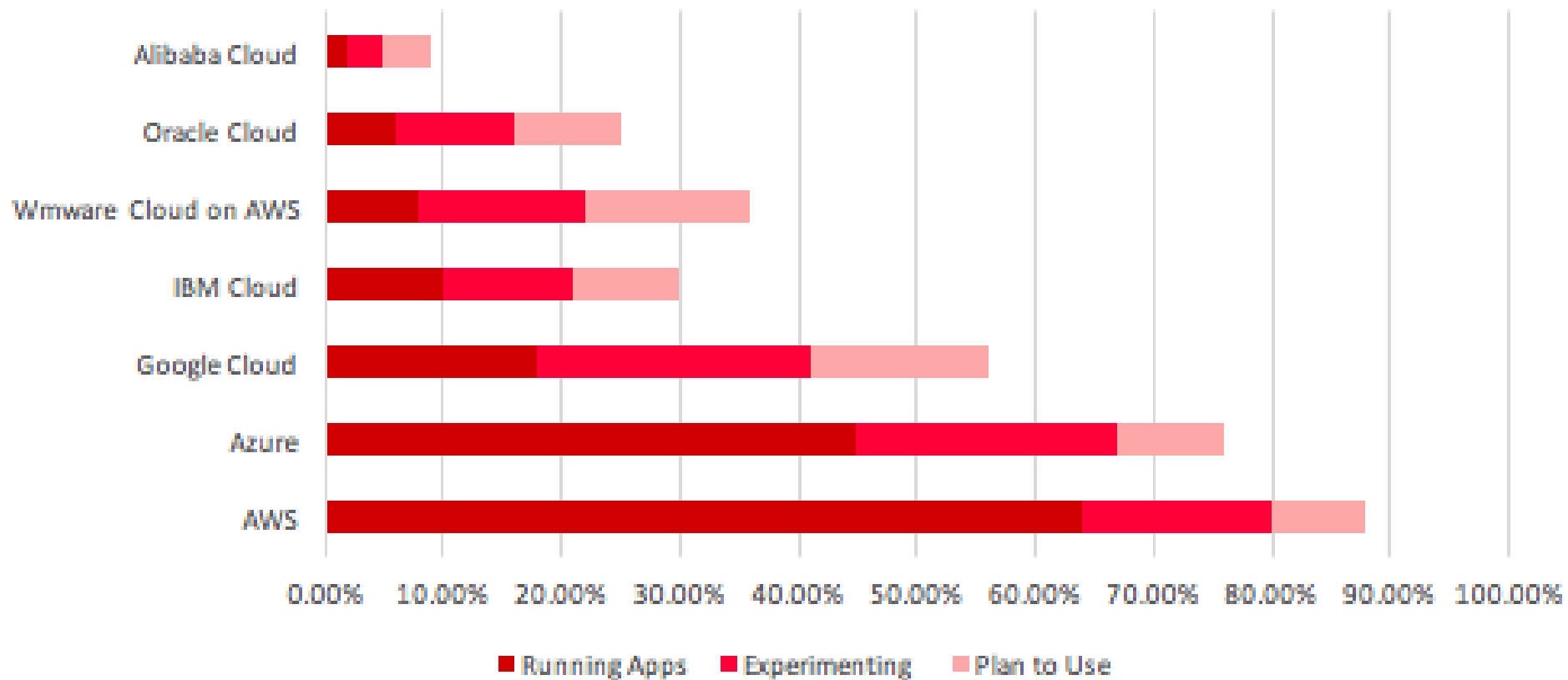
Outlook

Risks
&
Drivers

Valuation

Conclusion

Current and Planned Usage of Public Cloud Platform Services
Running Applications Worldwide in 2018



Outlook

Overview

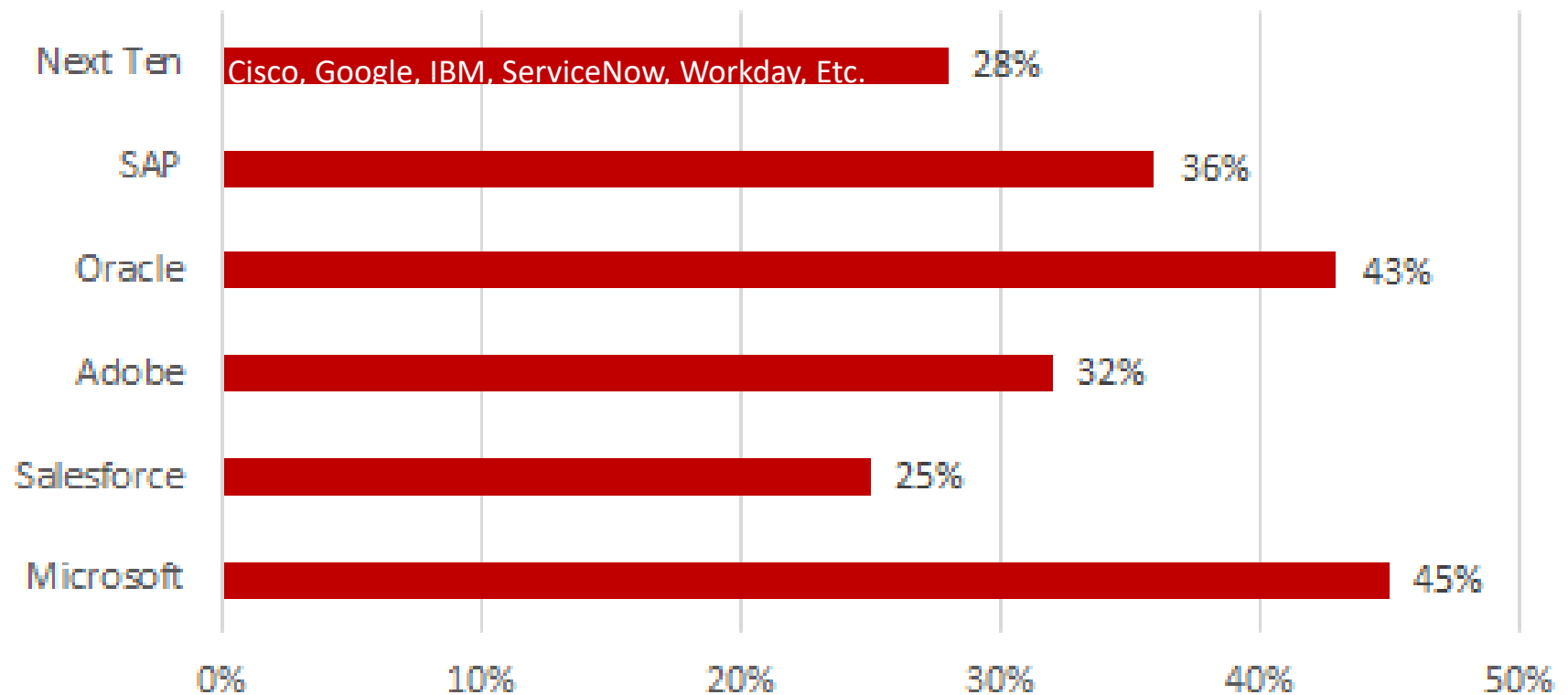
Outlook

Risks
&
Drivers

Valuation

Conclusion

Annual Vendor Market Share & Revenue Growth for Enterprise SaaS



Outlook: Competition with Amazon

Oracle Gen2 Offers the Best **Performance**

	OCI	AWS	OCI
Compute	2.57 TFLOPs	1.77 TFLOPs	45% Faster
Memory	153 GB/s	134 GB/s	14% Faster
Block Storage	500,000 IOPS	80,000 IOPS	525% Faster
Network	50 Gbps	25 Gbps	100% Faster

Overview

Outlook

Risks
&
Drivers

Valuation

Conclusion

Outlook: Competition with Amazon

Oracle Gen2 Has the Most Aggressive Pricing

	OCI	AWS	AWS
Compute Standard compute core/hour	\$0.03	\$0.096	3x More \$
Block Storage 1TB @ 25K IOPS, per month	\$43	\$1,750	30x More \$
Network 100TB egress, per month	\$765	\$7,800	10x More \$

Overview

Outlook

Risks
&
Drivers

Valuation

Conclusion



Risks & Opportunities



Risks

Our success depends upon our ability to develop new products and services, integrate acquired products and services and enhance our existing products and services.

Industry Trends

- There may be delays in market acceptance of new or enhanced, products or services
- There may be changes in overall IT trends that leave some products or services less desirable or obsolete.

Cloud Expansion

- Though Oracle has a sizeable position in cloud service offerings, pressure from competition forces Oracle to invest more in expansion or acquisition of new cloud services.

Integration and Fixes

- M&A activity and integration into Oracle's business model takes time
- Bugged software, mass consumer issues or threats to data pose threats to Oracle's reputation

Overview

Outlook

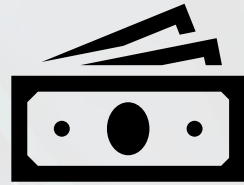
Risks
&
Drivers

Valuation

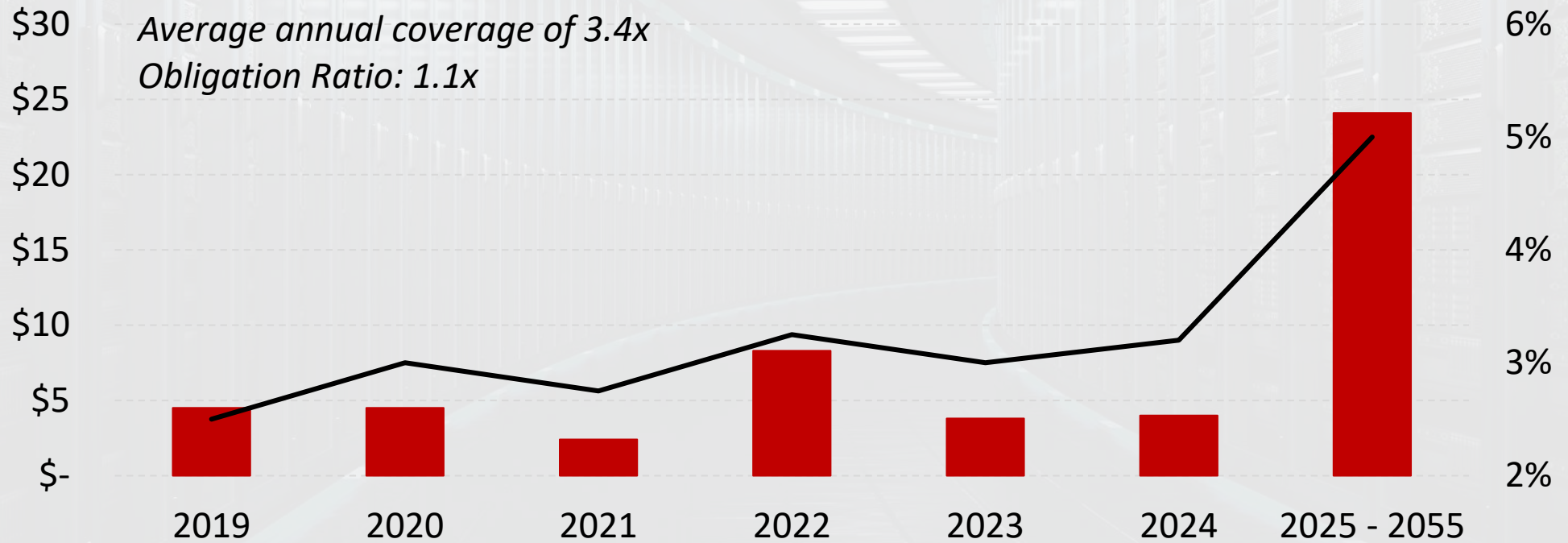
Conclusion



Opportunities



\$40 billion



Overview

Outlook

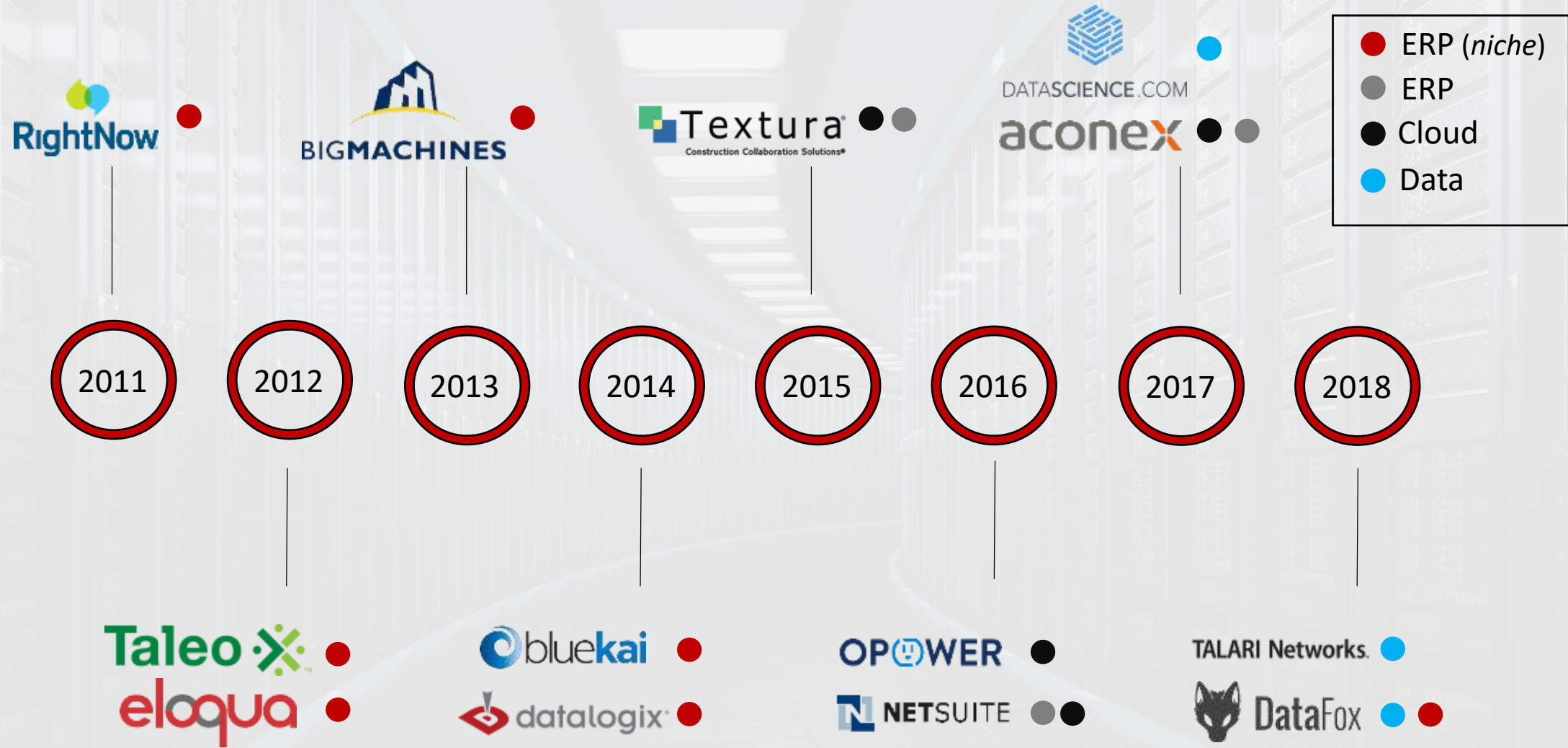
Risks & Drivers

Valuation

Conclusion

Opportunities M&A (Historical)

- Overview
- Outlook
- Risks & Drivers
- Valuation
- Conclusion



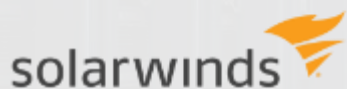
Opportunities M&A (Targets)



HYPERGRID



cloudera



MESOSPHERE

servicenow

okta



MIRANTIS

splunk>



500+
Application Software
Data Management
SAAS
IAAS
PAAS

Overview

Outlook

Risks & Drivers

Valuation

Conclusion

Opportunities Expansion



Overview

Outlook

Risks & Drivers

Valuation

Conclusion

Opportunities Generation 2 Cloud

Overview

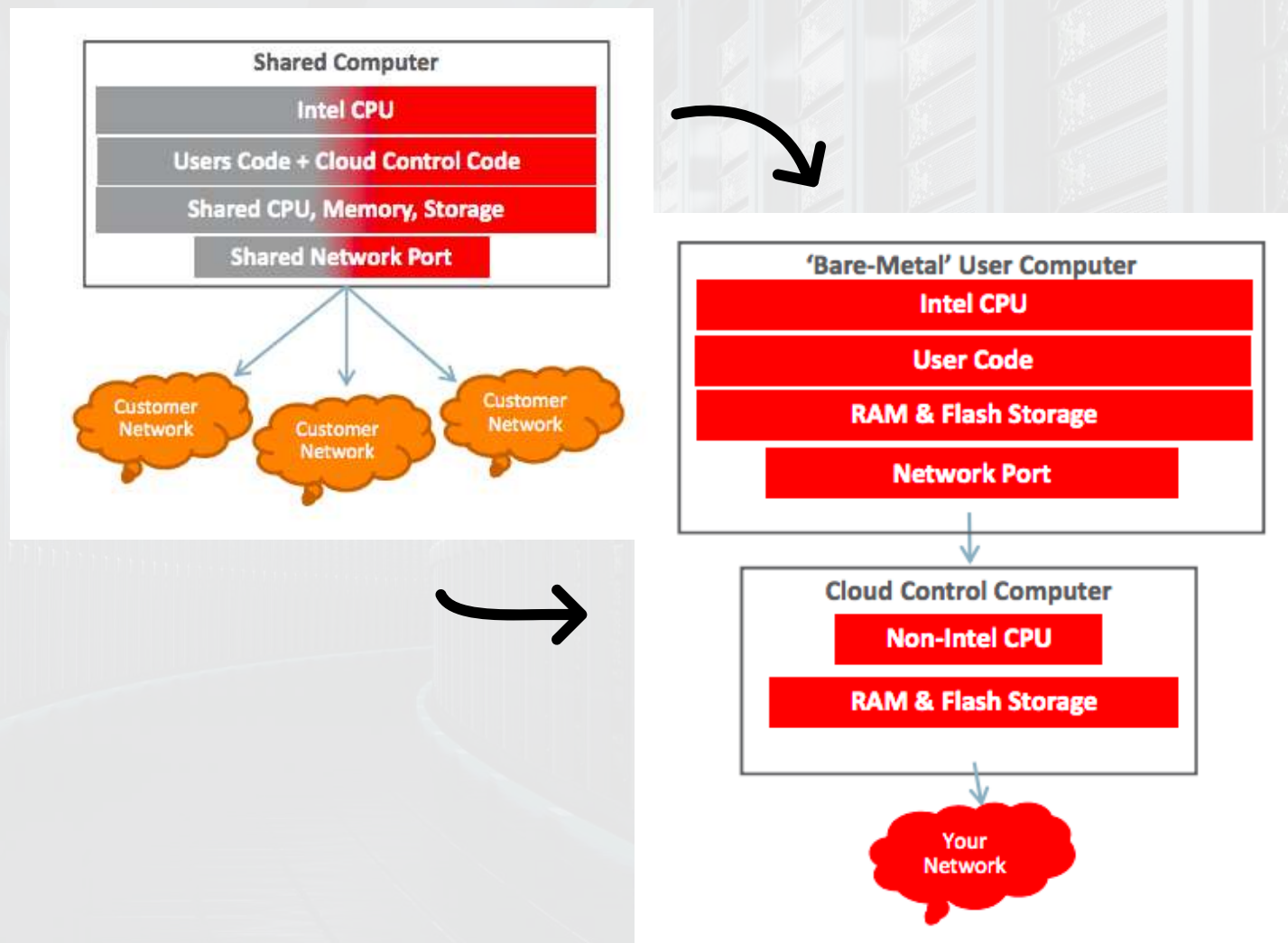
Outlook

Risks
&
Drivers

Valuation

Conclusion

- Oracle cannot see customer data
- No User Access to Cloud Control Computer or Code
- Foundation for autonomous data
- Easy switch from Gen 1 to Gen 2



Opportunities JEDI

- 10 year \$10 billion deal
- Cloud computing infrastructure for DOD & CIA
- Seen as risky so security is of high priority, presents opportunity for Oracle
- Competitors run government cloud services on public clouds
- Oracle has the security & private network capabilities



Overview

Outlook

Risks
&
Drivers

Valuation

Conclusion

Valuation



Thesis

- Market leader
- Easy switch from on-premise to cloud
- Slow move to cloud
- Not as much opportunity for growth due to company's size
- Still room to grow in the cloud sector
- Solid financials



Overview

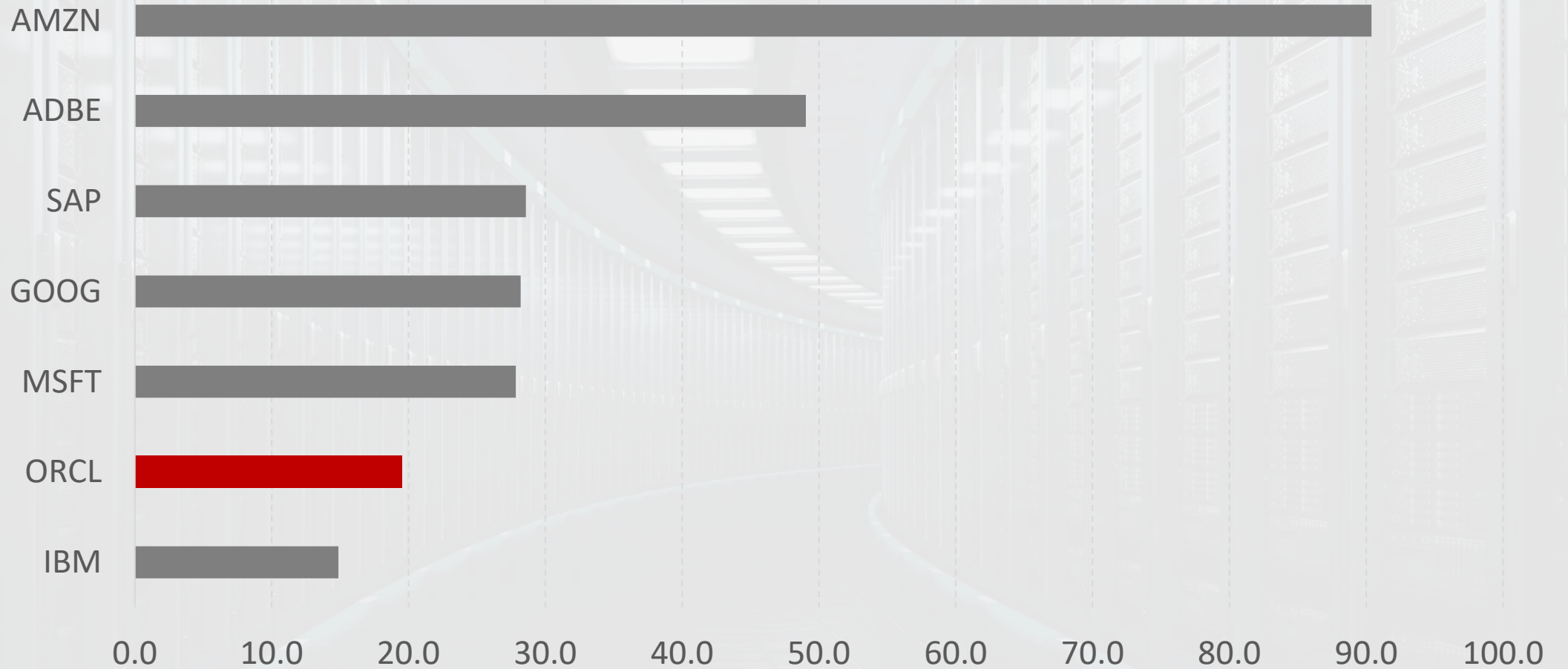
Outlook

Risks
&
Drivers

Valuation

Conclusion

Valuation P/E



Overview

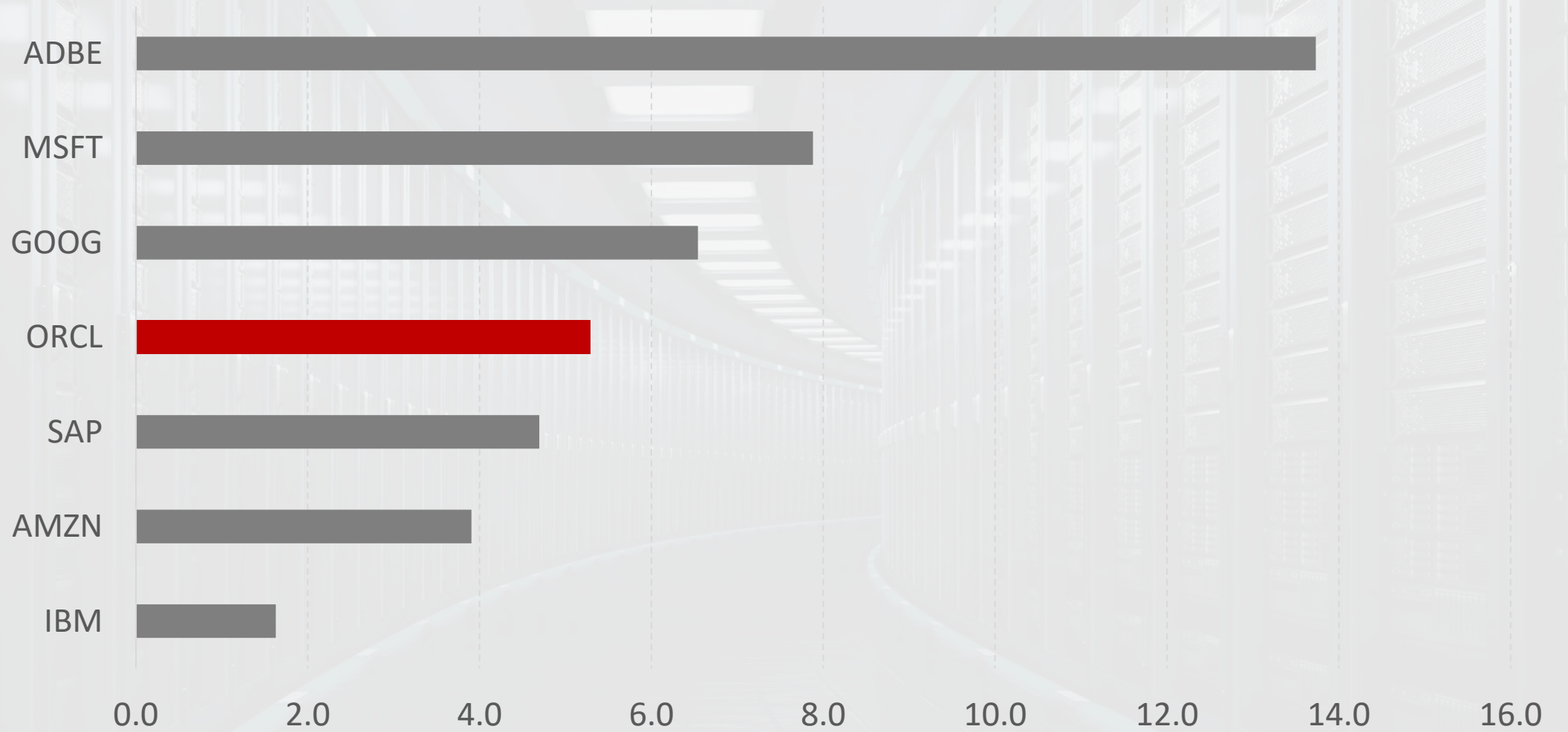
Outlook

Risks
&
Drivers

Valuation

Conclusion

Valuation P/S



Overview

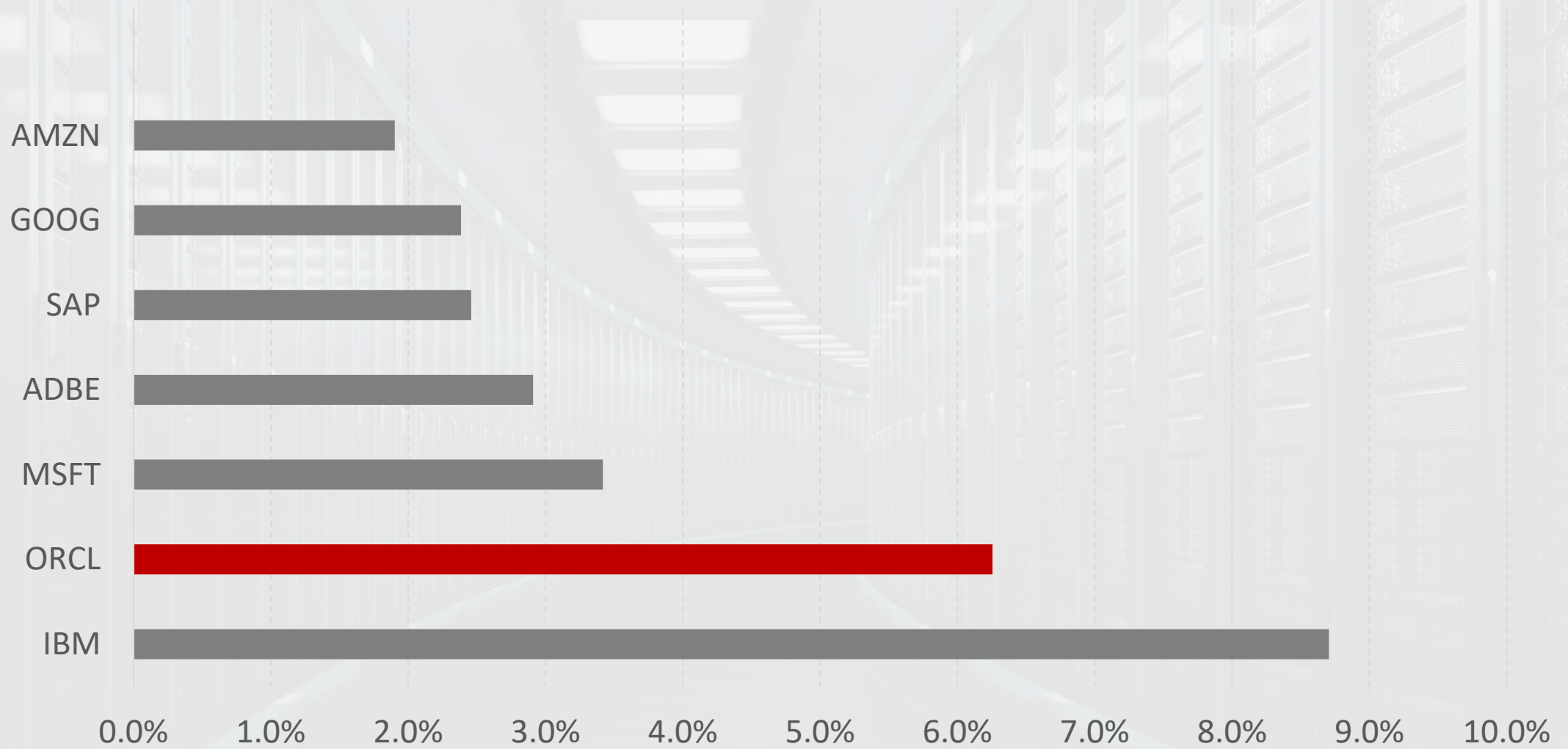
Outlook

Risks
&
Drivers

Valuation

Conclusion

Valuation FCF Yield



Overview

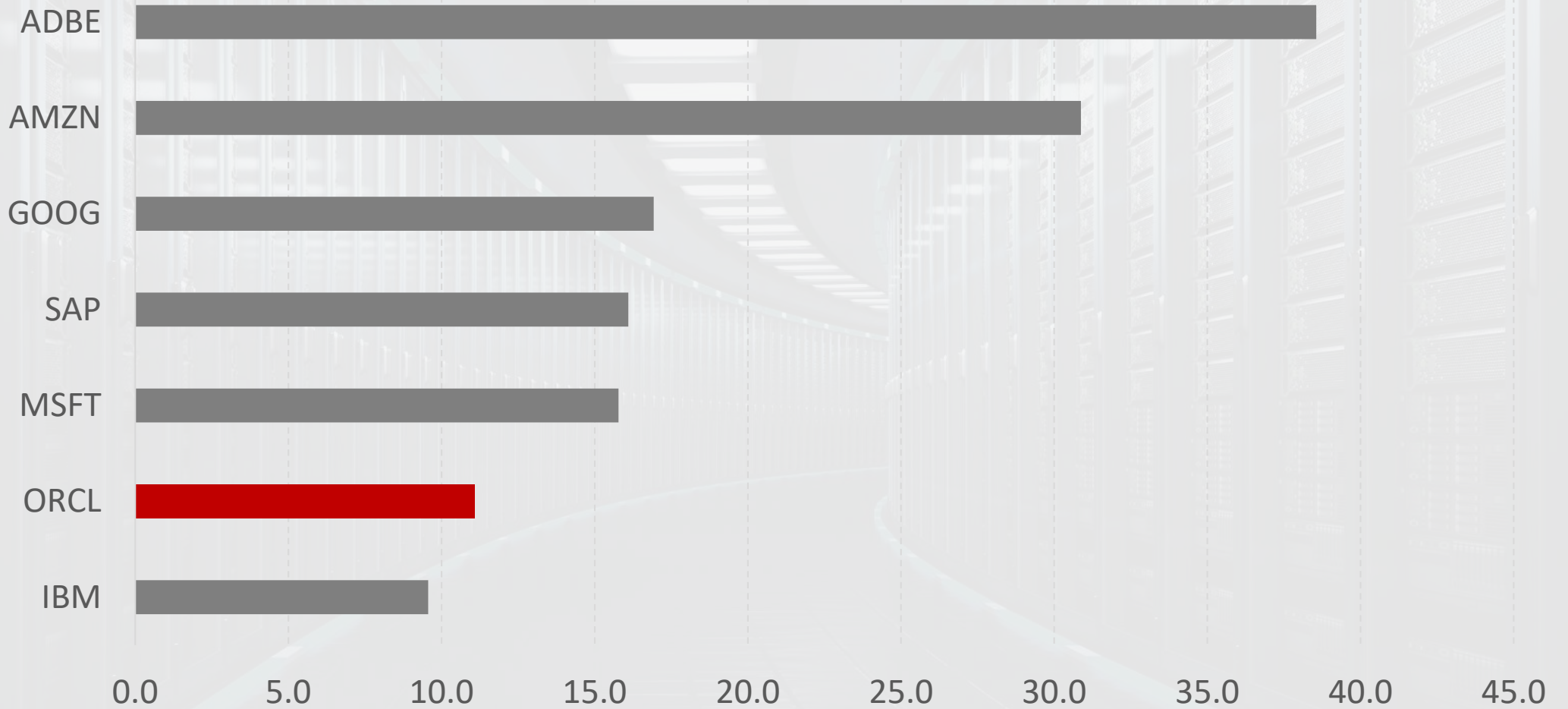
Outlook

Risks
&
Drivers

Valuation

Conclusion

Valuation EV / EBITDA



Overview

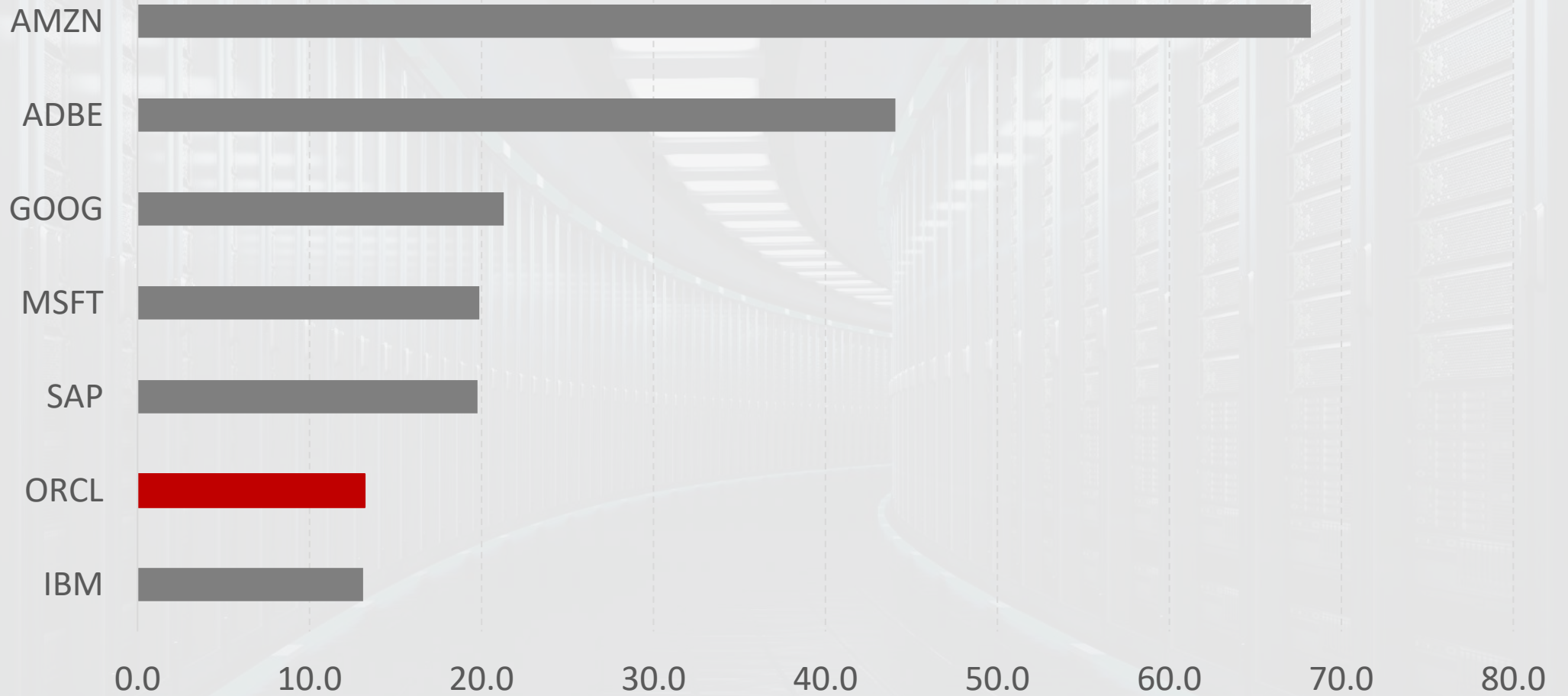
Outlook

Risks
&
Drivers

Valuation

Conclusion

Valuation EV / EBIT



Overview

Outlook

Risks
&
Drivers

Valuation

Conclusion

Valuation Field

DCF

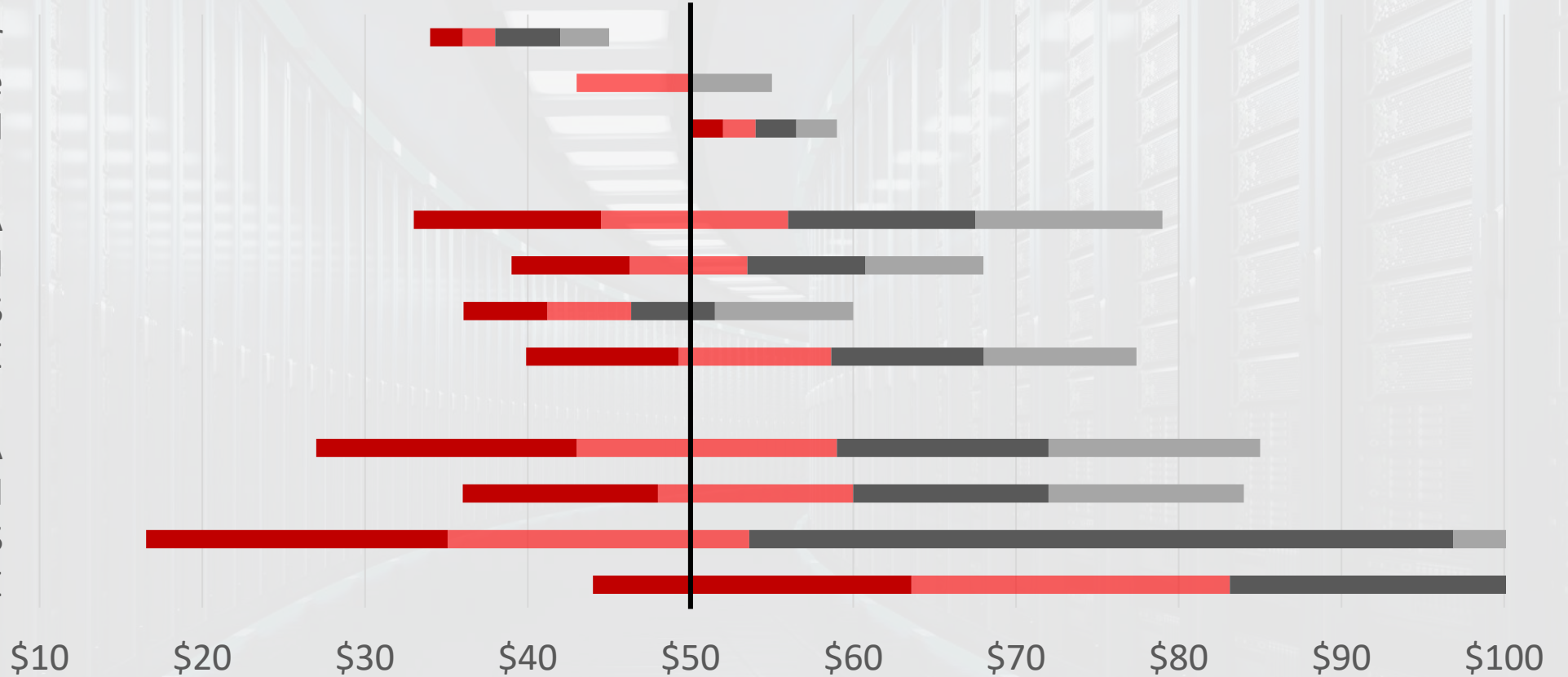
- Bear
- Base
- Bull

Historical

- EV/EBITDA
- FCF yield
- P/S
- P/E

Comps

- EV/EBITDA
- FCF Yield
- P/S
- P/E



Overview

Outlook

Risks & Drivers

Valuation

Conclusion

Conclusion



Conclusion

Hold

Fair Value: \$50



Overview

Outlook

Risks
&
Drivers

Valuation

Conclusion