

Research on the Investment Value of Oracle based on SWOT, Financial Analysis and Valuation Methods

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Abstract. Value investing has long been a major social issue, and a growing number of investors are now shifting their focus to the developing artificial intelligence market. This paper employs the idea of value investment and fundamental analysis to choose a representative Oracle firm in the artificial intelligence market for investigation. The study reveals a research gap regarding value investment in artificial intelligence. This study gathered information about Oracle and its sector and used SWOT, financial, and value analyses to investigate Oracle and the artificial intelligence market. The study discovered that Oracle has great industry competitiveness, exceptional performance across a range of metrics, and a good investment value, and that the notion of value investment can be applied to the artificial intelligence sector. In addition, it is discovered that Oracle must contend with numerous dangers and difficulties from strong rivals. This analysis combines Oracle's advantages, disadvantages.

Keywords: Value Investment, Fundamental Analysis, Financial Analysis.

1. Introduction

As an important part of the capital market, the security market has been widely concerned. Since the outbreak of COVID-19, the stock markets of all countries have experienced unprecedented volatility, and with the end of the epidemic, the economic situation of the stock market has gradually improved. The proportion of retail investors in the securities market is increasing, for retail investors, effective investment methods play an important role in investment.

Value investing is an old topic that has drawn a lot of attention from academic circles ever since David Dodd and Benjamin Graham first advocated it. Four fundamental ideas underpin Graham's value investing strategy: viewing stocks as the ownership of the corresponding enterprise; purchasing at a discount to value to build a margin of safety; viewing the volatile market as a tool rather than a master; and maintaining composure and objectivity [1]. For value investment research of growth stocks, the Peter Lynch PEG model works better than that of cyclical industries [2]. Finding an enterprise's inherent worth, realizing its full growth potential, and examining the relationship between an enterprise's price and intrinsic value are the goals of stock value investing [3]. Through value analysis, investors can have insight into the internal situation of the enterprise and better judge the investment value. The growth stock value investment technique is a fast way to determine the growth stock investment price on a broad scale. It may be progressively enhanced and optimized in both theory and practice by the investment and academic communities [4]. Though many value investors frequently overlook the purchase price in favor of the firm and its fundamentals, even the finest financial indicators have a fair value [5].

Combined with the theory of value investment, this study focuses on the industry with high attention at present - artificial intelligence. There are many leading companies in this industry, such as Google, Microsoft, Amazon, etc. This study focuses on Oracle's good performance in recent years in terms of financial status and industry influence, so Oracle is selected as the object of this study. Oracle is the world's largest database technology supplier, has a high sensitivity to emerging technologies, Oracle in the research and development of cloud computing, artificial intelligence and other cutting-edge technologies invested a lot of money, for the company has brought huge revenue.

At present, the relevant literature of value investment theory rarely makes detailed analysis on new industries. This paper will use SWOT analysis method and value investment theory to analyze Oracle

Corporation, explore the applicability of value investment in emerging industries, and provide support for investors' decision-making.

2. Method

2.1. SWOT Analysis

The renowned American researcher Andrews proposed the SWOT analysis approach, which thoroughly examines and assesses the research object's internal and exterior competitive environments. SWOT analysis is a popular tool for evaluating a company's operational state and developing business strategy. Four combination strategies are developed by examining the company's possibilities, threats, weaknesses, and internal and external environments. These strategies include: The SO, ST, WO, and WT approaches [6]. The use of SWOT analysis can be divided into three steps: analysis of environmental factors, construction of SWOT matrix table 1, and formulation of action plan [7].

Table 1. SWOT Analysis

Interior Exterior	Strength	Weakness
Opportunity	SO	WO
Threat	ST	WT

2.2. Financial Analysis

The information released by the stock market and the publicly available financial accounts of businesses serve as the foundation for financial analysis. By examining the financial indicators of a firm over the last several years, one can determine the challenges that the company is now facing and project its future development trajectory. For both individual and business investors, financial analysis is essential. To increase the effectiveness and caliber of investment decision analysis performed by businesses, it is especially important for them to employ a variety of fundamental financial analysis techniques when making judgments and to apply these techniques to cross-check project investments [8]. Comparative, ratio, factor, and trend analysis are the primary analytical techniques employed.

The study of value investing has garnered significant attention in the securities investment domain. It examines a company's operating conditions, market expectations, and potential for future revenue based on several financial factors. EPS, P/E ratio, PEG, revenue growth rate, gross profit, profitability ratios, and other metrics are examples of key indicators. These fair financial market indicators have withstood the test of time and can evaluate growth stocks and offering investors data-driven analysis.

3. Results and Discussion

3.1. SWOT Analysis

A process of decision-making for investing that involves evaluating value through top-down or bottom-up study and analysis of the macroenvironment, industry conditions, and internal company operations is called fundamental analysis [9]. This study will perform a basic analysis of Oracle Corporation using the SWOT analysis method.

Strengths: Oracle has a strong brand impression and a sizable worldwide market share. Furthermore, Oracle's product line spans several industries, and its extensive range of offerings can accommodate a wide range of client needs. Oracle prioritizes innovation. It maintained its top position in cloud computing and databases in 2018 by investing up to \$8 billion US in scientific research.

Weaknesses: Oracle's primary market is the upper class. Some small and medium-sized businesses cannot afford the high costs associated with its products due to their high price. The small and

medium-sized market has been lost by Oracle. It has a weak ability to mitigate risk and is heavily dependent on big clients.

Possibilities: A new chapter in artificial intelligence history has been brought about by the appearance of ChatGPT and Sora-Ai. Oracle is dedicated to offering customers intelligent solutions by fusing data analytics and artificial intelligence. In the big data era, the need for information management in enterprises has increased dramatically, and there is a substantial untapped market. In addition, the industry economy is weak and there are fresh prospects for industry consolidation after the epidemic has impacted people for three years.

Threats: Oracle's current trial market is vulnerable to competition from powerful corporations in the technology sector, like Microsoft, Google, and Amazon. There is always a chance of information leaking because the database contains an increasing amount of information about businesses. Risks to Oracle's reputation and legal standing will arise if it does not adequately protect client data.

3.2. Financial Analysis

Based on Oracle's financial statements for the past four years, this study makes the following analysis of its financial situation.

3.2.1. Liquidity Ratios Analysis

Oracle has started to diversify. Large amounts of money are required to support diverse businesses; without enough capital, liquidity risk will arise and spread through associated transactions and other activities [10]. Consequently, an analysis of Oracle's liquidity ratio is required (Table 2).

Table 2. Oracle Liquidity indicator

	2020	2021	2022	2023
Current Ratio	3.03	2.30	1.62	0.91
Quick Ratio	3.03	2.30	1.62	0.91
Cash Ratio	2.50	1.93	1.12	0.44

Oracle's current ratios for the last four years have been 2.30, 1.62, 0.91, 3.03, and the same for quick and current ratios, and 2.50, 1.93, 1.12, and 0.44 for cash ratios. While the liquidity ratio is trending lower, it is still within the industry average, Oracle's operations are solid, and there is little chance that short-term debt repayment issues will recur in the future.

3.2.2. Gross Profit Margin Analysis

An organization's operating efficiency may be shown in its gross profit rate, which also has a positive correlation with profitability, which in turn can show an organization's capacity for sustainable development [11]. In this section of the research, the gross profit margins of Oracle's rivals will be compared.

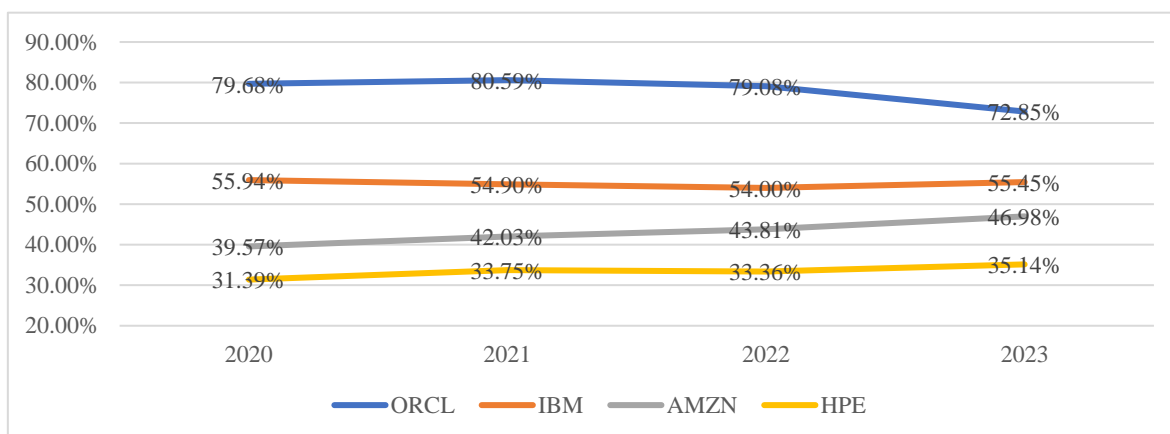


Figure 1. Gross Profit Margin

The gross profit rate of ORCL had a declining tendency during a four-year period, ending at 72.85% in 2023. The quarterly gross profit rate likewise demonstrated a downward trend. Over the last four years, IBM's annual gross margin has fluctuated little, from 55.94% in 2020 to 55.45% in 2023, but the quarterly gross margin has generally been rising. Although AMZN's total quarterly gross margin likewise indicated a declining tendency, the company's annual gross margin increased steadily from 39.57% to 46.98%. With an increasing tendency in both the yearly and quarterly gross margins, HPE is operating at an increased profit margin.

Even though ORCL's gross profit margin is trending lower, it is still significantly greater than that of its rivals, indicating that ORCL is more profitable and competitive.

3.2.3. After Tax ROE Analysis

Return on equity is known as ROE. Value investments based on the ROE index can yield higher returns in the A-share market than other indexes [12]. This study will use SWOT analysis method to conduct fundamental analysis of Oracle Corporation.

Table 3. After Tax ROE

	2020	2021	2022	2023
ORCL	83.94%	262.43%	-107.99%	792.45%
IBM	27.14%	30.38%	7.47%	33.29%
AMZN	22.84%	24.13%	-1.86%	15.07%
HPE	-2.01%	17.16%	4.37%	9.56%

Oracle's return on equity during the last four years has been 83.94%, 262.43%, -107.99%, and 792.45%, in that order. Compared to its three competitors, Oracle's return on equity (ROE) had a generally rising trend, suggesting that Oracle has strong profitability (Table 3).

3.3. Valuation Analysis

Table 4 displays the pertinent performance metrics for Oracle Corporation, IBM Corporation, Amazon Corporation, and Hewlett-Packard Corporation as of March 14, 2024.

Firstly, ORCL has a lower PEG of 2.99 than IBM's PEG of 4.03. Secondly, ORCL has larger profitability and revenue growth ratio than IBM. Lastly, even though ORCL's P/E ratio is somewhat higher than IBM's, ORCL still offers greater investment value than IBM.

Next, AMZN's PEG is 1.43, which is lower than ORCL's, and its profitability ratio are significantly greater than ORCL's. However, AMZN's TTM and NTM P/E ratio are significantly higher than ORCL's, at 62.07 and 43.28, respectively. TTM P/E ratio has already above 50, raising suspicions that the payback period is lengthy and its worth is overpriced. Furthermore, there is a significant discrepancy between AMZN's revenue growth rate and EPS growth rate, which indicates that a high EPS growth rate like this is probably a one-time occurrence and a higher level of investment risk, suggesting that ORCL is a more secure option.

Finally, despite having the lowest NTM and TTM P/E ratio 9.28 and 8.72, HPE's EPS growth rate is less than 0 and it is on a declining trend, making it unsuitable for investment.

ORCL has acceptable TTM and NTM P/E ratio of 22.38 and 20.82. With reduced risk, its revenue growth rate and EPS growth rate are both strong and closely matched. It is without a doubt the greatest option and it offers the second-highest profit rate.

Table 4. Oracle valuation metrics

	ORCL	IBM	AMZN	HPE
Share Price	\$125.53	\$193.43	\$178.75	\$17.53
TTM EPS	5.61	9.61	2.88	2.01
NTM EPS	6.03	10.09	4.13	1.89
EPS Growth rate	7.49%	4.99%	43.40%	-5.97%
TTM P/E	22.38	20.13	62.07	8.72
NTM P/E	20.82	19.17	43.28	9.28
PEG	2.99	4.03	1.43	-1.46

4. Conclusion

This study uses the SWOT analysis method to analyze Oracle's internal and external environments. It finds that Oracle has a rich product portfolio, a broad market, significant investments in the developing field of artificial intelligence, and a leading innovation capability in the industry.

This study reveals that, when combined with financial analysis, Oracle's liquidity ratio index is at a steady level, the danger of short-term debt payback is minimal, and Oracle's good profitability and return is reflected in its high gross profit rate and great return on equity (ROE). This study's valuation research reveals that Oracle's stock is growing at a strong rate, its EPS is greater than the industry average, and its sales and EPS are trending upward. Oracle's profitability is at the forefront of the industry as evidenced by its better profitability ratio when compared to competitors.

But Oracle also faces many risks. To begin with, Oracle's gross profit margin is dropping on a quarterly and annual basis. Going forward, this declining trend could be a sign of the company's lack of competitiveness in the process of competing with rivals, which would be problematic for the gross profit margin. Furthermore, Oracle's dominance in cloud databases and cloud infrastructure is under threat as two of its primary competitors, SAP and AWS, are working together to develop fresh enhancements for Hana cloud databases.

Finally, because of its global reach, Oracle has a big impact on fluctuations in exchange rates. The continual decline in gross profit margin described earlier is closely associated with fluctuations in foreign exchange rates, and multinational firms face challenges due to the poor status of the global economy. This study believes that in today's prevalence of quantitative investment, the classic value investment is still applicable, so the following suggestions are put forward.

Investors should employ analytical techniques, such as SWOT and PESTEL analyses, to assess the target enterprise's macro and microenvironment, evaluate its current state of development, and forecast its future trajectory when performing investment analyses. After that, the enterprise's financial metrics are examined, and its profitability, solvency, and rate of return are talked about. Ultimately, reliable data support for investment research can be obtained using traditional valuation indicators.

This study holds that to choose more competitive stocks, financial and valuation analyses must consider the performance of many indicators and compare the company to its industry rivals. The present study posits that investors can effectively identify consistently great growth stocks with the use of the three studies mentioned above.

Considering the analysis, this report makes the following recommendations for Oracle Corporation's future growth. First and foremost, Oracle needs to keep upping its investment in scientific research costs, value technological innovation, create goods and services that set them apart from the competition, integrate cutting-edge technologies to enhance current offerings, and preserve ongoing competitive advantages in the face of formidable rivals. Secondly, Oracle should prioritize its core clients in the face of a competitive market share grab, provide them specialized products and services, and boost marketing spending to forge a strong brand identity and enhance reputation. Oracle should think about partnering with rivals to share development technologies and grow the market, but it also needs to preserve the organization's core technology to stop corporate data from

being leaked. Finally, Oracle needs to develop a strong privacy policy, emphasize the value of user privacy, protect customer data, educate customers about how data is gathered, utilized, and shared, and respect users' choices regarding their privacy. Establish and enhance the company's privacy protection mechanism while forming a committee to oversee and direct the privacy protection efforts.

However, this study's basic analysis is limited to SWOT analysis; it does not include a thorough examination of the macroenvironment or a thorough investigation of the features of the industry. Future analyses of the macroenvironment and industry will make use of Porter's Five Forces model and PESTEL analysis. In addition, only the data from the last four years are included in this analysis. It is biased even though it might represent the fundamental state of the business. To strengthen the study's case, more pertinent receipts will be gathered and a more thorough examination of Oracle will be performed.

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