

RISK RESEARCH REPORT

Oracle at Scale: Growth, Value, and the Limits of Expansion

An Independent Risk and Valuation Assessment

July 11, 2025



EQUITY RISK SCIENCES

Employing Data Science & AI for Safer Investing

Executive Summary

This report provides a data-driven assessment of Oracle Corporation's valuation and growth prospects, using Net Present Value (NPV) modeling, 10-year financial history, and peer-based growth benchmarking. The findings raise serious concerns about the alignment between Oracle's current \$650 billion market cap and its actual earnings performance and realistic future growth potential.

Key Findings

- **To justify a \$650 billion valuation under reasonable assumptions, Oracle would need to produce much higher net income than it does today:**
 - With **0% income growth**, Oracle would need to earn **\$76.3 billion per year** for 20 years.
 - With a generous assumption of **8% income growth per year**, Oracle would still need to start at **\$39.2 billion** in net income and continue growing for 20 years.
 - Yet Oracle's **actual trailing 12-month net income is just \$12.44 billion**, making it far short of what is required under either scenario—**just 16% of the target in the flat-growth case, and 32% in the 8% growth scenario**.
- **Over the last decade, Oracle's net income has grown at a modest 2.3% compound annual rate**, despite intermittent spikes and recoveries. This rate reflects the reality of a mature business—one that is unlikely to accelerate earnings meaningfully or consistently in the years ahead.
- **We constructed a forward-looking NPV model assuming 4.6% annual growth**—twice Oracle's historical rate—and a 10% discount rate. Even under this optimistic lens, the NPV of Oracle's future income stream is only **\$153 billion, less than 25% of the current market cap**. This valuation gap of nearly **\$500 billion** suggests the stock may be severely overpriced based on fundamental financial metrics.
- **Oracle is now among the largest companies in America by revenue, at \$57.4 billion**. We analyzed 83 other U.S. companies that passed \$50 billion in revenue between 2005 and 2025. Their average 5-year annualized growth after reaching that size was only **2.3%**, with a median of **5.1%**. This strongly supports the conclusion that **companies of this scale rarely maintain high growth rates**—and typically slow to levels consistent with **nominal GDP growth (2%–3%)**.
- **The laws of economic maturity apply to Oracle**. Structural factors—like market saturation, global scale, and operational constraints—make sustained high revenue or earnings growth statistically and economically improbable. Assuming that Oracle will grow income at 8% or more for the next 20 years is inconsistent with both Oracle's own history and the empirical patterns of other \$50B+ companies.

Bottom Line: Oracle's current valuation assumes future earnings and growth patterns that are not supported by historical evidence, peer performance, or financial fundamentals. For fiduciaries, investors, and institutions, this analysis serves as a critical reminder: before betting on future greatness, one must first reconcile with past and present realities.

What Would Oracle Need To Earn To Be Worth \$650 Billion?

NPV-Based Analysis of Required Future Earnings Under Different Growth Scenarios

Scenario 1: No Net Income Growth (0% Growth)

To assess whether Oracle's current market cap of **\$650 billion** is financially justifiable, we used a Net Present Value (NPV) approach over a 20-year time frame, applying a 10% discount rate to future earnings. In this first scenario, we assume Oracle's net income remains **flat for the next 20 years**—that is, no growth.

Based on this assumption, we calculated **how much net income** Oracle would need to produce each year to result in a 20-year NPV equal to its current valuation. The answer: **\$76.3 billion per year**.

The table that follows shows the full 20-year income stream under this scenario, alongside the present value of each year's income. This allows readers to clearly see how much value each year contributes—and how much total income would be required to justify today's stock price.

| Year | Net Income (\$ billions) | NPV of Net Income (\$ billions) |
|----------------------|-----------------------------|------------------------------------|
| 0 | \$76.3 | |
| 1 | \$76.3 | \$69.4 |
| 2 | \$76.3 | \$63.1 |
| 3 | \$76.3 | \$57.4 |
| 4 | \$76.3 | \$52.1 |
| 5 | \$76.3 | \$47.4 |
| 6 | \$76.3 | \$43.1 |
| 7 | \$76.3 | \$39.2 |
| 8 | \$76.3 | \$35.6 |
| 9 | \$76.3 | \$32.4 |
| 10 | \$76.3 | \$29.4 |
| 11 | \$76.3 | \$26.8 |
| 12 | \$76.3 | \$24.3 |
| 13 | \$76.3 | \$22.1 |
| 14 | \$76.3 | \$20.1 |
| 15 | \$76.3 | \$18.3 |
| 16 | \$76.3 | \$16.6 |
| 17 | \$76.3 | \$15.1 |
| 18 | \$76.3 | \$13.7 |
| 19 | \$76.3 | \$12.5 |
| 20 | \$76.3 | \$11.3 |
| 20-Year Total | \$1,527.0 | \$650.0 |

For context, Oracle's most recent trailing 12-month net income is only **\$12.44 billion**—which is less than **one-sixth** of what would be required if the company experienced no growth going forward.

Scenario 2: Optimistic Growth (8% Net Income Growth per Year)

Next, we consider a far more favorable scenario—one in which Oracle's net income grows by **8% per year** for the next two decades. This reflects a strong and sustained growth trajectory, much faster than the long-term average of most large U.S. companies.

In this scenario, the required starting net income to justify a \$650 billion valuation drops to **\$39.2 billion in year one**, because future income is expected to grow steadily. However, even with this head start and aggressive growth path, the cumulative value of Oracle's income over the 20 years must still match its current market cap when discounted to present-day dollars.

The accompanying 20-year table displays the projected income for each year under this growth scenario, as well as the present value of each year's contribution. This gives readers a transparent view of how growth helps—but only to a point.

| Year | Net Income (\$ billions) | NPV of Net Income (\$ billions) |
|----------------------|--------------------------|---------------------------------|
| 0 | \$39.2 | |
| 1 | \$42.3 | \$38.5 |
| 2 | \$45.7 | \$37.8 |
| 3 | \$49.4 | \$37.1 |
| 4 | \$53.3 | \$36.4 |
| 5 | \$57.6 | \$35.8 |
| 6 | \$62.2 | \$35.1 |
| 7 | \$67.2 | \$34.5 |
| 8 | \$72.5 | \$33.8 |
| 9 | \$78.3 | \$33.2 |
| 10 | \$84.6 | \$32.6 |
| 11 | \$91.4 | \$32.0 |
| 12 | \$98.7 | \$31.4 |
| 13 | \$106.6 | \$30.9 |
| 14 | \$115.1 | \$30.3 |
| 15 | \$124.3 | \$29.8 |
| 16 | \$134.2 | \$29.2 |
| 17 | \$145.0 | \$28.7 |
| 18 | \$156.6 | \$28.2 |
| 19 | \$169.1 | \$27.7 |
| 20 | \$182.6 | \$27.1 |
| 20-Year Total | \$1,936.7 | \$650.0 |

Despite the optimistic assumptions, Oracle's actual net income of **\$12.44 billion** is still **less than one-third** of the required starting point. This wide gap between real earnings and valuation expectations raises important questions for investors: How realistic is sustained 8% annual income growth at this stage of Oracle's maturity—and what happens if it doesn't materialize?

Oracle's Real Performance: A Decade of Modest Growth

Over the past 10 years—from May 31, 2015, to May 31, 2025—Oracle's net income has followed a volatile path. As shown in the table below, earnings have fluctuated significantly, with notable declines in 2018 and again in 2022, followed by partial recoveries. While some years, such as 2021 and 2025, show strong income figures, the company's earnings have not trended consistently upward.

| Date | Net Income (\$ billions) |
|-----------|--------------------------|
| 5/31/2015 | \$9.94 |
| 5/31/2016 | \$8.90 |
| 5/31/2017 | \$9.45 |
| 5/31/2018 | \$3.59 |
| 5/31/2019 | \$11.08 |
| 5/31/2020 | \$10.14 |
| 5/31/2021 | \$13.75 |
| 5/31/2022 | \$6.72 |
| 5/31/2023 | \$8.50 |
| 5/31/2024 | \$10.47 |
| 5/31/2025 | \$12.44 |

When we calculate the compound annual growth rate (CAGR) over this 10-year span, Oracle's net income has increased from **\$9.94 billion** in 2015 to **\$12.44 billion** in 2025—yielding an annualized growth rate of just **2.3%**. This level of growth is typical of mature, well-established businesses and generally aligns with or trails broader economic benchmarks such as nominal GDP growth.

This modest historical growth makes it difficult to justify current investor expectations. In particular, Oracle's current valuation—nearly **\$650 billion**—seems incompatible with its past financial trajectory.

What Is Oracle Actually Worth, Based on Its Real Performance?

To better estimate Oracle's current intrinsic value, we constructed a forward-looking Net Present Value (NPV) model based on Oracle's **actual recent financials**—using a **starting net income of \$12.4 billion** and assuming a **4.6% annual growth rate** over 20 years. This growth rate is twice the company's historical 10-year average, making the projection optimistic while still grounded in recent performance.

We applied a **10% discount rate**, consistent with prior valuation models, to calculate the present value of each year's projected income. The results are shown in the tables below.

Current Metrics – July 11, 2025

| Market Cap | Revenue | Assumed Revenue Growth Rate | Profit Margin | Net Income | P/S | P/E |
|---------------|----------------|-----------------------------|---------------|-----------------|------|-----|
| \$650 billion | \$57.4 billion | \$12.4 billion | 21.7% | \$12.44 billion | 11.3 | 52 |

20-Year Revenue Projections

| Year | Revenue (\$ billion) | Net Income (\$ million) | NPV of Net Income (\$ billion) |
|----------------------|-------------------------|----------------------------|--------------------------------------|
| 0 | \$57.4 | \$12.4 | — |
| 1 | \$60.0 | \$13.0 | \$11.8 |
| 2 | \$62.8 | \$13.6 | \$11.3 |
| 3 | \$65.7 | \$14.2 | \$10.7 |
| 4 | \$68.7 | \$14.9 | \$10.2 |
| 5 | \$71.9 | \$15.6 | \$9.7 |
| 6 | \$75.2 | \$16.3 | \$9.2 |
| 7 | \$78.6 | \$17.0 | \$8.7 |
| 8 | \$82.3 | \$17.8 | \$8.3 |
| 9 | \$86.0 | \$18.7 | \$7.9 |
| 10 | \$90.0 | \$19.5 | \$7.5 |
| 11 | \$94.1 | \$20.4 | \$7.2 |
| 12 | \$98.5 | \$21.3 | \$6.8 |
| 13 | \$103.0 | \$22.3 | \$6.5 |
| 14 | \$107.7 | \$23.4 | \$6.1 |
| 15 | \$112.7 | \$24.4 | \$5.8 |
| 16 | \$117.9 | \$25.6 | \$5.6 |
| 17 | \$123.3 | \$26.7 | \$5.3 |
| 18 | \$129.0 | \$28.0 | \$5.0 |
| 19 | \$134.9 | \$29.2 | \$4.8 |
| 20 | \$141.1 | \$30.6 | \$4.5 |
| 20-Year Total | \$1,903 | \$412.6 | \$153.0 |

Despite doubling Oracle's historical growth rate, the model yields a total NPV of just **\$153 billion**. That's less than **25% of Oracle's current market cap of \$650 billion**.

What This Means for Investors

When the company's **actual earnings performance** is projected forward—even under favorable assumptions—the result is a valuation that falls **more than \$490 billion short** of the market's current pricing.

This analysis should raise serious questions for investors and fiduciaries. Unless Oracle delivers **sustained, rapid, and unprecedented profit growth**, its current valuation appears untethered from economic fundamentals. In short, the market is pricing in performance that Oracle has never delivered, and has shown little sign of achieving based on the past decade.

What Do Large Companies Really Do? Understanding the Growth Limits of Giants

Oracle's most recent trailing twelve-month revenue stands at **\$57.4 billion**, placing it firmly in the elite category of U.S. companies with **over \$50 billion in annual revenues**. But what happens to companies after they reach this size? How much can they realistically grow from there?

To answer this, we analyzed a dataset of **83 U.S. companies** that reached **\$50 billion or more in annual revenue** between May 31, 2005, and May 31, 2025. We tracked their **5-year forward revenue growth**, starting from the moment they crossed the \$50 billion threshold. The results were telling:

- The **average 5-year annualized growth rate** was just **2.3%**
- The **median 5-year annualized growth rate** was slightly higher, at **5.1%**

In other words, once companies grow to Oracle's current scale, **the laws of economic gravity begin to apply**. These firms rarely sustain the kind of high-percentage growth that smaller, more agile companies can achieve. Instead, they tend to **mature**, and their revenue growth **slows dramatically**, often converging with the growth rate of the broader economy.

This isn't just a statistical pattern—it's an economic reality. As companies scale past \$50 billion in revenue, they face structural limits: saturated markets, operational complexity, increased regulation, and diminishing returns on reinvestment. It becomes harder and harder to find meaningful new areas of expansion that can move the needle on such a large base.

That's why economists and experienced investors often work under a widely accepted hypothesis:

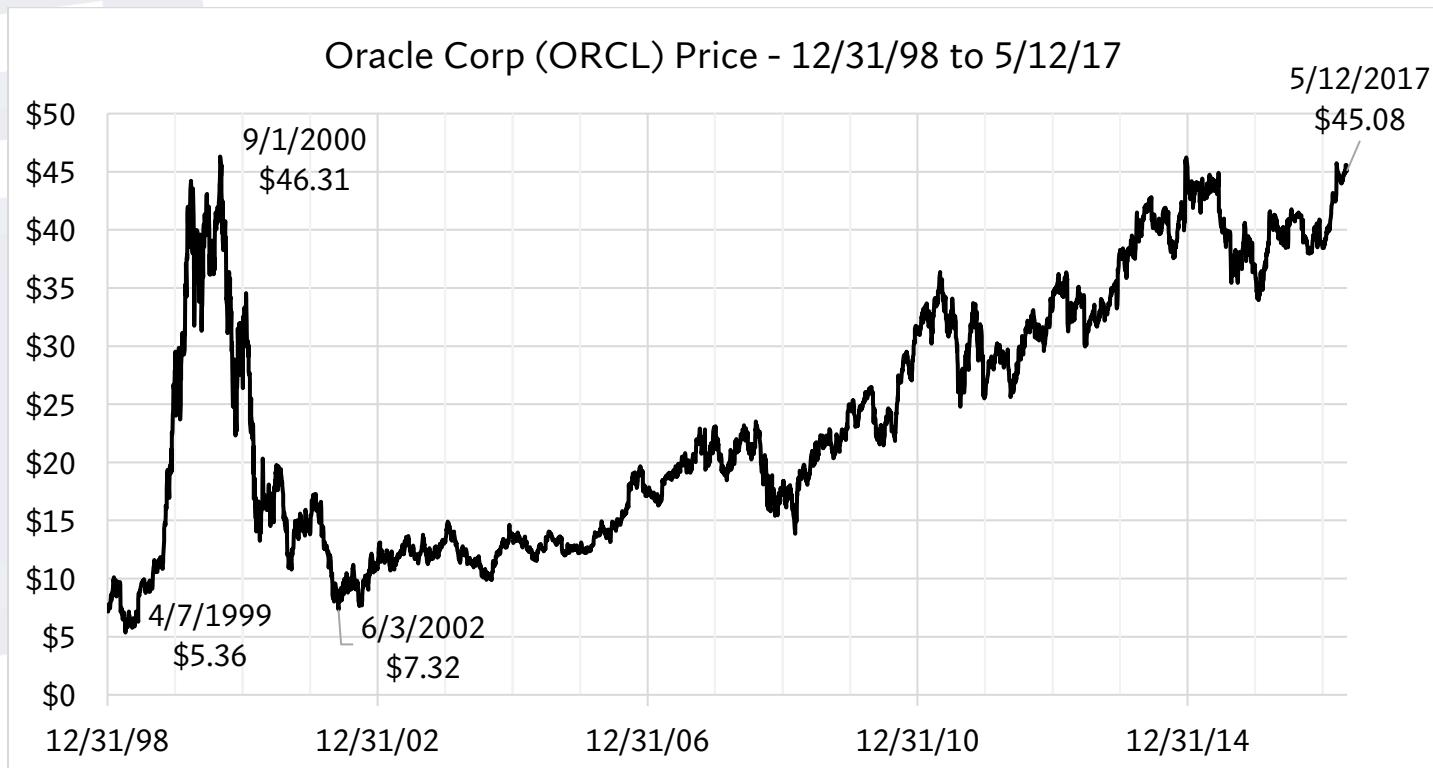
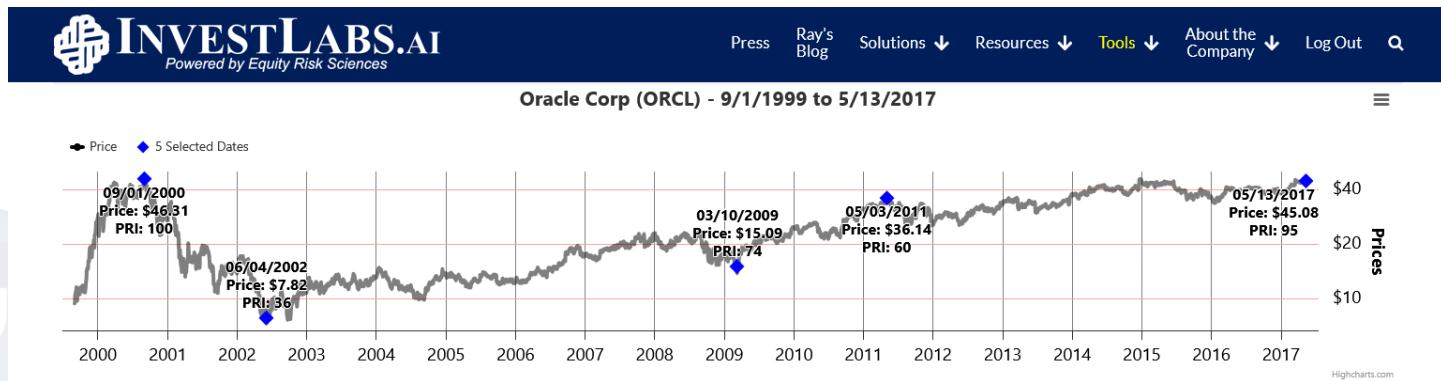
Once companies reach a certain size, they tend to grow revenue at or near the same pace as nominal GDP—typically 2% to 3% annually.

Oracle's 10-year average annualized revenue growth already reflects this trend. Expecting it to suddenly accelerate to 8% or more—and sustain that for 20 years—is not only unprecedented, it is fundamentally unrealistic for a company of this size.

So when evaluating Oracle's current market cap, investors must ask: **Is there real evidence that Oracle will defy what 83 other \$50B+ companies failed to do?** If not, then a more conservative view—one rooted in historical norms and economic logic—is warranted. And that view suggests Oracle's market valuation is built more on optimism than on replicable financial performance.

A 17-Year Case Study: Growth Without Returns

The following chart and tables from the [InvestLabs.ai “Compare 5 Dates” tool](#) offer a long-term perspective on Oracle’s performance between **September 1, 2000**, and **May 13, 2017**. These five selected dates span nearly 17 years, encompassing major market cycles, a tech crash, a recovery, and a second growth phase.



Despite this long window—and considerable operational growth—**Oracle’s stock price showed no meaningful appreciation**. The stock was priced at **\$46.31 on 9/1/2000**, and stood at **\$45.08 on 5/13/2017**, nearly the same level. This means that an investor who bought near the 2000 peak would have earned **virtually zero capital gain** over nearly two decades.

Meanwhile, Oracle’s **revenue more than tripled**, rising from **\$10.5 billion to \$37.4 billion**, and its **net income increased by about 35%**, from **\$6.6 billion to \$8.9 billion**. These are not minor accomplishments—Oracle grew into a significantly larger and more profitable company. Yet none of that growth was rewarded in stock price terms, due to overvaluation at the start of the period.

| Date | 9/1/00 | 6/4/02 | 3/10/09 | 5/3/11 | 5/13/17 |
|---------------------|---------|--------|---------|---------|---------|
| Price | \$46.31 | \$7.82 | \$15.09 | \$36.14 | \$45.08 |
| PRI™ | -176 | 54 | -98 | -29 | -150 |
| LI™ | 66 | 93 | 1 | 8 | -13 |
| FSN™ | -96 | 68 | -61 | -14 | -99 |
| eLiquidity™ | 112 | 127 | 94 | 147 | 132 |
| eStrength™ | 101 | 103 | -139 | -25 | -83 |
| eDurability™ | -17 | 99 | 13 | 103 | -45 |
| eValuation™ | -155 | 51 | 12 | 50 | -61 |

| Date | 9/1/00 | 6/4/02 | 3/10/09 | 5/3/11 | 5/13/17 |
|-------------------|-------------|-------------|-------------|-------------|-------------|
| Price | \$46.31 | \$7.82 | \$15.09 | \$36.14 | \$45.08 |
| Market Cap | \$259 bil. | \$42.5 bil. | \$76.1 bil. | \$183 bil. | \$185 bil. |
| Revenue | \$10.5 bil. | \$9.7 bil. | \$23.6 bil. | \$34.3 bil. | \$37.4 bil. |
| Net Income | \$6.6 bil. | \$2.2 bil. | \$5.7 bil. | \$7.7 bil. | \$8.9 bil. |
| P/S | 24.7 | 4.4 | 3.2 | 5.3 | 5.0 |
| P/E | 39.5 | 19.1 | 13.3 | 23.8 | 20.8 |

Risk Ratings vs. Market Hype

The tables also show ERS's proprietary risk metrics on each date, including the **Price Risk Indicator™ (PRI™)**, **eLiquidity™**, **eStrength™**, and **eDurability™** ratings.

- On **June 4, 2002**, when Oracle's stock was near its bottom at **\$7.82**, ERS's ratings showed **strong financial resilience and acceptable risk**, with:
 - PRI: **54**
 - eLiquidity: **127**
 - eDurability: **99**
- In contrast, during **high-priced periods** such as:
 - September 1, 2000** (price: \$46.31, PRI: -176, eDurability: -17)
 - May 13, 2017** (price: \$45.08, PRI: -150, eDurability: -45)

ERS's risk ratings indicated significantly **higher risk and financial deterioration**, even as mainstream analysts remained optimistic.

Conclusion: Wall Street's Miss, ERS's Hit

This 17-year retrospective is a powerful case study in the **importance of independent, risk-aware analysis**. While Wall Street was promoting ORCL in the year 2000—at a price that would go nowhere for nearly two decades—ERS's indicators flagged excessive risk. Conversely, when the stock was deeply undervalued in 2002, ERS's models showed strong financial strength.

Investors who trusted momentum, headlines, and analyst narratives were rewarded with **years of stagnation**. Those who had access to objective, quantitative risk signals could have avoided the high-risk entry point and participated in later, safer gains.

This example reinforces a core principle of long-term investing: **Valuation and risk matter**. And when price detaches from earnings reality—as it did in 2000, and arguably again today—the result can be years of dead money, even when a company performs well operationally.

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Disclosures

This report is based on historical stock price data and risk ratings provided by Equity Risk Sciences (ERS). All data used in this analysis was processed using Excel-based formulas and methodologies, ensuring transparency and reproducibility of the results. The calculations, risk categorizations, and return analyses were performed entirely within Excel spreadsheets, and we will provide these files upon request for independent verification.

This report's interpretations, methodology descriptions, and analyses were extensively reviewed and refined with AI-assisted scrutiny. Nearly all of the final text was generated through structured AI prompting using our data, ensuring consistency, clarity, and efficiency in presenting our findings. The content of this report is fully reproducible—by inputting the same dataset into an AI platform, such as ChatGPT, similar analyses and conclusions can be generated. This approach enhances transparency and allows for independent verification of the report's methodology and insights.

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