

B / S	P / C / S	Strike	Exp.	Premium
SELL	Put	39.00	MAR '15	\$1.93
Net Credit (Debit)				\$1.93

IOI Tear Sheet : Oracle Corp. (ORCL)

Short Put Position

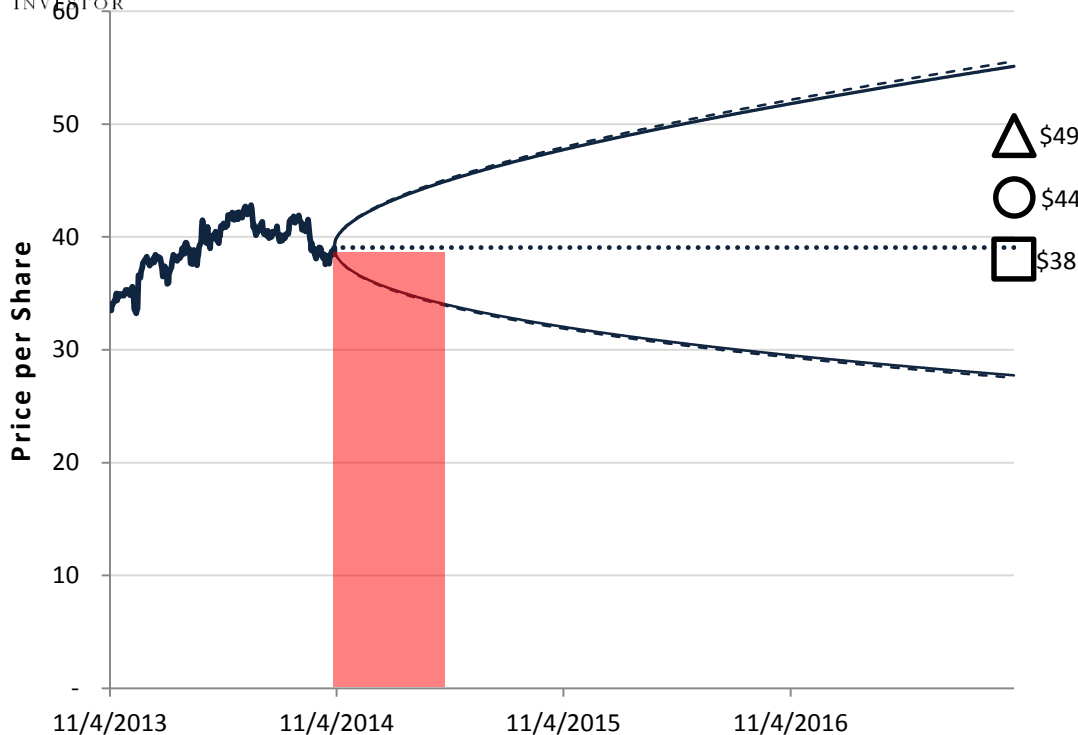
Data as of 31 October, 2014

IOI's Take

Oracle is a finely-tuned profitability machine, and it is tough to see how its operations could get much better or much worse. However, the company is maturing and most of its best investing ideas are likely behind it. If the new CEOs can gracefully cut back on expansionary spending, the stock has a good amount of upside to it. However, at present, the overvalued downside is more attractive than the potentially undervalued upside.

Drivers

Revenues	We keep waiting for the culling off of Sun's legacy hardware to end and revenues to grow, but have been disappointed so far. Updates growing at 6% / year is a good sign.
Profitability	Profitability has reset to the mid-30% range.
Investment Level / Eff.	We fear that the new CEOs will have a tough time resisting the urge of empire building and worry future growth rates will suffer from poor choices.
Balance Sheet	None obvious. Ellison's succession smooth.



Valuation & Return

IOI Conviction Rating: High

	Low	Likely	High
Stock Fair Value (\$)	34	44	49
Stock Return (%)	-13	14	26
Option Period Return (%)	NA	5	5
Option Annual Return (%)	NA	14	14

Valuation Metrics

	Projection Avg		Historical Median	
	Worst	Best	5-year	10-year
Revenue Growth (%)	4	6	4	15
Profit Margin (%)	30	36	36	32
Med-term Growth	5%	12%	9	15

Probability / Materiality

