



Oracle Corporation (ORCL)

Updated March 23rd, 2025 by Jonathan Weber

Key Metrics

Current Price:	\$152	5 Year CAGR Estimate:	2.4%	Market Cap:	\$427B
Fair Value Price:	\$108	5 Year Growth Estimate:	8.0%	Ex-Dividend Date:	04/10/25
% Fair Value:	141%	5 Year Valuation Multiple Estimate:	-6.6%	Dividend Payment Date:	04/23/25
Dividend Yield:	1.3%	5 Year Price Target	\$159	Years Of Dividend Growth:	14
Dividend Risk Score:	B	Retirement Suitability Score:	N/A	Rating:	Sell

Overview & Current Events

Oracle is an information technology company that provides software, hardware, and services. Its offerings include applications, platforms, and infrastructure technologies (cloud software), hardware products such as servers, hardware-related software products (e.g., operating systems) and services such as consultation & education. Oracle was founded in 1977, is headquartered in Redwood City, CA.

Oracle reported its most recent quarterly results, for its fiscal third quarter, on March 10. The company announced that it generated revenues of \$14.1 billion during the quarter, which represents an increase of 6% year over year. Unlike during the previous quarter, currency rates were a headwind, with constant-currency revenue rising 8%.

Oracle generated earnings-per-share of \$1.47 during the third quarter, which was up 4% versus the prior year's quarter, and which missed the consensus estimate marginally. In prior quarters, Oracle's earnings-per-share growth was uneven, as margins saw some ups and downs. Oracle is seeing compelling growth tailwinds from the ongoing Artificial Intelligence revolution, with its cloud infrastructure revenues rising by a strong 49% during the quarter, and with its backlog and remaining performance obligations growing at a strong pace as well. For the current fiscal year, Oracle is forecasted to earn significantly more compared to the previous fiscal year, at around \$6.00 per share, which would be up by around 8% compared to the previous year. Margin initiatives and share repurchases are seen as tailwinds for earnings-per-share growth this year and beyond.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$2.77	\$2.61	\$2.74	\$3.05	\$3.52	\$3.85	\$4.67	\$4.90	\$5.12	\$5.56	\$6.00	\$8.82
DPS	\$0.51	\$0.60	\$0.64	\$0.76	\$0.81	\$0.96	\$1.04	\$1.20	\$1.44	\$1.60	\$2.00	\$2.81
Shares¹	4.34	4.13	4.14	4.05	3.50	3.10	2.90	2.74	2.79	2.83	2.80	2.65

Oracle recorded compelling growth rates in the 2015-2024 time frame, with earnings-per-share growth averaging around 8% over that time frame. There were some ups and downs in Oracle's earnings, however, and growth was not very evenly distributed. Investments in its business to move it towards the software-as-a-service model were necessary, which led to somewhat uneven margins. The company fared well during the pandemic and during the Great Recession before that, indicating that Oracle's business isn't very cyclical.

Oracle is not operating a cloud business as large as its peers Amazon or Microsoft, but it still is generating attractive growth in the markets it addresses. Infrastructure-as-a-Service, as well as Platform-as-a-Service, are markets that are growing at a fast pace, and should allow Oracle to maintain an attractive cloud computing growth rate going forward. Oracle Fusion ERP and Oracle's Autonomous Database are touted by management as current and future growth drivers due to compelling pricing and top-tier technology. Cost reduction programs have also had a positive margin effect at times in the past, and the company could be able to improve its cost basis further in the future. Despite a high number of new shares being issued to employees and management, Oracle's share count has been declining in the past thanks to many billions of dollars that Oracle spends on share repurchases.

¹ In Billions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	15.1	14.8	15.0	15.4	14.5	13.8	16.9	14.7	20.6	21.0	25.3	18.0
Avg. Yld.	1.2%	1.6%	1.6%	1.5%	1.9%	1.8%	1.3%	1.7%	1.4%	1.4%	1.3%	1.8%

Oracle's share price has pulled back since our last update, but shares are still trading well above our fair value estimate. We would deem Oracle's shares fairly valued if they traded at 18 times net profits, whereas they trade for around 25x net profits today. We believe that multiple changes will result in a major headwind to total returns going forward.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	18.4%	23.0%	23.4%	24.9%	22.8%	24.9%	22.3%	24.5%	28.1%	28.8%	33.3%	31.8%

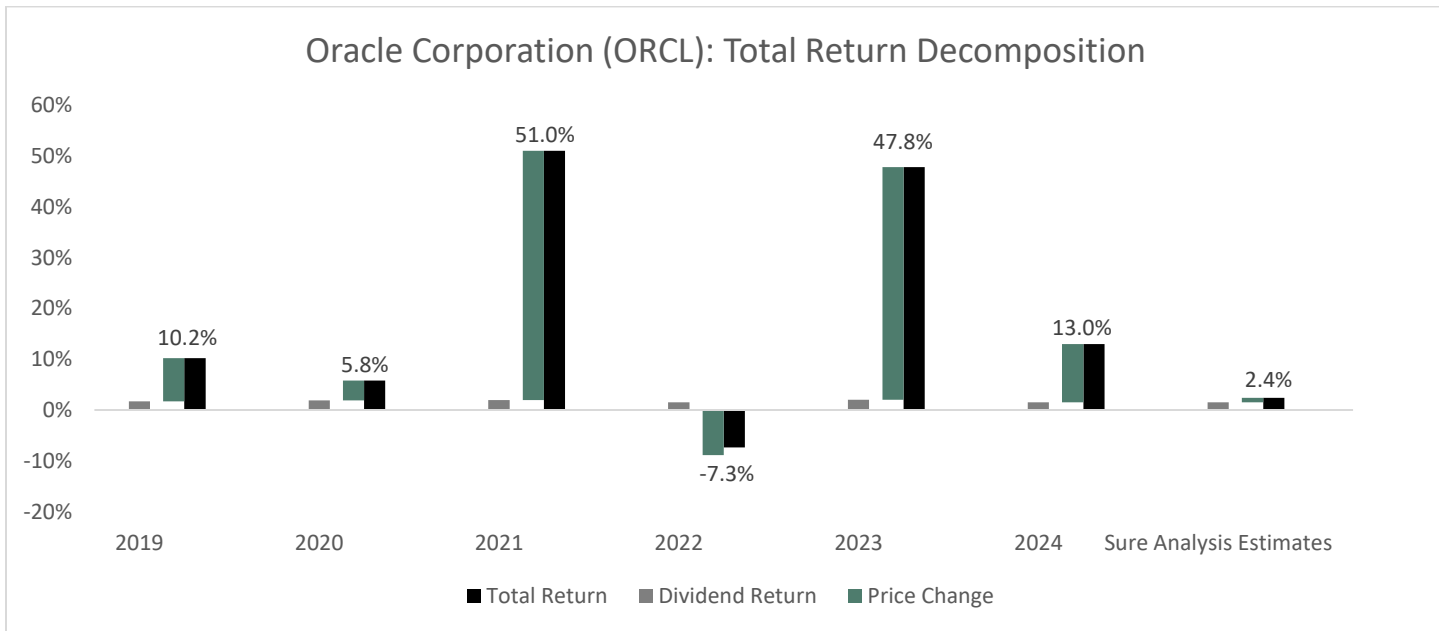
Oracle's dividend payout ratio was very low a decade ago, but since then the payout ratio has risen relatively to some degree. At a payout ratio of less than 40%, the dividend is still very manageable, and there is still a lot of room for further dividend increases. Due to the low payout ratio and the fact that the company was not impacted to a large degree during past crises, Oracle's dividend is rated very safe.

Oracle was not hurt during the Great Recession, and the coronavirus pandemic did not have a large impact on Oracle's business, either. Oracle has some size and scale advantages over smaller peers, although it is itself a smaller player versus peers such as Microsoft in the cloud computing industry. Thanks to strong market-wide growth rates, all companies in this field can grow at the same time, which eases competitive pressures.

Final Thoughts & Recommendation

Oracle's shift towards cloud computing continues. Between some revenue growth, strong cost controls, and buybacks, Oracle's earnings-per-share continued to climb in recent years, even though Oracle is not an overly fast-growing tech company. Oracle hit a new record profit in fiscal 2024, and fiscal 2025 will most likely be better as Oracle is forecasted to see its earnings-per-share improve meaningfully this year as well. Oracle's shares trade well above our fair value estimate today and promise unconvincing total returns, however, which is why we rate the stock a sell at current prices.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	38,226	37,047	37,792	39,383	39,506	39,068	40,479	42,440	49,954	52,961
Gross Profit	30,694	29,568	30,340	31,323	31,511	31,130	32,624	33,563	36,390	37,818
Gross Margin	80.3%	79.8%	80.3%	79.5%	79.8%	79.7%	80.6%	79.1%	72.8%	71.4%
SG&A Exp.	8,732	9,039	9,257	9,715	9,774	9,275	8,936	9,364	10,412	9,822
D&A Exp.	2,861	2,509	2,451	2,785	2,919	2,968	2,916	3,122	6,108	6,139
Operating Profit	14,289	13,104	13,479	13,904	14,022	14,202	15,782	15,830	13,773	16,071
Op. Margin	37.4%	35.4%	35.7%	35.3%	35.5%	36.4%	39.0%	37.3%	27.6%	30.3%
Net Profit	9,938	8,901	9,452	3,587	11,083	10,135	13,746	6,717	8,503	10,467
Net Margin	26.0%	24.0%	25.0%	9.1%	28.1%	25.9%	34.0%	15.8%	17.0%	19.8%
Free Cash Flow	13,189	12,496	12,105	13,650	12,891	11,575	13,752	5,028	8,470	11,807
Income Tax	2,896	2,541	2,228	8,837	1,185	1,928	(747)	932	623	1,274

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	110,903	112,180	134,991	137,851	108,709	115,438	131,107	109,297	134,384	140,976
Cash & Equiv.	21,716	20,152	21,784	21,620	20,514	37,239	30,098	21,383	9,765	10,454
Acc. Receivable	5,618	5,385	5,300	5,136	5,134	5,551	5,409	5,953	6,915	7,874
Inventories	314	212								
Goodwill & Int.	40,493	39,533	50,724	50,425	49,058	47,507	46,365	45,251	72,098	69,120
Total Liabilities	61,805	64,390	80,745	90,978	86,346	102,721	125,155	115,065	132,828	131,737
Accounts Pay	806	504	599	529	580	637	745	1,317	1,204	2,357
Long-Term Debt	41,958	43,855	57,909	60,619	56,167	71,597	84,245	75,882	90,481	86,869
Total Equity	48,663	47,289	53,860	46,372	21,785	12,074	5,238	(6,220)	1,073	8,704
LTD/E Ratio	0.86	0.93	1.08	1.31	2.58	5.93	16.08	(12.20)	84.33	9.98

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	9.9%	8.0%	7.6%	2.6%	9.0%	9.0%	11.2%	5.6%	7.0%	7.6%
Return on Equity	20.6%	18.4%	18.5%	7.1%	32.0%	57.8%	147.3%	7301%		193.9%
ROIC	12.2%	9.7%	9.3%	3.3%	11.9%	12.4%	15.8%	8.4%	10.5%	11.1%
Shares Out.	4.34	4.13	4.14	4.05	3.50	3.10	2.90	2.74	2.79	2.83
Revenue/Share	8.49	8.61	8.96	9.29	10.59	11.86	13.39	15.23	18.06	18.76
FCF/Share	2.93	2.90	2.87	3.22	3.45	3.51	4.55	1.80	3.06	4.18

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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