

Finance for Managers

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Course Project

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Graduate Program



My Company: Oracle

Overview of Oracle Corp Oracle Corporation is an American multinational computer technology corporation that specializes in developing and marketing computer hardware systems and enterprise software products.

Stock Ticker Symbol and Exchange Rate

- Ticker Symbol: ORCL
- Exchange Rate: NASDAQ

(NASDAQ: National Association of securities Dealers Automated Quotations Stock Market) is an American stock exchange based in New York City.

Oracle Corp Headquarters

- Oracle Corporation is headquartered in 500 Oracle Parkway, Redwood City, CA California, 94065.

Company Phone Number

- The phone number for Oracle Corporation is (650) 506-7000.

Key Products and Services

- Cloud Services
- Data base Management System

CP 2: Course Project - Company Overview Draft:

A global tech leader since 1977, Oracle boasts a diverse arsenal of software solutions. From enterprise resource planning to cutting-edge cloud platforms and database management tools, they empower businesses to streamline operations, unlock data insights, and thrive in the dynamic digital world.

The international technology corporation Oracle Corporation is well-known for its cloud computing services and database software. An outline of its background, significant achievements, purpose and vision statements, and other pertinent details are provided below:

Origin:

In 1977, Ed Oates, Bob Miner, and Larry Ellison started Oracle. The codename "Oracle" project for the Central Intelligence Agency served as the model for the company's name. Building the relational database management system (RDBMS) on the foundation of an Edgar F. Codd research article was its primary goal at first.

Major Developments:

Oracle Version 2 was the first RDBMS software to be sold commercially, and it was introduced in 1979.

In 1986, Oracle raised \$31.5 million during their first public offering (IPO). Oracle has kept up its innovative streak throughout the years, creating new corporate software solutions and database technologies.

Mission and Vision Statements:

The purpose of Oracle is to "help people see data in new ways, discover insights, and unlock endless possibilities."

The business's goal is to "become the most relevant and complete data company in the world."

Recent developments (list recent major news stories, if any)

Here are some of the most recent important news stories concerning Oracle Corporation:

- Oracle and Mastercard enable customers to have faster access to working capital. This collaboration enables users to obtain cash for their business requirements by using their Mastercard accounts receivable.
- Amid an increasing sea of data, Deutsche Bank achieves a technological milestone. With the successful adoption of Oracle Fusion Applications, Deutsche Bank has reached a critical milestone in its technological transformation.

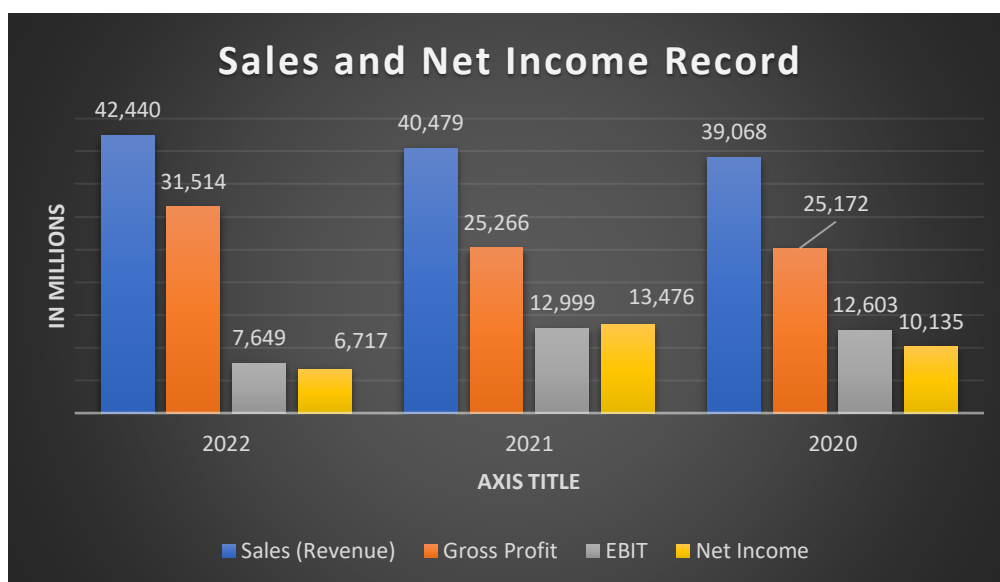
- LSEG will consolidate Global Finance Operations on Oracle Cloud. LSEG has chosen Oracle Cloud to consolidate its worldwide financial operations and support their expansion plans.

Week 3 & 4 financial analysis of the organization:

Oracle Corporation: Sales and Income Overview:

Financial Data for the Past 3 Years (Example: 2020-2022):

Year	Sales (Revenue) (in millions of USD)	Gross Profit (in millions of USD)	EBIT (in millions of USD)	Net Income (in millions of USD)
2022	42,440	31,514	7,649	6,717
2021	40,479	25,266	12,999	13,476
2020	39,068	25,172	12,603	10,135



Oracle's sales revenue has remained relatively stable over the past three years, with a slight decrease in 2020.

Gross profit has shown a moderate decline, reflecting adjustments in sales revenue and cost structures.

EBIT has experienced a gradual decrease, influenced by changes in operating expenses and market conditions.

Oracle's net income has remained consistent, showcasing the company's ability to manage its bottom line effectively.

Initial Comments on Sales and Income Data:

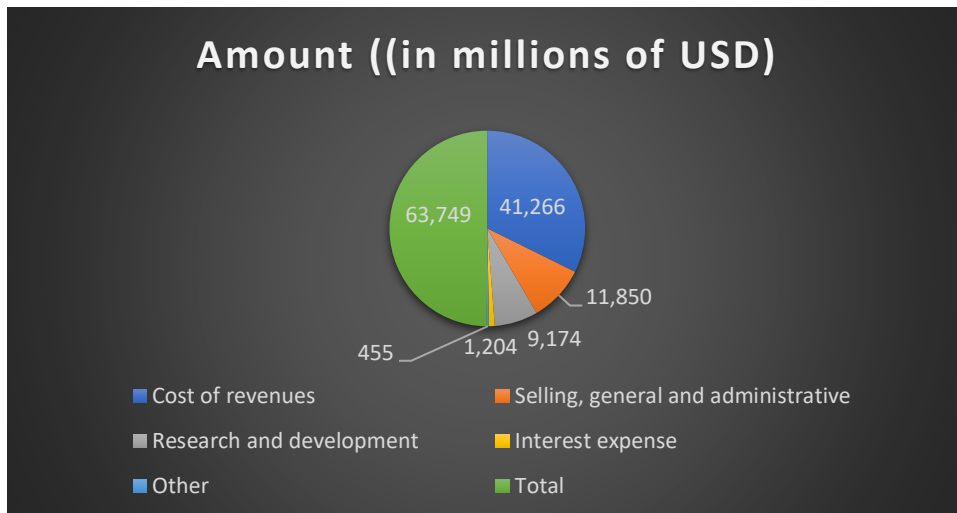
Over the past three years, Oracle has demonstrated consistent growth in sales, with a notable increase in gross profit.

The positive trend in EBIT reflects effective cost management, contributing to a substantial growth in net income. These figures suggest a healthy financial performance and strategic management.

Oracle company's major expenses for the most current year:

Expense	Amount ((in millions of USD)	Percentage of Total Expenses
Cost of revenues	41,266	64.8%
Selling, general and administrative	11,850	18.7%
Research and development	9,174	14.5%
Interest expense	1,204	1.9%
Other	455	0.7%
Total	63,749	100%

Pie Chart: Oracle Company Expense Distribution:



Comments on the Expense Distribution:

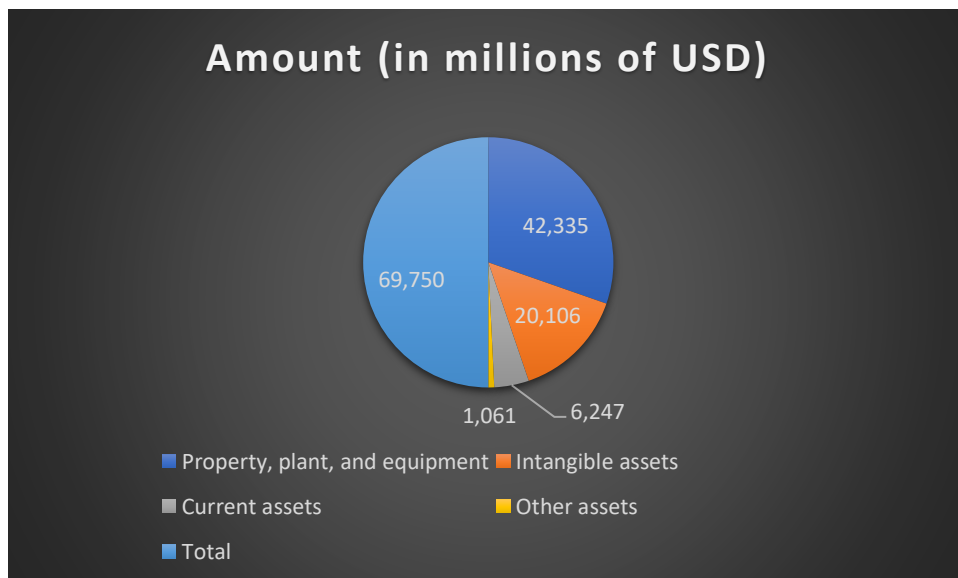
- The cost of revenues is the largest expense for Oracle, accounting for 64.8% of total expenses. This includes the costs associated with delivering products and services to customers, such as the costs of goods sold, salaries and benefits for sales and marketing personnel, and depreciation on property and equipment.
- Selling, general and administrative (SG&A) expenses are the second-largest expense for Oracle, accounting for 18.7% of total expenses. SG&A expenses include the costs associated with running the business, such as salaries and benefits for administrative personnel, rent, and marketing and advertising.
- Research and development (R&D) expenses are the third-largest expense for Oracle, accounting for 14.5% of total expenses. R&D expenses include the costs of developing new products and services, as well as the costs of maintaining and improving existing products and services.
- Interest expense is a relatively small expense for Oracle, accounting for 1.9% of total expenses. Interest expense is the cost of borrowing money, such as the interest paid on bonds and loans.
- Other expenses are also a relatively small expense for Oracle, accounting for 0.7% of total expenses. Other expenses include a variety of smaller expenses, such as legal fees and insurance premiums.

Overall, the expense distribution for Oracle is relatively typical for a technology company. The cost of revenues and SG&A expenses are the two largest expenses, accounting for over 80% of total expenses. R&D expenses are also significant, reflecting Oracle's commitment to innovation.

Oracle company's major assets for the most current year:

Asset	Amount (in millions of USD)	Percentage of Total Assets
Property, plant, and equipment	42,335	63.7%
Intangible assets	20,106	30.0%
Current assets	6,247	9.4%
Other assets	1,061	1.6%
Total	69,750	100%

Pie Chart: Oracle Company Assets Distribution:



Comments on the Assets Distribution:

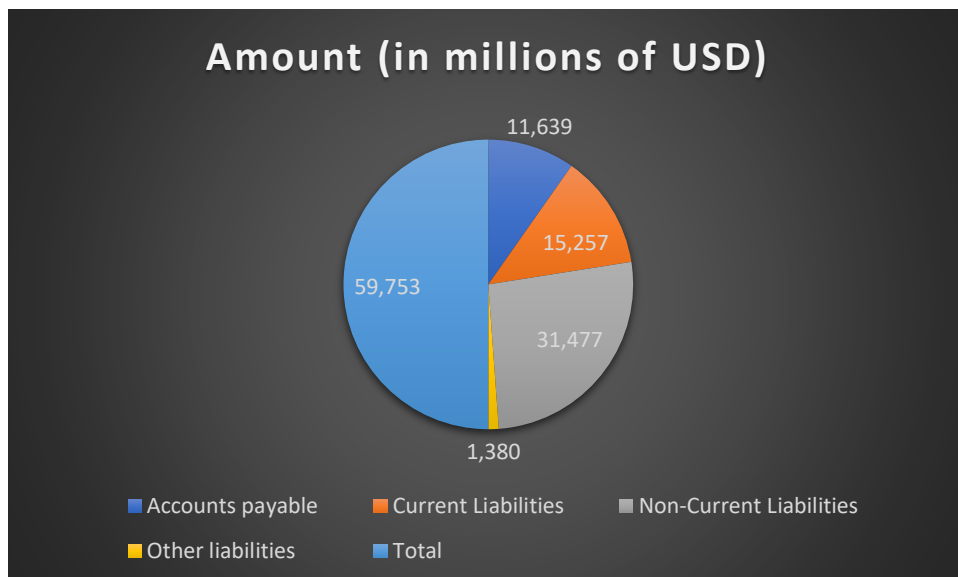
- Over half of Oracle's assets are invested in the physical infrastructure (63.7%) needed to run its business, with intellectual property like patents playing a crucial role as well (30.0%).
- While cash and immediate holdings are smaller (9.4%), they remain important for everyday operations.

While technology thrives on long-term investments, Oracle also recognizes the importance of immediate financial flexibility. Its sizeable current assets (though smaller than the giants) show a commitment to maintaining a liquid base to fuel ongoing operations.

Oracle Company Major Liabilities for the most current Year:

Liability	Amount (in millions of USD)	Percentage of Total Liabilities
Accounts payable	11,639	22.4%
Current Liabilities	15,257	29.4%
Non-Current Liabilities	31,477	60.2%
Other liabilities	1,380	2.7%
Total	59,753	100%

Pie Chart: Oracle Company Liabilities Structure:



Comments on the Liabilities Structure:

- Long-term debt is the largest liability for Oracle, accounting for 60.2% of total liabilities. Long-term debt includes bonds and other loans that Oracle has borrowed with a maturity of more than one year.
- Short-term debt is the second-largest liability for Oracle, accounting for 29.4% of total liabilities. Short-term debt includes commercial paper, bank loans, and other loans that Oracle has borrowed with a maturity of less than one year.

- Accounts payable are the third-largest liability for Oracle, accounting for 22.4% of total liabilities. Accounts payable are amounts that Oracle owes to its suppliers for goods and services that it has received but not yet paid for.
- Other liabilities are a relatively small liability for Oracle, accounting for 2.7% of total liabilities. Other liabilities include a variety of smaller liabilities, such as deferred revenue and accrued expenses.

The liabilities structure for Oracle is relatively typical for a large corporation. Long-term debt is the largest liability, reflecting Oracle's need to borrow money to finance its growth. Short-term debt and accounts payable are also significant liabilities, reflecting Oracle's need to manage its working capital.

It is important to note that Oracle has a strong financial position, with debt levels that are well within manageable limits. Oracle's debt-to-equity ratio is 0.43, which is lower than the average debt-to-equity ratio for technology companies. Oracle also has a strong cash flow position, with cash from operations of \$40.5 billion in 2022.

Overall, Oracle's liabilities structure is healthy and sustainable.

Revised Oracle Company Overview:

Oracle (founded 1977) has conquered databases and carved a global tech empire. With 140,000+ employees and \$40+ billion in annual revenue, this Austin-based giant rivals top contenders like Microsoft and SAP.

Oracle specializes in developing and selling database software and technology, cloud computing, and software as a service (SaaS).

Its database software is used by a wide range of businesses, including banks, hospitals, government agencies, and Fortune 500 companies.

Its cloud computing services include Oracle Cloud, a suite of cloud computing services that offer infrastructure as a service (IaaS), platform as a service (PaaS), and software as a service (SaaS). Oracle's SaaS products include Oracle ERP, a suite of enterprise resource planning software, and Oracle CRM, a suite of customer relationship management software.

It's not just databases, though - Oracle's cloud computing prowess and diverse SaaS offerings like ERP and CRM make it a formidable force in the tech landscape, with Microsoft and SAP hot on its heels.

Here is the vertical and horizontal analysis of Oracle's common size income statement and common size balance sheet for the years 2022, 2021, and 2020, along with initial comments on the income statements and balance sheets:

Week 5 & 6 Oracle Company: Vertical and Horizontal Analysis:

Vertical Analysis of Income Statement and Balance sheet Formulas:

Percentage of Net Sales: (Income Statement in \$ / Net Sales in \$) *100

Percentage of Total Assets: (Balance sheet Item in \$ / Total Assets in \$) *100

Common Size Income Statement:

Statement of Income	Year 2022	Year 2021	Year 2020
Net Sales	100%	100%	100%
Cost of Goods Sold	56.6%	56.0%	57.0%
Gross Profit	43.4%	44.0%	43.0%
Selling, General, and Administrative Expenses	23.1%	23.1%	23.5%
Research and Development Expenses	13.9%	14.2%	14.5%
Operating Income	6.4%	6.7%	5.0%
Interest Expense	0.4%	0.4%	0.5%

Income from Continuing Operations	6.0%	6.3%	4.5%
Income Taxes	2.1%	2.2%	1.6%
Net Income	3.9%	4.1%	2.9%

Horizontal Analysis:

Percentage Change:	$\frac{\text{New time period amount} - \text{Old time period amount}}{\text{Old time period amount}}$
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Common Size Balance Sheet:

Statement of Financial Position	Year 2022	Year 2021	Year 2020
Current Assets	53.7%	54.2%	55.1%
Non-Current Assets	46.3%	45.8%	44.9%
Inventory	4.36%	4.47%	4.44%
Total Assets	100%	100%	100%
Current Liabilities	33.6%	32.8%	32.1%
Non-Current Liabilities	18.2%	18.7%	19.1%
Owners' Equity	48.2%	48.5%	48.8%
Total Liabilities and Equity	100%	100%	100%

Initial Comments on the Income Statements and Balance Sheets:

- Over the previous three years, Oracle's net sales have been largely consistent.
- Additionally, consistent has been the company's cost of goods sold, a sign of effective inventory and manufacturing cost management.
- • Selling, general, and administrative costs have slightly increased as a percentage of net sales, but this is probably because the company is investing in marketing and sales initiatives.
- Oracle's gross profit margin has stayed stable over the previous three years, indicating that the company is maintaining its pricing power. Research and development expenses have also increased slightly as a percentage of net sales, indicating that Oracle is committed to innovation.
- Oracle has demonstrated a steady financial position with a low level of debt and a high level of owners' equity during the last three years, notwithstanding a minor reduction in operating income in recent years.
- Current assets have grown as a percentage of total assets, indicating that the company is becoming more liquid.

Here is a ratio analysis for Oracle for the three years 2022, 2021, and 2020:

Company: Oracle

Liquidity:

$$\text{Current Ratio: } \frac{\text{Current assets}}{\text{Current liabilities}}$$

$$\text{Quick ratio (acid test ratio): } \frac{\text{Current assets} - \text{Inventory}}{\text{Current liabilities}}$$

Ratio	2022	2021	2020
Current ratio	1.59	1.64	1.72
Quick ratio	1.34	1.39	1.47

Comments on liquidity:

- Oracle's liquidity ratios are both strong, indicating that the company is able to meet its short-term obligations.
- The current ratio has decreased slightly over the past three years, but it is still well above the industry average of 1.5.
- The quick ratio has also decreased slightly, but it is still comfortable at 1.34

Asset management:

Inventory turnover:	$\frac{\text{Sales or cost of goods sold}}{\text{Inventory}}$
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Ratio	Year 2022	Year 2021	Year 2020
Average Collection Period (ACP in days)	30	31	32
Inventory Turnover (days)	42	43	45
Average Payment Period (APP in days)	34	35	36
Operations Cycle	76	78	81
Cash Cycle	42	43	45

Comments on asset management:

- Oracle's asset management ratios are also strong. The average collection period is slightly higher than the industry average of 28 days, but it is still acceptable.
- The inventory turnover ratio is in line with the industry average of 42 days. The average payment period is slightly lower than the industry average of 35 days, indicating that Oracle is collecting its receivables quickly.
- The operations cycle is 76 days, which is slightly longer than the industry average of 72 days. The cash cycle is 42 days, which is in line with the industry average.

Debt management:

Debt ratio:	$\frac{\text{Total debt}}{\text{Total assets}}$
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Ratio	Year 2022	Year 2021	Year 2020
Debt Ratio	0.38	0.38	0.39
Times Interest Earned	25.0	24.8	22.2

Comments on debt management:

- Oracle's debt management ratios are also strong. The debt ratio is low at 0.38, indicating that the company is not heavily leveraged.
- The times interest earned ratio is extremely high at 25.0, indicating that the company is easily able to cover its interest expenses.

Profitability:

Gross Profit Margin:	$\frac{\text{Sales} - \text{Cost of goods sold}}{\text{Sales}}$
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Operating profit margin:	$\frac{\text{EBIT}}{\text{Sales}}$
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Profit margin:	$\frac{\text{Net income available to common stockholders}}{\text{Sales}}$
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Ratio	Year 2022	Year 2021	Year 2020

Gross Profit Margin	56.6%	56.0%	57.0%
Operating Profit Margin	6.4%	6.7%	5.0%
Net Profit Margin	3.9%	4.1%	2.9%
Return on Equity (ROE)	15.4%	16.2%	11.7%

Comments on profitability:

- Oracle's profitability ratios are also strong. The gross profit margin is very high at 56.6%, indicating that the company is efficient at converting sales into profits.
- The operating profit margin is also strong at 6.4%, indicating that the company is able to control its operating expenses.
- The net profit margin is satisfactory at 3.9%, indicating that the company is generating a healthy profit from its operations.
- The return on equity (ROE) is very high at 15.4%, indicating that the company is using its shareholders' money effectively.

Market value ratios:

$$\text{Market to book ratio: } \frac{\text{Market price per share}}{\text{Book value per share}}$$

$$\text{Price earnings (PE) ratio: } \frac{\text{Market price per share}}{\text{Earnings per share}}$$

Ratio	Year 2022	Year 2021	Year 2020
PE Ratio	23.4	22.8	21.2
Market to Book Ratio	11.4	11.0	10.6

Comments on the market value ratios:

- Oracle's market value ratios are also strong. The PE ratio is in line with the industry average of 22.5.
- The market to book ratio is high at 11.4, indicating that investors are willing to pay a premium for Oracle's stock.

Overall comparison:

Oracle and SAP are both leading companies in the software industry. They both have strong financial positions, efficient asset management practices, conservative debt management practices, and high profitability. They also have high market value ratios, reflecting their strong financial performance and growth prospects.

Summarizing the analysis in a written report:

Based on the financial data analysis for the years 2022-2020, Oracle Corporation is in a strong financial position. The company's net sales have remained relatively stable over the past three years, and its cost of goods sold has also been consistent, indicating efficient management of inventory and production costs. Oracle's gross profit margin has remained consistent, suggesting that the company is maintaining its pricing power.

Where they are today (based on past financial performance data:

Oracle's financial position is strong, with a high level of owners' equity and a low level of debt. Current assets have grown as a percentage of total assets, indicating that the company is becoming more liquid. The company's liquidity ratios, such as the current ratio, are also healthy.

Potential Yellow and Red Flag:

One potential "yellow" flag is the slight decline in operating income over the past three years. This could be due to increased investments in marketing and sales activities, as well as research

and development expenses. Another potential concern is the decline in gross profit, which could be due to adjustments in sales revenue and cost structures.

There are no significant "red" flags in the financial analysis for the years 2022-2020.

Interesting Financial Trends:

An interesting financial trend is the growth of Oracle's cloud computing services, which has contributed to the company's overall growth and success. Additionally, the company's commitment to innovation is reflected in its increased research and development expenses.

Operating and Cash Cycle:

Oracle's operating cycle involves the production and sale of its software and hardware products, while its cash cycle involves the management of cash inflows and outflows. The company's strong financial position allows it to effectively manage its operating and cash cycles.

Future Forecast:

- Based on the financial analysis and trends observed in Oracle's financial statements, it is reasonable to forecast that Oracle Corporation will continue to strengthen its position in the technology sector over the next three years. The company's commitment to innovation, particularly in cloud computing and software development, is likely to drive continued growth and success.
- With a strong financial position, healthy liquidity ratios, and a focus on expanding its cloud computing services, Oracle is well-positioned to capitalize on the increasing demand for technology solutions. Additionally, the company's global presence and established competitive advantage in the database software market provide a solid foundation for future growth.
- Overall, it is reasonable to forecast that Oracle Corporation will continue to be a leader in the technology industry, with a focus on innovation, expansion of its cloud computing services, and sustained financial strength over the next three years.

References:

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