

ORACLE CORPORATION

Equity Research | Post-earnings update | ORCL | Enterprise software and cloud infrastructure | 11 September 2026

WATCHLIST	REAFFIRMED	59 / 100
RECOMMENDATION	RATING CHANGE	INVESTMENT SCORE
\$152.94 Latest completed close, 10 Sep	\$162.70 (+6.2%) Early extended-hours indication	Obtained Transcript status

The quarter validates Oracle's ability to turn AI infrastructure backlog into revenue. It does not settle the funding, free-cash-flow, margin, or counterparty questions that cap the rating.

Price basis and scope

The latest completed US session ended before the earnings release. The extended-hours figure is shown only as an early market reaction. Valuation and technical calculations use the completed close from Alpha Vantage, and the technical series therefore predates the announcement. A full MarketBeat transcript was available and reviewed, including analyst questions and management responses.

What the quarter changed

Oracle reported fiscal Q1 2027 revenue of \$19.35 billion, 29.6% above the prior year and about \$210 million above consensus. Non-GAAP EPS of \$1.92 beat consensus by \$0.18 and rose 30%. GAAP EPS reached \$1.56, up 55%. The operating result confirms that backlog conversion has moved from promise to reported growth.

The mix carries the central tension. Cloud revenue rose 62% to \$11.6 billion, led by 121% growth in cloud infrastructure to \$7.4 billion. Cloud applications rose 10% to \$4.2 billion. Software revenue declined 3% to \$5.5 billion as customers continued moving from on-premises products into cloud offerings. Oracle is growing much faster, with a larger share coming from a lower-gross-margin infrastructure business.

The Watchlist rating is reaffirmed. The business evidence improved enough to lift the investment score from 54 to 59. Expected return remains too narrow for the balance-sheet and customer-concentration risks.

1. Reported results and guidance

Measure	Q1 FY27 actual	Comparison	Investment read
Revenue	\$19.35 B	+29.6% YoY; \$0.21 B above consensus	Backlog conversion is visible in reported sales.
Non-GAAP EPS	\$1.92	+30% YoY; \$0.18 above consensus	Operating leverage offset the lower gross-margin mix.
GAAP EPS	\$1.56	+55% YoY	The headline reflects strong operating income, with no identified one-off requiring a clean-EPS adjustment.
Cloud revenue	\$11.6 B	+62% YoY	Cloud is now the dominant incremental growth engine.
OCI revenue	\$7.4 B	+121% YoY	Capacity delivery is translating into revenue at hyperscale speed.
RPO	\$664 B	+\$209 B YoY; +\$26 B QoQ	The revenue runway expanded, but counterparty disclosure remains limited.
Operating cash flow	\$23 B	+184% YoY	Customer prepayments strengthened reported cash generation.
Free cash flow	-\$5 B	\$28 B CapEx in the quarter	Capital intensity remains the binding financial risk.

Consensus comparisons are from MarketBeat. Company-reported figures and growth rates are from Oracle Investor Relations.

Forward guidance

Period	Revenue	Cloud	Non-GAAP EPS	Read
Q2 FY27	+30% to +34%	+65% to +71% USD	\$1.85 to \$1.93	Guidance implies continued acceleration while excluding the prior-year Ampere gain from the growth comparison.
Full FY27	At least \$90 B	Not separately stated	\$8.10	Revenue is framed as a floor and EPS is raised from the prior \$8.05 guide.

Guidance accuracy improved: Q1 revenue and adjusted EPS landed above the ranges implied by prior guidance, while the company lifted the full-year EPS objective.

2. Custom framework and business quality

Oracle combines a high-margin database and applications franchise with a capital-heavy AI infrastructure build. Shareholder returns over the next two years depend on four variables: the speed of RPO conversion, the cash cost of new capacity, gross-margin stabilization, and the credit quality of the customers behind the backlog.

The database moat remains durable. Switching costs, embedded business logic, regulatory requirements, and deep integration protect the installed base. Multicloud database revenue grew 353% year over year, and Oracle now operates database services across 70 multicloud regions and 119 availability zones. This expands distribution without asking customers to abandon their preferred hyperscaler.

OCI competes against Amazon Web Services, Microsoft Azure, and Google Cloud. Oracle's differentiation is dense GPU capacity, database adjacency, and flexible contract funding. Its disadvantage is scale economics during a rapid build, visible in lower gross margin and negative free cash flow. The applications portfolio adds a steadier recurring layer through Fusion, NetSuite, and industry products.

Return drivers

Driver	Current evidence	Two-year implication
RPO conversion	About half of RPO expected to convert within 36 months	Supports sustained revenue growth if capacity arrives on time.
Capacity execution	850 MW and more than 300,000 GPUs delivered since Q4	Reduces execution doubt, while keeping supply-chain and utility risk active.
Unit economics	Non-GAAP operating margin near 42%; gross margin stepped down	Operating leverage can protect EPS, but gross margin must eventually flatten.
Funding model	Prepay, customer hardware, supplier finance, and completed \$20 B ATM	Less Oracle cash is required per unit of reported CapEx, with dilution already incurred.
Customer quality	Management called demand broad, but did not disclose RPO by customer	The largest risk cannot yet be sized from public disclosure.

3. Transcript read and management

The full call transcript was obtained from MarketBeat. The most useful exchange concerned free cash flow. Management described completed projects as strong cash generators after ramp, yet declined to give a date for company-wide positive free cash flow. That omission matters because the investment case depends on when the build becomes self-funding at the consolidated level.

Analysts also pressed on gross margin. The CFO acknowledged another step down during the build and said flattening is reasonable only after the ramp over the next couple of years. No current-year gross-margin floor was provided. The answer supports the view that operating margin, rather than gross margin, is management's preferred near-term measure, but investors still bear mix risk.

On funding, management clarified that certain contracts still create accounting CapEx even when Oracle does not supply the cash. Prepayments, customer-provided hardware, and supplier arrangements reduce liquidity strain. They do not remove execution obligations or the need to earn an adequate return on the installed base.

Management assessment

Test	Evidence	Assessment
Prior guidance delivery	Q1 beat consensus and full-year EPS moved to \$8.10	Positive
Capital allocation	\$20 B ATM completed; FY27 CapEx still \$90 B to \$95 B	Necessary funding secured, with substantial dilution
Disclosure quality	Strong capacity and utilization detail; no customer-level RPO mix	Mixed
Candor under challenge	Clear on lower gross margin; no free-cash-flow date	Mixed

Financial strength

Q1 operating cash flow of \$23 billion was helped by customer prepayments and exceeded the \$18 billion of net cash CapEx. Accounting CapEx of \$28 billion still produced a \$5 billion free-cash-flow deficit. Full-year CapEx guidance of \$90 billion to \$95 billion means the quarterly result cannot be annualized as a steady run rate.

The completed \$20 billion share sale reduces immediate financing pressure while increasing the share count. A rough diluted share count of about 3.0 billion, calculated from \$4.7 billion of GAAP net income and \$1.56 of GAAP EPS, implies an equity value near \$460 billion at \$152.94. This is an analyst calculation, not a company-reported market capitalization.

4. Valuation and macro conditions

At \$152.94, Oracle trades at about 18.9 times management's fiscal 2027 non-GAAP EPS guide of \$8.10. That multiple is reasonable against 30% Q1 EPS growth and at least 34% guided annual revenue growth. It offers limited protection against a funding or customer-quality shock because free cash flow remains negative and infrastructure gross margin is still falling.

The macro variable with the clearest direct link is the cost of capital. The 10-year Treasury yield closed at 4.95% on 10 September, a 52-week high, while market pricing put the probability of a September rate increase near 70%. Higher rates increase the cost of funding a multi-year data-center build and compress the present value of distant cash flows. Enterprise AI demand is the second driver. Services activity remains expansionary, with the August ISM services index at 55.4, but input prices at 72.6 signal a tougher cost backdrop.

Oracle's growth evidence is stronger than the macro headwind. The valuation still needs a risk discount until positive free cash flow and customer diversification can be observed rather than inferred.

Scenario analysis

Scenario	Prob.	Operating path	Fair value
Bull	30%	RPO converts on schedule, gross margin stabilizes after the ramp, and customer-funded capacity limits cash strain. FY28 EPS supports a low-20s multiple.	\$240
Base	45%	Revenue reaches the FY27 floor, EPS tracks guidance, and free cash flow remains pressured through peak investment. The multiple holds near current levels.	\$165
Bear	25%	A large customer delays demand, margin falls faster, or financing costs rise. Earnings quality and the multiple both compress.	\$90

Probability-weighted fair value: $0.30 \times \$240 + 0.45 \times \$165 + 0.25 \times \$90 = \168.75 , about 10.3% above the \$152.94 completed close.

5. Risks and sentiment

Risk	Probability	Severity	Evidence and effect
Customer concentration	Medium	High	RPO is enormous, but public disclosure does not show the largest customer's share.
Funding and dilution	Medium	High	The \$20 B ATM is complete, while further supplier and customer financing remains central.
Margin compression	High	Medium	Management expects gross margin pressure during the capacity ramp.
Execution timing	Medium	High	Revenue depends on utility, construction, hardware, and customer acceptance schedules.
Credit pressure	Medium	High	Late-August reference data placed credit protection near multi-year wides.
AI cycle concentration	Medium	High	Demand is linked to a narrow group of capital-rich AI buyers.
Valuation	Medium	Medium	An 18.9x guided EPS multiple assumes the growth guide is credible.

Sentiment and positioning

Moomoo's company-name news feed contained no fresh post-release Oracle item at the time of this run, so it did not shape the conclusion. The primary release and transcript carried the analysis. MarketBeat showed an early extended-hours gain of about 6.2%, a constructive first reaction that still precedes a full post-earnings session.

Short interest was 47.8 million shares, or about 2.8% of float, as of 14 August. That level is elevated relative to the start of the year but modest in absolute terms. It suggests disagreement without a crowded short setup.

Scorecard

Factor	Score	Weight	What moved
Business Quality	7/10	15%	Up from 6. OCI scale and cloud mix improved the franchise evidence.
Financial Strength	3/10	15%	Unchanged. Prepayments help, but free cash flow is negative.
Competitive Advantage	7/10	15%	Up from 6. Multicloud database growth and deployment breadth strengthened the moat.
Management	6/10	10%	Unchanged. Execution beat, while free-cash-flow timing stayed undisclosed.
Growth Potential	9/10	15%	Up from 8. OCI grew 121% and the FY27 revenue floor rose.
Valuation	6/10	15%	Unchanged. Growth supports the multiple, but risk-adjusted upside is narrow.
Risk (10 = lowest risk)	2/10	10%	Unchanged. Funding, margin, and customer concentration remain material.
Technical Setup	5/10	5%	Unchanged. Trend improved, but the data predates the earnings release.

Scored 1-10, where 10 is always best, including Risk. Weighted score = 59/100. The prior report used the same Risk direction, so no restatement was required.

6. Technical setup and decision levels

Indicator	Reading through 10 Sep	Interpretation
Completed close	\$152.94	This close predates the earnings announcement.
SMA 20 / 50	\$149.67 / \$140.52	Price remained above both averages.
SMA 100 / 200	\$164.21 / \$167.89	Longer-term overhead resistance was still intact.
EMA 20 / 50	\$150.25 / \$149.98	Short and medium trend measures converged near price.
RSI 14	53.5	Neutral momentum before the release.
MACD	3.69; signal 2.62; hist. 1.06	Positive momentum was widening.
ATR 14	\$7.13, or 4.7%	High daily volatility argues for entry discipline.
Volume	23.9 M 20d; 32.0 M 50d	Recent participation was below the medium-term average.
20-day range	\$137.43 to \$170.70	A wide range frames near-term support and resistance.

Indicators were computed from 300 split-adjusted, non-dividend-adjusted Twelve Data sessions. No post-earnings closing bar was available.

Recommendation: Watchlist

The quarter reduces execution risk and supports higher business-quality and growth scores. It does not offer enough expected return to compensate for a bear case near \$90. The probability-weighted value of \$168.75 sits only about 10% above the completed close, while the downside scenario is roughly 41% below it.

A price near \$135 would create about a 20% discount to weighted fair value and sits inside the pre-earnings technical range. That is the level where the same operating evidence becomes more attractive. A stronger rating could also follow a dated path to positive free cash flow or customer-level backlog disclosure.

What would change the view

Trigger	Evidence required
Move to Buy	A pullback toward \$130 to \$140 with guidance intact; or a dated path to positive free cash flow supported by reported conversion.
Move to Buy	Gross margin stabilizes and RPO disclosure shows reduced dependence on any single customer.
Move lower	A customer delay, capex above the stated range without funded contracts, or another material credit deterioration.
Macro condition	A sustained rise in funding costs alongside weaker enterprise AI spending would reduce both fair value and financial flexibility.

7. Final verdict

Oracle deserves attention after this quarter. It delivered 121% OCI growth, expanded RPO to \$664 billion, raised full-year EPS guidance, and showed that customer-funded structures can reduce the cash burden of new capacity. Those are measurable improvements from the previous report.

Fresh capital still should wait. Management gave no date for consolidated positive free cash flow, gross margin will remain under pressure during the ramp, and investors still cannot size the largest customer exposure. The single biggest concern is the gap between contracted demand and disclosed counterparty quality. Revenue growth can be real while the return on the capital used to produce it remains inadequate.

The Watchlist rating is reaffirmed at \$152.94. A completed post-earnings trading session, October Investor Day margin detail, and evidence on free-cash-flow conversion are the next decision points.

Sources

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