



Oracle (ORCL) —
Upgrading Target to
\$309 on Explosive
OCI Backlog and
Multicloud Flywheel

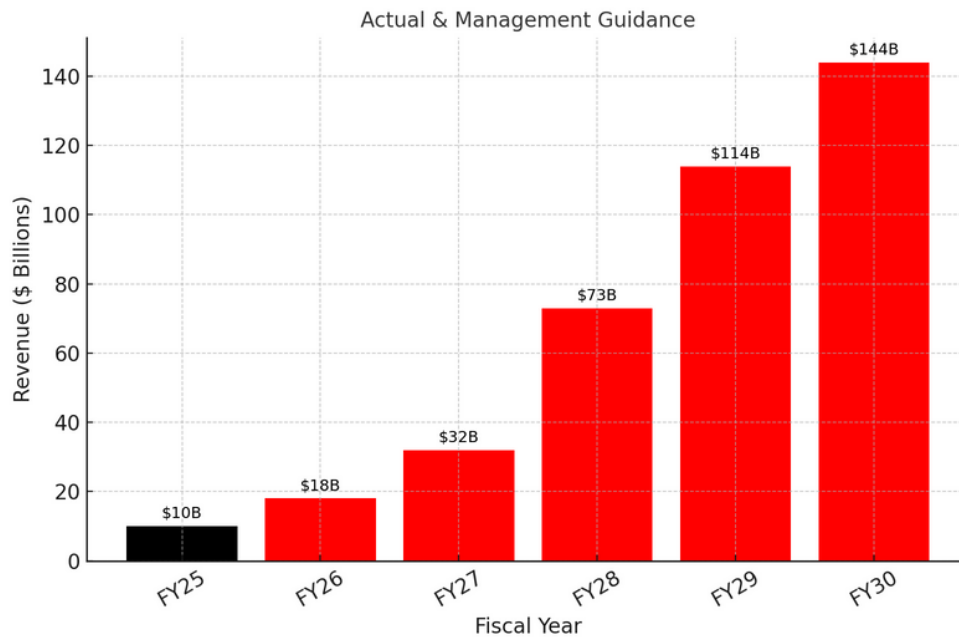
Equity Insights
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Equity Insight: Oracle (ORCL) — Upgrading Target to \$309 on Explosive OCI Backlog and Multicloud Flywheel

We raise our 12-month target price on Oracle to \$309 (from \$258) and reiterate our Buy. The crux: Oracle's Oracle Cloud Infrastructure (OCI) has transitioned from "catch-up" to "capacity-constrained," with contractual demand inflecting far faster than prior expectations. This is visible in an unprecedented 359% jump in Remaining Performance Obligations (RPO) to \$455bn in Q1 FY26 after Oracle signed four multi-billion-dollar cloud contracts, and in management's multi-year OCI revenue glidepath that steps from roughly \$18bn in FY26 to \$144bn by FY30.

Oracle Cloud Infrastructure Revenue



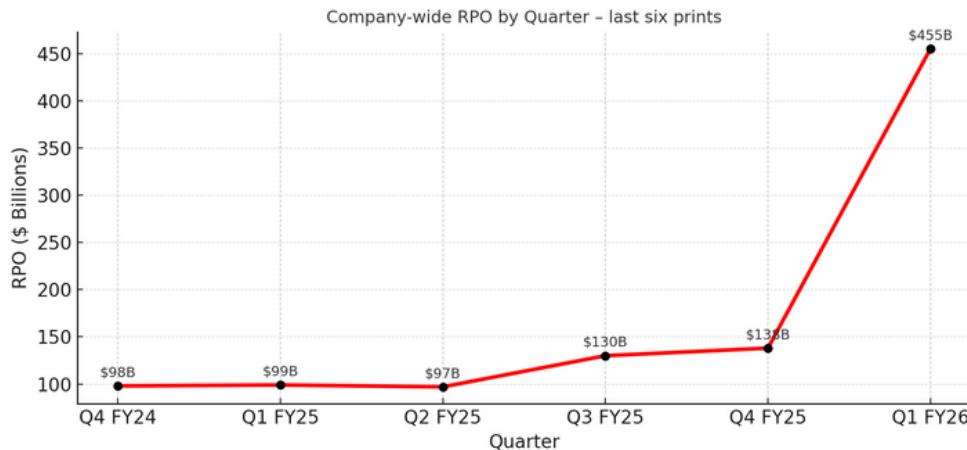
That trajectory, if achieved, would cement Oracle as the fourth meaningful hyperscaler, alongside AWS, Microsoft Azure, and Google Cloud. Management emphasized that capacity is now the constraint, not demand, with capital expenditure scaled up significantly to build out additional GPU and CPU clusters to meet the wave of AI and enterprise workloads lining up for OCI.

Thesis in Three Pillars

- **From “challenger” to the 4th hyperscaler**

The combination of bare-metal performance, denser GPU clusters, and aggressive multicloud distribution has shifted OCI from a niche offering to a mainstream choice for AI training and inference. Q1 delivered **four multi-billion-dollar** wins and pushed RPO to \$455 billion, with management guiding that booked commitments are likely to exceed \$500 billion over the next few months. This is hyperscaler-class backlog. The street’s reaction was emphatic: Oracle rallied nearly 40% to record highs, underscoring the scale of demand just unveiled.

Oracle Remaining Performance Obligations (RPO)



- **Multicloud is an accelerant, not a concession**

Oracle has turned erstwhile rivals into distribution. The company is standing up **Oracle Database services inside AWS, Azure, and Google Cloud**, so customers can consume Oracle's database natively **without buying raw capacity directly from Oracle**. This line of business is asset-light—partners fund the datacenters, while Oracle contributes its hardware and IP. The payoff has been extraordinary: management cited **over 1,000% year-on-year growth** in multicloud adoption, and announced plans to more than double the number of partner datacenters delivering these services.

- **Private cloud at hyperscale economics**

Ellison's "**Butterfly**" program reframes private cloud economics: "**a full Oracle Cloud, every feature and security control, for \$6 million**"—which he argued is roughly 1% of what competing hyperscalers would require for equivalent capability. For regulated industries and sovereign workloads, that message resonates: true isolation, full feature parity, at a fraction of traditional cost.

Numbers That Matter

- **RPO (booked revenue):** Q1 FY26 \$455bn, +359% y/y; management expects >\$500bn near-term.
- **OCI trajectory:** Management framework implies \$18bn FY26 stepping to \$32bn (FY27), \$73bn (FY28), \$114bn (FY29), and \$144bn (FY30).

- **Stock response:** Post-print, ORCL rose ~30–43% intraday, adding >\$200bn in market cap and positioning Oracle just shy of the \$1T club.
- **Capex:** FY26 capex guide \$35bn (vs prior ~\$25bn), primarily revenue-generating GPU/CPU capacity; buybacks paused to prioritize build-out.

What Could Go Wrong (and Why We're Comfortable)

- **Capacity & supply chain:** The plan presumes continued access to advanced GPUs/CPUs and power. Oracle's heavier capex mitigates near-term constraints, but execution risk remains.
- **Contract concentration:** Mega-deals can be lumpy. However, the breadth of partners and the multicloud footprint reduce binary risk, and dispersion should improve as the run-rate scales.
- **Competition response:** Price aggression from AWS, Azure, or GCP is likely. Oracle's differentiators — dense clusters for AI, database leadership, private cloud economics, and distribution via rivals' clouds — provide counterweights.

Bottom Line

Oracle just recast its identity from “database vendor with a cloud” to **a fourth hyperscaler with database advantages**. The **RPO step-function**, **five-year OCI revenue bridge to \$144bn**, **asset-light multicloud expansion**, and **\$6m full-feature private cloud** collectively underscore a company undergoing one of the most dramatic transitions in tech. This quarter was less about incremental beats and more about Oracle cementing itself at the core of global cloud infrastructure.

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