ORACLE (NASD) - ORCL

Company Description:

Oracle Corporation develops, manufactures, markets, distributes, and services database and middleware software, applications software, and hardware systems, primarily consisting of computer server and storage products. Revenue breakdown: New software licenses, 19.6%; cloud Saas and PaaS and IaaS (infrastructure) 7.7%; software license updates and product support, 50.9%; hardware systems and support, 12.6%; services, 9.3%. Foreign sales were 54.7%. R&D: 15.6% of sales. Employed 136,000. Stock owners: Lawrence J. Ellison, 28% who is CTO and exec. chmn. Co-CEOs: Safra A. Catz and Mark V. Hurd Redwood City, CA www.oracle.com.

Basic Description:

Earnings grew rapidly and then have slowed somewhat as ORCL's size has grown. After 2008, P/E ratios were relatively low despite sizeable top and bottom line growth (until 2013) . Since 2008, ORCL has paid an increasing dividend, reaching a payout ratio of 20% and, more recently, has become aggressive about share repurchasing. Debt levels have remained proportionate while ROEs and ROCs have been superior but have been declining. Over the past five years, top line growth was flat with buybacks increasing by 4%. At the same time, operating margins have remained near 50% with tax rates dropping to the low 20% range. VL uses a non-GAAP number that excludes: amort of intangible, restructuring and acqusition charges, but includes stock compensation expenses.

Profitability Description:

ORCL has increased to seven lines of business to indicate a movement from the category of software updates to the cloud subscription. Historically, ORCL provides upgrades for free, but audits the use of various modules of the software. Over time, users tend to access a wide range of software modules and ORCL charges a maintenance fee arrangement which shows up in the update line of the financials. This line is enormously profitable, as one might expect. The other lines, while not as profitable, are crucial to facilitating the software "renewals." The increase in lines of business is to describe the transition to the cloud which is rapidly occurring, but is still a small piece of revenues. Part of the small size is driven by the extended recognition rather than the one-time booking for a new licensing. This transition (in addition to a currency issue) might be dampening overall growth rates and depressing new software license margins. In addition, the debt seems to be climbing, but the liquid assets from earnings are growing offshore which allows for a lower tax rate.

Core Advantage Description:

ORCL has entrenched itself with a powerful database approach. Then, the CEO brilliantly forced standardization on the business community. The IBMers have responded with excellent salesmanship and the argument of "not losing your culture and process." ORCL has shown repeatedly the high costs of customization. This approach has been successful and created the incredibly profitable recurring revenue stream that is the backbone of profitability and the core manifestation of the entrenched software system. The cloud presents a challenge, but it appears that ORCL is rapidly scaling up in response and using it as an opportunity to gain in applications.

Investment Thesis:

ORCL is going through a major transition to the cloud. All of its software must be rewritten for the web-based delivery system. Given ORCL's size and large on-premises business, this transition will require increased expenses and a different accounting for revenues. As a result, topline growth will be slower and we estimate 2% inflation, 1% growth and 2% acquisitions. Given the sizeable margins, we assume no increase or loss over 10 years (should narrow short term and then expand). Our terminal P/E is 18 and we rely on a continued strategy of 35% net repurchase and 15% dividend payout.

Purchase Description:

Given the above factors, we would recommend patient, value-oriented investors purchase shares of ORCL as a Tier II at prices up to $43 per share, (based on an average of hist low P/S and e.g.model) with a targeted sales price of $69 per share (an aver of capl charge sell and high P/S). We have adjusted for cloud improvements, despite manifest in earnings and revenue due to cloud redo.

Investment Thesis - 2015:

Currently, the cash flow margins are 50%, creating nearly the highest profitability of any company. Software has such advantages. ORCL should continue to expand earnings by 7% with share buybacks adding 3% for 10% EPS growth. In addition, ORCL should maintain profit margins at high margins, driving a terminal P/E of 18. Dividends should also contribute to returns.

FY End	Stock Price	Mkt. Value
May	$45.00	$182,250.00

	1995	1996	1997	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Earnings (mln)	442	637	846	1,290	2,055	2,561	2,224	2,307	2,681	3,541	4,246	5,295	6,799	7,393	8,494	11,395	12,520	12,958	13,214	12,489	11,236	*10,850*
EPS	$0.08	$0.11	$0.14	$0.23	$1.07	$0.46	$0.41	$0.44	$0.52	$0.56	$0.69	$0.84	$1.08	$1.13	$1.23	$1.70	$2.00	$2.19	$2.47	$2.32	$2.72	*$2.68*
Operating EPS	$0.08	$0.11	$0.14	$0.23	$0.37	$0.46	$0.41	$0.44	$0.52	$0.69	$0.81	$1.04	$1.32	$1.48	$1.69	$2.25	$2.55	$2.79	$2.96	$2.88	$2.72	*$2.68*
Ave. P/E Ratios	28.9	31.3	32.4	26.9	NMF	NMF	36.8	24.6	25.1	17.9	16.3	17.0	15.8	13.1	13.7	13.0	12.0	12.0	12.5	15.1	14.8	
Yrly Price Low	2.0	2.9	3.5	5.3	21.5	10.2	7.3	10.6	9.8	11.3	12.1	16.0	15.0	13.8	21.2	24.7	25.3	31.0	35.4	35.0	33.0	38.0
Yrly Price High	3.6	5.7	7.0	28.3	46.5	35.0	17.5	14.0	15.5	14.5	19.8	23.3	23.6	25.1	32.3	36.5	34.3	36.0	46.0	45.0	42.0	45.7
Dividends Paid	0	0	0	0	0	0	0	0	0	0	0	0	0	250	1,005	1,014	1,177	1,394	2,143	2,215	2,479	*2,430*
Dividends PS	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.05	$0.20	$0.20	$0.24	$0.30	$0.48	$0.51	$0.60	*$0.60*
Ave. Div. Yld.	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.26%	0.75%	0.65%	0.81%	0.90%	1.18%	1.28%	1.60%	*1.43%*
Shares Outstdg.	5,850	5,902	5,868	5,725	5,615	5,592	5,431	5,233	5,171	5,145	5,232	5,107	5,150	5,005	5,026	5,068	4,905	4,646	4,464	4,343	4,131	*4,050*
Buyback $ (mln	(144)	(224)	182	1,940	3,720	513	2,001	2,435	784	335	(1,388)	2,456	(830)	2,820	(562)	(1,285)	4,857	8,677	7,407	4,840	7,950	*3,390*
Shr. Equity (ml	1,211	1,870	2,370	3,695	3,695	6,462	6,278	6,320	7,995	10,837	15,012	16,919	23,025	25,090	30,798	39,776	43,688	44,648	46,878	48,663	47,289	*50,000*
Book Value PS	$0.21	$0.32	$0.40	$0.65	$0.66	$1.16	$1.16	$1.21	$1.55	$2.11	$2.87	$3.31	$4.47	$5.01	$6.13	$7.85	$8.91	$9.61	$10.50	$11.20	$11.45	*$12.35*
LT Debt (mln)	82	1	301	304	301	301	298	175	163	159	5,735	6,235	10,235	9,237	11,510	14,772	13,524	18,494	22,667	39,959	40,105	*53,000*
Return On Eq.	36.45%	34.05%	35.68%	34.90%	55.62%	39.64%	35.43%	36.50%	33.53%	32.68%	28.28%	31.30%	29.53%	29.47%	27.58%	28.65%	28.66%	29.02%	28.19%	25.66%	23.76%	*21.70%*
Return On Cap	34.14%	34.03%	31.66%	32.25%	51.43%	37.87%	33.82%	35.52%	32.86%	32.20%	20.47%	22.87%	20.44%	21.54%	20.08%	20.89%	21.88%	20.52%	19.00%	14.09%	12.86%	*10.53%*

Description:

Instructions:

Analysis:

Observations:

Investment Characteristics

Earnings Analysis:		Use Of Earnings Analysis:	
Growth Rate %:	21.09%	Avg Div Payout F	12.60%
Quality %:	87.55%	Avg Stk Buyback	36.5%

	1995	1996	1997	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Sales (mln)	2,967	4,223	5,684	8,827	10,130	10,860	9,673	9,475	10,156	12,119	14,771	18,208	22,609	23,495	27,034	35,850	37,221	37,253	38,305	38,253	37,056	*37,500*
SPS	$0.51	$0.72	$0.97	$1.54	$1.80	$1.94	$1.78	$1.81	$1.96	$2.36	$2.82	$3.57	$4.39	$4.69	$5.38	$7.07	$7.59	$8.02	$8.58	$8.81	$8.97	*$9.26*
Adj. Sales (mln)																						

Sales Analysis:		Sales Analysis (last 5 yrs.):	
Growth Rate %:	14.34%	Growth Rate %:	0.15%
Growth Rate PS '	16.03%	Growth Rate PS '	4.1%

	1995	1996	1997	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Oper. Margin	26.90%	27.80%	27.50%	25.50%	34.30%	38.00%	40.70%	39.80%	40.40%	42.50%	41.90%	42.10%	43.90%	47.30%	47.20%	45.30%	47.50%	49.00%	48.90%	47.30%	44.90%	*45.00%*
Tax Rate	33.00%	34.40%	36.00%	34.90%	35.50%	35.50%	34.70%	32.60%	32.00%	28.80%	29.70%	28.60%	29.50%	28.70%	27.10%	25.30%	24.00%	23.00%	22.50%	23.60%	23.20%	*25.50%*
Deprec. (mln)	148	220	265	375	391	347	363	327	234	206	223	249	268	263	298	368	486	546	608	712	871	*925*
Depreciation %	33.48%	34.47%	31.32%	29.11%	19.02%	13.54%	16.32%	14.17%	8.73%	5.82%	5.25%	4.70%	3.94%	3.56%	3.51%	3.23%	3.88%	4.21%	4.60%	5.70%	7.75%	*8.53%*

Description:	

Instructions:	

Analysis:	

Observations:	

Description & Analysis of Profitability (in mlns):

		2010		2011		2012		2013		2014		2015		2016	
Net Revenues:	6%	**26,820**		**35,622**		**37,121**		**37,180**		**38,277**		**38,226**		**37,047**	
New Software Licenses		*7,533*	28.1%	*9,235*	25.9%	*9,451*	25.5%	*9,411*	25.3%	*9,416*	24.6%	*8,535*	22.3%	*7,276*	19.6%
Cloud software-as-a-service and platform-as-a-service						*455*	1.2%	*910*	2.4%	*1,121*	2.9%	*1,485*	3.9%	*2,207*	6.0%
Cloud Infrastructure-as-a-Service						*444*	1.2%	*457*	1.2%	*456*	1.2%	*608*	1.6%	*646*	1.7%
Software License updates		*13,092*	48.8%	*14,796*	41.5%	*16,210*	43.7%	*17,142*	46.1%	*18,206*	47.6%	*18,847*	49.3%	*18,861*	50.9%
Hardware systems products		*1,506*	5.6%	*4,382*	12.3%	*3,827*	10.3%	*3,033*	8.2%	*2,976*	7.8%	*2,825*	7.4%	*2,471*	6.7%
Hardware systems support		*784*	2.9%	*2,562*	7.2%	*2,475*	6.7%	*2,313*	6.2%	*2,396*	6.3%	*2,380*	6.2%	*2,197*	5.9%
Services		*3,905*	14.6%	*4,647*	13.0%	*4,259*	11.5%	*3,914*	10.5%	*3,706*	9.7%	*3,546*	9.3%	*3,389*	9.1%
Cost Of Revenues:	6%	**10,844**		**14,977**		**14,985**		**14,441**		**14,803**		**15,191**		**15,363**	
New Software Licenses		*5,080*	32.6%	*5,539*	40.0%	*6,019*	39.2%	*6,394*	38.0%	*6,963*	33.9%	*7,416*	26.0%	*9,036*	4.7%
Cloud Infrastructure-as-a-Service								*365*	20.1%	*369*	19.1%	*438*	28.0%	*366*	43.3%
Software License updates		*1,063*	91.9%	*1,264*	91.5%	*1,226*	92.4%	*1,175*	93.1%	*1,162*	93.6%	*1,199*	93.6%	*1,146*	93.9%
Hardware systems products		*880*	41.6%	*3,097*	29.3%	*2,951*	22.9%	*2,435*	19.7%	*2,519*	15.4%	*2,393*	15.3%	*1,371*	44.5%
Hardware systems support		*423*	46.0%	*1,259*	50.9%	*1,046*	57.7%	*890*	61.5%	*836*	65.1%	*816*	65.7%	*693*	68.5%
Services		*3,398*	13.0%	*3,818*	17.8%	*3,743*	12.1%	*3,182*	18.7%	*2,954*	20.3%	*2,929*	17.4%	*2,751*	18.8%
Internal Costs:	5%	**6,914**		**8,612**		**8,430**		**8,055**		**8,713**		**9,168**		**9,080**	
Research and development expe	11%	*3,254*	12.1%	*4,519*	12.7%	*4,523*	12.2%	*4,850*	13.0%	*5,151*	13.5%	*5,524*	14.5%	*5,787*	15.6%
General and administrative	3%	*911*	3.4%	*970*	2.7%	*1,126*	3.0%	*1,072*	2.9%	*1,038*	2.7%	*1,077*	2.8%	*1,155*	3.1%
Amortization of intangibles	2%	*1,973*	7.4%	*2,428*	6.8%	*2,430*	6.5%	*2,385*	6.4%	*2,300*	6.0%	*2,149*	5.6%	*1,638*	4.4%
Acquisition		*154*	0.6%	*208*	0.6%	*56*	0.2%	*-604*	-1.6%	*41*	0.1%	*211*	0.6%	*42*	0.1%
Restructuring		*622*	2.3%	*487*	1.4%	*295*	0.8%	*352*	0.9%	*183*	0.5%	*207*	0.5%	*458*	1.2%
EBITDA:	5%	**11,333**	42.3%	**14,829**	41.6%	**16,622**	44.8%	**17,615**	47.4%	**17,669**	46.2%	**16,728**	43.8%	**15,113**	40.8%
Amortization/Dep.	5%	*2,271*		*2,796*		*2,916*		*2,931*		*2,908*		*2,861*		*2,509*	
"Free" Cash Flow	4%	**11,103**	41.4%	**14,379**	40.4%	**15,974**	43.0%	**16,965**	45.6%	**17,089**	44.6%	**15,337**	40.1%	**13,924**	37.6%
Capital Expenditures	43%	*230*		*450*		*648*		*650*		*580*		*1,391*		*1,189*	
Operating Margin:	6%	**9,062**	33.8%	**12,033**	33.8%	**13,706**	36.9%	**14,684**	39.5%	**14,761**	38.6%	**13,867**	36.3%	**12,604**	34.0%
External Costs:	4%	**2,927**		**3,486**		**3,725**		**3,759**		**3,804**		**3,933**		**3,703**	
Interest exp., net	9%	*754*		*808*		*766*		*797*		*914*		*1,143*		*1,467*	
Losses on equity investees and (		*65*		*-186*		*-22*		*-11*		*141*		*-106*		*-305*	
Taxes:	7%	*2,108*	25.4%	*2,864*	25.5%	*2,981*	23.0%	*2,973*	21.4%	*2,749*	19.9%	*2,896*	22.8%	*2,541*	22.8%
Earnings:	6%	**6,135**		**8,547**		**9,981**		**10,925**		**10,957**		**9,934**		**8,901**	
Dividend Paid/% of Earnings:	16%	**1,005**	16.4%	**1,014**	11.9%	**1,177**	11.8%	**1,394**	12.8%	**2,143**	19.6%	**2,215**	22.3%	**2,479**	27.8%
Common Stock/% of Earnings:		**-562**	-9.2%	**-1,285**	-15.0%	**4,857**	48.7%	**8,677**	79.4%	**7,407**	67.6%	**4,840**	48.7%	**7,950**	89.3%
Share buybacks: Stmt of C. F.								*9,253*		*7,428*		*6,041*		*8,898*	
Net Bness Acquisitions				**1,847**		**4,702**		**3,305**		**3,488**		**6,239**		**650**	
Purchases				*1,847*		*4,702*		*3,305*		*3,488*		*6,239*		*650*	
Disposals															

Description:
ORCL's statement is unusual because it does not fully assign operating segments that add up to operating income. Instead, it is a segmented cost of revenue approach with general costs against net revenue margin to operating income.

Instructions:

Analysis:

Observations:

Balance Sheet (in millions):

		2011	2012	2013	2014	2015	2016
Assets:	9%	73,535	78,327	81,812	90,344	110,903	112,180
5%	Cash	16,163	14,955	14,613	17,769	21,716	20,152
23%	Marketable securities	12,685	15,721	17,603	21,050	32,652	35,973
-4%	Accts receivable	6,628	6,377	6,049	6,087	5,618	5,385
-7%	Inventories	303	158	240	189	314	212
	Deferred taxes	1,189	877	974	914	663	0
3%	Other current assets	2,206	1,935	2,213	2,129	2,220	2,591
7%	Prop. plant & equipt., net	2,857	3,021	3,053	3,061	3,686	4,000
-9%	Intangible assets, net	7,860	7,899	6,640	6,137	6,406	4,943
10%	Goodwill	21,553	25,119	27,343	29,652	34,087	34,590
4%	Deferred taxes	1,076	595	766	837	795	1,291
25%	Other assets	1,015	1,670	2,318	2,519	2,746	3,043
Liabilities:	14%	33,290	34,240	36,637	42,481	61,805	64,390
27%	Notes payable	1,150	2,950	0	1,508	1,999	3,750
0%	Accounts payable	494	438	419	471	806	504
-3%	Accrued compensation	2,320	2,002	1,851	1,940	1,839	1,966
2%	Unearned revenue	6,802	7,035	7,118	7,269	7,245	7,655
-1%	Other	3,426	2,963	3,484	2,785	3,402	3,333
22%	Notes payable	14,772	13,524	18,464	22,667	39,959	40,105
9%	Income taxes	3,169	3,759	3,899	4,184	4,386	4,908
13%	Other	1,157	1,569	1,402	1,657	2,169	2,169
	Non-controlling						501
Shareholder's Equity:	4%	39,776	43,688	44,648	46,878	48,663	47,289
8%	Common Stock	16,653	17,489	18,893	21,077	23,156	24,217
1%	Retained income	22,581	26,087	25,854	25,965	26,503	23,888
	AOCI	542	112	-99	-164	-996	-816

Description:

Instructions:

Analysis: The size of the goodwill line indicates that acquisitions have been a crucial part of the ORCL story.

Observations:

Description & Analysis of Debt Levels (in mlns):

Summary: Debt is a four-letter word. Debt causes the years of repayment of capital to equity shareholders to stretch out into the more distant future. Even worse, debt can cause the best business model to become the property of bondholders in a rough economic environment.

Total Debt-Capital: The measure of total debt to total capital is useful when book value is a good measure of a firm's worth. This is particularly true of traditional businesses where property, plant and equipment are important. Further, it helps to have this ratio in capital intensive businesses with cyclical earnings.

Total Debt	64,390.0	Here, deferred income taxes have been excluded.
Total Capi	111,679.0	Here, deferred income taxes have been excluded.
Ratio:	57.66%	

Long Term Debt-Cap.: The measure of long term debt to total capital is useful when total debt is distorted by the high presence of current assets being financed by current liabilities. Again, the measure works best within a traditional industry setting. The ratio helps position the equity shareholders.

L. T. Debt:	43,855.0	Here, the current liabilities have been excluded.
L. T. Capit	91,144.0	Here, the current liabilities have been excluded.
Ratio:	48.12%	

Net Income Payback: The measure of how quickly total debt is repaid by net income is a conservative measure, as it includes debt such as current liabilities, that are financed by current assets and excludes some sources of cash, such as noncash amortization numbers.

Total Debt	64,390.0
Net Incom	8,901.0
Years Pay	7.2

L.T. Debt:	43,855.0
Net Incom	8,901.0
Years Pay	4.9

Addback Net Inc. Payb The measure of how quickly debt is repaid by addback net income is a good measure, as it starts with GAAP net income and adds back expenses on an after-tax basis that are clearly discretionary, such as business acquisitions to better analyze the strength of the repayment stream.

L.T. Debt:	-12,270.0	
Net Incom	8,901.0	
Addback:	0.0	Merger charges, writedowns above the line, dep. Amort below the line less capex
Years Pay	-1.4	

Interpretations:

Description & Analysis of Stock Options (in mlns):

Summary: Stock options are a difficult form of compensation to assess. Heavy use of stock options creates stock issuance and a demand for stock repurchasing in some industries. This can be dilutive to shareholders if no repurchasing occurs or can absorb cash flows in the event that repurchasing occurs to offset issuance.
Uses "share-based incentive" language

FASB ASC 718	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
After tax E.	933.00	1,037.00								
Net profits:	9,934.00	8,901.00								
%	9.39%	11.65%								
Cash net of	6,041.00	8,898.00								
Net share r	4,840.00	7,950.00								
Difference	1,201.00	948.00								
% of Net pr	12.09%	10.65%								

Industry Overview

The industry is going through the early stages of a major transition from private systems to a public cloud. Dominant companies are very exposed to this transition, as its core competency has been to tailor or sell private systems. This transition also comes at a time that Big Data analytics, mobile applications, social media and cybersecurity issues are growing in prominence. These changes create the potential for new competitors like Amazon and/or Chinese companies (Tencent).

Industry Comparisons

Operating Statistics:

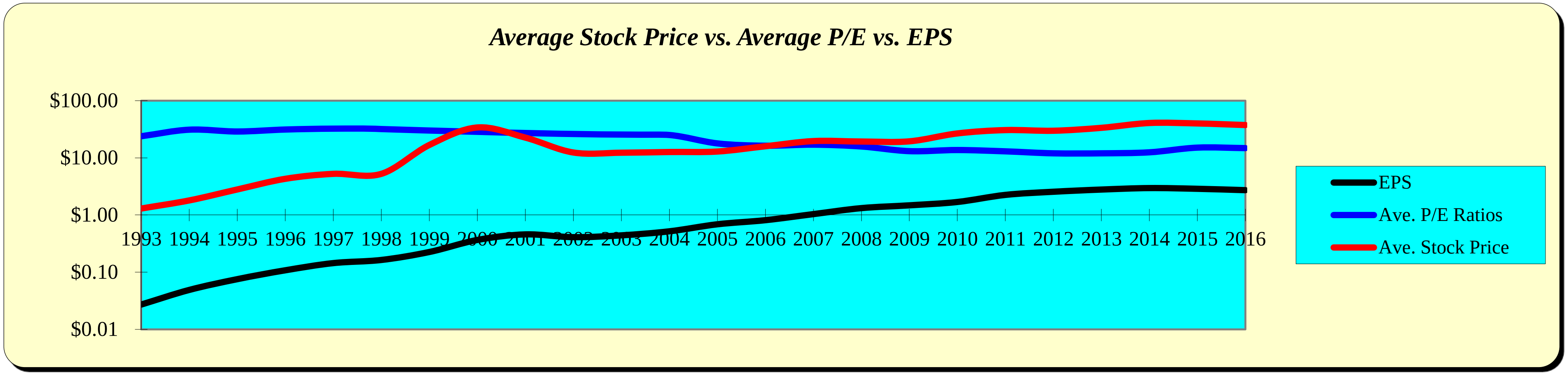
Company	*Debt (yrs.)*	*Sales*	*ROE*	*Operating Margin*
MSFT	-2.7	96,500	18.18%	37.50%
IBM	2.9	82,500	28.31%	25.00%
HPE	0.0	55,123	4.40%	14.40%
ORCL	-1.4	37,500	21.70%	45.00%
SAP	2.5	22,635	12.00%	31.50%
CRM	2.0	6,550	nmf	8.50%
WDAY	6.0	1,150	nmf	nmf

Market Statistics:

Company	*P/B*	*P/E*	*Div Yld.*	*EV/Sales*
MSFT	7.31	21.1	2.4%	4.56
IBM	8.05	9.5	3.3%	2.01
HPE	0.73	16.7	1.6%	0.48
ORCL	3.65	16.8	1.4%	4.53
SAP	3.95	22.9	1.6%	4.65
CRM	11.20	nmf	0.0%	8.46
WDAY	12.80	nmf	0.0%	13.04

Qualitative Characteristics

		Positives:	Negatives:
Product/Service:			
	Pricing Power:		
	Durability:	Upgrades have been key to the problem of solving the computing problem.	
	Brand Appeal:	Their brands are widely recognized as the "sure thing."	
	Unique Importance:	Embedded in the computing environment	
	Role Of Media:		Creates sense of "evil empire."
	Toll Bridge:	The systemic dominance and coordination	
	Global Opportunity	ORCL has a critical advantage in globalization	
	Competition		Others are introducing new kinds of competition through customization.
	Economic Risk:	Economy does not directly affect profitability.	
	Government Role		Government could become negative in a number of international "monopolistic" cases.
	Role Of Technology:	New technology helps synergies.	Technology can create competitors, especially resulting from advances in Internet connectivity.
	Supply/Demand:	Global growth in developing countries	
Financial:			
	Business Model:	Narrowly focused.	
	High Capital Reinv.:	Reasonable capital requirments	
	Effective As Public:	Yes	
	Ownership:	No pension plans	
	Growth:		Slowing
	Concentration:		
Management:			
	Characteristics:	Highly experienced.	
	Proxy Information:		



	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
EPS	$0.03	$0.05	$0.08	$0.11	$0.14	$0.16	$0.23	$0.37	$0.46	$0.41	$0.44	$0.52	$0.69	$0.81	$1.04	$1.32	$1.48	$1.69	$2.25	$2.55	$2.79	$2.96	$2.88	$2.72
Ave. P/E Ratios	23.90	31.10	28.90	31.30	32.40	31.90	26.90	NMF	NMF	36.80	24.60	25.10	17.90	16.30	17.00	15.80	13.10	13.70	13.00	12.00	12.00	12.50	15.10	14.80
Ave. Stock Pric	1.30	1.80	2.80	4.30	5.25	5.25	16.80	34.00	22.60	12.40	12.30	12.65	12.90	15.95	19.65	19.30	19.45	26.75	30.60	29.80	33.50	40.70	40.00	37.50

Price/Earnings Ratio: used -	$2.72
Seventeen year average l	16.8
Seventeen year average h	28.6
If we set the purchase at the ave. Seventeen yea	
the price implied is:	**$45.82**
If we set the sell at the ave. Seventeen year high	
the price implied is:	**$77.73**

Price/Sales Ratio: used -	$8.97
Seventeen year average l	4.61
Seventeen year average h	7.94
If we set the purchase at the ave. Seventeen year low P/S,	
the price implied is:	**$41.40**
If we set the sell at the ave. Seventeen year high P/S,	
the price implied is:	**$71.24**

Price/Book Ratio: used -	$11.45
Seventeen year average l	6.21
Seventeen year average h	11.67
If we set the purchase at the ave. Seventeen yea	
the price implied is:	**$71.04**
If we set the sell at the ave. Seventeen year high	
the price implied is:	**#######**

Price/Cash Flow Ratio: used	$2.93
Seventeen year average l	15.5
Seventeen year average h	27.5
If we set the purchase at the ave. Seventeen year low P/CF,	
the price implied is:	**$45.56**
If we set the sell at the ave. Seventeen year high P/CF,	
the price implied is:	**$80.64**

Initial Rate of Investment

Current Price	$45.00
Current EPS	$2.68
Initial ROI	**5.95%**

Relative Value to Investment In T-Bonds

Current EPS	$2.68
T-Bond Rate	4.00%
Relative Value	**$66.98**

Capital "charge" approach

15,113	ebitda
0.12	required return
0.05	growth rate (not on EPS basis) (with acquisitions)
0.75	% not required
0.0825	denominator
183,188	ev
-12,270	debt
195,458	equity value
4050	shares
48.26	share value
28.96	buy at 60%
57.91	sell at 120%

Valuation as an Equity Bond:

Current BV	$12.35
Current ROE	21.70%
Retained %	40.86%
Net BV Growth	8.87%
BV in Year 10	$28.87
EPS in Year 10	$6.27
Valueat18P/E	$112.78
Total Dividends	$10.78
Total F.Value	$123.56
Purchaseat14%	**$33.33**

Valuation on Earnings Growth:

Current EPS	$2.68
EPS in Year 10	$6.95
Ave. P/E Ratio	21.19
Valueat18P/E	$135.86
Price Return	10.76%
Dividend Return	1.43%
Total Return	12.20%
Purchaseat14%	**$36.65**
Sellat6%	**$75.86**

History of Buys/Sells

by	Oracle Coı	orcl	2/22/2013	565	19,387.47	34.31	3.00%
by	Oracle Coı	orcl	7/19/2013	565	17,903.78	31.69	5.00%
sl	Oracle Coı	orcl	8/19/2013	475	15,348.45	32.31	3.00%

Discussion of Buys/Sells

What: The return of the first purchase of ORCL (bought 2/22/2013 to 8/19/2013) was -9% and SP 7% for an underperformance of 16% (nearly 6 months).
The return of the second purchase of ORCL (bought 7/19/2013 to present) was 40% and SP 29% for an outperformance of 11% (nearly 2.5 years).
Since the first purchase in 2013, ORCL has underperformed the SP with higher volatility and with 26% and SP 40% (nearly 3 years).

So what: It appears that we ended up purchasing an "equity bond" at periodic times of price decline, and trimming to keep our percentages in line with pricing.
We paid a current earnings P/E of 13X and 11.5X on our buys.

Now what: Our discipline can capture "equity bond" companies on bad news with an ability to take advantage of declines and make money repositioning.

Takeaway: when we have adequate cash (as here), we are able to incrementally improve our position - if the stock had dropped we bought right, but we could sell.
Takeaway: our confidence level on high margin, high stickiness companies like ORCL allow us to take advantage of market movements.

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Sales (mln)	$37,056.00	$38,908.80	$40,854.24	$42,896.95	$45,041.80	$47,293.89	$49,658.58	$52,141.51	$54,748.59	$57,486.02	$60,360.32
SPS	$8.97	$9.65	$10.39	$11.18	$12.03	$12.95	$13.94	$15.00	$16.14	$17.37	$18.70
Earnings (mln)	$11,236.00	$11,797.80	$12,387.69	$13,007.07	$13,657.43	$14,340.30	$15,057.31	$15,810.18	$16,600.69	$17,430.72	$18,302.26
EPS	$2.72	$2.93	$3.15	$3.39	$3.65	$3.93	$4.23	$4.55	$4.89	$5.27	$5.67
Operating EPS	$2.72	$2.93	$3.15	$3.39	$3.65	$3.93	$4.23	$4.55	$4.89	$5.27	$5.67
Shares Outstdg.	4131.00	4030.37	3932.20	3836.41	3742.96	3651.78	3562.83	3476.04	3391.37	3308.76	3228.16
Buyback $ (mln)	$4,105.51	$4,310.78	$4,526.32	$4,752.64	$4,990.27	$5,239.78	$5,501.77	$5,776.86	$6,065.70	$6,368.99	$6,687.44
#ShresBuyback	100,627,998	98,176,777	95,785,266	93,452,010	91,175,590	88,954,623	86,787,756	84,673,673	82,611,087	80,598,744	78,635,421
Ave. P/E Ratio	15.00										