

Initiating Coverage:

Oracle (\$ORCL)

Splurge on the Surge: Overweight Means You Shouldn't Wait!

Key Take-away: Oracle (\$ORCL) has long been a dominant force in enterprise software and cloud computing, and now has even more room to expand, with a market cap of \$830.46 B and a current share price of \$291.31. First known for its database software, Oracle has evolved into a comprehensive cloud infrastructure provider, positioning itself as a competitor to Amazon Web Services (AWS) and Microsoft Azure. Its Cloud Infrastructure business is now a key growth driver, which has benefited from rising enterprise demand for secure, scalable, and cost-efficient solutions. While Oracle was once more of a legacy software company, its recent strategic shift toward cloud and AI integration has unlocked new untapped potential for expansion. Investments in AI infrastructure partnerships, like agreements with Nvidia to offer GPU clusters, cement Oracle as a key of the modern enterprise computing stack. Oracle's ability to combine traditional database dominance with emerging technologies gives Oracle a unique edge within the cloud computing landscape.

Cloud Meets Enterprise: Oracle's business model relies on long-term relationships with enterprise clients, many of which use its databases. Such operating embeddedness gives Oracle a strong competitive moat and predictable revenue streams through recurring software and cloud subscriptions, since switching would entail both operational and time-sucking costs. By expanding its cloud infrastructure footprint, Oracle offers a unified stack, ranging from databases to applications to infrastructure, simplifying deployment and security for massive organizations. Unlike newer cloud providers, Oracle's strategy emphasizes enterprise compliance, data residency, and hybrid cloud flexibility, appealing to governments, banks, and global corporations with more strict regulations. Its AI-powered autonomous database further builds Oracle's moat by automating maintenance and optimization, securing long-term usage.

Strategic Shifts & Expansion: Oracle has been historically slower to cloud than peers but has made up ground through targeted acquisitions and capital expenditure on data centers to build out its cloud. This has allowed Oracle to gain traction with customers looking for multi-cloud strategies, where they complement rather than replaces existing AWS or Azure deployments. By offering lower data egress fees and specialized performance optimizations, Oracle has carved out a niche as a cost-effective, enterprise-grade alternative in the cloud market. Their recent partnerships with OpenAI (5 year, \$300B deal that surged stock by almost 40% in a day) and Cohere to provide AI model hosting on Cloud Infrastructure signal a play for AI infrastructure market share, a sector with tremendous upside in the next decade.

Valuation: We initiate a coverage with a \$296.00 PT.



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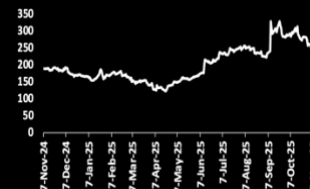
Stock Rating: Overweight

Price Target: \$296.00

Price: \$262.61

Potential Upside: 56.37%

Ticker: ORCL



TMT Coverage Team

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Company Overview

Company Description: Founded in 1977 by Larry Ellison, Bob Miner, and Ed Oates, Oracle started off as a database company but quickly became a critical component of enterprise IT infrastructure on a global scale. Today, Oracle operates across cloud infrastructure, enterprise applications and now, AI-enabled databases. Oracle has 97% of Fortune 500 companies using its services. Oracle's subscription-based model generates a steady cash flow, and in FY2024 Oracle reported \$53 B in total revenue, with cloud services and license support comprising 74% of that figure, and they jumped to \$57 B so far in 2025. Oracle's transformation from legacy software to full-stack cloud provider demonstrates its ability to adapt to modern market shifts while leveraging its lasting enterprise relationships.

Regulatory and Competitive Landscape: Oracle operates in a highly regulated and competitive industry, contending with tech giants Microsoft, Amazon, and Google. However, unlike consumer-facing B2C companies, Oracle's focus on B2B services shields it from many short-term regulatory or policy shocks. Oracle's emphasis on security and compliance aligns well with governments' increasing push for data sovereignty, allowing for more protections than competitors have.

Recent Skepticism: Oracle recently saw a downturn because of worries about capital expenditure plans and over-reliance on AI company partnerships, like theirs with OpenAI. Deutsche Bank, Jeffries, and UBS, noted these qualms, along with anal causing the stock to fall in mid-October. It is likely that the stock will rise again when Oracle builds out necessary infrastructure and dissuades worries investors now have. Several analysts initiate a price target in the mid \$300s range.

Industry Overview

Oracle operates in the Technology sector of TMT, specifically within Enterprise Software and Cloud Infrastructure. This industry is driven by rapid AI-driven expansion, with companies racing to modernize their IT stacks and integrate AI into workflows. Oracle's core customers, large enterprises and governments, face growing demands for data security, cost efficiency, and compliance, all of which Oracle's integrated offerings address, which positions it well going forward. While AWS and Azure lead in market share, Oracle's hybrid approach and focus on high-performance computing and AI workloads give it strategic leverage. Additionally, OpenAI teamed up with Oracle and Softbank to build out 5 new Stargate tech centers, producing energy output on par with seven nuclear reactors.

The cloud market is set to grow at a CAGR of 14.623% by 2035, and Oracle's cloud infrastructure revenue growth of positive YoY growth, hovering around 10% in recent quarters shows that its late-stage pivot is gaining meaningful traction. As more companies adopt multi-cloud strategies, Oracle is well positioned to capture enterprises seeking performance differentiation, cost advantages, and regulatory compliance, all areas where it excels relative to competitors.

Peer Comparisons

Comparable Companies						
\$ORCL						
Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM	
\$CRM	\$247,910	\$247,500	37.3x	\$39,500	\$16,500	
\$AMZN	\$2,604,580	\$2,680,000	34.5x	\$670,000	\$139,700	
\$IBM	\$287,350	\$319,600	46.3x	\$65,400	\$18,000	
\$MSFT	\$3,850,000	\$3,800,000	37.8x	\$293,810	\$174,000	
ORACLE	\$748,646	\$917,660	53.8x	\$59,018	\$24,463	

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth Rate LF	
\$CRM	21.5x	77.0%	34.1%	20.2%	10.0%	
\$AMZN	17.4x	48.9%	20.1%	11.4%	11.5%	
\$IBM	22.2x	57.6%	22.0%	14.5%	4.5%	
\$MSFT	22.8x	68.8%	59.8%	46.3%	15.6%	
ORACLE	35.0x	69.7%	41.5%	30.4%	9.7%	

High	35.00x	77.0%	59.8%	46.3%	15.6%	
75th Percentile	22.80x	69.7%	41.5%	30.4%	11.5%	
Average	23.78x	64.4%	35.5%	24.6%	10.3%	
Median	22.20x	68.8%	34.1%	20.2%	10.0%	
25th Percentile	21.50x	57.6%	22.0%	14.5%	9.7%	
Low	17.40x	48.9%	20.1%	11.4%	4.5%	

Oracle Valuation		
Implied Enterprise Value (25th Percentile)	\$	525,955
Implied Enterprise Value (Median)	\$	543,079
Implied Enterprise Value (75th Percentile)	\$	557,756

Implied Share Price (25th Percentile)	\$	163.07
Implied Share Price (Median)	\$	169.08
Implied Share Price (75th Percentile)	\$	174.23

Source: Cap IQ, Macrotrends

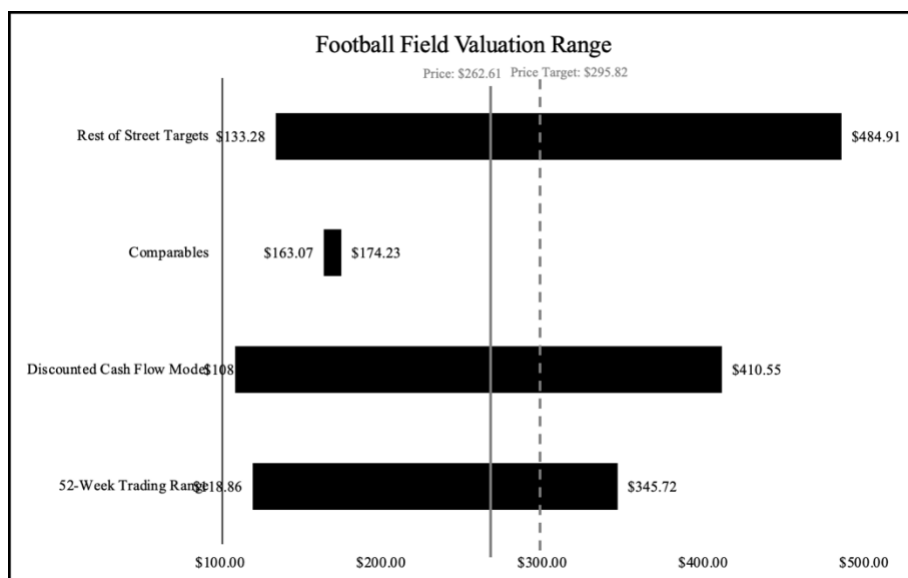
Investment Theses

Overvaluation shouldn't be off-putting: Although Oracle is overpriced now with a high P/E ratio comparable to its competitors and historical data, it will establish itself as the primary player in cloud services, especially considering expansion into other markets with its part in investing in Tiktok's U.S. business. Oracle is a slightly overvalued stock right now, and as its price continues to fall as it has over the past month, it becomes an even more attractive buy, since its intrinsic value is greater than recent minor qualms. Therefore, a slightly overvalued rating should not deter investors.

Building for the future: Partnerships with AI enterprises, including the building of an OpenAI datacenter, will surge Oracle's stock following the AI boom that will ensue and continue over decades to come. They will provide essential infrastructure and cloud-computing to AI companies like OpenAI, forging lucrative, long-term partnerships. Oracle has demonstrated ability to adapt from hardware to software, meaning as AI and technology advances, so will Oracle. Unlike other major technology companies that have fallen behind due to modern innovation, Oracle will only improve.

Price Target & Valuation

Our analysis gives (\$ORCL) a price target of \$295.82 and an overweight rating. Although slightly overvalued, with, for example, a 50.90x high P/E ratio, this rating should not discourage investors due to Oracle's momentary dip in stock price (because of high capital expenditures and operating expenses) since Oracle has high intrinsic value.



Potential Downsides to Our Rating

Downside 1: Oracle's free cash flow margin has plummeted over the last 5 years, indicating that its recent capital expenditures and investments are taking a toll on its ability to return money to shareholders. On their balance sheet, Oracle's cash is far outweighed by its debt by nearly 8x, which means Oracle may have to raise more capital from investors to upgrade financial fundamentals. If Oracle continues to amass debt and only generate revenue through costly margins, its share price could plummet.

Downside 2: The age of AI is a double-edged sword. While it has allowed for Oracle's stock to surge over the past year, it will no doubt introduce new competitors to the mix. These competitors are massive enterprises that have significant resources to create similar software and the credibility to forge strong relationships with AI companies. AWS, for example, has a much lower debt to cash ratio than Oracle, meaning it can further finance AI development and infrastructure.

Downside 3: Oracle is extremely reliant on AI companies, which fueled their recent growth and largest stock rise in a day since 1992 after the OpenAI deal was announced. But this means Oracle is betting on the AI market, meaning any changes to what AI demands or how it

Our Price Target: **\$296.00**

Our PT is based on the idea that Oracle's price will surge because of their ability to adapt to AI and new technologies, and long-term partnerships with major enterprises that will shape the future, even as past sources of revenue such as hardware dwindle. Additionally, Oracle's services and hardware business will decline but not fully fade out, still providing in-demand consulting and essential databases.

Our Upside Case: **\$411.00**

Our upside case is based on Oracle's ability to thrive with the AI boom, providing crucial cloud and software services across industries. Oracle's partnerships with OpenAI (5 year, \$300B compute contract with OpenAI) is lasting. Their expanding presence in other industries, like the Oracle Health AI data platform, is utilized by researchers at Baylor College of Medicine. This is evidence of both robust versatility and demand, providing multiple revenue generators in the age of AI.

Our Downside Case: **\$108.00**

Our downside case is based on the increase in competition and debt that Oracle faces. They will only have more competitors as the AI market grows, and major companies like AWS and IBM have the tools to create similar cloud and infrastructure products. If Oracle's debt becomes overwhelming, and existing partnerships fizzle out due to competition, their stock could crash.

pans out also affect Oracle. Their upside is tied up in a singular industry, one that is very new and unpredictable, meaning the only certainty is in fact uncertainty.

Projections

Income Statement (\$mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	52,961	57,399	66,805	81,440	99,014	23.2%
EBITDA	4,097	76,770	22,247	25,983	30,269	94.8%
EBIT	1,540	1,770	20,161	23,646	27,671	161.9%
NOPAT	1,147	1,411	1,076	1,297	1,541	10.3%
Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	7.7%	133.7%	33.3%	31.9%	30.6%	47.5%
EBIT Margin	2.9%	3.1%	30.2%	29.0%	27.9%	18.6%
Revenue Growth	6.0%	8.4%	16.4%	21.9%	21.6%	14.9%
EBIT Growth	17.6%	14.9%	1039.0%	17.3%	17.0%	221.2%
Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	903.1x	11.0x	44.0x	37.4x	31.9x	205.5x
EV/Sales	17.3x	16.0x	13.2x	10.9x	9.0x	13.3x
EV/EBITDA	224.0x	12.0x	41.2x	35.3x	30.3x	68.6x
FCF Yield	0.1%	9.1%	2.3%	2.7%	3.1%	3.7%

About \$ORCL

Oracle, founded in 1977 operates as a global cloud computing technology company. Oracle creates and deploys database software, cloud-engineered systems, and enterprise software products, most notably Oracle Database and Oracle Cloud Infrastructure. Their main business segments are cloud services, license support, hardware manufacturing, and technology services. They are unique because of their ability to adapt from a major hardware enterprise to sitting at the forefront of the AI revolution, with major partnerships with OpenAI. Their purpose is to create scalable AI database and cloud computing solutions.

Disclosures & Ratings

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Overweight means the analyst team believes the stock price will materially outperform the coverage industry benchmark (TMT, Healthcare, Industrial, Consumer, FIG, Energy & Sustainability) in the next 6-12 months.

Equal Weight means the team expects performance in line with the industry benchmark. **Underweight** means the team expects underperformance relative to the industry benchmark.

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Appendix

ORACLE																
Discounted Cash Flow																
Active Case: 2 Base																
Current Share Price \$262.61																
DCF Analysis (\$mm)																
	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030	12/31/2031	12/31/2032	12/31/2033	12/31/2034	12/31/2035
Stub						0.84	1.84	2.84	3.84	4.84	5.84	6.84	7.84	8.84	9.84	10.84
Discount Period						0.08	0.66	1.66	2.66	3.66	4.66	5.66	6.66	7.66	8.66	9.66
Revenue	39,068	40,479	42,440	49,954	52,961	57,399	66,805	81,440	99,014	120,099	145,268	175,316	210,996	253,303	303,282	362,213
Revenue Growth		4%	5%	18%	6%	8%	16%	22%	22%	21%	21%	21%	20%	20%	20%	19%
Cloud Services, License Su	32,519	34,099	36,052	41,086	44,464	49,230	60,799	74,850	91,858	112,373	137,033	166,571	201,828	243,764	293,464	352,157
Hardware	3,443	3,359	3,183	3,274	3,066	2,936	250	315	380	475	550	675	775	895	1,000	1,150
Services	3,106	3,021	3,205	5,594	5,431	5,223	5,756	6,274	6,776	7,251	7,686	8,070	8,393	8,645	8,817	8,906
EBIT	1,130	1,390	1,090	1,310	1,540	1,770	20,161	23,646	27,671	32,300	37,599	43,637	50,480	58,195	66,842	76,471
EBIT Margin	3%	3%	3%	3%	3%	3%	30%	29%	28%	27%	26%	25%	24%	23%	22%	21%
Tax Expense	(17)	(21)	14	13	(1)	1,717	2,446	2,786	3,164	3,581	4,038	4,534	5,070	5,642	6,248	6,882
Effective Tax Rate	-2%	-2%	1%	1%	0%	97%	12%	12%	11%	11%	11%	10%	10%	10%	9%	9%
NOPAT	1,147.00	1,411.00	1,076.00	1,297.00	1,541.00	53.00	17,715.48	20,860.04	24,507.17	28,719.13	33,561.58	39,102.43	45,410.35	52,552.80	60,593.43	69,588.87
D&A	2,241	2,233	2,275	2,370	2,557	75,000	2,086	2,337	2,598	2,862	3,120	3,357	3,555	3,690	3,732	3,641
Capex	3,620	3,607	4,940	3,284	4,626	6,000	1,390	1,589	1,807	2,044	2,299	2,567	2,844	3,123	3,393	3,641
Changes in NWC	3,099	(1,898)	148	(1,989)	(1,357)	1,000	1,390	1,589	1,807	2,044	2,299	2,567	2,844	3,123	3,393	3,641
UFCF	(3,331)	1,935	(1,737)	2,372	829	68,053	17,020	20,019	23,491	27,493	32,084	37,325	43,277	49,998	57,540	65,947
PV of FCF						67,615	16,132	17,493	18,924	20,418	21,968	23,561	25,185	26,824	28,459	30,071

Weighted Average Cost of Capital (\$mm)

Market Risk Premium	5.50%
Beta	1.53
Risk Free Rate	4.10%
Cost of Equity	5.26%
Weighted Average Cost of Debt	4.54%
Tax Rate	10.50%
Cost of Debt	3.21%
Total Equity	\$748,646,445,360
Total Debt	\$169,013,554,640
Equity/Total Capitalization	42.00%
Debt/Total Capitalization	79.00%
WACC	8.47%

Terminal Value

Perpetuity Growth Method	
2034 FCF	\$65,947
Growth	5.00%
Terminal Value	\$1,902,526
PV of Terminal Value	\$867,802
PV of Projection Period	\$296,650
PV of Terminal Value	\$867,802
Implied TEV	\$1,164,452
(-) Debt	\$82,000
(+) Cash	\$20,800
Implied Equity Value	\$1,103,252
Basic Shares Outstanding	2,850
Implied Share Price	\$387.11
Upside/Downside	47.41%

Implied Exit BF N/A 15.2x

Terminal Value

Exit Multiple Method	
2034 EBIT	\$76,471
N/A Exit Multiple	10.0x
Terminal Value	\$764,713
PV of Terminal Value	\$348,810
PV of Projection Period	\$296,650
PV of Terminal Value	\$348,810
Implied TEV	\$645,459
(-) Debt	\$82,000
(+) Cash	\$20,800
Implied Equity Value	\$584,259
Diluted Shares Outstanding	2,850
Implied Share Price	\$205.00
Upside/Downside	-21.9%

Implied PGR -8.8%

Blended Share Price

Perpetuity Growth Method	50%
Exit Multiple Method	50%
Blended Share Price	\$206.05
Upside/Downside	12.65%