

Valuation Memorandum

To:

From: Jason Abed

Date: July 25, 2026

Re: Oracle Corporation (ORCL) — integrated three-statement model & scenario DCF

Summary: We built a fully linked three-statement model (FY2027–FY2036) driving a scenario DCF. Our base case — a midpoint between a conservative ramp and an aggressive AI buildout — estimates intrinsic value near \$153/share against the current ~\$115, about 33% upside. The full scenario range is \$106 (bear) to \$198 (bull).

Scenario results

Scenario	Value/sh	Upside	Rev FY36	Capex FY27
Bear	\$105.58	(8%)	\$181bn	\$62bn
Base (midpoint)	\$153.10	+33%	\$209bn	\$78.5bn
Bull	\$198.02	+72%	\$237bn	\$95bn

Current share price \$114.99 (July 24, 2026)

What drives the range. Revenue growth (AI/OCI demand) and capital-expenditure intensity are the swing factors. Operating income is similar across cases, so the spread reflects almost entirely the pace of the data-center buildout and its cash cost — not profitability.

Stress test (Bull, ~\$95bn FY2027 capex). Cash turns negative (about –\$15bn in FY2028–FY2029). Implying ~\$16–17bn of additional debt or equity is required to fund the buildout. This corroborates the two headline risks: near-term capex / external financing, and potential share dilution.

Capital allocation. Excess free cash above a \$15bn minimum is swept to debt paydown; the base case funds the buildout, holds a thin buffer through the FY2029 capex trough, then fully deleveraged by FY2036.

Key assumptions. WACC 8.5%; terminal growth 3.0%; normalized tax 17%; terminal value 82–85% of enterprise value. Net debt, cash, preferred and share count per the FY2026 Form 10-K.

Caveats. (1) Terminal value dominates enterprise value, so the estimate is sensitive to WACC and terminal growth (a sensitivity grid is built in). (2) Normalizing tax from Oracle's ~13% effective rate to 17% moves value ~\$19/share; 21% would imply ~\$96 in the conservative case. (3) Leases are excluded from the net-debt bridge, and stock comp is expensed rather than added back.

Prepared with Oracle_Integrated_Model.xlsx

Screen-grade analysis; not investment advice.