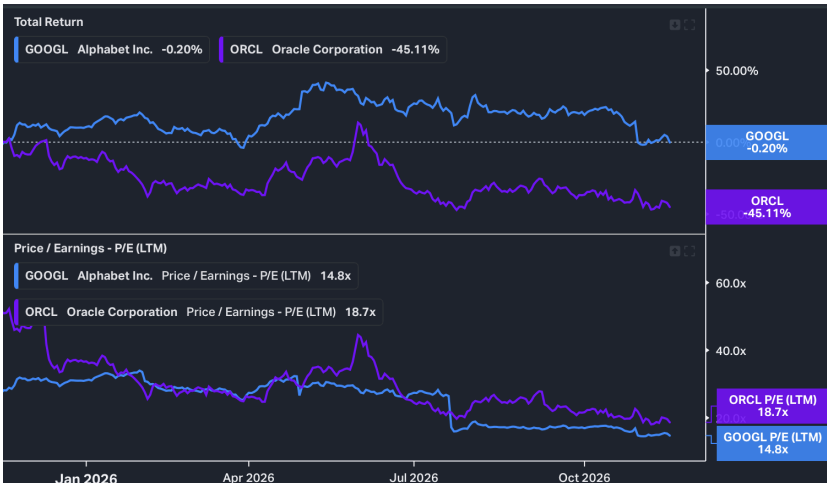
Long GOOGL / Short ORCL: Same AI Exposure, Opposite Balance Sheets

One Page Summary: This is a bet that AI succeeds, made through the company best positioned to win it, with the risk hedged by shorting the company least able to survive a stumble. If AI keeps compounding, Alphabet should outgrow Oracle, and if the cycle cracks, Oracle's debt and customer concentration should make it fall much harder. Across the three measures that decide the AI infrastructure race, backlog, backlog conversion and capital solvency, Alphabet wins every time.

Oracle's $664 billion of RPO is larger than Google Cloud's $561 billion, but roughly half depends on OpenAI, which raised only $11 billion of the $30 billion it sought. Google's book is spread across ordinary enterprise contracts, and its largest customer, Anthropic, is raising roughly $64 billion in its IPO. A backlog is only worth what it turns into, though, and here the gap widens. Google expects just over 55% of its backlog to become revenue within 24 months and is converting it at a profit: Cloud revenue grew 103% last quarter, and its operating margin rose from 14% in 2024 to 35% this year on the back of its own TPUs. Oracle expects only 12% of its RPO to convert within a year, and what it converts dilutes profits, with its cloud and software margin falling from 59.6% to 54.5% in twelve months.

Alphabet pays for its build with Google Services, which earned $39.2 billion in a single quarter while Search grew 12%, and it holds $265 billion of cash with an AA+ rating. Oracle pays for its build with debt while its software revenue shrinks 3%. Its free cash flow was negative $23.7 billion last fiscal year, it carries $88 billion of net debt at a BBB− rating one notch above junk, and its CDS already prices it like a single-B credit. That debt was also raised against GPUs priced at a scarcity peak, since even older H100s cost more than ever while memory stays short and new chips are hard to find, so whenever GPU prices fall, Oracle will be left with far more debt than the assets behind it are worth.

Put together, Alphabet's stronger backlog, faster conversion and sounder balance sheet make it worth about 25% more than today's price, while Oracle falls about 18% once OpenAI underpays, a second downgrade lands and its multiple resets to a junk credit.



Why Google holds up better (the long)

Google's AI build rests on cash generation that Oracle cannot match. Over the past twelve months, Alphabet generated $179.551B of operating cash flow against $159.804B of capex, leaving free cash flow positive at $19.7 billion even at peak spending, and although the last two quarters turned negative, with purchases of property and equipment equal to 121% of the cash the business generated in the third quarter, that spending is funded by a services business that earned $39.2 billion of operating income in a single quarter while growing revenue 11%.

Google also designs its own chips, which increasingly shields it from the GPU pricing cycle, since its eighth-generation TPU 8t and TPU 8i double processing power per watt compared with the previous generation, and although Google still buys Nvidia GPUs, including Vera Rubin, it is steadily reducing that dependence and is beginning to sell its own chips to others, with TPU system sales expected to scale in Q4, with the significant majority of revenue expected in 2027.

Google's customer base is both broader and stronger than Oracle's, as its cloud backlog reached $561 billion in the third quarter, and the CFO noted that the majority of the backlog is related to typical GCP contracts, spread across a business with 18 product lines that each bring in more than 1 billion dollars a year. Its largest single exposure is Anthropic, whose $200 billion commitment to Google Cloud over five years makes Google a concentrated bet as well, but on the stronger lab, which is raising up to $64.35 billion in its IPO.

That backlog also converts far faster than Oracle's, since Google expects to recognize just over 55% of the total backlog as revenues over the next 24 months, compared with only 12% of Oracle's RPO within a year. The main near-term risk is Anthropic's IPO, which is set to price on Wednesday 18 November 2026, because a weak debut would raise doubts about Google's largest customer.

Google funds a big chunk of its capex from operating cash flow, and it borrows the rest at top-tier credit quality, with its notes rated Aa2 from Moody's and AA+ from S&P, both with stable outlooks, eight to nine notches above Oracle. Even as its borrowing costs rise with the sector, Google remains a lender's preferred AI credit, not a distressed one. Google will also have to keep spending as its servers age, but that spending is backed by operating cash flow from its other segments, a backlog that converts quickly into revenue and cheap debt that does not depend on the value of old GPUs, so a fall in chip prices would lower the cost of its next build rather than threaten its balance sheet.

Google has room to slow down, while Oracle does not. Its fixed commitments are large, but its spending beyond them remains discretionary, and although an unexpected cut would likely be met with skepticism at first, as investors questioned what Google had seen in demand, the market has already shown its discomfort with the current pace, since after Google's third-quarter report, when capex reached $51.4 billion, the shares fell roughly 10% in after-hours trading, so Google would likely be rewarded relative to Oracle for the discipline. Oracle has no such option, because its capex is the delivery of its RPO, and cutting it would mean failing to deliver capacity

its customers have already contracted for, which would undermine the backlog that holds up what remains of its valuation

Google would not escape an AI crash, and this pitch does not claim it would, since a broad selloff hits every AI name. The thesis is relative, because Google would fall on sentiment while Oracle would fall on fundamentals, given its leverage, ratings and concentration on OpenAI.

Why Oracle breaks (the short)

Oracle's safety net, the non-AI business that once made it one of the most profitable companies in software, is shrinking just as Oracle makes its largest bet, since software revenues were down 3% to $5.5 billion, reflecting customers' continuing migration from on-premises software to the Cloud. The database franchise that Oracle led for years has moved to the cloud, where hyperscalers captured massive growth while legacy vendors declined, leaving Oracle without the cushion that Google, whose services business earned $39.16bn of operating income in a single quarter, still enjoys.

Oracle's cash generation therefore depends increasingly on its AI customers, since its record operating cash flow came largely from collection of customer prepayments, while free cash flow was negative $5.4 billion, and Oracle has set no timeline for a return to positive free cash flow after a negative $23.7 billion in fiscal 2026. If AI demand stalls, Oracle is left with an enormous build and no growing business to carry it.

Oracle's backlog looks enormous, but its quality is weak, since S&P estimates that roughly half of Oracle's $638 billion in remaining performance obligations is linked to OpenAI, and that revenue arrives slowly, with Oracle expecting 12% to be recognized in the next 12 months, and another 34% between 13 and 36 months. The customer behind that backlog is itself struggling to raise money, as OpenAI took in about 11 billion dollars in the first close of a new round at a 1.25 trillion dollar valuation, after seeking at least 30 billion at roughly 1.4 trillion in September.

The structure of the contracts makes this worse, because S&P's Chang called the mismatch between data centre leases for 15 to 19 years and short-term customer deals up to five years an "absolutely key risk", which leaves Oracle locked into decades of rent while depending on a customer whose ability to pay is increasingly uncertain.

Oracle carries an investment-grade rating for now, but the market already prices it as distressed, since S&P downgraded Oracle in July to BBB–, one notch above junk, while Oracle CDS trades at around 305bp, just inside the equivalent Single B rated index. The balance sheet keeps getting heavier, with net debt of $88.3bn at 31 August 2026 and plans to raise about $40 billion in debt and equity in fiscal 2027, including a $20 billion at-the-market equity issuance that dilutes shareholders. With Moody's at Baa2 with a negative outlook, a second downgrade to junk would trigger fallen-angel selling and raise Oracle's costs directly, because funding for large projects and interest on a $10 billion revolving credit are explicitly linked to Oracle's rating.

The slow turning RPO leaves Oracle dependent on debt to fund its AI build while each new bond costs more, and a downgrade to junk would shut Oracle out of investment-grade-only investors, shrinking its pool of lenders exactly when it needs them most. Oracle will also have to keep replacing servers that lose most of their value within five to six years, but unlike Google it has no growing segment to fund that spending, only a backlog that converts slowly and debt whose real backing is GPUs priced at a scarcity peak, since even older H100s cost more than ever while memory stays short and new chips are hard to find, so whenever GPU prices fall, Oracle will be left with far more debt than the assets behind it are worth.

On top of that, Oracle is worse positioned than Google in terms of their off-balance sheet commitments. Beyond its $125 billion of borrowings, Oracle has signed $288 billion of not-yet-commenced data-center lease commitments along with unconditional purchase obligations of $34.2 billion. These are not pay-as-used arrangements but fixed rent obligations that begin as each data center is delivered, since the leases are generally expected to commence from Q2 fiscal 2027 to fiscal 2029, with terms of 15 to 19 years, and they amount to roughly 4.8 times Oracle's fiscal 2026 revenue. Google's commitments are larger in absolute terms, but against an annual revenue run rate of $500B they come to about 2.2 times revenue, less than half of Oracle's burden relative to the business that must pay for it, and Google also holds $265.1 billion in cash, cash equivalents, and short-term marketable securities, roughly seven times Oracle's $37.1 billion.

Unlike Google, which faces no solvency question, or the neoclouds, whose Nvidia backstops and modest size make them natural acquisition targets for larger competitors, Oracle has no backstop and, at a market value of about $371.4 Bil, no plausible buyer, leaving it to absorb its OpenAI exposure alone.

Catalysts and timing

Oracle's next fiscal quarter report will show whether the backlog is turning into revenue and how much of their profit is being eaten by interest it can't bear for long. On the last full-year call, Oracle expected 12% of RPO to be recognized in the next 12 months, and another 34% between 13 and 36 months, and it expects to raise about $40 billion in debt and equity in fiscal 2027, including a previously announced $20 billion at-the-market equity issuance, so every quarter of slow conversion means more borrowing and more dilution.

The ratings path runs alongside the earnings as S&P downgraded Oracle in July to BBB–, one notch above junk, and S&P analyst Andrew Chang told Reuters another downgrade is possible if leverage stays above 4.5 times, while Moody's affirmed its Baa2 rating with a negative outlook and Fitch held BBB with a stable outlook, two notches above junk in both cases. The credit market is already ahead of the agencies: Oracle CDS trades at around 305bp, just inside the equivalent Single B rated index.

The second catalyst is the funding of the two AI labs, and it moves the two legs in opposite directions. On the short side, OpenAI took in about $11 billion in the first close of a new round at a $1.25 trillion valuation on November 6, after seeking at least $30 billion at roughly $1.4 trillion

in September, and the round could now reach $20 billion, with the remaining funding expected in the coming weeks. Because S&P estimates that roughly half of Oracle's $638 billion in remaining performance obligations is linked to OpenAI, how that second close goes, and whether OpenAI goes ahead with the initial public offering it is evaluating for 2027, is the most direct test of whether Oracle's backlog gets paid.

On the long side, Anthropic will price its IPO on Wednesday 18 November 2026, and its shares are expected to start trading on Nasdaq under the ticker ANT on Thursday 19 November, with 825 million shares offered at $70 to $78 each, about $64.35 billion at the top of the range. Google benefits from a strong debut, because the proceeds pay for compute that Google supplies under its expanded partnership that provides Anthropic with multiple gigawatts of next-generation TPU capacity.

The third catalyst is the chip cycle, which drives the GPU price thesis at the core of the trade. Nvidia has confirmed that Vera Rubin began initial shipments in the third quarter of 2026, with the volume ramp expected in the fourth quarter and shipments growing further through the first half of 2027. On Google's side, it introduced the eighth-generation TPU 8t and TPU 8i at Google Cloud Next 2026, and both chips will become generally available later this year. So the window when Hopper and Blackwell turn into last-generation hardware is roughly now through mid-2027, which is when you should see older-chip rental prices fall.

Model and price targets

This model values each segment on earnings per share with P/E multiples rather than the EBITDA multiples most industry models use, because for AI infrastructure depreciation and interest are the central costs of the business, and the very costs this thesis argues are understated. Oracle's depreciation is rising as its data centers come online, from $7.6 billion in fiscal 2026 to $3.2 billion in the first quarter of fiscal 2027, an annualized pace of $12.6 billion, while the debt funding that build adds a growing interest bill. Valuing both companies after depreciation, interest and taxes treats servers and GPUs, replaced every five to six years, as recurring costs and charges Oracle's borrowing first, which makes the comparison stricter on the short and fairer to the long.

Google Services is built from the four revenue lines Alphabet reports: Search grows 12% easing to 10%, YouTube 10%, Network flat, and subscriptions 15% easing to 11%. Margins rise from 41% to 43%.

Google Cloud is driven by the $561 billion backlog. The $200 billion Anthropic commitment is spread evenly over five years with conversion falling from 100% to 75%, and the remaining $361 billion converts at 95%. New contracts beyond today's backlog grow to 95% of the prior year's Cloud revenue, and Cloud margins rise from 37% to 42%.

Backlog: the $561 billion Cloud backlog is split into its two buckets, Anthropic and everything else, so the model shows how concentrated it is.

Backlog conversion: levers per bucket and per year follow the CFO's guidance that just over 55% converts within 24 months.

Capital solvency: the $265 billion of cash, net of $125 billion of debt and the convertible preferred, is added straight to value, and no rising interest burden is needed.

Google Services — revenue by type (as Alphabet reports it)								
Google Search & other ($B)	$198.1	$224.5	$257.7	$286.0	$317.5	$349.2	$384.1	*Alphabet quarterly earnings releases (sum of Q1–Q4)*
YoY Growth (%)		13.4%	14.8%	11.0%	11.0%	10.0%	10.0%	
Assumed Growth Rate			12.0%	11.0%	11.0%	10.0%	10.0%	*Lever. FY2026E cell = Q4'26 YoY growth vs Q4'25*
9M actual ($B)			$187.0					*Q1+Q2+Q3 2026 earnings releases*
Prior-year Q4 actual ($B)			$63.1					*Q4 2025 earnings release*
YouTube ads ($B)	$36.1	$40.4	$44.7	$49.1	$54.0	$59.5	$65.4	*Alphabet quarterly earnings releases (sum of Q1–Q4)*
YoY Growth (%)		11.7%	10.7%	10.0%	10.0%	10.0%	10.0%	
Assumed Growth Rate			10.0%	10.0%	10.0%	10.0%	10.0%	*Lever. FY2026E cell = Q4'26 YoY growth vs Q4'25*
9M actual ($B)			$32.1					*Q1+Q2+Q3 2026 earnings releases*
Prior-year Q4 actual ($B)			$11.4					*Q4 2025 earnings release*
Google Network ($B)	$30.4	$29.8	$29.6	$29.6	$29.6	$29.6	$29.6	*Alphabet quarterly earnings releases (sum of Q1–Q4)*
YoY Growth (%)		(1.9%)	(0.8%)	-	-	-	-	
Assumed Growth Rate			-	-	-	-	-	*Lever. FY2026E cell = Q4'26 YoY growth vs Q4'25*
9M actual ($B)			$21.7					*Q1+Q2+Q3 2026 earnings releases*
Prior-year Q4 actual ($B)			$7.8					*Q4 2025 earnings release*
Google subscriptions, platforms & devices ($B)	$40.3	$48.0	$55.2	$62.4	$69.9	$77.5	$86.1	*Alphabet quarterly earnings releases (sum of Q1–Q4)*
YoY Growth (%)		19.1%	14.9%	13.0%	12.0%	11.0%	11.0%	
Assumed Growth Rate			15.0%	13.0%	12.0%	11.0%	11.0%	*Lever. FY2026E cell = Q4'26 YoY growth vs Q4'25*
9M actual ($B)			$39.6					*Q1+Q2+Q3 2026 earnings releases*
Prior-year Q4 actual ($B)			$13.6					*Q4 2025 earnings release*
Google Services Revenue ($B)	$304.9	$342.7	$387.1	$427.1	$470.9	$515.8	$565.2	
YoY Growth (%)		12.4%	12.9%	10.3%	10.3%	9.5%	9.6%	
Google Services Operating Margin (%)	39.8%	40.7%	41.0%	41.5%	42.0%	42.5%	43.0%	*Lever (your values). Reported: FY24 40.6%, FY25 40.7%, 9M'26 42.5%*
Google Services Operating Income ($B)	$121.3	$139.4	$158.7	$177.2	$197.8	$219.2	$243.0	*Reported segment OI*

Google Cloud — Backlog (as of Sep 30, 2026)		
Total Cloud backlog ($B)	$561.0	*CFO, Q3'26 call: $561B; just over 55% to be recognized within 24 months*
Anthropic commitment ($B)	$200.0	*Reuters / The Information (May 2026): $200B over 5 years*
Other backlog: enterprise GCP & other AI ($B)	$361.0	

Google Cloud — AI & enterprise (backlog-driven)	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E	Source / notes
Anthropic Contracted Revenue ($B)			$6.0	$44.0	$50.0	$50.0	$50.0	*Contracted Value spre*
Anthropic Conversion Rate			100.0%	90.0%	80.0%		75.0%	*Lever (your values)*
Anthropic Realized Revenue ($B)			**$6.0**	**$39.6**	**$40.0**	**$37.5**	**$37.5**	
Other Backlog Contracted Revenue ($B)			$29.0	$123.0	$101.0	$47.0	$29.0	*Lever (your values)*
Other Backlog Conversion Rate			95.0%	95.0%	95.0%	95.0%	95.0%	*Lever (your values)*
Other Backlog Realized Revenue ($B)			**$27.6**	**$116.9**	**$96.0**	**$44.7**	**$27.6**	
Total Cloud Realized Revenue from Backlog ($B)			**$33.6**	**$156.5**	**$136.0**	**$82.2**	**$65.1**	
Additional growth beyond current backlog (% of prior-yr Cloud rev)				20.0%	40.0%	80.0%	95.0%	*Lever (your values)*
Additional Cloud growth (beyond current backlog) ($B)				$21.8	$71.3	$165.8	$235.6	
9M 2026 actual Cloud revenue ($B)			$75.5					*Q1+Q2+Q3 2026 earr*
Total Google Cloud Revenue ($B)	**$43.2**	**$58.7**	**$109.1**	**$178.3**	**$207.3**	**$248.0**	**$300.6**	*Alphabet quarterly ear*
YoY Growth (%)		35.8%	85.8%	63.5%	16.3%	19.6%	21.2%	
Google Cloud Operating Margin (%)	14.1%	23.7%	37.0%	39.0%	41.0%	42.0%	41.0%	*Lever (your values). F*
Google Cloud Operating Income ($B)	**$6.1**	**$13.9**	**$40.4**	**$69.5**	**$85.0**	**$104.1**	**$123.2**	*Reported segment OI*
Anthropic: contracted revenue as % of today's bucket			3.0%	22.0%	25.0%	25.0%	25.0%	
Anthropic: bucket left after final forecast year ($B)	-							
Anthropic: contracted revenue lost to non-conversion in window ($B)	$39.4							
Other backlog: contracted revenue as % of today's bucket			8.0%	34.1%	28.0%	13.0%	8.0%	
Other backlog: bucket left after final forecast year ($B)	$32.0							
Other backlog: contracted revenue lost to non-conversion in window	$16.5							

	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E	Source / notes
Total Revenue ($B)	**$350.0**	**$402.8**	**$497.8**	**$606.9**	**$679.9**	**$765.5**	**$867.7**	*Ties to reported FY24*
YoY Growth (%)		15.1%	23.6%	21.9%	12.0%	12.6%	13.3%	
Model revenue vs consensus (%)			(0.6%)	(4.7%)	(12.8%)	(16.0%)	(15.8%)	
Total Segment Operating Income ($B)	**$122.9**	**$145.8**	**$191.1**	**$238.8**	**$275.3**	**$316.3**	**$359.8**	*Services + Cloud + Oth*
Alphabet-level costs (% of revenue)	3.0%	4.2%	4.5%	4.5%	4.5%	4.5%	4.5%	*Lever. Reported: FY24*
Alphabet-level costs ($B)	($10.5)	($16.8)	($22.4)	($27.3)	($30.6)	($34.4)	($39.0)	*Reported 'Alphabet-lev*
Total Operating Income ($B)	**$112.4**	**$129.0**	**$168.7**	**$211.4**	**$244.7**	**$281.9**	**$320.7**	*Ties to reported FY24*
Operating Margin (%)	32.1%	32.0%	33.9%	34.8%	36.0%	36.8%	37.0%	
Net interest & other income ($B)	-	-	-	-	-	-	-	*Lever. Set to 0 so EPS*
Pretax income ($B)	$112.4	$129.0	$168.7	$211.4	$244.7	$281.9	$320.7	
Net income, excl. investment gains ($B)	**$93.5**	**$107.4**	**$140.3**	**$175.9**	**$203.6**	**$234.5**	**$266.8**	*Reported FY24 $100.1*
Diluted shares (B)	12.45	12.23	12.29	12.43	12.51	12.58	12.66	*FY24/FY25 = reported*
EPS, excl. investment gains ($)	**$7.51**	**$8.78**	**$11.41**	**$14.15**	**$16.28**	**$18.64**	**$21.08**	*Reported GAAP EPS: I*
Model EPS vs consensus adjusted EPS (%)			(12.8%)	(6.8%)	(12.0%)	(15.3%)	(17.8%)	
EPS growth (%)		16.9%	30.0%	24.0%	15.0%	14.5%	13.1%	
Share Count — Dilution & Buybacks								

SOTP on EPS — FY final-year earnings per share × P/E				
Component	**$/share**	**P/E**	**Value/sh (end)**	**PV today**
Google Services	14.30	22.0x	$314.56	$209.90
Google Cloud	7.21	24.0x	$173.04	$115.47
Other Bets	($0.43)	0.0x	-	-
Final-year EPS / value per share	**$21.08**		**$487.60**	**$325.37**
Segment value (PV)				$325.37
+ PV of dividends FY2027E–FY2030E ($/share)				$2.62
+ Waymo stake ($/share)				$8.23
+ Net cash & investments ($/share)				$20.43
Implied value per share ($)				**$356.64**
Current share price ($)				$283.72
Upside / (downside)				**25.7%**
Memo: consensus FY2030E adjusted EPS × same P/E, discounted ($)				$344.16

Cloud infrastructure starts from the consensus-implied IaaS revenue and then haircuts it. OpenAI's roughly half of the $664 billion RPO ramps from $20 billion to $60 billion a year, with conversion falling from 90% to 70%, and every other AI customer converts at 95%.

Costs and debt: The Cloud & Software margin falls from 58.9% to 34.9% as data center depreciation rises, while unallocated costs grow 7.7% a year, their FY2026 pace. Interest follows consensus, plus a 150bp step-up on net debt once a second agency cuts Oracle to junk in FY2028. Shares dilute through stock compensation and equity issuance.

Valuation: FY2030 EPS of $9.67 sits 47% below consensus and is valued at 14x, the market's current multiple for a company carrying more commitments than it can fund. At 14x, Oracle is valued above the 10x median of low-growth, leveraged infrastructure peers such as Dell, HPE, Kyndryl and DXC, and below only IBM, an investment-grade company with no comparable capex burden, so the multiple is generous rather than punitive.

Backlog: the $664 billion RPO is split between OpenAI and everyone else.

Backlog conversion: an RPO check tests consensus against Oracle's guidance that only 12% converts within a year, and shows that about 27% of FY2029 contract revenue must come from contracts Oracle has not yet signed.

Capital solvency: interest takes about 26% of operating income from FY2027, and the junk switch adds 150bp on a net debt that consensus sees rising to $156 billion.

Revenue by offering (as Oracle reports it)							
Cloud applications (SaaS) ($B)	**$14.3**	**$15.9**	**$17.5**	**$19.2**	**$21.1**	**$23.2**	*Oracle FY26 10-K / Q4 FY26 rel*
YoY Growth (%)		11.3%	9.9%	9.9%	9.9%	9.9%	
Assumed Growth Rate			9.9%	9.9%	9.9%	9.9%	*Lever. Default = reported Q1 FY*
Q1 FY27 actual ($B)			$4.2				*Q1 FY27 10-Q / earnings releas*
Prior-year Q2–Q4 actual ($B)			$12.0				*FY26 less Q1 FY26 ($3.839B)*
Software support ($B)	**$19.5**	**$19.8**	**$19.6**	**$19.3**	**$19.1**	**$18.9**	*Oracle FY26 10-K / Q4 FY26 rel*
YoY Growth (%)		1.4%	(1.2%)	(1.2%)	(1.2%)	(1.2%)	
Assumed Growth Rate			(1.2%)	(1.2%)	(1.2%)	(1.2%)	*Lever. Default = reported Q1 FY*
Q1 FY27 actual ($B)			$4.9				*Q1 FY27 10-Q / earnings releas*
Prior-year Q2–Q4 actual ($B)			$14.8				*FY26 less Q1 FY26 ($4.955B)*
Software license ($B)	**$5.2**	**$4.7**	**$4.1**	**$3.5**	**$3.0**	**$2.5**	*Oracle FY26 10-K / Q4 FY26 rel*
YoY Growth (%)		(8.9%)	(14.5%)	(14.5%)	(14.5%)	(14.5%)	
Assumed Growth Rate			(14.5%)	(14.5%)	(14.5%)	(14.5%)	*Lever. Default = reported Q1 FY*
Q1 FY27 actual ($B)			$0.7				*Q1 FY27 10-Q / earnings releas*
Prior-year Q2–Q4 actual ($B)			$4.0				*FY26 less Q1 FY26 ($0.766B)*
Hardware ($B)	**$2.9**	**$3.1**	**$3.6**	**$4.1**	**$4.8**	**$5.5**	*Oracle FY26 10-K / Q4 FY26 rel*
YoY Growth (%)		5.0%	15.5%	15.5%	15.5%	15.5%	
Assumed Growth Rate			15.5%	15.5%	15.5%	15.5%	*Lever. Default = reported Q1 FY*
Q1 FY27 actual ($B)			$0.8				*Q1 FY27 10-Q / earnings releas*
Prior-year Q2–Q4 actual ($B)			$2.4				*FY26 less Q1 FY26 ($0.67B)*
Services ($B)	**$5.2**	**$5.7**	**$6.0**	**$6.3**	**$6.6**	**$6.9**	*Oracle FY26 10-K / Q4 FY26 rel*
YoY Growth (%)		9.7%	4.8%	4.8%	4.8%	4.8%	
Assumed Growth Rate			4.8%	4.8%	4.8%	4.8%	*Lever. Default = reported Q1 FY*
Q1 FY27 actual ($B)			$1.4				*Q1 FY27 10-Q / earnings releas*
Prior-year Q2–Q4 actual ($B)			$4.4				*FY26 less Q1 FY26 ($1.349B)*

Cloud Infrastructure (IaaS) — consensus-implied, then OpenAI haircut		
Total RPO, Aug 31, 2026 ($B)	$664.0	*Q1 FY27 10-Q / earnings release*
OpenAI share of RPO (%)	50.0%	*S&P estimate: roughly half*
OpenAI RPO ($B)	$332.0	*WSJ: ~$300B over ~5 years from 2027*

	FY2025A	FY2026A	FY2027E	FY2028E	FY2029E	FY2030E	Source / notes
Consensus-implied IaaS revenue ($B)			$39.8	$79.4	$129.5	$168.4	*Consensus total r*
OpenAI Contracted Revenue ($B)			-	$20.0	$45.0	$60.0	*Lever. Ramp $20*
OpenAI Conversion Rate			90.0%	85.0%	75.0%	70.0%	*Lever. KEY SHOF*
OpenAI Realized Revenue ($B)				**$17.0**	**$33.8**	**$42.0**	
OpenAI revenue lost vs consensus ($B)			-	$3.0	$11.3	$18.0	
Non-OpenAI IaaS Contracted Revenue (consensus) ($B)			$39.8	$59.4	$84.5	$108.4	*Consensus-implie*
Non-OpenAI Conversion Rate			95.0%	95.0%	95.0%	95.0%	*Lever. 100% = co*
Non-OpenAI revenue lost vs consensus ($B)			$2.0	$3.0	$4.2	$5.4	
Total Cloud Infrastructure (IaaS) Revenue ($B)	**$10.2**	**$18.1**	**$37.8**	**$73.4**	**$114.0**	**$145.0**	*Oracle FY26 10-K*
YoY Growth (%)		76.9%	108.9%	94.2%	55.2%	27.2%	

Segments (as the 10-K reports them)						
Cloud & Software Revenue ($B)	**$49.2**	**$58.5**	**$78.9**	**$115.4**	**$157.1**	**$189.6**
Cloud & Software Segment Margin (%)	62.8%	58.9%	49.9%	44.9%	39.9%	34.9%
Cloud & Software Segment Margin ($B)	**$30.9**	**$34.5**	**$39.4**	**$51.8**	**$62.7**	**$66.2**
Hardware Segment Margin (%)	65.3%	65.4%	58.4%	58.4%	58.4%	58.4%
Hardware Segment Margin ($B)	**$1.9**	**$2.0**	**$2.1**	**$2.4**	**$2.8**	**$3.2**
Services Segment Margin (%)	19.0%	26.7%	26.7%	26.7%	26.7%	26.7%
Services Segment Margin ($B)	**$1.0**	**$1.5**	**$1.6**	**$1.7**	**$1.8**	**$1.8**
Total Operating Income ($B)	**$57.4**	**$67.4**	**$88.5**	**$125.8**	**$168.5**	**$202.0**
YoY Growth (%)		17.3%	31.3%	42.2%	33.9%	19.9%
Model revenue vs consensus (%)			(2.2%)	(4.5%)	(8.4%)	(10.4%)

	FY2025A	FY2026A	FY2027E	FY2028E	FY2029E	FY2030E
Unallocated costs growth (YoY %)		7.7%	7.7%	7.7%	7.7%	7.7%
Unallocated costs ($B)	($16.2)	($17.4)	($18.8)	($20.2)	($21.8)	($23.4)
Operating Income ($B)	**$17.7**	**$20.6**	**$24.3**	**$35.7**	**$45.5**	**$47.8**
Operating Margin (%)	30.8%	30.6%	27.5%	28.4%	27.0%	23.7%
Downgraded to junk this year? (1 = yes)			0	1	1	1
Interest expense ($B)	**$3.6**	**$4.6**	**$6.2**	**$9.2**	**$10.1**	**$11.0**
Interest as % of operating income	20.2%	22.3%	25.5%	25.7%	22.3%	23.1%
Pretax income ($B)	$14.1	$16.0	$18.1	$26.5	$35.3	$36.8
Net income ($B)	**$12.4**	**$16.2**	**$15.9**	**$23.3**	**$31.1**	**$32.4**
Diluted shares (B)			3.17	3.23	3.29	3.34
EPS ($)	**$4.34**	**$5.83**	**$5.03**	**$7.23**	**$9.46**	**$9.67**
Model EPS vs consensus GAAP EPS (%)			(24.8%)	(21.8%)	(30.5%)	(46.7%)
EPS growth (%)		34.3%	(13.8%)	43.9%	30.8%	2.2%

SOTP on EPS — FY2030E earnings per share × P/E				
Component	**FY2030E $/sha**	**P/E**	**FY2030E value**	**PV today**
Cloud & Software	11.63	14.0x	$162.76	$110.77
Hardware	0.68	14.0x	$9.46	$6.44
Services	0.28	14.0x	$3.85	$2.62
Unallocated costs (allocated to segments above)	-	14.0x	-	-
Interest expense	($2.90)	14.0x	($40.62)	($27.65)
FY2030E EPS / value per share	**$9.67**		**$135.45**	**$92.19**
+ PV of dividends FY2027E–FY2030E ($/share)				$6.00
Implied value per share — EPS basis ($)				**$98.19**
Current share price ($)				$119.09
Upside / (downside)				**(17.6%)**
Memo: consensus FY2030E GAAP EPS × same P/E, discounted, + dividends ($)				$179.04