

ORACLE CORP
Form DEFA14A
October 16, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-12

Oracle Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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 - (4) Date Filed:

Investor Presentation
October 2014

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Executive Summary
Pay-for-Performance.

We
substantially
strengthened
our
executive
compensation
plan
by:
1)
making
50%
of
long-term

equity performance based;
2) Requiring material long-term outperformance for vesting; 3) Allowing vesting for PSUs to go to zero for underperformance
Strong Performance and Commitment to Stockholder Returns.
Oracle had Total Revenues of \$38.3B for FY2014. Approximately 90% of aggregate FY2013 and FY2014 Free Cash Flow, or roughly \$24.4B was returned to Oracle stockholders
Strong Governance Practices.
We have a strong, independent Board that serves the interests of stockholders and we are committed to best practices in corporate governance and pay governance
Stockholder Engagement.
During

our
last
fiscal
year,
members
of
our
Board
met
with
investors
and
shared
the
diverse
and
wide-ranging
feedback
with
the
full
Board.
We
made
changes
to
our
executive
compensation
for
FY2015
based
on
common
elements
of
the

investor feedback. We are engaging in additional meetings to gauge investor reactions to these changes and seek support for the 2014 Annual Meeting

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Overview of Oracle

Cloud

4% of Revenue

US\$38.3 billion total GAAP revenue in FY 2014

100% of the Fortune 100 are customers

Over 400,000 customers in 145+ countries

Invested \$5.2 billion in R&D in FY2014

More than 120,000 employees

#1 provider of enterprise software worldwide and leading provider of hardware and services for

Oracle database and middleware software, application software, cloud infrastructure, and hardware systems

Asia Pacific

16% of Revenue

EMEA

31% of Revenue

Americas
53% of Revenue
On-Premise Software
72% of Revenue
Hardware
14% of
Revenue
Services
10% of
Revenue

Company Transformation

One
of
Oracle's
primary
areas
of
focus
over
the
next
few
years
is
becoming
the
#1
company

in
cloud
computing s
two
most
profitable
segments

SaaS
and
PaaS
Software Revenue
Cloud Revenue

4
FY10
FY11
FY12
FY13
FY14

IaaS
SaaS/PaaS

+88%
+12%
4 Year
CAGR

0
5
10
15
20
25
30

FY10
FY11
FY12
FY13
FY14
Software and Cloud
4 Year
CAGR

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Demonstrated Results
~ 90% of FY13/FY14 Free Cash Flow Returned
to Stockholders
Free Cash Flow Grew 14% CAGR
EPS Grew 14% CAGR
Source:
GAAP
results
except
for
EPS
and
Free
Cash
Flow.
GAAP

to
Non-GAAP
reconciliations
are
available
at
www.oracle.com/investor
Stock
chart:
FactSet
Research.
Prices
for
the
last
10
years
were
indexed
(10/04

9/14)

5

0

2

4

6

8

10

12

14

FY10

FY11

FY12

FY13

FY14

Buybacks

Dividends

FY10

FY11

FY12

FY13

FY14

\$8.5B

\$10.8B

\$13.1B

\$13.6B

\$14.3B

FY10

FY11

FY12

FY13

FY14

\$1.67

\$2.22

\$2.46

\$2.68

\$2.87

2004

2005

2006

2007

2008

2009

2010

2011

2012

2013

Oracle

S&P 500

Nasdaq

Dow Jones

Oracle Stock Has Outperformed

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Significant Compensation Changes for FY 2015

We made significant changes for FY 2015

Introduced Performance Stock Units (PSUs)

PSUs are earned based on relative or absolute performance depending on each NEO's position

PSUs are long-term, performance based, and subject to robust metrics tailored to business responsibilities

Significantly reduced number of shares subject to stock option granted to Mr. Ellison, Ms. Catz, and Mr. Hurd

consistent with areas of investor focus

Performance-based (relative and absolute) compensation

Long-term performance periods

Quantum of pay and dilution

6

The Board and Compensation Committee have taken steps to meaningfully enhance our compensation

program and increase responsiveness to our stockholders

We engaged with 13 of our top 20 stockholders, representing approximately 30% of unaffiliated shares in the last fiscal year to hear their views and discuss areas of concern regarding governance and compensation

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Compensation Program Overview & Objectives

* Excludes

approximately

1%

tied

to

All

Other

Compensation

(e.g.,

the

amount

related

to

all

perquisites
and
other
personal
benefits)

Our goal: Align the interests of executive officers with those of stockholders; provide incentives to executive officers for superior performance; and attract and retain highly talented and productive executive officers

Compensation

Element

Designed

to Reward

Annual & Long-Term Incentive Metrics

% of

2014

NEO

Comp*

Performance-

Based/

At Risk

Base Salary

Experience, industry

knowledge, duties,

scope of responsibility

N/A

2%

Annual

Performance-

Based

Cash

Bonus

Success in achieving

annual results

Bonus

based

on

growth

in

non-GAAP

Pre-Tax

Profits

from

FY2013 to FY2014

If non-GAAP pre-tax profits do not grow Y-o-Y, no bonus is paid

\$0 bonus in FY2013 and 16% of target bonus in FY2014

1%

Long-Term

Incentive

Compensation

Success in achieving

sustainable long-term
results
50% of target PSUs are tied to relative growth in total consolidated
revenues
on a U.S. GAAP basis
50% of target PSUs are tied to relative growth in total consolidated
operating cash flow (OCF)
Objective
relative
performance
metrics

both
revenue
and
OCF
growth
requires
relative
performance
above
the
weighted
average
of
the
peer
group
for
target
payout,
and
performance
in
the
bottom quartile of peer group results in zero payout
96%

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Compensation Best Practices

Vast

majority

of

executive

compensation

is

at

risk

or

performance

based

o

96% of Named Executive Officer (NEO) compensation is equity-based

o

50% of NEO long-term incentives are now structured as long-term, performance-based units

o

Annual incentive bonus is based on rigorous, objective metrics

Strong historical pay-for-performance alignment

Engagement efforts with investors on executive compensation

o

In

the

last

fiscal

year,

we

engaged

with

13

our

top

20

investors

representing

approximately

30%

of

the

unaffiliated shares

o

Directors participated in a majority of these engagements

Meaningful stock ownership guidelines for NEOs and directors, with executives and directors holding

25% of Oracle's stock

Double trigger change-in-control benefits under equity plan

Clawback policy for executive officers

Independent compensation consultant

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Sound Corporate Governance Practices

Annual director elections

Stockholder ability to call a special meeting

Stockholder ability to act by written consent

Director majority voting policy

Diverse and experienced Board with significant stockholder representation

Independent Presiding Director

Committees are 100% independent

Active and engaged Board, with several independent directors serving on multiple committees, participating

in

key

customer

events

(e.g.,

Oracle
OpenWorld
and
Oracle
President
Council
Forums)

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Proxy Access Stockholder Proposal

The Oracle Board of Directors opposes the proxy access proposal submitted by The Nathan Cummings Foundation and certain other stockholders for the following reasons and requests that stockholders vote against this proposal:

Existing Governance Mechanisms Ensure Board Accountability

All directors elected annually with majority vote standard

Directors who fail to receive majority vote must tender their resignations for Board consideration

No supermajority stockholder voting requirements and no poison pill

Stockholders already have the right to call special stockholder meetings (subject to conditions in the Oracle bylaws)
Stockholders Currently Have Avenues to Communicate with the Board

Stockholders may communicate with any director in writing

Stockholders have the ability to submit proposals through 14a-8
Proxy Access Undermines Processes of the Nomination and Governance Committee

N&G Committee specifically tasked to find the right nominees with the appropriate skill sets the Oracle Board needs

Proxy Access would allow for a nominee with a narrow focus beholden to one specific special interest group to potentially join
Potentially Adverse Consequences if Oracle Board Were to Adopt Proxy Access

Encourages short term focus for the benefit of one group of stockholders rather than the long term benefit for all stockholders

Significant disruption to Oracle's management team and the Board as a result of dealing with distraction of divisive proxy contests
stockholders

Potential disruption to the effective operation of existing Board with special interest directors creating dissention and precluding
function effectively

Potentially discourages highly qualified director candidates from serving on the Oracle Board
Both time and financial resources would be deployed to deal with proxy contests which is a distraction from the goal of increasing
Stockholders may propose director nominees to the Nomination and Governance Committee for consideration

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"Safe

Harbor"

Statement:

Statements

in

this

presentation

relating

to

Oracle's

future plans, expectations, beliefs, intentions and prospects are "forward-
looking statements" and are subject to material risks and uncertainties. A

detailed

discussion

of

these
factors
and
other
risks
that
affect
our
business
is

contained in our SEC filings, including our most recent reports on Form 10-K and Form 10-Q, particularly under the heading "Risk Factors." Copies of these filings are available online from the SEC or by contacting Oracle Corporation's Investor Relations Department at (650) 506-4073 or by clicking on SEC Filings on Oracle's Investor Relations website at <http://www.oracle.com/investor>. All information set forth in this presentation is current as of October 15, 2014.

Oracle undertakes no duty to update any statement in light of new information or future events.

SAFE HARBOR STATEMENT

