

Oracle Setting Up for Return to New Highs

Date: 10/17/19

Oracle (ORCL) shares starting to work out of a multi-month base around \$55.50 and pulling back yesterday to the rising 8-EMA. A move higher targets \$60 and the July highs while longer-term trend continues to point to more upside. ORCL has a lot of bullish open interest including 4700 October \$55 short puts from August and recent sellers in the March \$57.50 puts and November \$52.50 puts. The January \$60 calls and January \$55 calls with notable upside positioning, the latter with over 12,500.



The \$178B company trades 13.2X earnings, 4.5X sales, and 5X cash with a 1.72% yield. ORCL is forecasting mid-single digit EPS growth and 2-3% revenue growth, above the 1.5% rate in 2020. ORCL has largely been an underperformer in recent years but last quarter highlighted growing market share in autonomous database and their higher-margin ERP cloud solution business. The company hosted an Analyst Day in late September where they outlined plans to growth business including an aggressive hiring push to roll out cloud services. They are targeting 20 more cloud 'regions' including India. Analysts have an average target for shares of \$56. BMO raising their PT to \$62 recently expecting the company's growth rate to accelerate in Enterprise Resource Planning and database segments, even though those of its HCM, CRM, and middleware businesses remain slow. Short interest is 1.4%. Hedge fund ownership was down less than 1% in Q2. Paloma Partners, Smith Asset Management, Element, and Voleon Capital notable buyers.