

Oracle Corporation (ORCL)

Equity research note | NYSE | Enterprise software and cloud infrastructure | Data through 30 September 2026 | Published 1 October 2026

WATCHLIST	\$137.30	\$162.75 (+18.5%)	59 / 100
RATING	LAST CLOSE, 30 SEP	WEIGHTED FAIR VALUE	INVESTMENT SCORE

Watchlist reaffirmed, with the price level lowered to \$125. Oracle closed at \$137.30 on 30 September, 10.2% below the \$152.94 close before the fiscal first-quarter release and within 2% of the \$135 level flagged in September. The price reached that zone for reasons that also lowered fair value. Oracle sent a force majeure notice on its 2.45 GW Project Jupiter campus in New Mexico, a third-party analysis flagged power-line delays at its 1.3 GW Wisconsin campus, and the 10-year Treasury yield rose 33 basis points to 5.29%. The probability-weighted fair value falls from \$168.75 to \$162.75, so the discount at today's price is 18.5%, not the 20% the September note required.

Guidance is intact and the operating evidence from the quarter still stands. A reported five-year, roughly \$7 billion lease of about 100,000 AI chips to Tencent would add a large non-OpenAI customer if confirmed. None of the developments in the window rises to High materiality on its own, and none changes the rating.

The investment case

Oracle combines a high-margin database and applications franchise with a capital-heavy AI infrastructure build. In fiscal Q1 2027 revenue rose 29.6% to \$19.35 billion, cloud infrastructure rose 121% to \$7.4 billion and remaining performance obligations reached \$664 billion. Management raised the full-year non-GAAP EPS objective to \$8.10 and framed at least \$90 billion of revenue as a floor.

The constraint is the cost of turning that backlog into revenue. Free cash flow was negative \$5 billion in the quarter on \$28 billion of accounting capex, full-year capex guidance is \$90 billion to \$95 billion, and the \$20 billion share sale is complete. Every month a campus slips pushes revenue later while the capital is already committed, which is why the site news of the last three weeks matters more than its headlines.

Framework for the next two years

Driver	What must happen	Current read
RPO conversion	Backlog converts into revenue on the stated schedule	Q1 beat; Jupiter and Wisconsin timelines now under question
Cash cost of capacity	Customer funding and partners limit Oracle's own cash burn	FCF -\$5bn in Q1; capex guide \$90-95bn
Gross margin	Infrastructure margin stabilizes after the ramp	Management expects pressure during the build
Customer quality	Backlog broadens beyond a narrow set of AI buyers	Tencent lease reported, unconfirmed
Cost of capital	Funding costs stay manageable through peak investment	10-year at 5.29%; Fed raised rates on 16 Sep

Company developments

Development	Status and date	What is known	What is forecast (and by whom)	Impact
Project Jupiter force majeure notice	Sent; reported 24 Sep 2026	Notice to Blue Owl's unit on the 2.45 GW New Mexico Stargate campus. Gas pipeline delayed about six months to 1 Feb 2027; fuel-cell air permit decision due by 23 Nov. Oracle: the project remains on schedule. Blue Owl: financial commitments unchanged	2028 operational target per the project's terms; no revised date from Oracle	Medium
Project Jupiter flooding	Oracle statement, 1 Oct 2026	Floods reached the campus; Oracle says no critical infrastructure was damaged	None	Low
Wisconsin (Port Washington) power timing	Third-party analysis, 30 Sep 2026	Wisconsin regulators revoked the completeness finding on the transmission application in August; the utility refiled in September	Aterio models partial power between Oct 2027 and Jun 2028 versus Oracle's 2H 2027 target; Oracle has not commented	Medium
Tencent AI chip lease	Reported 30 Sep 2026, unconfirmed	Financial Times, citing two people: about 100,000 chips over five years, roughly \$7bn, about 30% paid upfront, in Southeast Asian data centres	Our calculation: about \$1.4bn a year, roughly 1.5% of the FY27 revenue floor	Medium
NetApp OCI-native storage service	Announced 29 Sep 2026	Joint storage service natively on OCI	None quantified	Low

Why the site news is Medium, not High. Neither Jupiter nor Wisconsin was due to produce revenue inside fiscal 2027, so the revenue and EPS guidance for this year are untouched. The exposure is fiscal 2028 and beyond, where a six-month slip on a multi-gigawatt site defers revenue rather than cancelling it, while Oracle continues to carry construction commitments. The notice itself protects Oracle's payment timing, and Oracle and Blue Owl both state the project's commitments are unchanged. Two delay signals on two of the largest campuses within a week are still a pattern worth pricing, so the bear-case probability rises from 25% to 28% and the bull case falls from 30% to 25%. The 23 November air-permit decision is the next hard data point.

Financial position

Measure	Q1 FY27	Comparison	Read
Revenue	\$19.35bn	+29.6% YoY	Backlog conversion visible in reported sales
Non-GAAP EPS	\$1.92	+30% YoY	Operating leverage offset lower gross-margin mix
OCI revenue	\$7.4bn	+121% YoY	Capacity delivery translating into revenue
RPO	\$664bn	+\$209bn YoY	About half expected to convert within 36 months
Operating cash flow	\$23bn	+184% YoY	Customer prepayments helped
Free cash flow	-\$5bn	\$28bn accounting capex	Capital intensity remains the binding risk
FY27 guidance	Revenue at least \$90bn; EPS \$8.10	Unchanged since 10 Sep	Q2 results expected mid-December (not yet announced)

Oracle fiscal Q1 2027 results release, 10 September 2026.

Growth drivers

Catalyst	Status	Likelihood	Impact	Assessment
RPO conversion through FY28	In progress	Moderate-high	Very high	Guidance intact; site timing now the swing factor
Multicloud database growth	Shipping	High	Medium	High-margin offset to infrastructure mix
Tencent lease	Reported	Moderate	Medium	About 1.5% of FY27 revenue if confirmed
AI World, 25-28 Oct	Scheduled	n/a	Low-medium	Product news; no dedicated investor session announced

Principal risks

Risk	Probability	Severity	Why it matters
Site and power delays	Medium-high	High	Jupiter pipeline and permit; Wisconsin transmission review
Funding and dilution	Medium	High	Negative FCF through peak build; 10-year at 5.29%
Customer concentration	Medium	High	No customer-level RPO disclosure
Margin compression	High	Medium	Infrastructure mix lowers gross margin during the ramp
Credit pressure	Medium	High	Credit protection near multi-year wides in late August
Export-rule exposure	Low-medium	Medium	A Tencent lease depends on current US rules permitting offshore leasing

Valuation

At \$137.30, Oracle trades at 17.0 times management's fiscal 2027 non-GAAP EPS guide of \$8.10, down from 18.9x at the September note. On the roughly 3.0 billion diluted shares implied by Q1 results, equity value is near \$412 billion (our calculation). The multiple is undemanding for at least 34% guided revenue growth, but it rests on earnings that do not yet convert to cash.

The cost of capital is the macro variable that matters most. The Federal Reserve raised its target range to 3.75%-4.00% on 16 September and meets again on 27-28 October. The 10-year Treasury yield rose from 4.96% at the September note to 5.29% on 30 September, near its highest level since 2007, after second-quarter GDP was revised up to 2.2%. Higher long rates raise the cost of funding a multi-year build and compress the value of cash flows that arrive after it. Enterprise AI demand is the second driver and shows no sign of weakening in the company's own disclosures.

Case	Probability	Operating path	Fair value
Bull	25%	RPO converts on schedule, sites energize on time, gross margin stabilizes; FY28 EPS supports a low-20s multiple	\$240
Base	47%	FY27 floor met, some FY28 slippage on large campuses, FCF pressured through peak build	\$165
Bear	28%	Site delays compound, a large customer defers, or funding costs rise further; earnings quality and multiple compress	\$90
Weighted	100%	Probability-weighted, computed	\$162.75

Bull 30% and bear 25% in September; the shift reflects the Jupiter notice and higher yields. Our calculations.

Sentiment and technical setup

Analyst views are split. Bernstein held Buy with a \$325 target on 26 September, Wells Fargo held Buy at \$280 and Morgan Stanley held Hold at \$210 on 18 September, while Rothschild & Co Redburn kept Sell and cut its target to \$110 on 21 September. Several officers filed routine Form 4 statements on 23 September. Institutional positioning is Mixed, as of 30 June 2026, filings through 19 August 2026: reported holdings show a net reduction of 1.86% over four quarters, with 36 managers cutting and 19 adding, but the selling is spread thinly and the latest quarter was a small net addition. It leans cautious on breadth. Based on reported holdings filed by the cutoff. Late filers are not included, and passive, strategic and mixed holders are left out of the flow measure.

Price is below all four moving averages and 16.0% under the 200-day. MACD is negative and below its signal line, and 20-day volume runs 16.5% above the 50-day, so the selling has participation. The 28 September close of \$132.60 is the nearest support; the 52-week low is \$114.50.

Indicator	Reading	Interpretation
SMA 20 / 50 / 100 / 200	\$146.95 / \$142.90 / \$159.38 / \$163.36	Price below all four
EMA 20 / 50 / 200	\$143.67 / \$146.77 / \$175.22	Downtrend on every horizon
RSI (14)	42.7	Weak, not oversold
MACD / signal / histogram	-2.67 / -1.03 / -1.64	Negative and below signal
ATR (14)	\$7.03	5.1% of price
Volume 20d vs 50d	35.6m vs 30.5m	+16.5%; participation rising
52-week range	\$114.50 - \$322.54	Down 57% from the high

Computed from daily closes through 30 September 2026.

Scorecard

Factor	Score	Bar	Weight	Rationale
Business Quality	7 / 10		15%	Unchanged. OCI scale and database franchise intact
Financial Strength	3 / 10		15%	Unchanged. Negative free cash flow, heavy capex, higher yields
Competitive Advantage	7 / 10		15%	Unchanged. Multicloud database and deployment breadth
Management	6 / 10		10%	Unchanged. Still no dated path to positive free cash flow
Growth Potential	9 / 10		15%	Unchanged. Guidance intact; Tencent lease reported
Valuation	7 / 10		15%	Up from 6. About 17x the FY27 EPS guide
Risk (10 = lowest risk)	2 / 10		10%	Unchanged. Funding, site delays and concentration
Technical Setup	3 / 10		5%	Down from 5. Below all four moving averages
Investment Score	59 / 100		100%	Computed weighted sum

Scored 1-10, where 10 is always best, including Risk. Risk 2/10 means high risk, consistent with the risks above. Valuation rose one point on the lower price and Technical Setup fell two; the composite is unchanged at 59. The prior note used the same Risk direction.

Recommendation

Watchlist, unchanged; the level that would make the name interesting moves from \$135 to \$125. The September note named a pullback toward \$130 to \$140 with guidance intact as a route to Buy. Guidance is intact and the price is there, so the decision not to upgrade needs stating plainly: the same three weeks that took the price down also produced a confirmed delay notice on the largest Stargate campus and a 33 basis point rise in long yields, which together lowered fair value to \$162.75. At \$125, about 23% below that value, the expected return would compensate for a bear case near \$90. A dated path to positive free cash flow, or Jupiter clearing its 23 November permit decision on schedule, would also argue for Buy. No entry, stop or target is published for a Watchlist rating.

Toward Buy	Toward Avoid
Price near \$125 with FY27 guidance intact	Oracle revises a campus date or a customer defers capacity
Jupiter air permit granted by 23 Nov and pipeline on its Feb 2027 date	Capex above the \$90-95bn range without funded contracts
A dated path to positive free cash flow	Further credit deterioration or a costly financing
Customer-level backlog disclosure or a confirmed Tencent contract	A sustained further rise in long yields alongside slower enterprise AI spending

Final investment memo

Fresh capital should still wait, but not for long if the price keeps falling while the operating story holds. Oracle's growth is real and the multiple is now modest. The single biggest concern has narrowed from counterparty quality in the abstract to something observable: whether the largest campuses energize on the dates the backlog assumes. The 23 November permit decision, the 27-28 October FOMC meeting and the December results are the next three tests.

Sources

- Oracle fiscal Q1 2027 results release (10 Sep 2026), investor.oracle.com
- CNBC: Oracle sends force majeure notice about data center project (24 Sep 2026)
- TechCrunch: Oracle sends force majeure notice on its New Mexico Stargate data center (24 Sep 2026)
- Oracle statement on Project Jupiter site, 1 Oct 2026 (as reported)
- Business Wire: Aterio flags delay risk for Oracle's 1.3 GW Wisconsin data center (30 Sep 2026)
- Financial Times via Reuters: Tencent leases 100,000 chips from Oracle (30 Sep 2026)
- Oracle AI World 2026 event page, oracle.com
- Broker notes relayed by moomoo: Bernstein, Wells Fargo, Morgan Stanley, Redburn (Sep 2026)
- SEC Form 4 filings, Oracle officers (23 Sep 2026)
- Beating The Bull economic data posts, 4-30 September 2026
- Price: Alpha Vantage GLOBAL_QUOTE, 30 Sep 2026; daily history: Twelve Data

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