

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

☒ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended October 31, 2022

OR

☐ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 001-32224

**Salesforce, Inc.**

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

94-3320693

(IRS Employer  
Identification No.)

Salesforce Tower

415 Mission Street, 3rd Fl

San Francisco, California 94105

(Address of principal executive offices)

Telephone Number: (415) 901-7000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	CRM	New York Stock Exchange

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 29, 2022, there were approximately 1.0 billion shares of the Registrant's Common Stock outstanding.

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**ITEM 1. FINANCIAL STATEMENTS**

**PART I.**  
**Salesforce, Inc.**  
**Condensed Consolidated Balance Sheets**  
(in millions)

	October 31, 2022	January 31, 2022
	(unaudited)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 6,076	\$ 5,464
Marketable securities	5,842	5,073
Accounts receivable, net	4,275	9,739
Costs capitalized to obtain revenue contracts, net	1,549	1,454
Prepaid expenses and other current assets	1,467	1,120
Total current assets	19,209	22,850
Property and equipment, net	3,514	2,815
Operating lease right-of-use assets, net	2,904	2,880
Noncurrent costs capitalized to obtain revenue contracts, net	2,301	2,342
Strategic investments	5,124	4,784
Goodwill	48,555	47,937
Intangible assets acquired through business combinations, net	7,598	8,978
Deferred tax assets and other assets, net	2,679	2,623
Total assets	\$ 91,884	\$ 95,209
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable, accrued expenses and other liabilities	\$ 5,285	\$ 5,470
Operating lease liabilities, current	567	686
Unearned revenue	11,193	15,628
Debt, current	1,182	4
Total current liabilities	18,227	21,788
Noncurrent debt	9,418	10,592
Noncurrent operating lease liabilities	2,831	2,703
Other noncurrent liabilities	2,057	1,995
Total liabilities	32,533	37,078
Stockholders' equity:		
Common stock	1	1
Treasury stock, at cost	(1,743)	0
Additional paid-in capital	53,891	50,919
Accumulated other comprehensive loss	(481)	(166)
Retained earnings	7,683	7,377
Total stockholders' equity	59,351	58,131
Total liabilities and stockholders' equity	\$ 91,884	\$ 95,209

See accompanying Notes.

**Salesforce, Inc.**  
**Condensed Consolidated Statements of Operations**  
(in millions, except per share data)  
(unaudited)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2022	2021	2022	2021
Revenues:				
Subscription and support	\$ 7,233	\$ 6,379	\$ 21,232	\$ 17,829
Professional services and other	604	484	1,736	1,337
Total revenues	7,837	6,863	22,968	19,166
Cost of revenues (1)(2):				
Subscription and support	1,451	1,335	4,381	3,603
Professional services and other	637	509	1,879	1,409
Total cost of revenues	2,088	1,844	6,260	5,012
Gross profit	5,749	5,019	16,708	14,154
Operating expenses (1)(2):				
Research and development	1,280	1,203	3,927	3,174
Marketing and sales	3,345	3,111	10,141	8,391
General and administrative	664	667	1,967	1,865
Total operating expenses	5,289	4,981	16,035	13,430
Income from operations	460	38	673	724
Gains on strategic investments, net	23	363	75	1,177
Other expense	(8)	(102)	(121)	(172)
Income before benefit from (provision for) income taxes	475	299	627	1,729
Benefit from (provision for) income taxes	(265)	169	(321)	(257)
Net income	\$ 210	\$ 468	\$ 306	\$ 1,472
Basic net income per share	\$ 0.21	\$ 0.48	\$ 0.31	\$ 1.56
Diluted net income per share	\$ 0.21	\$ 0.47	\$ 0.31	\$ 1.53
Shares used in computing basic net income per share	997	980	995	945
Shares used in computing diluted net income per share	1,000	1,001	1,001	964

(1) Amounts include amortization of intangible assets acquired through business combinations, as follows:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2022	2021	2022	2021
Cost of revenues	\$ 250	\$ 272	\$ 785	\$ 624
Marketing and sales	224	236	693	491

(2) Amounts include stock-based compensation expense, as follows:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2022	2021	2022	2021
Cost of revenues	\$ 130	\$ 103	\$ 372	\$ 280
Research and development	287	276	863	646
Marketing and sales	330	316	947	817
General and administrative	96	117	288	273

See accompanying Notes.

**Salesforce, Inc.**  
**Condensed Consolidated Statements of Comprehensive Income (Loss)**  
(in millions)  
(unaudited)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2022	2021	2022	2021
Net income	\$ 210	\$ 468	\$ 306	\$ 1,472
Other comprehensive loss, net of reclassification adjustments:				
Foreign currency translation and other losses	(66)	(17)	(175)	(42)
Unrealized losses on marketable securities and privately held debt securities	(77)	(26)	(179)	(47)
Other comprehensive loss, before tax	(143)	(43)	(354)	(89)
Tax effect	17	5	39	9
Other comprehensive loss, net	(126)	(38)	(315)	(80)
Comprehensive income (loss)	\$ 84	\$ 430	\$ (9)	\$ 1,392

See accompanying Notes.

**Salesforce, Inc.**  
**Condensed Consolidated Statements of Stockholders' Equity**  
(in millions)  
(unaudited)

Three and Nine months ended October 31, 2022

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at January 31, 2022	989	\$ 1	0	\$ 0	\$ 50,919	\$ (166)	\$ 7,377	\$ 58,131
Common stock issued	5	0	0	0	85	0	0	85
Stock-based compensation expense	0	0	0	0	776	0	0	776
Other comprehensive loss, net of tax	0	0	0	0	0	(144)	0	(144)
Net income	0	0	0	0	0	0	28	28
Balance at April 30, 2022	994	1	0	0	51,780	(310)	7,405	58,876
Common stock issued	5	0	0	0	348	0	0	348
Stock-based compensation expense	0	0	0	0	851	0	0	851
Other comprehensive loss, net of tax	0	0	0	0	0	(45)	0	(45)
Net income	0	0	0	0	0	0	68	68
Balance at July 31, 2022	999	1	0	0	52,979	(355)	7,473	60,098
Common stock issued	3	0	0	0	69	0	0	69
Common stock repurchased	0	0	(11)	(1,743)	0	0	0	(1,743)
Stock-based compensation expense	0	0	0	0	843	0	0	843
Other comprehensive loss, net of tax	0	0	0	0	0	(126)	0	(126)
Net income	0	0	0	0	0	0	210	210
Balance at October 31, 2022	1,002	\$ 1	(11)	\$ (1,743)	\$ 53,891	\$ (481)	\$ 7,683	\$ 59,351

Three and Nine months ended October 31, 2021

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
Balance at January 31, 2021	919	\$ 1	\$ 35,601	\$ (42)	\$ 5,933	\$ 41,493
Common stock issued	6	0	67	0	0	67
Stock-based compensation expense	0	0	564	0	0	564
Other comprehensive loss, net of tax	0	0	0	(26)	0	(26)
Net income	0	0	0	0	469	469
Balance at April 30, 2021	925	1	36,232	(68)	6,402	42,567
Common stock issued	5	0	525	0	0	525
Shares issued related to the acquisition of Slack	46	0	11,269	0	0	11,269
Stock-based compensation expense	2	0	640	0	0	640
Other comprehensive loss, net of tax	0	0	0	(16)	0	(16)
Net income	0	0	0	0	535	535
Balance at July 31, 2021	978	1	48,666	(84)	6,937	55,520
Common stock issued	6	0	292	0	0	292
Stock-based compensation expense	0	0	812	0	0	812
Other comprehensive loss, net of tax	0	0	0	(38)	0	(38)
Net income	0	0	0	0	468	468
Balance at October 31, 2021	984	\$ 1	\$ 49,770	\$ (122)	\$ 7,405	\$ 57,054

See accompanying Notes.

**Salesforce, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
(in millions)  
(unaudited)

	<b>Three Months Ended October 31,</b>		<b>Nine Months Ended October 31,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Operating activities:</b>				
Net income	\$ 210	\$ 468	\$ 306	\$ 1,472
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	941	963	2,754	2,367
Amortization of costs capitalized to obtain revenue contracts, net	423	344	1,225	992
Stock-based compensation expense	843	812	2,470	2,016
Gains on strategic investments, net	(23)	(363)	(75)	(1,177)
Changes in assets and liabilities, net of business combinations:				
Accounts receivable, net	471	91	5,486	3,895
Costs capitalized to obtain revenue contracts, net	(375)	(405)	(1,279)	(1,223)
Prepaid expenses and other current assets and other assets	(63)	189	(359)	(1)
Accounts payable and accrued expenses and other liabilities	(309)	(548)	(1,205)	(836)
Operating lease liabilities	(173)	(191)	(561)	(607)
Unearned revenue	(1,632)	(956)	(4,439)	(2,880)
Net cash provided by operating activities	313	404	4,323	4,018
<b>Investing activities:</b>				
Business combinations, net of cash acquired	0	(35)	(439)	(14,816)
Purchases of strategic investments	(44)	(147)	(475)	(933)
Sales of strategic investments	98	695	181	2,164
Purchases of marketable securities	(408)	(2,193)	(4,132)	(4,509)
Sales of marketable securities	500	720	1,392	3,765
Maturities of marketable securities	585	150	1,752	1,802
Capital expenditures	(198)	(166)	(580)	(550)
Net cash provided by (used in) investing activities	533	(976)	(2,301)	(13,077)
<b>Financing activities:</b>				
Proceeds from issuance of debt, net of issuance costs	0	(6)	0	7,906
Repayments of Slack Convertible Notes, net of capped call proceeds	0	(1,348)	0	(1,180)
Repurchases of common stock	(1,677)	0	(1,677)	0
Proceeds from employee stock plans	233	430	688	1,030
Principal payments on financing obligations	(233)	(45)	(349)	(118)
Repayments of debt	(1)	(1)	(3)	(3)
Net cash provided by (used in) financing activities	(1,678)	(970)	(1,341)	7,635
<b>Effect of exchange rate changes</b>	<b>(23)</b>	<b>(4)</b>	<b>(69)</b>	<b>(18)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(855)</b>	<b>(1,546)</b>	<b>612</b>	<b>(1,442)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>6,931</b>	<b>6,299</b>	<b>5,464</b>	<b>6,195</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 6,076</b>	<b>\$ 4,753</b>	<b>\$ 6,076</b>	<b>\$ 4,753</b>

See accompanying Notes.

**Salesforce, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
**Supplemental Cash Flow Disclosure**  
(in millions)  
(unaudited)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2022	2021	2022	2021
<b>Supplemental cash flow disclosure:</b>				
Cash paid during the period for:				
Interest	\$ 46	\$ 46	\$ 184	\$ 94
Income taxes, net of tax refunds	\$ 113	\$ 68	\$ 390	\$ 151
<b>Non-cash investing and financing activities:</b>				
Fair value of equity awards assumed	\$ 0	\$ 0	\$ 7	\$ 205
Fair value of common stock issued as consideration for business combinations	\$ 0	\$ 0	\$ 0	\$ 11,064

See accompanying Notes.



**Salesforce, Inc.****Notes to Condensed Consolidated Financial Statements****1. Summary of Business and Significant Accounting Policies*****Description of Business***

Salesforce, Inc. (the “Company”) is a global leader in customer relationship management technology that brings companies and customers together. With the Customer 360 platform, the Company delivers a single source of truth, connecting customer data across systems, apps and devices to help companies sell, service, market and conduct commerce from anywhere. Since its founding in 1999, Salesforce has pioneered innovations in cloud, mobile, social, analytics and artificial intelligence, enabling companies of every size and industry to transform their businesses in the all-digital, work-from-anywhere era. In March 2022, we changed our corporate name from salesforce.com, inc. to Salesforce, Inc.

***Fiscal Year***

The Company’s fiscal year ends on January 31. References to fiscal 2023, for example, refer to the fiscal year ending January 31, 2023.

***Basis of Presentation***

The accompanying condensed consolidated balance sheet as of October 31, 2022 and the condensed consolidated statements of operations, condensed consolidated statements of comprehensive income (loss), condensed consolidated statements of stockholders' equity and condensed consolidated statements of cash flows for the three and nine months ended October 31, 2022 and 2021, respectively are unaudited.

These financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial information. Accordingly, they do not include all of the financial information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of the Company’s management, the unaudited condensed consolidated financial statements include all adjustments necessary for the fair presentation of the Company’s balance sheet as of October 31, 2022, and its results of operations, including its comprehensive income (loss), stockholders' equity and its cash flows for the three and nine months ended October 31, 2022 and 2021. All adjustments are of a normal recurring nature. The results for the three and nine months ended October 31, 2022 are not necessarily indicative of the results to be expected for any subsequent quarter or for the fiscal year ending January 31, 2023.

These unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2022, filed with the Securities and Exchange Commission (the “SEC”) on March 11, 2022.

***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions in the Company’s condensed consolidated financial statements and notes thereto.

Significant estimates and assumptions made by management include the determination of:

- the fair value of assets acquired and liabilities assumed for business combinations;
- the standalone selling price (“SSP”) of performance obligations for revenue contracts with multiple performance obligations;
- the valuation of privately-held strategic investments, including impairments;
- the recognition, measurement and valuation of current and deferred income taxes and uncertain tax positions;
- the average period of benefit associated with costs capitalized to obtain revenue contracts;
- the useful lives of intangible assets; and
- the fair value of certain stock awards issued.

Actual results could differ materially from those estimates. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable, which forms the basis for making judgments about the carrying values of assets and liabilities.

***Principles of Consolidation***

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

## ***Segments***

The Company operates as one operating segment. Operating segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the chief operating decision maker (“CODM”), in deciding how to allocate resources and assess performance. Over the past few years, the Company has completed a number of acquisitions which have allowed the Company to expand its offerings, presence and reach in various market segments of the enterprise cloud computing market. While the Company has offerings in multiple enterprise cloud computing market segments, including as a result of the Company's acquisitions, and operates in multiple countries, the Company's business operates in one operating segment because most of the Company's service offerings operate on the Customer 360 Platform and are deployed in a nearly identical manner, and the Company's CODM evaluates the Company's financial information and resources, and assesses the performance of these resources, on a consolidated basis.

## ***Concentrations of Credit Risk, Significant Customers and Investments***

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, marketable securities and accounts receivable. The Company's investment portfolio consists primarily of investment-grade securities, and per the Company's policy, limits the amount of credit exposure to any one issuer. The Company monitors and manages the overall exposure of its cash balances to individual financial institutions on an ongoing basis. The Company does not require collateral for accounts receivable. The Company maintains an allowance for its doubtful accounts receivable due to estimated credit losses. This allowance is based upon historical loss patterns, the number of days that billings are past due, an evaluation of the potential risk of loss associated with delinquent accounts and current market conditions and reasonable and supportable forecasts of future economic conditions to inform adjustments to historical loss patterns. The Company records the allowance against bad debt expense through the condensed consolidated statements of operations, included in general and administrative expense, up to the amount of revenues recognized to date. Any incremental allowance is recorded as an offset to unearned revenue on the condensed consolidated balance sheets. Receivables are written off and charged against the recorded allowance when the Company has exhausted collection efforts without success.

No single customer accounted for more than five percent of accounts receivable at October 31, 2022 and January 31, 2022. No single customer accounted for five percent or more of total revenue during the nine months ended October 31, 2022 and 2021. As of October 31, 2022 and January 31, 2022, assets located outside the Americas were 12 percent and 13 percent of total assets, respectively. As of October 31, 2022 and January 31, 2022, assets located in the United States were 86 percent of total assets.

The Company is also exposed to concentrations of risk in its strategic investment portfolio, including within specific industries, as the Company primarily invests in enterprise cloud companies, technology startups and system integrators. As of October 31, 2022, the Company held two investments, both privately held, with carrying values that were individually greater than five percent of its total strategic investments portfolio and represented 19 percent of the portfolio in aggregate. As of January 31, 2022, the Company held two investments, both privately held, with carrying values that were individually greater than five percent of its strategic investment portfolio and represented 21 percent of the portfolio in aggregate.

## ***Revenue Recognition***

The Company derives its revenues from two sources: subscription and support revenues, and professional services and other revenues. Subscription and support revenues include subscription fees from customers accessing the Company's enterprise cloud computing services (collectively, “Cloud Services”), software license revenues from the sales of term and perpetual licenses, and support revenue from the sales of support and updates beyond the basic subscription fees or related to the sales of software licenses. Professional services and other revenues include professional and advisory services for process mapping, project management and implementation services, and training services.

Revenue is recognized upon transfer of control of promised products and services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. If the consideration promised in a contract includes a variable amount, for example, overage fees, contingent fees or service level penalties, the Company includes an estimate of the amount it expects to receive for the total transaction price if it is probable that a significant reversal of cumulative revenue recognized will not occur.

The Company determines the amount of revenue to be recognized through the application of the following steps:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue when or as the Company satisfies the performance obligations.

### *Subscription and Support Revenues*

Subscription and support revenues are comprised of fees that provide customers with access to Cloud Services, software licenses and related support and updates during the term of the arrangement.

Cloud Services allow customers to use the Company's multi-tenant software without taking possession of the software. Revenue is generally recognized ratably over the contract term. Substantially all of the Company's subscription service arrangements are non-cancelable and do not contain refund-type provisions.

Subscription and support revenues also include revenues associated with term and perpetual software licenses that provide the customer with a right to use the software as it exists when made available. Revenues from term and perpetual software licenses are generally recognized at the point in time when the software is made available to the customer. Revenue from software support and updates is recognized as the support and updates are provided, which is generally ratably over the contract term.

The Company typically invoices its customers annually and its payment terms provide that customers pay within 30 days of invoice. Amounts that have been invoiced are recorded in accounts receivable and in unearned revenue or revenue, depending on whether transfer of control to customers has occurred.

### *Professional Services and Other Revenues*

The Company's professional services contracts are either on a time and materials, fixed fee or subscription basis. These revenues are recognized as the services are rendered for time and materials contracts, on a proportional performance basis for fixed price contracts or ratably over the contract term for subscription professional services contracts. Other revenues consist primarily of training revenues recognized as such services are performed.

### *Significant Judgments - Contracts with Multiple Performance Obligations*

The Company enters into contracts with its customers that may include promises to transfer multiple performance obligations such as Cloud Services, software licenses, support and updates, and professional services. A performance obligation is a promise in a contract with a customer to transfer products or services that are concluded to be distinct. Determining whether products and services are distinct performance obligations that should be accounted for separately or combined as one unit of accounting may require significant judgment.

Cloud Services, software licenses, and support and updates services are generally concluded to be distinct because such offerings are often sold separately. In determining whether professional services are distinct, the Company considers the following factors for each professional services agreement: availability of the services from other vendors, the nature of the professional services, the timing of when the professional services contract was signed in comparison to the subscription start date and the contractual dependence of the service on the customer's satisfaction with the professional services work. To date, the Company has concluded that professional services included in contracts with multiple performance obligations are distinct.

The Company allocates the transaction price to each performance obligation on a relative SSP basis. The SSP is the price at which the Company would sell a promised product or service separately to a customer. Judgment is required to determine the SSP for each distinct performance obligation.

The Company determines SSP by considering its overall pricing objectives and market conditions. Significant pricing practices taken into consideration include the Company's discounting practices, the size and volume of the Company's transactions, the customer demographic, the geographic area where services are sold, price lists, the Company's go-to-market strategy, historical and current sales and contract prices. In instances where the Company does not sell or price a product or service separately, the Company determines SSP using information that may include market conditions or other observable inputs. As the Company's go-to-market strategies evolve, the Company may modify its pricing practices in the future, which could result in changes to SSP.

In certain cases, the Company is able to establish SSP based on observable prices of products or services sold or priced separately in comparable circumstances to similar customers. The Company uses a single amount to estimate SSP when indicated by the distribution of its observable prices.

Alternatively, the Company uses a range of amounts to estimate SSP when the pricing practices or distribution of the observable prices is highly variable. The Company typically has more than one SSP for individual products and services due to the stratification of those products and services by customer size and geography.

### *Costs Capitalized to Obtain Revenue Contracts*

The Company capitalizes incremental costs of obtaining revenue contracts related to non-cancelable Cloud Services subscription, ongoing Cloud Services support and license support and updates. For contracts with on-premises software licenses where revenue is recognized upfront when the software is made available to the customer, costs allocable to those licenses are expensed as they are incurred. Capitalized amounts consist primarily of sales commissions paid to the Company's direct sales

force. Capitalized amounts also include (1) amounts paid to employees other than the direct sales force who earn incentive payouts under annual compensation plans that are tied to the value of contracts acquired, (2) commissions paid to employees upon renewals of subscription and support contracts, (3) the associated payroll taxes and fringe benefit costs associated with the payments to the Company's employees, and (4) to a lesser extent, success fees paid to partners in emerging markets where the Company has a limited presence.

Costs capitalized related to new revenue contracts are amortized on a straight-line basis over four years, which is longer than the typical initial contract period, but reflects the estimated average period of benefit, including expected contract renewals. In arriving at this average period of benefit, the Company evaluated both qualitative and quantitative factors which included the estimated life cycles of its offerings and its customer attrition. Additionally, the Company amortizes capitalized costs for renewals and success fees paid to partners over two years.

The capitalized amounts are recoverable through future revenue streams under all non-cancelable customer contracts. The Company periodically evaluates whether there have been any changes in its business, the market conditions in which it operates or other events which would indicate that its amortization period should be changed or if there are potential indicators of impairment.

Amortization of capitalized costs to obtain revenue contracts is included in marketing and sales expense in the accompanying condensed consolidated statements of operations. There were no impairments of costs to obtain revenue contracts for the three and nine months ended October 31, 2022 and 2021.

### ***Cash and Cash Equivalents***

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are stated at fair value.

### ***Marketable Securities***

The Company considers all of its marketable debt securities as available for use in current operations, including those with maturity dates beyond one year, and therefore classifies these securities within current assets on the condensed consolidated balance sheets. Securities are classified as available for sale and are carried at fair value, with the change in unrealized gains and losses, net of tax, reported as a separate component on the condensed consolidated statements of comprehensive income (loss) until realized. Fair value is determined based on quoted market rates when observable or utilizing data points that are observable, such as quoted prices, interest rates and yield curves. Securities with an amortized cost basis in excess of estimated fair value are assessed to determine what amount of the excess, if any, is caused by expected credit losses. Expected credit losses on securities are recognized in other expense, net on the condensed consolidated statements of operations, and any remaining unrealized losses, net of taxes, are included in accumulated other comprehensive loss in stockholders' equity. For the purposes of computing realized and unrealized gains and losses, the cost of securities sold is based on the specific-identification method. Interest on securities classified as available for sale is included as a component of investment income within other expense.

### ***Strategic Investments***

The Company holds strategic investments in privately held debt and equity securities and publicly held equity securities in which the Company does not have a controlling interest.

Privately held equity securities where the Company does not have a controlling financial interest in but does exercise significant influence over the investee are accounted for under the equity method. Privately held equity securities not accounted for under the equity method are recorded at cost and adjusted for observable transactions for same or similar investments of the same issuer or impairment events (referred to as the measurement alternative). All gains and losses on privately held equity securities, realized and unrealized, are recorded through gains (losses) on strategic investments, net on the condensed consolidated statements of operations. Privately held debt securities are recorded at fair value with changes in fair value recorded through accumulated other comprehensive loss on the condensed consolidated balance sheet.

Valuations of privately held securities are inherently complex and require judgment due to the lack of readily available market data. The carrying value is not adjusted for the Company's privately held equity securities if there are no observable price changes in a same or similar security from the same issuer or if there are no identified events or changes in circumstances that may indicate impairment, as discussed below. In determining the estimated fair value of its strategic investments in privately held companies, the Company utilizes the most recent data available to the Company. The Company assesses its privately held debt and equity securities in its strategic investment portfolio at least quarterly for impairment. The Company's impairment analysis encompasses an assessment of both qualitative and quantitative factors, including the investee's financial metrics, market acceptance of the investee's product or technology and the rate at which the investee is using its cash. If the investment is considered impaired, the Company recognizes an impairment through the condensed consolidated statements of operations and establishes a new carrying value for the investment.

Publicly held equity securities are measured at fair value with changes recorded through gains on strategic investments, net on the condensed consolidated statements of operations.

The Company may enter into strategic investments or other investments that are considered variable interest entities (“VIEs”). If the Company is a primary beneficiary of a VIE, it is required to consolidate the entity. To determine if the Company is the primary beneficiary of a VIE, the Company evaluates whether it has (1) the power to direct the activities that most significantly impact the VIE’s economic performance, and (2) the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. The assessment of whether the Company is the primary beneficiary of its VIE investments requires significant assumptions and judgments. VIEs that are not consolidated are accounted for under the measurement alternative, equity method, amortized cost, or other appropriate methodology based on the nature of the interest held.

### ***Fair Value Measurement***

The Company measures its cash and cash equivalents, marketable securities, publicly held equity securities, and foreign currency derivative contracts at fair value. In addition, the Company measures certain of its strategic investments, including its privately held debt securities and privately held equity securities, at fair value on a nonrecurring basis when there has been an observable price change in a same or similar security. The additional disclosures regarding the Company’s fair value measurements are included in Note 4 “Fair Value Measurement.”

### ***Derivative Financial Instruments***

The Company enters into foreign currency derivative contracts with financial institutions to reduce foreign exchange risk associated primarily with intercompany receivables and payables. The Company uses forward currency derivative contracts, which are not designated as hedging instruments, to minimize the Company’s exposure to balances primarily denominated in the Euro, British Pound Sterling, Canadian Dollar, Australian Dollar, Brazilian Real, and Japanese Yen. The Company’s derivative financial instruments program is not designated for trading or speculative purposes. The Company generally enters into master netting arrangements with the financial institutions with which it contracts for such derivatives, which permit net settlement of transactions with the same counterparty, thereby reducing risk of credit-related losses from a financial institutions’ nonperformance. While the contract or notional amount is often used to express the volume of foreign currency derivative contracts, the amounts potentially subject to credit risk are generally limited to the amounts, if any, by which the counterparties’ obligations under the agreements exceed the obligations of the Company to the counterparties. The notional amount of foreign currency derivative contracts as of October 31, 2022 and January 31, 2022 was \$5.1 billion and \$6.1 billion, respectively.

Outstanding foreign currency derivative contracts are recorded at fair value on the condensed consolidated balance sheets. Unrealized gains or losses due to changes in the fair value of these derivative contracts, as well as realized gains or losses from their net settlement, are recognized as other expense consistent with the offsetting gains or losses resulting from the remeasurement or settlement of the underlying foreign currency denominated receivables and payables.

### ***Property and Equipment***

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful lives of those assets as follows:

Computers, equipment and software	3 to 5 years
Furniture and fixtures	5 years
Leasehold improvements	Shorter of the estimated lease term or 10 years
Buildings and building improvements	10 to 40 years

When assets are retired or otherwise disposed of, the cost and accumulated depreciation and amortization are removed from their respective accounts and any loss on such retirement is reflected in operating expenses.

### ***Leases***

The Company determines if an arrangement is a lease at inception and classifies its leases at commencement. Operating leases are included in operating lease right-of-use (“ROU”) assets and current and noncurrent operating lease liabilities on the Company’s condensed consolidated balance sheets. Assets recognized from finance leases (also referred to as ROU assets) are included in property and equipment, accrued expenses and other liabilities and other noncurrent liabilities, respectively, on the Company’s condensed consolidated balance sheets. ROU assets represent the Company’s right to use an underlying asset for the lease term. The corresponding lease liabilities represent its obligation to make lease payments arising from the lease. The Company does not recognize ROU assets or lease liabilities for leases with a term of 12 months or less for any asset classes.

Lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement, net of any future tenant incentives. The Company has lease agreements which contain both lease and non-lease components, which it has elected to combine for all asset classes. As such, minimum lease payments include fixed payments for

non-lease components within a lease agreement, but exclude variable lease payments not dependent on an index or rate, such as common area maintenance, operating expenses, utilities, or other costs that are subject to fluctuation from period to period. The Company's lease terms may include options to extend or terminate the lease. Periods beyond the noncancellable term of the lease are included in the measurement of the lease liability when it is reasonably certain that the Company will exercise the associated extension option or waive the termination option. The Company reassesses the lease term if and when a significant event or change in circumstances occurs within the control of the Company. As most of the Company's leases do not provide an implicit rate, the net present value of future minimum lease payments is determined using the Company's incremental borrowing rate. The Company's incremental borrowing rate is an estimate of the interest rate the Company would have to pay to borrow on a collateralized basis with similar terms and payments, in the economic environment where the leased asset is located.

The lease ROU asset is recognized based on the lease liability, adjusted for any rent payments or initial direct costs incurred or tenant incentives received prior to commencement.

Lease expenses for minimum lease payments for operating leases, which includes amortization expense of ROU assets, are recognized on a straight-line basis over the lease term. Amortization expense of finance lease ROU assets is recognized on a straight-line basis over the lease term, and interest expense for finance lease liabilities is recognized based on the incremental borrowing rate. Expense for variable lease payments are recognized as incurred.

On the lease commencement date, the Company also establishes assets and liabilities for the present value of estimated future costs to retire long-lived assets at the termination or expiration of a lease. Such assets are included in property and equipment, net and are amortized over the lease term to operating expense.

The Company has entered into subleases or has made decisions and taken actions to exit and sublease certain unoccupied leased office space. Similar to other long-lived assets discussed below, management tests ROU assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. For leased assets, such circumstances would include the decision to leave a leased facility prior to the end of the minimum lease term or subleases for which estimated cash flows do not fully cover the costs of the associated lease.

#### ***Intangible Assets Acquired through Business Combinations***

Intangible assets are amortized over their estimated useful lives. Each period, the Company evaluates the estimated remaining useful life of its intangible assets and whether events or changes in circumstances warrant a revision to the remaining period of amortization. Management tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.

#### ***Impairment Assessment***

The Company evaluates intangible assets and other long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. This includes but is not limited to significant adverse changes in business climate, market conditions or other events that indicate an asset's carrying amount may not be recoverable. Recoverability of these assets is measured by comparing the carrying amount of each asset to the future undiscounted cash flows the asset is expected to generate. If the undiscounted cash flows used in the test for recoverability are less than the carrying amount of these assets, the carrying amount of such assets is reduced to fair value.

The Company evaluates and tests the recoverability of its goodwill for impairment at least annually during its fourth quarter of each fiscal year or more often if and when circumstances indicate that goodwill may not be recoverable.

#### ***Business Combinations***

The Company uses its best estimates and assumptions to assign fair value to the tangible and intangible assets acquired and liabilities assumed at the acquisition date. The Company's estimates are inherently uncertain and subject to refinement. During the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the fair value of these tangible and intangible assets acquired and liabilities assumed, with the corresponding offset to goodwill. In addition, uncertain tax positions, tax-related valuation allowances and pre-acquisition contingencies are initially recorded in connection with a business combination as of the acquisition date. The Company continues to collect information and reevaluates these estimates and assumptions quarterly and records any adjustments to the Company's preliminary estimates to goodwill provided that the Company is within the measurement period. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the Company's condensed consolidated statements of operations.

In the event the Company acquires an entity with which the Company has a preexisting relationship, the Company will generally recognize a gain or loss to settle that relationship as of the acquisition date within operating income on the condensed consolidated statements of operations. In the event that the Company acquires an entity in which the Company previously held a strategic investment, the difference between the fair value of the shares as of the date of the acquisition and the carrying value



of the strategic investment is recorded as a gain or loss and recorded within net gains (losses) on strategic investments in the condensed consolidated statements of operations.

### ***Stock-Based Compensation Expense***

Stock-based compensation expense is measured based on grant date at fair value using the Black-Scholes option pricing model for stock options and the grant date closing stock price for restricted stock awards. The Company recognizes stock-based compensation expense related to stock options and restricted stock awards on a straight-line basis, net of estimated forfeitures, over the requisite service period of the awards, which is generally the vesting term of four years. The estimated forfeiture rate applied is based on historical forfeiture rates.

Stock-based compensation expense related to the Company's Amended and Restated 2004 Employee Stock Purchase Plan ("ESPP" or "2004 Employee Stock Purchase Plan") is measured based on grant date at fair value using the Black-Scholes option pricing model. The Company recognizes stock-based compensation expense related to shares issued pursuant to the 2004 Employee Stock Purchase Plan on a straight-line basis over the offering period, which is 12 months. The ESPP allows employees to purchase shares of the Company's common stock at a 15 percent discount from the lower of the Company's stock price on (i) the first day of the offering period or on (ii) the last day of the purchase period and also allows employees to reduce their percentage election once during a six-month purchase period (December 15 and June 15 of each fiscal year), but not increase that election until the next one-year offering period. The ESPP also includes a reset provision for the purchase price if the stock price on the purchase date is less than the stock price on the offering date.

Stock-based compensation expense related to performance share grants, which are awarded to executive officers and other members of senior management and vest, if at all, based on the Company's performance over a three-year period relative to the Nasdaq 100. Performance share grants are measured based on grant date at fair value using a Monte Carlo simulation model and expensed on a straight-line basis, net of estimated forfeitures, over the service period of the awards, which is generally the vesting term of three years.

The Company, at times, grants unvested restricted shares to employee stockholders of certain acquired companies in lieu of cash consideration. These awards are generally subject to continued post-acquisition employment. Therefore, the Company accounts for them as post-acquisition stock-based compensation expense. The Company recognizes stock-based compensation expense equal to the grant date fair value of the restricted stock awards, based on the closing stock price on grant date, on a straight-line basis over the requisite service period of the awards, which is generally four years.

### ***Income Taxes***

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on temporary differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax laws is recognized in the condensed consolidated statements of operations in the period that includes the enactment date.

The Company's tax positions are subject to income tax audits by multiple tax jurisdictions throughout the world. The Company recognizes the tax benefit of an uncertain tax position only if it is more likely than not that the position is sustainable upon examination by the taxing authority, solely based on its technical merits. The tax benefit recognized is measured as the largest amount of benefit which is greater than 50 percent likely to be realized upon settlement with the taxing authority. The Company recognizes interest accrued and penalties related to unrecognized tax benefits in the income tax provision.

Valuation allowances are established when necessary to reduce deferred tax assets to the amounts that are more likely than not expected to be realized based on the weighting of positive and negative evidence. Future realization of deferred tax assets ultimately depends on the existence of sufficient taxable income of the appropriate character (for example, ordinary income or capital gain) within the carryback or carryforward periods available under the applicable tax law. The Company regularly reviews the deferred tax assets for recoverability based on historical taxable income, projected future taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies. The Company's judgments regarding future profitability may change due to many factors, including future market conditions and the ability to successfully execute its business plans. Should there be a change in the ability to recover deferred tax assets, the tax provision would increase or decrease in the period in which the assessment is changed.

### ***Foreign Currency Translation***

The functional currency of the Company's major foreign subsidiaries is generally the local currency. All assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the exchange rate on the balance sheet date. Revenues and expenses are translated at the average exchange rate during the period. Equity transactions are translated using historical exchange rates. Adjustments resulting from translating foreign functional currency financial statements into U.S. dollars are recorded as a separate component on the condensed consolidated statements of comprehensive income (loss).

Foreign currency transaction gains and losses are included in other income in the condensed consolidated statements of operations for the period.

#### ***Warranties and Indemnification***

The Company's enterprise cloud computing services are typically warranted to perform in a manner consistent with general industry standards that are reasonably applicable and materially in accordance with the Company's online help documentation under normal use and circumstances.

The Company's arrangements generally include certain provisions for indemnifying customers against liabilities if its products or services infringe a third party's intellectual property rights. To date, the Company has not incurred any material costs as a result of such obligations and has not accrued any material liabilities related to such obligations in the accompanying condensed consolidated financial statements.

The Company has also agreed to indemnify its directors and executive officers for costs associated with any fees, expenses, judgments, fines and settlement amounts incurred by any of these persons in any action or proceeding to which any of those persons is, or is threatened to be, made a party by reason of the person's service as a director or officer, including any action by the Company, arising out of that person's services as the Company's director or officer or that person's services provided to any other company or enterprise at the Company's request. The Company maintains director and officer insurance coverage that would generally enable the Company to recover a portion of any future amounts paid. The Company may also be subject to indemnification obligations by law with respect to the actions of its employees under certain circumstances and in certain jurisdictions.

#### ***New Accounting Pronouncement Adopted in Fiscal 2023***

In October 2021, the FASB issued Accounting Standards Update No. 2021-08, "Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers" ("ASU 2021-08"), which requires contract assets and contract liabilities (i.e., unearned revenue) acquired in a business combination to be recognized and measured in accordance with ASC 606, *Revenue from Contracts with Customers*. Previously, the Company recognized contract assets and contract liabilities at the acquisition date based on fair value estimates, which had resulted in a reduction to unearned revenue on the balance sheet, and therefore, a reduction to revenues that would have otherwise been recorded as an independent entity. ASU 2021-08 is effective for interim and annual periods beginning after December 15, 2022 on a prospective basis, with early adoption permitted. The Company adopted ASU 2021-08 in the first quarter of fiscal 2023 and the impact of the adoption was not material.

#### ***Reclassifications***

A reclassification to the fiscal 2022 consolidated balance sheet was made to conform to the current period presentation of current debt. This reclassification did not impact the Company's key metrics including Total Assets, Total Revenues, Income From Operations, Net Income or Operating Cash Flows.



## 2. Revenues

### *Disaggregation of Revenue*

#### *Subscription and Support Revenue by the Company's Service Offerings*

Subscription and support revenues consisted of the following (in millions):

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2022	2021	2022	2021
Sales	\$ 1,717	\$ 1,538	\$ 5,044	\$ 4,403
Service	1,856	1,658	5,445	4,764
Platform and Other	1,513	1,277	4,410	3,159
Marketing and Commerce	1,129	1,006	3,339	2,856
Data	1,018	900	2,994	2,647
	<u>\$ 7,233</u>	<u>\$ 6,379</u>	<u>\$ 21,232</u>	<u>\$ 17,829</u>

#### *Total Revenue by Geographic Locations*

Revenues by geographical region consisted of the following (in millions):

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2022	2021	2022	2021
Americas	\$ 5,361	\$ 4,638	\$ 15,593	\$ 13,044
Europe	1,745	1,581	5,228	4,299
Asia Pacific	731	644	2,147	1,823
	<u>\$ 7,837</u>	<u>\$ 6,863</u>	<u>\$ 22,968</u>	<u>\$ 19,166</u>

Revenues by geography are determined based on the region of the Company's contracting entity, which may be different than the region of the customer. Americas revenue attributed to the United States was approximately 92 percent and 94 percent during the three months ended October 31, 2022 and 2021, respectively. Americas' revenue attributed to the United States was approximately 93 percent and 94 percent during the nine months ended October 31, 2022 and 2021, respectively. No other country represented more than ten percent of total revenue during the three and nine months ended October 31, 2022 and 2021.

### *Contract Balances*

#### *Contract Assets*

The Company records a contract asset when revenue recognized on a contract exceeds the billings. Contract assets were \$762 million as of October 31, 2022 as compared to \$587 million as of January 31, 2022, and are included in prepaid expenses and other current assets and deferred tax assets and other assets, net on the condensed consolidated balance sheets.

#### *Unearned Revenue*

Unearned revenue represents amounts that have been invoiced in advance of revenue recognition and is recognized as revenue when transfer of control to customers has occurred or services have been provided. The unearned revenue balance does not represent the total contract value of annual or multi-year, non-cancelable subscription agreements. The unearned revenue balance is influenced by several factors, including seasonality, the compounding effects of renewals, invoice duration, invoice timing, dollar size and new business linearity within the quarter.

The change in unearned revenue was as follows (in millions):

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2022	2021	2022	2021
Unearned revenue, beginning of period	\$ 12,825	\$ 11,067	\$ 15,628	\$ 12,607
Billings and other (1)	6,142	5,810	18,354	16,019
Contribution from contract asset	63	97	175	267
Revenue recognized over time	(7,473)	(6,511)	(21,865)	(18,070)
Revenue recognized at a point in time	(364)	(352)	(1,103)	(1,096)
Unearned revenue from business combinations	0	5	4	389
Unearned revenue, end of period	\$ 11,193	\$ 10,116	\$ 11,193	\$ 10,116

(1) Other includes, for example, the impact of foreign currency translation.

The majority of revenue recognized for these services is from the beginning of period unearned revenue balance.

Revenue recognized over time primarily includes Cloud Services subscription and support revenue, which is generally recognized ratably over time, and professional services and other revenue, which is generally recognized ratably or as delivered.

Revenue recognized at a point in time substantially consists of on-premises software licenses.

### **Remaining Performance Obligation**

Remaining performance obligation represents contracted revenue that has not yet been recognized and includes unearned revenue and unbilled amounts that will be recognized as revenue in future periods. Transaction price allocated to the remaining performance obligation is based on SSP. Remaining performance obligation is influenced by several factors, including seasonality, the timing of renewals, the timing of software license deliveries, average contract terms and foreign currency exchange rates. Remaining performance obligation is also impacted by acquisitions. Unbilled portions of the remaining performance obligation denominated in foreign currencies are revalued each period based on the period end exchange rates. Remaining performance obligation is subject to future economic risks, including bankruptcies, regulatory changes and other market factors.

The Company excludes amounts related to performance obligations from professional services contracts that are billed and recognized on a time and materials basis.

The majority of the Company's noncurrent remaining performance obligation is expected to be recognized in the next 13 to 36 months.

Remaining performance obligation consisted of the following (in billions):

	Current	Noncurrent	Total
As of October 31, 2022	\$ 20.9	\$ 19.1	\$ 40.0
As of January 31, 2022	\$ 22.0	\$ 21.7	\$ 43.7

### 3. Investments

#### Marketable Securities

At October 31, 2022, marketable securities consisted of the following (in millions):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Corporate notes and obligations	\$ 3,894	\$ 0	\$ (145)	\$ 3,749
U.S. treasury securities	357	0	(14)	343
Mortgage-backed obligations	286	0	(16)	270
Asset-backed securities	1,099	0	(31)	1,068
Municipal securities	255	0	(9)	246
Covered bonds	112	0	(9)	103
Other	65	0	(2)	63
Total marketable securities	<u>\$ 6,068</u>	<u>\$ 0</u>	<u>\$ (226)</u>	<u>\$ 5,842</u>

At January 31, 2022, marketable securities consisted of the following (in millions):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Corporate notes and obligations	\$ 3,153	\$ 2	\$ (34)	\$ 3,121
U.S. treasury securities	205	0	(3)	202
Mortgage-backed obligations	229	0	(4)	225
Asset-backed securities	1,056	0	(5)	1,051
Municipal securities	225	0	(2)	223
Commercial paper	27	0	0	27
Covered bonds	212	0	(2)	210
Other	14	0	0	14
Total marketable securities	<u>\$ 5,121</u>	<u>\$ 2</u>	<u>\$ (50)</u>	<u>\$ 5,073</u>

The contractual maturities of the investments classified as marketable securities were as follows (in millions):

	As of	
	October 31, 2022	January 31, 2022
Due within 1 year	\$ 2,353	\$ 2,161
Due in 1 year through 5 years	3,485	2,899
Due in 5 years through 10 years	4	13
	<u>\$ 5,842</u>	<u>\$ 5,073</u>

#### Strategic Investments

Strategic investments by form and measurement category as of October 31, 2022 were as follows (in millions):

	Measurement Category			
	Fair Value	Measurement Alternative	Other	Total
Equity securities	\$ 179	\$ 4,757	\$ 123	\$ 5,059
Debt securities and other investments	0	0	65	65
Balance as of October 31, 2022	<u>\$ 179</u>	<u>\$ 4,757</u>	<u>\$ 188</u>	<u>\$ 5,124</u>

Strategic investments by form and measurement category as of January 31, 2022 were as follows (in millions):

	Measurement Category			
	Fair Value	Measurement Alternative	Other	Total
Equity securities	\$ 370	\$ 4,204	\$ 122	\$ 4,696
Debt securities and other investments	0	0	88	88
Balance as of January 31, 2022	\$ 370	\$ 4,204	\$ 210	\$ 4,784

The Company holds investments in, or management agreements with, VIEs which the Company does not consolidate because it is not considered the primary beneficiary of these entities. The carrying value of VIEs within strategic investments was \$446 million and \$467 million, as of October 31, 2022 and January 31, 2022, respectively.

#### *Gains on Strategic Investments, Net*

The components of gains and losses on strategic investments were as follows (in millions):

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2022	2021	2022	2021
Unrealized gains (losses) recognized on publicly traded equity securities, net	\$ 0	\$ 98	\$ (103)	\$ (13)
Unrealized gains recognized on privately held equity securities, net	57	162	174	964
Impairments on privately held equity and debt securities	(68)	(11)	(121)	(45)
Unrealized gains (losses), net	(11)	249	(50)	906
Realized gains on sales of securities, net	34	114	125	271
Gains on strategic investments, net	\$ 23	\$ 363	\$ 75	\$ 1,177

Unrealized gains recognized on privately held equity securities, net includes upward and downward adjustments from equity securities accounted for under the measurement alternative, as well as gains and losses from private equity securities in other measurement categories. For privately held securities accounted for under the measurement alternative, the Company recorded upward adjustments of \$66 million and \$131 million and impairments of \$66 million and \$28 million for the three months ended October 31, 2022 and 2021, respectively. The Company recorded upward adjustments of \$196 million and \$933 million and impairments of \$96 million and \$55 million for the nine months ended October 31, 2022 and 2021, respectively.

Realized gains on sales of securities, net reflects the difference between the sale proceeds and the carrying value of the security at the beginning of the period or the purchase date, if later.

The Company calculates cumulative realized gains on sales of securities, net, as the difference between the sale proceeds and the initial purchase price for securities sold during the period. Cumulative realized losses on the sales of securities for the three months ended October 31, 2022 were \$85 million, net, and cumulative realized gains for the nine months ended October 31, 2022 were \$24 million, net, respectively.

#### **4. Fair Value Measurement**

The Company uses a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

- Level 1.** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2.** Significant other inputs that are directly or indirectly observable in the marketplace.
- Level 3.** Significant unobservable inputs which are supported by little or no market activity.

All of the Company's cash equivalents, marketable securities and foreign currency derivative contracts are classified within Level 1 or Level 2 because the Company's cash equivalents, marketable securities and foreign currency derivative contracts are valued using quoted market prices or alternative pricing sources and models utilizing observable market inputs.

The following table presents information about the Company's assets and liabilities that were measured at fair value as of October 31, 2022 and indicates the fair value hierarchy of the valuation (in millions):

<u>Description</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Fair Value</u>
Cash equivalents (1):				
Time deposits	\$ 0	\$ 1,777	\$ 0	\$ 1,777
Money market mutual funds	779	0	0	779
Cash equivalent securities	0	907	0	907
Marketable securities:				
Corporate notes and obligations	0	3,749	0	3,749
U.S. treasury securities	0	343	0	343
Mortgage-backed obligations	0	270	0	270
Asset-backed securities	0	1,068	0	1,068
Municipal securities	0	246	0	246
Commercial paper	0	0	0	0
Covered bonds	0	103	0	103
Other	0	63	0	63
Strategic investments:				
Equity securities	179	0	0	179
Total assets	<u>\$ 958</u>	<u>\$ 8,526</u>	<u>\$ 0</u>	<u>\$ 9,484</u>

(1) Included in "cash and cash equivalents" in the accompanying condensed consolidated balance sheets in addition to \$2.6 billion of cash, as of October 31, 2022.

The following table presents information about the Company's assets and liabilities that were measured at fair value as of January 31, 2022 and indicates the fair value hierarchy of the valuation (in millions):

<u>Description</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Fair Value</u>
Cash equivalents (1):				
Time deposits	\$ 0	\$ 1,171	\$ 0	\$ 1,171
Money market mutual funds	1,426	0	0	1,426
Cash equivalent securities	0	106	0	106
Marketable securities:				
Corporate notes and obligations	0	3,121	0	3,121
U.S. treasury securities	0	202	0	202
Mortgage-backed obligations	0	225	0	225
Asset-backed securities	0	1,051	0	1,051
Municipal securities	0	223	0	223
Commercial paper	0	27	0	27
Covered bonds	0	210	0	210
Other	0	14	0	14
Strategic investments:				
Equity securities	370	0	0	370
Total assets	<u>\$ 1,796</u>	<u>\$ 6,350</u>	<u>\$ 0</u>	<u>\$ 8,146</u>

(1) Included in "cash and cash equivalents" in the accompanying condensed consolidated balance sheets in addition to \$2.8 billion of cash, as of January 31, 2022.

### ***Strategic Investments Measured and Recorded at Fair Value on a Non-Recurring Basis***

The Company's privately held debt and equity securities and other investments are recorded at fair value on a non-recurring basis. The estimation of fair value for these investments requires the use of significant unobservable inputs, and as a result, the Company deems these assets as Level 3 within the fair value measurement framework. For investments without a readily determinable fair value, the Company applies valuation methods based on information available, including the market approach and option pricing models ("OPM"). Observable transactions, such as the issuance of new equity by an investee, are indicators of investee enterprise value and are used to estimate the fair value of the Company's investments. An OPM may be utilized to allocate value to the various classes of securities of the investee, including classes owned by the Company. Such information, available to the Company from investee companies, is supplemented with estimates such as volatility, expected time to liquidity and the rights and obligations of the securities the Company holds. The Company's privately held debt and equity securities and other investments amounted to \$4.9 billion and \$4.4 billion as of October 31, 2022 and January 31, 2022, respectively.

## **5. Leases and Other Commitments and Other Balance Sheet Accounts**

### ***Leases***

The Company has operating leases for corporate offices, data centers and equipment under non-cancelable operating leases with various expiration dates.

Total operating lease costs were \$239 million and \$294 million for the three months ended October 31, 2022 and 2021, respectively, and \$692 million and \$818 million for the nine months ended October 31, 2022 and 2021, respectively.

As of October 31, 2022, the maturities of lease liabilities under non-cancelable operating and finance leases were as follows (in millions):

	Operating Leases	Finance Leases
<b>Fiscal Period:</b>		
Remaining three months of fiscal 2023	\$ 137	\$ 52
Fiscal 2024	568	217
Fiscal 2025	555	208
Fiscal 2026	490	144
Fiscal 2027	444	42
Thereafter	1,583	0
Total minimum lease payments	3,777	663
Less: Imputed interest	(379)	(17)
Total	\$ 3,398	\$ 646

As of October 31, 2022, the Company has additional operating leases that have not yet commenced totaling \$450 million and therefore, are not reflected on the condensed consolidated balance sheets and tables above. These operating leases include agreements for office facilities to be constructed. These operating leases will commence between fiscal year 2023 and fiscal year 2025 with lease terms of 2 to 17 years.

### ***Other Balance Sheet Accounts***

Accounts payable, accrued expenses and other liabilities as of October 31, 2022 included approximately \$1.9 billion of accrued compensation as compared to \$2.4 billion as of January 31, 2022.

## 6. Business Combinations

In April 2022, the Company acquired all outstanding stock of Traction Sales and Marketing Inc. ("Traction on Demand"), a professional services firm that provides innovative and critical solutions to clients using the Company's service offerings and other advanced cloud technologies. The acquisition date fair value of the consideration transferred for Traction on Demand was approximately \$340 million, which consisted primarily of \$302 million in cash. The Company recorded approximately \$62 million for customer relationships with estimated useful lives of five years. The Company recorded approximately \$293 million of goodwill which is primarily attributed to the assembled workforce. For the goodwill balance, there is some basis for foreign income tax purposes but no basis for U.S. income tax purposes. The fair values assigned to tangible assets acquired and liabilities assumed are based on management's estimates and assumptions and may be subject to change as additional information is received and certain tax returns are finalized. The primary areas that remain preliminary relate to the fair values of intangible assets acquired, certain tangible assets and liabilities acquired, legal and other contingencies as of the acquisition date, income and non-income-based taxes and residual goodwill. The Company expects to finalize the valuation as soon as practicable, but not later than one year from the acquisition date. The Company has included the financial results of Traction on Demand in its condensed consolidated financial statements from the date of acquisition, which were not material. The transaction costs associated with the acquisition were not material.

## 7. Intangible Assets Acquired Through Business Combinations and Goodwill

### *Intangible Assets Acquired Through Business Combinations*

Intangible assets acquired through business combinations were as follows (in millions):

	Intangible Assets, Gross			Accumulated Amortization			Intangible Assets, Net		Weighted Average Remaining Useful Life (Years)
	January 31, 2022	Additions and retirements, net	October 31, 2022	January 31, 2022	Expense and retirements, net	October 31, 2022	January 31, 2022	October 31, 2022	October 31, 2022
Acquired developed technology	\$ 5,633	\$ 36	\$ 5,669	\$ (2,263)	\$ (785)	\$ (3,048)	\$ 3,370	\$ 2,621	3.0
Customer relationships	6,995	62	7,057	(1,662)	(655)	(2,317)	5,333	4,740	5.9
Other (1)	345	0	345	(70)	(38)	(108)	275	237	4.7
Total	<u>\$ 12,973</u>	<u>\$ 98</u>	<u>\$ 13,071</u>	<u>\$ (3,995)</u>	<u>\$ (1,478)</u>	<u>\$ (5,473)</u>	<u>\$ 8,978</u>	<u>\$ 7,598</u>	4.9

(1) Included in other are in-place leases, trade names, trademarks and territory rights.

Amortization of intangible assets resulting from business combinations for the three months ended October 31, 2022 and 2021 was \$474 million and \$508 million, respectively, and for the nine months ended October 31, 2022 and 2021 was \$1.5 billion and \$1.1 billion, respectively.

The expected future amortization expense for intangible assets as of October 31, 2022 was as follows (in millions):

<b>Fiscal Period:</b>	
Remaining three months of fiscal 2023	\$ 473
Fiscal 2024	1,869
Fiscal 2025	1,597
Fiscal 2026	1,355
Fiscal 2027	990
Thereafter	1,314
Total amortization expense	<u>\$ 7,598</u>

### *Customer Contract Assets Acquired Through Business Combinations*

Customer contract assets resulting from business combinations reflect the fair value of future billings of amounts that are contractually committed by acquired companies' existing customers as of the acquisition date. Customer contract assets are amortized over the corresponding assumed contract terms. Customer contract assets resulting from business combinations were \$38 million and \$79 million as of October 31, 2022 and January 31, 2022, respectively, and are included in other assets on the condensed consolidated balance sheets.

### *Goodwill*

Goodwill represents the excess of the purchase price in a business combination over the fair value of net assets acquired.

The changes in the carrying amounts of goodwill, which is generally not deductible for tax purposes, were as follows (in millions):

Balance as of January 31, 2022	\$	47,937
Traction on Demand		293
Other acquisitions and adjustments (1)		325
Balance as of October 31, 2022	\$	48,555

(1) Adjustments include measurement period adjustments for business combinations from the prior year, including approximately \$249 million related to our July 2021 acquisition of Slack Technologies, Inc. (“Slack”) and the effect of foreign currency translation.

## 8. Debt

The carrying values of the Company's borrowings were as follows (in millions):

Instrument	Date of Issuance	Maturity Date	Contractual Interest Rate	Outstanding Principal as of October 31, 2022	October 31, 2022	January 31, 2022
2023 Senior Notes	April 2018	April 2023	3.25 %	\$ 1,000	\$ 999	\$ 998
Loan assumed on 50 Fremont	February 2015	June 2023	3.75	183	183	186
2024 Senior Notes	July 2021	July 2024	0.625	1,000	998	997
2028 Senior Notes	April 2018	April 2028	3.70	1,500	1,493	1,492
2028 Senior Sustainability Notes	July 2021	July 2028	1.50	1,000	992	990
2031 Senior Notes	July 2021	July 2031	1.95	1,500	1,489	1,488
2041 Senior Notes	July 2021	July 2041	2.70	1,250	1,234	1,234
2051 Senior Notes	July 2021	July 2051	2.90	2,000	1,977	1,976
2061 Senior Notes	July 2021	July 2061	3.05	1,250	1,235	1,235
Total carrying value of debt				\$ 10,683	10,600	10,596
Less current portion of debt					(1,182)	(4)
Total noncurrent debt					\$ 9,418	\$ 10,592

The Company was in compliance with all debt covenants as of October 31, 2022.

The total estimated fair value of the Company's outstanding senior unsecured notes (the “Senior Notes”) above was \$8.3 billion and \$10.3 billion as of October 31, 2022 and January 31, 2022, respectively. The fair value was determined based on the closing trading price per \$100 of the Senior Notes as of the last day of the third quarter of trading of fiscal 2023 and the last day of trading of fiscal 2022, respectively, and are deemed Level 2 liabilities within the fair value measurement framework.

The contractual future principal payments for all borrowings as of October 31, 2022 were as follows (in millions):

<b>Fiscal Period:</b>	
Remaining three months of fiscal 2023	\$ 1
Fiscal 2024	1,182
Fiscal 2025	1,000
Fiscal 2026	0
Fiscal 2027	0
Thereafter	8,500
Total principal outstanding	\$ 10,683

### Revolving Credit Facility

In December 2020, the Company entered into a Credit Agreement with Citibank, N.A., as administrative agent, and certain other institutional lenders (the “Revolving Loan Credit Agreement”) that provides for a \$3.0 billion unsecured revolving credit facility (“Credit Facility”) and matures in December 2025. The Company may use the proceeds of future borrowings under the Credit Facility for general corporate purposes, which may include, without limitation, financing the consideration for, fees, costs and expenses related to any acquisition. In April 2022, the Company amended the Revolving Loan Credit Agreement to reflect certain administrative changes.



There were no outstanding borrowings under the Credit Facility as of October 31, 2022. The Company continues to pay a commitment fee on the available amount of the Credit Facility, which is included within other expense in the Company's condensed consolidated statements of operations.

## 9. Stockholders' Equity

Stock option activity for the nine months ended October 31, 2022 was as follows:

	Options Outstanding		
	Outstanding Stock Options (in millions)	Weighted-Average Exercise Price	Aggregate Intrinsic Value (in millions)
Balance as of January 31, 2022	21	\$ 156.34	
Options granted under all plans	7	208.15	
Exercised	(2)	102.01	
Plan shares expired or canceled	(2)	185.55	
Balance as of October 31, 2022	24	\$ 174.52	\$ 409
Vested or expected to vest	23	\$ 172.17	\$ 405
Exercisable as of October 31, 2022	12	\$ 143.61	\$ 355

Restricted stock activity for the nine months ended October 31, 2022 was as follows:

	Restricted Stock Outstanding		
	Outstanding (in millions)	Weighted-Average Grant Date Fair Value	Aggregate Intrinsic Value (in millions)
Balance as of January 31, 2022	27	\$ 202.85	
Granted - restricted stock units and awards	17	205.20	
Granted - performance-based stock units	1	203.28	
Canceled	(4)	202.94	
Vested and converted to shares	(10)	195.29	
Balance as of October 31, 2022	31	\$ 206.48	\$ 5,091
Expected to vest	27		\$ 4,393

The aggregate expected stock-based compensation expense remaining to be recognized as of October 31, 2022 was as follows (in millions):

Fiscal Period:	
Remaining three months of fiscal 2023	\$ 842
Fiscal 2024	2,515
Fiscal 2025	1,873
Fiscal 2026	1,151
Thereafter	178
Total stock-based compensation expense	\$ 6,559

The aggregate expected stock-based compensation expense remaining to be recognized reflects only outstanding stock awards as of October 31, 2022 and assumes no forfeiture activity.

## ***Share Repurchase Program***

In August 2022, the Board of Directors authorized a program to repurchase up to \$10.0 billion of the Company's common stock (the "Share Repurchase Program"). The Share Repurchase Program does not have a fixed expiration date and does not obligate the Company to acquire any specific number of shares. Under the Share Repurchase Program, shares of common stock may be repurchased using a variety of methods, including privately negotiated and/or open market transactions, including under plans complying with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as part of accelerated share repurchases and other methods. The timing, manner, price and amount of any repurchases are determined by the Company in its discretion and depend on a variety of factors, including legal requirements, price and economic and market conditions.

The Company accounts for treasury stock under the cost method.

During three months ended October 31, 2022, the Company repurchased approximately 11 million shares of its common stock for approximately \$1.7 billion at an average price per share of \$152.66. All repurchases were made in open market transactions. As of October 31, 2022, the Company was authorized to purchase a remaining \$8.3 billion of our common stock under the Share Repurchase Program.

## **10. Income Taxes**

### ***Effective Tax Rate***

The Company computes its year-to-date provision for income taxes by applying the estimated annual effective tax rate to year-to-date pretax income or loss and adjusts the provision for discrete tax items recorded in the period. For the nine months ended October 31, 2022, the Company reported a tax provision of \$321 million on pretax income of \$627 million, which resulted in an effective tax rate of 51 percent. The Company's effective tax rate differs from the U.S. statutory rate of 21 percent primarily due to profitable jurisdictions outside of the United States subject to tax rates greater than 21 percent and withholding taxes.

For the nine months October 31, 2021, the Company reported a tax provision of \$257 million on pretax income of \$1.7 billion, which resulted in an effective tax rate of 15 percent. The Company's effective tax rate differs from the U.S. statutory rate of 21 percent primarily due to profitable jurisdictions outside of the United States subject to tax rates greater than 21 percent, offset by excess tax benefits from stock-based compensation.

### ***Unrecognized Tax Benefits and Other Considerations***

The Company records liabilities related to its uncertain tax positions. Tax positions for the Company and its subsidiaries are subject to income tax audits by multiple tax jurisdictions throughout the world. Certain prior year tax returns are currently being examined by various taxing authorities in countries including the United States and Germany. The Company believes that it has provided adequate reserves for its income tax uncertainties in all open tax years. As the outcome of the tax audits cannot be predicted with certainty, if any issues arising in the Company's tax audits progress in a manner inconsistent with management's expectations, the Company could adjust its provision for income taxes in the future. In addition, the Company anticipates it is reasonably possible that an inconsequential decrease of its unrecognized tax benefits may occur in the next 12 months, as the applicable statutes of limitations lapse, ongoing examinations are completed, or tax positions meet the conditions of being effectively settled.

## **11. Net Income Per Share**

Basic earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding for the fiscal period. Diluted earnings per share is computed by giving effect to all potential weighted average dilutive common stock, including options and restricted stock units. The dilutive effect of outstanding awards is reflected in diluted earnings per share by application of the treasury stock method.

A reconciliation of the denominator used in the calculation of basic and diluted earnings per share is as follows (in millions):

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2022	2021	2022	2021
<b>Numerator:</b>				
Net income	\$ 210	\$ 468	\$ 306	\$ 1,472
<b>Denominator:</b>				
Weighted-average shares outstanding for basic earnings per share	997	980	995	945
Effect of dilutive securities:				
Employee stock awards	3	21	6	19
Adjusted weighted-average shares outstanding and assumed conversions for diluted earnings per share	1,000	1,001	1,001	964

The weighted-average number of shares outstanding used in the computation of diluted earnings per share does not include the effect of the following potentially outstanding common stock. The effects of these potentially outstanding shares were not included in the calculation of diluted earnings per share because the effect would have been anti-dilutive (in millions):

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2022	2021	2022	2021
Employee stock awards	44	2	37	4

## 12. Legal Proceedings and Claims

In the ordinary course of business, the Company is or may be involved in various legal or regulatory proceedings, claims or purported class actions related to alleged infringement of third-party patents and other intellectual property rights, commercial, corporate and securities, labor and employment, wage and hour and other claims. The Company has been, and may in the future be put on notice or sued by third parties for alleged infringement of their proprietary rights, including patent infringement.

In general, the resolution of a legal matter could prevent the Company from offering its service to others, could be material to the Company's financial condition or cash flows, or both, or could otherwise adversely affect the Company's reputation and future operating results.

The Company makes a provision for a liability relating to legal matters when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, estimated settlements, legal rulings, advice of legal counsel and other information and events pertaining to a particular matter. The outcomes of legal proceedings and other contingencies are, however, inherently unpredictable and subject to significant uncertainties. At this time, the Company is not able to reasonably estimate the amount or range of possible losses in excess of any amounts accrued, including losses that could arise as a result of application of non-monetary remedies, with respect to the contingencies it faces, and the Company's estimates may not prove to be accurate.

In management's opinion, resolution of all current matters, including all those described below, is not expected to have a material adverse impact on the Company's financial statements. However, depending on the nature and timing of any such dispute, payment or other contingency, the resolution of a matter could materially affect the Company's current or future results of operations or cash flows, or both, in a particular quarter.

### *Slack Litigation*

Beginning in September 2019, seven purported class action lawsuits were filed against Slack, its directors, certain of its officers and certain investment funds associated with certain of its directors, each alleging violations of securities laws in connection with Slack's registration statement on Form S-1 (the "Registration Statement") filed with the SEC. All but one of these actions were filed in the Superior Court of California for the County of San Mateo, though one plaintiff originally filed in the County of San Francisco before refile in the County of San Mateo (and the original San Francisco action was dismissed). The remaining action was filed in the U.S. District Court for the Northern District of California (the "Federal Action"). In the Federal Action, captioned *Dennee v. Slack Technologies, Inc.*, Case No. 3:19-CV-05857-SI, Slack and the other defendants filed a motion to dismiss the complaint in January 2020. In April 2020, the court granted in part and denied in part the motion to dismiss. In May 2020, Slack and the other defendants filed a motion to certify the court's order for interlocutory appeal, which the court granted. Slack and the other defendants filed a petition for permission to appeal the district court's order to the Ninth Circuit Court of Appeals, which was granted in July 2020. Oral argument was heard in May 2021. On September 20, 2021, the Ninth Circuit affirmed the district court's ruling. Slack filed a petition for rehearing with the Ninth Circuit on November 3,

2021, which was denied on May 2, 2022. Slack filed a petition for a writ of certiorari with the U.S. Supreme Court on August 31, 2022, which remains pending. The state court actions were consolidated in November 2019, and the consolidated action is captioned In re Slack Technologies, Inc. Shareholder Litigation, Lead Case No. 19CIV05370 (the “State Court Action”). An additional state court action was filed in San Mateo County in June 2020 but was consolidated with the State Court Action in July 2020. Slack and the other defendants filed demurrers to the complaint in the State Court Action in February 2020. In August 2020, the court sustained in part and overruled in part the demurrers, and granted plaintiffs leave to file an amended complaint, which they filed in October 2020. Slack and the other defendants answered the complaint in November 2020. Plaintiffs filed a motion for class certification on October 21, 2021, which remains pending. On October 26, 2022, the court stayed the State Court Action pending of Slack’s petition for a writ of certiorari in the Federal Action. The Federal Action and the State Court Action seek unspecified monetary damages and other relief on behalf of investors who purchased Slack’s Class A common stock issued pursuant and/or traceable to the Registration Statement.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended ("Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended ("Exchange Act"). Words such as "expects," "anticipates," "aims," "projects," "intends," "plans," "believes," "estimates," "seeks," "assumes," "may," "should," "could," "would," "foresees," "forecasts," "predicts," "targets," "commitments," variations of such words and similar expressions are intended to identify such forward-looking statements, which may consist of, among other things, trend analyses and statements regarding future events, future financial performance, anticipated growth, and industry prospects. These forward-looking statements are based on current expectations, estimates and forecasts, as well as the beliefs and assumptions of our management, and are subject to risks and uncertainties that are difficult to predict, including: the impact of, and actions we may take in response to, the COVID-19 pandemic and related public health measures; our ability to maintain security levels and service performance meeting the expectations of our customers, and the resources and costs required to avoid unanticipated downtime and prevent, detect and remediate performance degradation and security breaches; the expenses associated with our data centers and third-party infrastructure providers; our ability to secure additional data center capacity; our reliance on third-party hardware, software and platform providers; the effect of evolving domestic and foreign government regulations, including those related to the provision of services on the Internet, those related to accessing the Internet, and those addressing data privacy, cross-border data transfers and import and export controls; current and potential litigation involving us or our industry, including litigation involving acquired entities such as Tableau Software, Inc. and Slack Technologies, Inc., and the resolution or settlement thereof; regulatory developments and regulatory investigations involving us or affecting our industry; our ability to successfully introduce new services and product features, including any efforts to expand our services; the success of our strategy of acquiring or making investments in complementary businesses, joint ventures, services, technologies and intellectual property rights; our ability to complete, on a timely basis or at all, announced transactions; our ability to realize the benefits from acquisitions, strategic partnerships, joint ventures and investments, including our July 2021 acquisition of Slack Technologies, Inc., and successfully integrate acquired businesses and technologies; our ability to compete in the markets in which we participate; the success of our business strategy and our plan to build our business, including our strategy to be a leading provider of enterprise cloud computing applications and platforms; our ability to execute our business plans; our ability to continue to grow unearned revenue and remaining performance obligation; the pace of change and innovation in enterprise cloud computing services; the seasonal nature of our sales cycles; our ability to limit customer attrition and costs related to those efforts; the success of our international expansion strategy; the demands on our personnel and infrastructure resulting from significant growth in our customer base and operations, including as a result of acquisitions; our ability to preserve our workplace culture, including as a result of our decisions regarding our current and future office environments or work-from-home policies; our dependency on the development and maintenance of the infrastructure of the Internet; our real estate and office facilities strategy and related costs and uncertainties; fluctuations in, and our ability to predict, our operating results and cash flows; the variability in our results arising from the accounting for term license revenue products; the performance and fair value of our investments in complementary businesses through our strategic investment portfolio; the impact of future gains or losses from our strategic investment portfolio, including gains or losses from overall market conditions that may affect the publicly traded companies within our strategic investment portfolio; our ability to protect our intellectual property rights; our ability to develop our brands; the impact of foreign currency exchange rate and interest rate fluctuations on our results; the valuation of our deferred tax assets and the release of related valuation allowances; the potential availability of additional tax assets in the future; the impact of new accounting pronouncements and tax laws; uncertainties affecting our ability to estimate our tax rate; uncertainties regarding our tax obligations in connection with potential jurisdictional transfers of intellectual property, including the tax rate, the timing of the transfer and the value of such transferred intellectual property; uncertainties regarding the effect of general economic, business and market conditions, including inflationary pressures, general economic downturn or recession, market volatility, increasing interest rates and changes in monetary policy; the impact of geopolitical events; uncertainties regarding the impact of expensing stock options and other equity awards; the sufficiency of our capital resources; the ability to execute our Share Repurchase Program; our ability to comply with our debt covenants and lease obligations; the impact of climate change, natural disasters and actual or threatened public health emergencies; and our ability to achieve our aspirations, goals and projections related to our environmental, social and governance initiatives. These and other risks and uncertainties may cause our actual results to differ materially and adversely from those expressed in any forward-looking statements. Readers are directed to risks and uncertainties identified below under "Risk Factors" and elsewhere in this report for additional detail regarding factors that may cause actual results to be different than those expressed in our forward-looking statements. Except as required by law, we undertake no obligation to revise or update publicly any forward-looking statements for any reason.*

**Overview**

Salesforce, Inc. ("we") is a global leader in customer relationship management ("CRM") technology that brings companies and customers together in the digital age. Founded in 1999, we enable companies of every size and industry to take advantage of powerful technologies, including cloud, mobile, social, voice, blockchain and artificial intelligence to connect to their customers in a whole new way and help them transform their businesses around the customer in this digital-first world.

With our Customer 360 platform, we deliver a single source of truth, connecting customer data across systems, apps and devices to help companies with their digital transformation. Customer 360 gives teams sales, service, marketing and commerce capabilities and more, and a single shared view of their customers so they can work together to build lasting, trusted relationships and deliver the personalized experiences their customers expect. And with our acquisition of Slack Technologies, Inc. (“Slack”) in July 2021, we are creating a new digital headquarters, one where companies, employees, governments, and stakeholders can create success from anywhere.

### Highlights from the First Nine Months of Fiscal 2023

- **Revenue:** For the nine months ended October 31, 2022, revenue was \$23.0 billion, an increase of 20 percent year-over-year.
- **Earnings per Share:** For the nine months ended October 31, 2022, diluted earnings per share was \$0.31 as compared to diluted earnings per share of \$1.53 from a year ago.
- **Cash:** Cash provided by operations for the nine months ended October 31, 2022 was \$4.3 billion, an increase of 8 percent year-over-year. Total cash, cash equivalents and marketable securities as of October 31, 2022 was \$11.9 billion.
- **Remaining Performance Obligation:** Total remaining performance obligation as of October 31, 2022 was approximately \$40.0 billion, an increase of 10 percent year-over-year. Current remaining performance obligation as of October 31, 2022 was approximately \$20.9 billion, an increase of 11 percent year-over-year.
- **Share Repurchase Program:** In August 2022, our Board of Directors authorized a program to repurchase up to \$10.0 billion of our common stock. During three months ended October 31, 2022, we repurchased approximately 11 million shares of our common stock for approximately \$1.7 billion. As of October 31, 2022, we were authorized to purchase a remaining \$8.3 billion of our common stock under the Share Repurchase Program.

While we continue to see growth in our total revenues, macroeconomic factors have impacted our business and our customers’ businesses in ways that are difficult to isolate and quantify. Beginning in July 2022, we saw more measured buying behavior from our customers resulting in stretched sales cycles, additional approval layers required from our customers and deal compression. These trends continued in the third quarter of fiscal 2023 as we saw a more challenging buying environment and our customers incrementally scrutinized their purchasing decisions. However, there was no material impact to our consolidated revenues for the three and nine months ended October 31, 2022 or our remaining performance obligation as of October 31, 2022. The outlook for the macroeconomic environment and its impact on our business remains uncertain. Slower growth in new and renewal business impacts our future results and projections. The slower growth in new and renewal business, particularly if sustained, could impact our remaining performance obligation or revenues, and our ability to meet financial guidance and long term targets.

In addition, the expanding global scope of our business and the heightened volatility of global markets, expose us to the risk of fluctuations in foreign currency markets. Foreign currency fluctuations negatively impacted revenues by approximately four percent in the three months ended October 31, 2022 and negatively impacted our current remaining performance obligation by approximately four percent as of October 31, 2022 compared to what we would have reported as of October 31, 2021 using constant currency rates. Recently the United States Dollar has strengthened significantly against certain foreign currencies in the markets in which we operate, particularly against the Euro, British Pound Sterling, and Japanese Yen. Based on the continued volatility in foreign currency markets, we expect lower revenue growth in the near-term compared to past results. If these conditions continue throughout the remainder of fiscal 2023, they could have a material adverse impact on our near-term results and our ability to accurately predict our future results and earnings. The impact of these fluctuations could also be compounded by the seasonality of our business in which our fourth quarter has historically been our strongest quarter for new business and renewals.

We continue to focus on several key growth levers, including driving multiple service offering adoption, increasing our penetration with enterprise and international customers and our industry-specific reach with more vertical software solutions. These growth levers often require a more sophisticated go-to-market approach and, as a result, we may incur additional costs upfront to obtain new customers and expand our relationships with existing customers, including additional sales and marketing expenses specific to subscription and support revenue. As a result, we have seen that customers with many of these characteristics have lower attrition rates than our company average. We plan to continue to reinvest a portion of our income from operations in future periods to grow and innovate our business and service offerings and expand our leadership role in the cloud computing industry. We drive innovation organically and, to a lesser extent, through acquisitions.

We evaluate acquisitions and investment opportunities in complementary businesses, services, technologies and intellectual property rights in an effort to expand our service offerings and to nurture the overall ecosystem for our offerings. Past acquisitions have enabled us to deliver innovative solutions in new categories, including analytics, integration and collaboration. We expect to make investments and acquisitions in the future to continue our growth and expand our service

offerings and our professional services organization in supporting the adoption of our service offerings. As a result of our aggressive growth plans and integration of our previously acquired businesses, we have incurred significant expenses for equity awards and amortization of purchased intangibles, which have reduced our operating income.

### **Fiscal Year**

Our fiscal year ends on January 31. References to fiscal 2023, for example, refer to the fiscal year ending January 31, 2023.

### **Operating Segments**

We operate as one segment. See Note 1 “Summary of Business and Significant Accounting Policies” to the condensed consolidated financial statements for a discussion about our segments.

### **Sources of Revenues**

We derive our revenues from two sources: subscription and support revenues and professional services and other revenues. Subscription and support revenues accounted for approximately 92 percent of our total revenues for the nine months ended October 31, 2022.

Subscription and support revenues include subscription fees from customers accessing our enterprise cloud computing services (collectively, "Cloud Services"), software license revenues from the sales of term and perpetual licenses, and support revenues from the sale of support and updates beyond the basic subscription fees or related to the sales of software licenses. Our Cloud Services allow customers to use our multi-tenant software without taking possession of the software. Revenue is generally recognized ratably over the contract term. Subscription and support revenues also include revenues associated with term and perpetual software licenses that provide the customer with a right to use the software as it exists when made available. Revenues from software licenses are generally recognized at the point in time when the software is made available to the customer. Revenue from support and updates is recognized as such support and updates are provided, which is generally ratably over the contract term. Changes in contract duration for multi-year licenses can impact the amount of revenues recognized upfront. Revenues from software licenses represent less than ten percent of total subscription and support revenue for the nine months ended October 31, 2022.

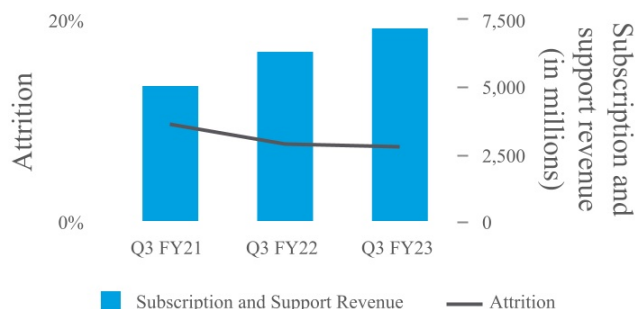
The revenue growth rates of each of our service offerings, as described below in “Results of Operations,” fluctuate from quarter to quarter and over time. Additionally, we manage the total balanced product portfolio to deliver solutions to our customers and, as a result, the revenue result for each offering is not necessarily indicative of the results to be expected for any subsequent quarter. In addition, some of our Cloud Service offerings have similar features and functions. For example, customers may use our Sales, Service or Platform service offerings to record account and contact information, which are similar features across these service offerings. Depending on a customer’s actual and projected business requirements, more than one service offering may satisfy the customer’s current and future needs. We record revenue based on the individual products ordered by a customer, not according to the customer’s business requirements and usage.

Our growth in revenues is also impacted by attrition. Attrition represents the reduction or loss of the annualized value of our contracts with customers. We calculate our attrition rate at a point in time on a trailing twelve-month basis as of the end of each month. As of October 31, 2022, our attrition rate, excluding MuleSoft, Tableau and Slack, was below 7.5 percent. While our attrition rate is difficult to predict, we expect it to remain consistent for the near term due to the diversity of size, industry and geography within the customer base. However, our attrition rate may increase over time.

We continue to maintain a variety of customer programs and initiatives, which, along with increasing enterprise adoption, have helped keep our attrition rate consistent as compared to the prior year. Consistent attrition rates play a role in our ability to maintain growth in our subscription and support revenues.



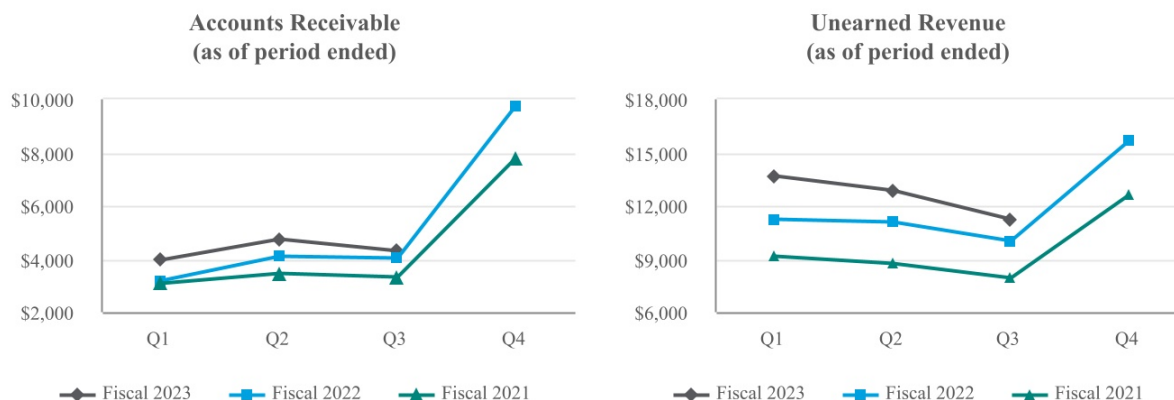
### Attrition and Subscription and Support Revenue



### Seasonal Nature of Unearned Revenue, Accounts Receivable and Operating Cash Flow

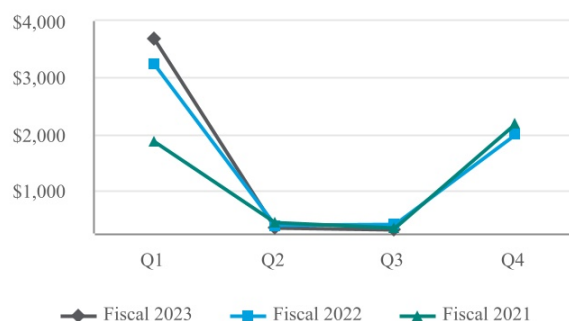
Unearned revenue primarily consists of billings to customers for our subscription service. Over 90 percent of the value of our billings to customers is for our subscription and support service. We generally invoice our customers in advance, in annual installments, and typical payment terms provide that our customers pay us within 30 days of invoice. Amounts that have been invoiced are recorded in accounts receivable and in unearned revenue or in revenue depending on whether transfer of control to customers has occurred. In general, we collect our billings in advance of the subscription service period. We typically issue renewal invoices in advance of the renewal service period, and depending on timing, the initial invoice for the subscription and services contract and the subsequent renewal invoice may occur in different quarters. There is a disproportionate weighting toward annual billings in the fourth quarter, primarily as a result of large enterprise account buying patterns. Our fourth quarter has historically been our strongest quarter for new business and renewals. The year-on-year compounding effect of this seasonality in both billing patterns and overall new and renewal business causes the value of invoices that we generate in the fourth quarter for both new business and renewals to increase as a proportion of our total annual billings. Accordingly, because of this billing activity, our first quarter is typically our largest collections and operating cash flow quarter. Generally, our third quarter has historically been our smallest operating cash flow quarter. Unearned revenues, accounts receivable and operating cash flow may also be impacted by acquisitions. For example, operating cash flows may be adversely impacted by acquisitions due to transaction costs, financing costs such as interest expense and lower operating cash flows from the acquired entity.

The sequential quarterly changes in accounts receivable and the related unearned revenue and operating cash flow during the first quarter of our fiscal year are not necessarily indicative of the billing activity that occurs for the following quarters as displayed below (in millions).





**Net Cash Provided by Operating Activities**  
(three months ended)



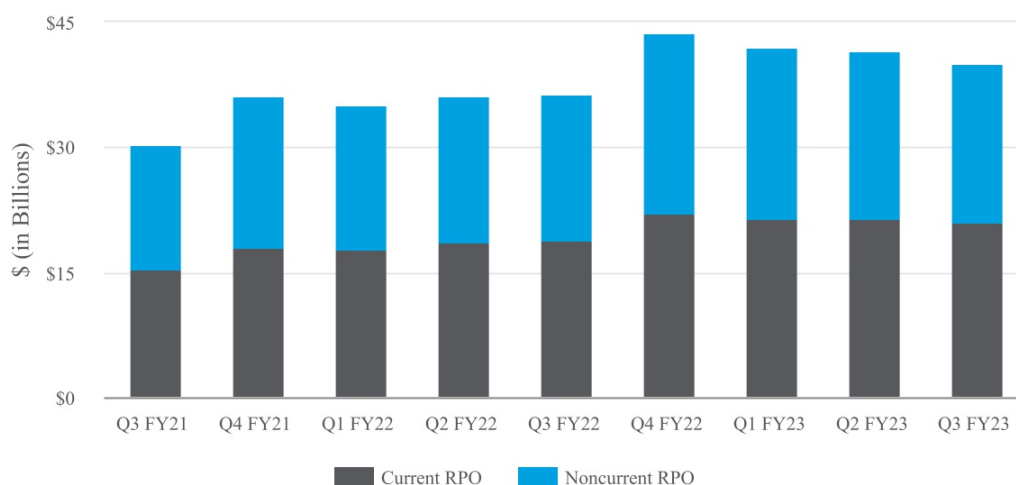
### **Remaining Performance Obligation**

Our remaining performance obligation represents all future revenue under contract that has not yet been recognized as revenue and includes unearned revenue and unbilled amounts. Our current remaining performance obligation represents future revenue under contract that is expected to be recognized as revenue in the next 12 months.

Remaining performance obligation is not necessarily indicative of future revenue growth and is influenced by several factors, including seasonality, the timing of renewals, average contract terms, foreign currency exchange rates and fluctuations in new business growth. Remaining performance obligation is also impacted by acquisitions. Unbilled portions of the remaining performance obligation denominated in foreign currencies are revalued each period based on the period end exchange rates. For multi-year subscription agreements billed annually, the associated unbilled balance and corresponding remaining performance obligation are typically high at the beginning of the contract period, zero just prior to renewal, and increase if the agreement is renewed. Low remaining performance obligation attributable to a particular subscription agreement is often associated with an impending renewal but may not be an indicator of the likelihood of renewal or future revenue from such customer. Changes in contract duration or the timing of delivery of professional services can impact remaining performance obligation as well as the allocation between current and non-current remaining performance obligation.

Remaining performance obligation consisted of the following:

**Remaining Performance Obligation (RPO)**  
(as of period ended)



## **Cost of Revenues and Operating Expenses**

### ***Cost of Revenues***

Cost of subscription and support revenues primarily consists of expenses related to delivering our service and providing support, including the costs of data center capacity, certain fees paid to various third parties for the use of their technology, services and data, employee-related costs such as salaries and benefits, and allocated overhead. Our cost of subscription and support revenues also includes amortization of acquisition-related intangible assets, such as the amortization of the cost associated with an acquired company's research and development efforts. Also included in the cost of subscription and support revenues are expenses incurred supporting the free user base of Slack, including third-party hosting costs and employee-related costs, including stock-based compensation expense, specific to customer experience and technical operations.

Cost of professional services and other revenues consists primarily of employee-related costs associated with these services, including stock-based compensation expense, the cost of subcontractors, certain third-party fees and allocated overhead. We believe that our professional services organization facilitates the adoption of our service offerings, helps us to secure larger subscription revenue contracts and supports our customers' success. The cost of professional services may exceed revenues from professional services in future fiscal periods.

### ***Research and Development***

Research and development expenses consist primarily of salaries and related expenses, including stock-based compensation expense and allocated overhead.

### ***Marketing and Sales***

Marketing and sales expenses make up the majority of our operating expenses and consist primarily of salaries and related expenses, including stock-based compensation expense and commissions, for our sales and marketing staff, as well as payments to partners, marketing programs and allocated overhead. Marketing programs consist of advertising, events, corporate communications, brand building and product marketing activities. We capitalize certain costs to obtain customer contracts, such as commissions, and amortize these costs on a straight-line basis. As such, the timing of expense recognition for these commissions is not consistent with the timing of the associated cash payment.

Our marketing and sales expenses include amortization of acquisition-related intangible assets, such as the amortization of the cost associated with an acquired company's trade names, customer lists and customer relationships.

### ***General and Administrative***

General and administrative expenses consist primarily of salaries and related expenses, including stock-based compensation expense, for finance and accounting, legal, internal audit, human resources and management information systems personnel and professional services fees.

We allocate overhead such as information technology infrastructure, rent and occupancy charges based on headcount. Employee benefit costs and taxes are allocated based upon a percentage of total compensation expense. As such, these types of expenses are reflected in each cost of revenue and operating expense category.

## **Critical Accounting Policies and Estimates**

Our condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and related disclosures. On an ongoing basis, we evaluate our estimates and assumptions. Our actual results may differ from these estimates under different assumptions or conditions.

We believe that of our significant accounting policies, which are described in Note 1 "Summary of Business and Significant Accounting Policies" to our condensed consolidated financial statements, the following accounting policies and specific estimates involve a greater degree of judgment and complexity. Accordingly, these are the policies and estimates we believe are the most critical to aid in fully understanding and evaluating our consolidated financial condition and results of operations:

- the fair value of assets acquired and liabilities assumed for business combinations;
- the standalone selling price (SSP) of performance obligations for revenue contracts with multiple performance obligations;
- the valuation of privately held strategic investments, including impairment considerations;
- the recognition, measurement and valuation of current and deferred income taxes and uncertain tax positions; and
- the average period of benefit associated with costs capitalized to obtain revenue contracts.

These estimates may change, as new events occur and additional information is obtained, and such changes will be recognized in the condensed consolidated financial statements as soon as they become known. Actual results could differ from these estimates and any such differences may be material to our financial statements.

## Recent Accounting Pronouncements

See Note 1 “Summary of Business and Significant Accounting Policies” to the condensed consolidated financial statements for our discussion about new accounting pronouncements adopted.

## Results of Operations

The following tables set forth selected data for each of the periods indicated (in millions):

	Three Months Ended October 31,				Nine Months Ended October 31,			
	2022	% of Total Revenues	2021	% of Total Revenues	2022	% of Total Revenues	2021	% of Total Revenues
Revenues:								
Subscription and support	\$ 7,233	92 %	\$ 6,379	93 %	\$ 21,232	92 %	\$ 17,829	93 %
Professional services and other	604	8	484	7	1,736	8	1,337	7
Total revenues	7,837	100	6,863	100	22,968	100	19,166	100
Cost of revenues (1)(2):								
Subscription and support	1,451	19	1,335	20	4,381	19	3,603	19
Professional services and other	637	8	509	7	1,879	8	1,409	7
Total cost of revenues	2,088	27	1,844	27	6,260	27	5,012	26
Gross profit	5,749	73	5,019	73	16,708	73	14,154	74
Operating expenses (1)(2):								
Research and development	1,280	16	1,203	18	3,927	17	3,174	17
Marketing and sales	3,345	43	3,111	45	10,141	44	8,391	44
General and administrative	664	8	667	9	1,967	9	1,865	9
Total operating expenses	5,289	67	4,981	72	16,035	70	13,430	70
Income from operations	460	6	38	1	673	3	724	4
Gains on strategic investments, net	23	0	363	5	75	0	1,177	6
Other expense	(8)	0	(102)	(2)	(121)	0	(172)	(1)
Income before benefit from (provision for) income taxes	475	6	299	4	627	3	1,729	9
Benefit from (provision for) income taxes	(265)	(3)	169	3	(321)	(2)	(257)	(1)
Net income	\$ 210	3 %	\$ 468	7 %	\$ 306	1 %	\$ 1,472	8 %

(1) Amounts related to amortization of intangible assets acquired through business combinations, as follows (in millions):

	Three Months Ended October 31,				Nine Months Ended October 31,			
	2022	% of Total Revenues	2021	% of Total Revenues	2022	% of Total Revenues	2021	% of Total Revenues
Cost of revenues	\$ 250	3 %	\$ 272	4 %	\$ 785	3 %	\$ 624	3 %
Marketing and sales	224	3	236	3	693	3	491	3

(2) Amounts related to stock-based compensation expense, as follows (in millions):

	Three Months Ended October 31,				Nine Months Ended October 31,			
	2022	% of Total Revenues	2021	% of Total Revenues	2022	% of Total Revenues	2021	% of Total Revenues
Cost of revenues	\$ 130	2 %	\$ 103	1 %	\$ 372	2 %	\$ 280	2 %
Research and development	287	4	276	4	863	4	646	3
Marketing and sales	330	4	316	5	947	4	817	4
General and administrative	96	1	117	2	288	1	273	2

The following table sets forth selected balance sheet data and other metrics for each of the periods indicated (in millions, except remaining performance obligation, which is presented in billions):

	As of	
	October 31, 2022	January 31, 2022
Cash, cash equivalents and marketable securities	\$ 11,918	\$ 10,537
Unearned revenue	11,193	15,628
Remaining performance obligation	40.0	43.7
Principal due on our outstanding debt obligations (1)	10,683	10,686

(1) Amounts do not include operating or financing lease obligations.

Remaining performance obligation represents contracted revenue that has not yet been recognized, which includes unearned revenue and unbilled amounts that will be recognized as revenue in future periods.

### Impact of Acquisitions

The comparability of our operating results for the nine months ended October 31, 2022 compared to the same period in fiscal 2022 was impacted by our recent acquisitions, including the acquisition of Slack in July 2021, our largest acquisition to date. In our discussion of changes in our results of operations for the nine months ended October 31, 2022 compared to the same period in fiscal 2022, we may quantitatively disclose the impact of our acquired products and services for the one-year period subsequent to the acquisition date for the growth in certain of our revenues where such discussions would be meaningful. Expense contributions from our recent acquisitions for each of the respective period comparisons generally were not separately identifiable due to the integration of these businesses into our existing operations or were insignificant to our results of operations during the periods presented.

### Revenues

(in millions)	Three Months Ended October 31,		Variance	
	2022	2021	Dollars	Percent
Subscription and support	\$ 7,233	\$ 6,379	\$ 854	13 %
Professional services and other	604	484	120	25
Total revenues	\$ 7,837	\$ 6,863	\$ 974	14 %

(in millions)	Nine Months Ended October 31,		Variance	
	2022	2021	Dollars	Percent
Subscription and support	\$ 21,232	\$ 17,829	\$ 3,403	19 %
Professional services and other	1,736	1,337	399	30
Total revenues	\$ 22,968	\$ 19,166	\$ 3,802	20 %

The increase in subscription and support revenues for the three and nine months ended October 31, 2022 was primarily caused by volume-driven increases from new business, which includes new customers, upgrades, additional subscriptions from existing customers and acquisition activity. Pricing was not a significant driver of the increase in revenues for either period. Revenues from term and perpetual software licenses, which are recognized at a point in time, represent approximately five percent of total subscription and support revenues for the three and nine months ended October 31, 2022. Subscription and support revenues accounted for approximately 92 percent of our total revenues for the three and nine months ended October 31, 2022 and 2021, respectively.

For business combinations prior to fiscal 2023, we recorded unearned revenue related to acquired contracts from acquired entities at fair value on the date of acquisition. As a result, we did not recognize certain revenues related to these acquired contracts that the acquired entities would have otherwise recorded as an independent entity. In fiscal 2023, we adopted

Accounting Standards Update No. 2021-08, “Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers” (“ASU 2021-08”) which requires contract liabilities (i.e., unearned revenue) acquired in a business combination to be recognized and measured in accordance with ASC 606, *Revenue from Contracts with Customers*, thereby eliminating the previously unrecognized would-be revenue. The adoption of ASU 2021-08 did not materially impact our results of operations in fiscal 2023.

The increase in professional services and other revenues was due primarily to the higher demand for services from an increased number of customers.

#### *Subscription and Support Revenues by Service Offering*

Subscription and support revenues consisted of the following (in millions):

Three Months Ended October 31,						
	2022	As a % of Total Subscription and Support Revenues	2021	As a % of Total Subscription and Support Revenues	Growth Rate	
Sales	\$ 1,717	24 %	\$ 1,538	24 %	12 %	
Service	1,856	26	1,658	26	12	
Platform and Other	1,513	20	1,277	20	18	
Marketing and Commerce	1,129	16	1,006	16	12	
Data	1,018	14	900	14	13	
Total	\$ 7,233	100 %	\$ 6,379	100 %	13 %	

Nine Months Ended October 31,						
	2022	As a % of Total Subscription and Support Revenues	2021	As a % of Total Subscription and Support Revenues	Growth Rate	
Sales	\$ 5,044	24 %	\$ 4,403	25 %	15 %	
Service	5,445	26	4,764	27	14	
Platform and Other	4,410	20	3,159	18	40	
Marketing and Commerce	3,339	16	2,856	16	17	
Data	2,994	14	2,647	14	13	
Total	\$ 21,232	100 %	\$ 17,829	100 %	19 %	

Our Industry Offerings revenue is included in one of the above service offerings depending on the primary service purchased. Slack revenues are included in Platform and Other. Data is comprised of revenue from Analytics and Integration service offerings.

Data subscription and support revenues include revenues from term and perpetual software licenses, which are recognized at the point in time when the software is made available to the customer. Therefore, we expect Data to experience greater volatility in revenues period to period compared to our other service offerings. For example, in fiscal 2022, we made changes to our go-to-market organizations within our Data offering that created greater short-term disruption than anticipated, resulting in lower revenue growth in our Data offering in both the second half of fiscal 2022 and the first quarter of fiscal 2023. We did not see a material impact to Data revenues in the second and third quarters of fiscal 2023 due to these changes and do not expect these changes to have a material adverse effect on our business or our ability to meet our consolidated long-term revenue targets. We are starting to see the benefits of these changes to our Mulesoft offering and continue to make adjustments to reaccelerate our Tableau offering. Additionally, as we transition customers within the Data offering from term software licenses to subscription based services, revenue associated with such customers will generally be recognized ratably over the contract term, resulting in potentially less revenue in the period the customer transitions but potentially increasing revenues over the remaining term.

### Revenues by Geography

Three Months Ended October 31,					
(in millions)	2022	As a % of Total Revenues	2021	As a % of Total Revenues	Growth rate
Americas	\$ 5,361	68 %	\$ 4,638	68 %	16 %
Europe	1,745	23	1,581	23	10
Asia Pacific	731	9	644	9	14
	<u>\$ 7,837</u>	<u>100 %</u>	<u>\$ 6,863</u>	<u>100 %</u>	<u>14 %</u>

Nine Months Ended October 31,					
(in millions)	2022	As a % of Total Revenues	2021	As a % of Total Revenues	Growth rate
Americas	\$ 15,593	68 %	\$ 13,044	68 %	20 %
Europe	5,228	23	4,299	22	22
Asia Pacific	2,147	9	1,823	10	18
	<u>\$ 22,968</u>	<u>100 %</u>	<u>\$ 19,166</u>	<u>100 %</u>	<u>20 %</u>

Revenues by geography are determined based on the region of the Salesforce contracting entity, which may be different than the region of the customer. The increase in Americas revenues was the result of the increasing acceptance of our services and the investment of additional sales resources. The increase in revenues outside of the Americas was the result of the increasing acceptance of our services, our focus on marketing our services internationally and investment in additional international resources. Total revenue during the three months ended October 31, 2022 was negatively impacted by foreign currency fluctuations of approximately four percent compared to the three months ended October 31, 2021.

### Cost of Revenues

Three Months Ended October 31,					Variance
(in millions)	2022	As a % of Total Revenues	2021	As a % of Total Revenues	Dollars
Subscription and support	\$ 1,451	19 %	\$ 1,335	20 %	\$ 116
Professional services and other	637	8	509	7	128
Total cost of revenues	<u>\$ 2,088</u>	<u>27 %</u>	<u>\$ 1,844</u>	<u>27 %</u>	<u>\$ 244</u>

Nine Months Ended October 31,					Variance
(in millions)	2022	As a % of Total Revenues	2021	As a % of Total Revenues	Dollars
Subscription and support	\$ 4,381	19 %	\$ 3,603	19 %	\$ 778
Professional services and other	1,879	8	1,409	7	470
Total cost of revenues	<u>\$ 6,260</u>	<u>27 %</u>	<u>\$ 5,012</u>	<u>26 %</u>	<u>\$ 1,248</u>

For the three months ended October 31, 2022, the increase in cost of revenues was primarily due to an increase of \$137 million in employee-related costs, an increase of \$27 million in stock-based compensation expense and an increase of \$60 million in service delivery costs, primarily due to our efforts to increase data center capacity. For the nine months ended October 31, 2022, the increase in cost of revenues was primarily due to an increase of \$474 million in employee-related costs, an increase of \$92 million in stock-based compensation expense, an increase of \$261 million in service delivery costs, primarily due to our efforts to increase data center capacity, and an increase of amortization of purchased intangible assets of \$161 million.

We have increased our headcount by 32 percent since October 31, 2021 to meet the higher demand for services from our customers, and our fiscal 2023 acquisition of Traction on Demand also contributed to this increase. We intend to continue to invest in our enterprise cloud computing services and data center capacity to allow us to scale with our customers and continuously evolve our security measures. We also plan to utilize our professional services organization to facilitate the adoption of our services. The timing of the adoption of our services may impact our cost of revenues, both in terms of absolute dollars and as a percentage of revenues, in future periods.

## Operating Expenses

(in millions)	Three Months Ended October 31,				Variance
	2022	As a % of Total Revenues	2021	As a % of Total Revenues	Dollars
Research and development	\$ 1,280	16 %	\$ 1,203	18 %	\$ 77
Marketing and sales	3,345	43	3,111	45	234
General and administrative	664	8	667	9	(3)
Total operating expenses	\$ 5,289	67 %	\$ 4,981	72 %	\$ 308

(in millions)	Nine Months Ended October 31,				Variance
	2022	As a % of Total Revenues	2021	As a % of Total Revenues	Dollars
Research and development	\$ 3,927	17 %	\$ 3,174	17 %	\$ 753
Marketing and sales	10,141	44	8,391	44	1,750
General and administrative	1,967	9	1,865	9	102
Total operating expenses	\$ 16,035	70 %	\$ 13,430	70 %	\$ 2,605

For the three months ended October 31, 2022, the increase in research and development expenses was primarily due to an increase of approximately \$84 million in employee related costs, an increase in stock-based compensation expense of \$11 million and increases in our development and test data center costs. For the nine months ended October 31, 2022, the increase in research and development expenses was primarily due to an increase of approximately \$473 million in employee-related costs, an increase in stock-based compensation expense of \$217 million and increases in our development and test data center costs. Our research and development headcount increased by 11 percent since October 31, 2021 in order to improve and extend our service offerings, develop new technologies and integrate acquired companies. The increase in research and development expenses for the nine months ended October 31, 2022 was also impacted by the timing of the July 2021 acquisition of Slack. We expect that research and development expenses will increase in absolute dollars and may increase as a percentage of revenues in future periods as we continue to invest in the development of new, and the improvement of existing, technologies and to support the integration of acquired technologies.

For the three months ended October 31, 2022, the increase in marketing and sales expenses was primarily due to an increase of \$238 million in employee-related costs, which includes the amortization of deferred commissions, and an increase in stock-based compensation expense of \$14 million. For the nine months ended October 31, 2022, the increase in marketing and sales expenses was primarily due to an increase of \$1.1 billion in employee-related costs, which includes the amortization of deferred commissions, an increase of \$130 million in stock-based compensation and an increase in amortization of purchased intangibles of \$202 million. Our marketing and sales headcount increased by 11 percent since October 31, 2021, primarily due to hiring additional sales personnel to focus on adding new customers and increasing penetration within our existing customer base. The increase in marketing and sales expenses for the nine months ended October 31, 2022 was also impacted by the timing of the July 2021 acquisition of Slack. We expect that marketing and sales expenses will increase in absolute dollars and will remain consistent as a percentage of revenues in the near term.

For three months ended October 31, 2022, general and administrative expenses were relatively consistent with the prior period. The increase in general and administrative expenses for the nine months ended October 31, 2022 was impacted by the timing of the July 2021 acquisition of Slack. Our general and administrative headcount increased by seven percent since October 31, 2021 as we added personnel to support our growth. The nine months ended October 31, 2021 include transaction costs associated with our acquisition of Slack of approximately \$54 million. We expect that general and administrative expenses may increase in absolute dollars but will generally remain consistent as a percentage of revenue in the near term.

### Other Income and Expense

(in millions)	Three Months Ended October 31,		Variance
	2022	2021	Dollars
Gains on strategic investments, net	\$ 23	\$ 363	\$ (340)
Other expense	(8)	(102)	94

(in millions)	Nine Months Ended October 31,		Variance
	2022	2021	Dollars
Gains on strategic investments, net	\$ 75	\$ 1,177	\$ (1,102)
Other expense	(121)	(172)	51

Gains on strategic investments, net consists primarily of mark-to-market adjustments related to our publicly held equity securities, observable price adjustments related to our privately held equity securities and other adjustments. For the three months ended October 31, 2022, our strategic investment portfolio gains were primarily driven by unrealized gains on privately held equity investments and realized gains on sales of securities of \$57 million and \$34 million, respectively, partially offset by \$68 million of impairments. For the nine months ended October 31, 2022 our strategic investment portfolio gains were primarily driven by unrealized gains on privately held equity investments and realized gains on sales of securities of \$174 million and \$125 million, respectively, which was partially offset by impairments of \$121 million and high public market volatility resulting in an unrealized loss on our publicly held investments of \$103 million.

Other expense primarily consists of interest expense on our debt as well as our finance leases offset by investment income. Interest expense was \$75 million and \$72 million for the three months ended October 31, 2022 and 2021, respectively and \$224 million and \$147 million for the nine months ended October 31, 2022 and 2021, respectively.

### Benefit From (Provision For) Income Taxes

(in millions)	Three Months Ended October 31,		Variance
	2022	2021	Dollars
Benefit from (provision for) income taxes	\$ (265)	\$ 169	\$ (434)
Effective tax rate	56 %	(57)%	

(in millions)	Nine Months Ended October 31,		Variance
	2022	2021	Dollars
Benefit from (provision for) income taxes	\$ (321)	\$ (257)	\$ (64)
Effective tax rate	51 %	15 %	

We recorded a tax provision of \$265 million on pretax income of \$475 million for the three months ended October 31, 2022, and a tax provision of \$321 million on pretax income of \$627 million for the nine months ended October 31, 2022. The majority of our year-to-date tax provision was related to taxes from profitable jurisdictions outside of the United States which includes withholding taxes. Our effective tax rate may fluctuate due to changes in our domestic and foreign earnings, or material discrete tax items, or a combination of these factors resulting from transactions or events, including, for example, acquisitions, changes to our operating structure, COVID-19 and other macroeconomic factors.

We recorded a tax benefit of \$169 million, primarily related to excess tax benefits from stock-based compensation, on pretax income of \$299 million for the three months ended October 31, 2021, and a tax provision of \$257 million on pretax income of \$1.7 billion for the nine months ended October 31, 2021. Our year-to-date tax provision was related to excess tax benefits from stock-based compensation partially offset by profitable jurisdictions outside the United States subject to tax rates greater than 21 percent.

Additionally, the provision from the Tax Cuts and Jobs Act of 2017 that requires capitalization and amortization of research and development costs is effective starting fiscal 2023. If not deferred, modified or repealed, this provision may materially increase future cash taxes.

The Inflation Reduction Act was signed into law in August 2022. The Inflation Reduction Act introduced new provisions, including a 15 percent corporate alternative minimum tax for certain large corporations that have at least an average of \$1 billion adjusted financial statement income over a consecutive three-tax-year period. The corporate minimum tax will be effective for fiscal 2024. We are currently evaluating the applicability and the effect of the new law to our financial results.



## Liquidity and Capital Resources

At October 31, 2022, our principal sources of liquidity were cash, cash equivalents and marketable securities totaling \$11.9 billion and accounts receivable of \$4.3 billion. Our cash equivalents and marketable securities are comprised primarily of corporate notes and obligations, U.S. treasury securities, U.S. agency obligations, asset-backed securities, foreign government obligations, mortgage-backed obligations, covered bonds, time deposits, money market mutual funds and municipal securities. Our credit agreement (the “Revolving Loan Credit Agreement”), which as of October 31, 2022 provides the ability to borrow up to \$3.0 billion in unsecured financing (the “Credit Facility”), also serves as a source of liquidity.

Cash from operations could continue to be affected by various risks and uncertainties, including, but not limited to, the risks detailed in Part II, Item 1A titled “Risk Factors.” We believe our existing cash, cash equivalents, marketable securities, cash provided by operating activities, unbilled amounts related to contracted non-cancelable subscription agreements, which is not reflected on the balance sheet, and, if necessary, our borrowing capacity under our Credit Facility will be sufficient to meet our working capital, capital expenditure and debt maintenance needs over the next 12 months.

In the future, we may enter into arrangements to acquire or invest in complementary businesses, services and technologies and intellectual property rights. To facilitate these acquisitions or investments, we may seek additional equity or debt financing, which may not be available on terms favorable to us or at all, impacting our ability to complete subsequent acquisitions or investments.

## Cash Flows

For the three and nine months ended October 31, 2022 and 2021, our cash flows were as follows (in millions):

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2022	2021	2022	2021
Net cash provided by operating activities	\$ 313	\$ 404	\$ 4,323	\$ 4,018
Net cash provided by (used in) investing activities	533	(976)	(2,301)	(13,077)
Net cash provided by (used in) financing activities	(1,678)	(970)	(1,341)	7,635

### Operating Activities

The net cash provided by operating activities during the nine months ended October 31, 2022 was related to net income of \$306 million, adjusted for non-cash items including \$2.8 billion of depreciation and amortization and \$2.5 billion related to stock-based compensation expense. Cash provided by operating activities can be significantly impacted by factors such as growth in new business, timing of cash receipts from customers, vendor payment terms and timing of payments to vendors. Cash provided by operating activities during the nine months ended October 31, 2022 was further benefited by the change in accounts receivable, net of \$5.5 billion due to cash collections and partially offset by the change in unearned revenue of \$4.4 billion and the change in accounts payable, accrued expenses and other liabilities of \$1.2 billion. As our business continues to grow and our expenses remain in line with or less than our revenue growth, we expect to continue to see growth in net cash provided by operating activities.

The net cash provided by operating activities during the nine months ended October 31, 2021 was primarily related to net income of \$1.5 billion and adjusted for non-cash items such as \$2.4 billion related to depreciation and amortization, \$2.0 billion of expenses related to stock-based compensation expense and \$1.2 billion related to gains on strategic investments, net. Cash provided by operating activities during the nine months ended October 31, 2021 further benefited by the change in accounts receivable of \$3.9 billion, partially offset by the change in unearned revenue, net of \$2.9 billion.

### Investing Activities

The net cash used in investing activities during the nine months ended October 31, 2022 was primarily related to net outflows of \$1.0 billion from marketable securities activity, cash consideration for acquisitions of approximately \$439 million and net outflows of \$294 million from strategic investment activity.

The net cash used in investing activities during the nine months ended October 31, 2021 was primarily related to the cash consideration for the acquisitions of Slack and Acumen, net of cash acquired, of approximately \$14.8 billion partially offset by net cash inflows of \$1.1 billion from marketable securities and \$1.2 billion from strategic investments.

### Financing Activities

Net cash used in financing activities during the nine months ended October 31, 2022 consisted primarily of \$1.7 billion from repurchases of common stock partially offset by \$688 million from proceeds from equity plans.

Net cash provided by financing activities during the nine months ended October 31, 2021 consisted primarily of net proceeds of \$7.9 billion from our July 2021 issuance of Senior Notes, \$1.0 billion from proceeds from equity plans, partially offset by payments related to the Slack Convertible Notes net of capped call proceeds of \$1.2 billion.

## Debt

As of October 31, 2022, we had senior unsecured debt outstanding, with maturities starting in April 2023 through July 2061. The total carrying value of this debt was \$10.4 billion, of which \$1.0 billion is related to the 2023 Senior Notes due in the next 12 months. In addition, we had senior secured notes outstanding related to our loan on our purchase of an office building located at 50 Fremont Street in San Francisco (“50 Fremont”), due in June 2023, with a total carrying value of \$183 million. We were in compliance with all debt covenants as of October 31, 2022.

In December 2020, we entered into the Revolving Loan Credit Agreement, which provides for a \$3.0 billion unsecured revolving Credit Facility that matures in December 2025. There were no outstanding borrowings under the Credit Facility as of October 31, 2022. We may use the proceeds of future borrowings under the Credit Facility for general corporate purposes, which may include, without limitation, financing the consideration for, fees, costs and expenses related to any acquisition. In April 2022, we amended the Revolving Loan Credit Agreement to reflect certain immaterial administrative changes.

We do not have any special purpose entities and we do not engage in off-balance sheet financing arrangements.

## Share Repurchase Program

In August 2022, the Board of Directors authorized a program to repurchase up to \$10.0 billion of our common stock (the “Share Repurchase Program”). The Share Repurchase Program does not have a fixed expiration date and does not obligate us to acquire any specific number of shares. During the three months ended October 31, 2022, we repurchased approximately 11 million shares of our common stock for approximately \$1.7 billion at an average cost of \$152.66. All repurchases were made in open market transactions. As of October 31, 2022, we were authorized to purchase a remaining \$8.3 billion of the Company’s common stock under the Share Repurchase Program. Subsequent to October 31, 2022, we have paid approximately \$0.8 billion through November 29, 2022 for additional shares under the Share Repurchase Program.

## Contractual Obligations

Our principal commitments consist of obligations under leases for office space, co-location data center facilities and our development and test data center, as well as leases for computer equipment, software, furniture and fixtures. As of October 31, 2022, the future non-cancelable minimum payments under these commitments were approximately \$4.4 billion, with payments of \$0.8 billion due in the next 12 months and \$3.6 billion due thereafter. As of October 31, 2022, we have additional operating leases that have not yet commenced totaling \$450 million. We generally expect to satisfy these commitments with cash on hand and cash provided by operating activities.

During fiscal 2023 and in future fiscal years, we have made, and expect to continue to make, additional investments in our infrastructure to scale our operations to increase productivity and enhance our security measures. We plan to upgrade or replace various internal systems to scale with our overall growth.

While we continue to make investments in our infrastructure including offices, information technology and data centers, as well as investments with infrastructure service providers, to provide capacity for the growth of our business, our strategy may continue to change related to these investments and we may slow the pace of our investments.

## Other Future Obligations

Our overall acquisition strategy may evolve to require integration and business operation changes that may result in incremental income tax costs. The timing and amount of a tax cash payment, if any, is uncertain and would be based upon a number of factors, including our integration plans, valuations related to intercompany transactions, the tax rate in effect at the time, potential negotiations with the taxing authorities and potential litigation.

The Inflation Reduction Act was signed into law in August 2022. The Inflation Reduction Act introduced new provisions, including a 15 percent corporate alternative minimum tax for certain large corporations that have at least an average of \$1 billion adjusted financial statement income over a consecutive three-tax-year period, and a 1 percent excise tax imposed on certain stock repurchases by publicly traded companies. The corporate minimum tax will be effective in fiscal 2024, and the excise tax applies to stock repurchases made after December 31, 2022. We are currently evaluating the applicability and the effect of the new law to our future cash flows.

## ***Environmental, Social, Governance***

We believe the business of business is to make the world a better place for all of our stakeholders, including our stockholders, customers, employees, partners, the planet and the communities in which we work and live. We believe that values drive value, and that effectively managing our priority Environmental, Social, and Governance (“ESG”) topics will help create long-term value for our investors. We also believe that transparently disclosing the goals and relevant metrics related to our ESG programs will allow our stakeholders to be informed about our progress.

The topics covered in this section are informed by an internal ESG prioritization assessment refreshed in fiscal 2022, which assesses topics based on their potential impact to both our own enterprise value creation and the environment and society more broadly. The assessment gathered input from a number of our key internal and external stakeholders, such as investors, customers, suppliers, our employees and executives, non-governmental organizations and sector organizations. Our ESG disclosures are also informed by relevant topics identified through third-party ESG reporting organizations, frameworks and standards, such as the Task Force on Climate-Related Financial Disclosures (“TCFD”). More information on our key ESG programs, goals and commitments, and key metrics can be found in our annual Stakeholder Impact Report, <https://salesforce.com/stakeholder-impact-report>.

Website references throughout this document are provided for convenience only, and the content on the referenced websites is not incorporated by reference into this report.

While we believe that our ESG goals align with our long-term growth strategy and financial and operational priorities, they are aspirational and may change, and there is no guarantee or promise that they will be met.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to financial market risks, including changes in foreign currency exchange rates, interest rates and equity investment risks. This exposure has increased due to recent financial market movements and changes to our expectations of near-term possible movements caused by the impact of the macroeconomic environment and COVID-19 as discussed in more detail below.

#### **Foreign Currency Exchange Risk**

We primarily conduct our business in the following locations: the United States, Europe, Canada, Latin America, Asia Pacific and Japan. The expanding global scope of our business exposes us to the risk of fluctuations in foreign currency markets, including emerging markets. This exposure is the result of selling in multiple currencies, growth in our international investments, including data center expansion, costs associated with third-party infrastructure providers, additional headcount in foreign countries, and operating in countries where the functional currency is the local currency. Specifically, our results of operations and cash flows are subject to fluctuations in the following currencies: the Euro, British Pound Sterling, Japanese Yen, Canadian Dollar, Australian Dollar and Brazilian Real against the United States Dollar (“USD”). These exposures may change over time as business practices evolve and economic conditions change, including market impacts associated with COVID-19. Changes in foreign currency exchange rates could have an adverse impact on our financial results and cash flows.

#### **Foreign Currency Transaction Risk**

Our foreign currency exposures typically arise from selling annual and multi-year subscriptions in multiple currencies, customer accounts receivable, intercompany transfer pricing arrangements and other intercompany transactions. Our foreign currency management objective is to minimize the effect of fluctuations in foreign exchange rates on selected assets or liabilities without exposing us to additional risk associated with transactions that could be regarded as speculative.

We pursue our objective by utilizing foreign currency forward contracts to offset foreign exchange risk. Our foreign currency forward contracts are generally short-term in duration. We neither use these foreign currency forward contracts for trading purposes nor do we currently designate these forward contracts as hedging instruments pursuant to Accounting Standards Codification 815, Derivatives and Hedging. Accordingly, we record the fair values of these contracts as of the end of our reporting period to our condensed consolidated balance sheets with changes in fair values recorded to our condensed consolidated statements of operations. Given the short duration of the forward contracts, the amount recorded is not significant. Our ultimate realized gain or loss with respect to foreign currency exposures will generally depend on the size and type of cross-currency transactions that we enter into, the currency exchange rates associated with these exposures and changes in those rates, the net realized gain or loss on our foreign currency forward contracts and other factors.

#### **Foreign Currency Translation Risk**

Fluctuations in foreign currencies impact the amount of total assets, liabilities, revenues, operating expenses and cash flows that we report for our foreign subsidiaries upon the translation of these amounts into USD. Total revenue during the three months ended October 31, 2022, was negatively impacted by approximately four percent compared to the three months ended October 31, 2021. In addition, fluctuations in USD against international currencies negatively impacted our current remaining performance obligation by approximately four percent as of October 31, 2022 compared to what we would have reported as of October 31, 2021 using constant currency rates.

#### **Interest Rate Sensitivity**

We had cash, cash equivalents and marketable securities totaling \$11.9 billion as of October 31, 2022. This amount was invested primarily in money market funds, time deposits, corporate notes and bonds, government securities and other debt securities with credit ratings of at least BBB or better. The cash, cash equivalents and marketable securities are held for general corporate purposes, including acquisitions of, or investments in, complementary businesses, services or technologies, working capital and capital expenditures. Our investments are made for capital preservation purposes. We do not enter into investments for trading or speculative purposes.

Our cash equivalents and our portfolio of marketable securities are subject to market risk due to changes in interest rates. Fixed-rate securities may have their market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fall short of expectations due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that decline in market value due to changes in interest rates. However, because we classify our debt securities as “available for sale,” no gains or losses are recognized due to changes in interest rates unless such securities are sold prior to maturity or due to expected credit losses.

Our fixed-income portfolio is also subject to interest rate risk. An immediate increase or decrease in interest rates of 100 basis points at October 31, 2022 could result in a \$57 million market value reduction or increase of the same amount. This estimate is based on a sensitivity model that measures market value changes when changes in interest rates occur. Fluctuations

in the value of our investment securities caused by a change in interest rates (gains or losses on the carrying value) are recorded in other comprehensive loss, net, and are realized only if we sell the underlying securities.

At January 31, 2022, we had cash, cash equivalents and marketable securities totaling \$10.5 billion. Changes in interest rates of 100 basis points would have resulted in market value changes of \$58 million.

### Market Risk and Market Interest Risk

We deposit our cash with multiple financial institutions.

#### Debt

We maintain debt obligations that are subject to market interest risk, as follows (in millions):

Instrument	Maturity Date	Principal Outstanding as of October 31, 2022	Interest Terms	Contractual Interest Rate
2023 Senior Notes	April 2023	\$ 1,000	Fixed	3.25%
Loan assumed on 50 Fremont	June 2023	183	Fixed	3.75
2024 Senior Notes	July 2024	1,000	Fixed	0.625
Credit Facility	December 2025	0	Floating	N/A
2028 Senior Notes	April 2028	1,500	Fixed	3.70
2028 Senior Sustainability Notes	July 2028	1,000	Fixed	1.50
2031 Senior Notes	July 2031	1,500	Fixed	1.95
2041 Senior Notes	July 2041	1,250	Fixed	2.70
2051 Senior Notes	July 2051	2,000	Fixed	2.90
2061 Senior Notes	July 2061	1,250	Fixed	3.05

The borrowings under our Credit Facility bear interest, at our option, at a base rate plus a spread of 0.00% to 0.125% or an adjusted benchmark rate plus a spread of 0.50% to 1.125%, in each case with such spread being determined based on our credit rating. We are also obligated to pay an ongoing commitment fee on undrawn amounts. As of October 31, 2022, there was no outstanding borrowing amount under the Credit Facility.

The bank counterparties to our derivative contracts potentially expose us to credit-related losses in the event of their nonperformance. To mitigate that risk, we only contract with counterparties who meet the minimum requirements under our counterparty risk assessment process. We monitor ratings, credit spreads and potential downgrades on at least a quarterly basis. Based on our ongoing assessment of counterparty risk, we adjust our exposure to various counterparties. We generally enter into master netting arrangements, which reduce credit risk by permitting net settlement of transactions with the same counterparty. However, we do not have any master netting arrangements in place with collateral features.

#### Strategic Investments

As of October 31, 2022, our strategic investment portfolio consisted of investments in over 400 companies with a combined carrying value of \$5.1 billion, including two privately held investments with carrying values that were individually greater than five percent of the total strategic investments portfolio and represented nineteen percent of the portfolio in aggregate.

The following table sets forth additional information regarding active equity investments within our strategic investment portfolio as of October 31, 2022 and excludes exited investments (in millions):

Investment Type	Capital Invested	Unrealized Gains (Cumulative)	Unrealized Losses (Cumulative)	Carrying Value as of October 31, 2022
Publicly held equity securities	\$ 96	\$ 58	\$ (24)	\$ 130
Privately held equity securities	3,602	1,569	(242)	4,929
Total equity securities	\$ 3,698	\$ 1,627	\$ (266)	\$ 5,059

We anticipate additional volatility to our condensed consolidated statements of operations due to changes in market prices, observable price changes and impairments to our investments. These changes could be material based on market conditions and events. While historically our strategic investment portfolio has had a positive impact on our financial results, that may not be true for future periods, particularly in periods of significant market fluctuations that affect our equity securities within our strategic investments portfolio. Volatility in the global market conditions, including recent economic disruptions, inflation and ongoing volatility in the public equity markets, may impact our strategic investment portfolio and our financial results may fluctuate from historical results and expectations.

Our investments in privately held securities are in various classes of equity which may have different rights and preferences. The particular securities we hold, and their rights and preferences relative to those of other securities within the capital structure, may impact the magnitude by which our investment value moves in relation to movement of the total enterprise value of the company. As a result, our investment value in a specific company may move by more or less than any change in value of that overall company. An immediate decrease of ten percent in the enterprise values of our largest privately held equity securities, representing 39 percent of our total strategic investments as of October 31, 2022, could result in a \$165 million reduction in the value of our investment portfolio. Fluctuations in the value of our privately held equity investments are only recorded when there is an observable transaction for a same or similar investment of the same issuer or in the event of impairment.

We continually evaluate our investments in privately held and publicly traded companies. In certain cases, our ability to sell these investments may be impacted by contractual obligations to hold the securities for a set period of time after a public offering.

In addition, the financial success of our investment in any company is typically dependent on a liquidity event, such as a public offering, acquisition or other favorable market event reflecting appreciation to the cost of our initial investment. All of our investments, particularly those in privately held companies, are therefore subject to a risk of partial or total loss of invested capital.

## **ITEM 4. CONTROLS AND PROCEDURES**

### **(a) Evaluation of Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including our principal executive officers and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of the end of the period covered by this report.

In designing and evaluating our disclosure controls and procedures, management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on management’s evaluation, our principal executive officers and principal financial officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are designed to, and are effective to, provide assurance at a reasonable level, that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our co-chief executive officers and chief financial officer, as appropriate, to allow timely decisions regarding required disclosures.

### **(b) Management’s Report on Internal Control Over Financial Reporting**

Under the supervision and with the participation of our management, including our principal executive officers and principal financial officer, we conducted an evaluation of any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during our most recently completed fiscal quarter. Based on that evaluation, our principal executive officers and principal financial officer concluded that there has not been any material change in our internal control over financial reporting during the quarter covered by this report that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II.

### ITEM 1. LEGAL PROCEEDINGS

We evaluate all claims and lawsuits with respect to their potential merits, our potential defenses and counterclaims, settlement or litigation potential and the expected effect on us. Our technologies may be subject to injunction if they are found to infringe the rights of a third party. In addition, many of our subscription agreements require us to indemnify our customers for third-party intellectual property infringement claims, which could increase the cost to us of an adverse ruling on such a claim.

The outcome of any claims or litigation, regardless of the merits, is inherently uncertain. Any claims and other lawsuits, and the disposition of such claims and lawsuits, whether through settlement or litigation, could be time-consuming and expensive to resolve, divert our attention from executing our business plan, result in efforts to enjoin our activities, lead to attempts by third parties to seek similar claims and, in the case of intellectual property claims, require us to change our technology, change our business practices, pay monetary damages or enter into short- or long-term royalty or licensing agreements.

For more information regarding legal proceedings see Note 12 “Legal Proceedings and Claims” to the condensed consolidated financial statements in Item 1 of Part I.

### ITEM 1A. RISK FACTORS

*The risks and uncertainties described below are not the only ones facing us. Other events that we do not currently anticipate or that we currently deem immaterial also may affect our business, financial condition, results of operations, cash flows, other key metrics and the trading price of our common stock.*

#### Risk Factor Summary

##### *Operational and Execution Risks*

- Any breaches in our security measures or those of our third-party data center hosting facilities, cloud computing platform providers or third-party service partners, or the underlying infrastructure of the Internet that cause unauthorized access to a customer’s data, our data or our IT systems, or the blockage or disablement of authorized access to our services.
- Any defects or disruptions in our services that diminish demand for our services.
- Any interruptions or delays in services from third parties, including data center hosting facilities, cloud computing platform providers and other hardware and software vendors, or from our inability to adequately plan for and manage service interruptions or infrastructure capacity requirements.
- An inability to realize the expected business or financial benefits of company and technology acquisitions and investments.
- Failure to realize the anticipated benefits of the acquisition of Slack.
- Strain on our personnel resources and infrastructure from supporting our existing and growing customer base or an inability to scale our operations and increase productivity.
- Customer attrition, or our inability to accurately predict subscription renewals and upgrade rates.
- Disruptions caused by periodic changes to our sales organization.
- Dependency of our services on the development and maintenance of the infrastructure of the Internet by third parties.
- Exposure to risks inherent in international operations from sales to customers outside the United States.
- A more time-consuming and expensive sales cycle, pricing pressure, and implementation and configuration challenges as we target more of our sales efforts at larger enterprise customers.
- Any loss of key members of our management team or development and operations personnel, or inability to attract and retain employees necessary to support our operations and growth.
- Any failure in our delivery of high-quality technical support services.

##### *Strategic and Industry Risks*

- An inability to compete effectively in the intensely competitive markets in which we participate.
- A failure by us to expand our services and to develop and integrate our existing services in order to keep pace with technological developments.
- An inability to maintain and enhance our brands.



- Partial or complete loss of invested capital, or significant changes in the fair value, of our strategic investment portfolio.
- Any discontinuance by third-party developers and providers in embracing our technology delivery model and enterprise cloud computing services, or customers asking us for warranties for third-party applications, integrations, data and content.
- Social and ethical issues, including the use or capabilities of AI in our offerings.
- Risks related to our aspirations and disclosures related to environmental, social and governance (“ESG”) matters.

#### **Legal and Regulatory Risks**

- Privacy concerns and laws as well as evolving regulation of cloud computing, increased restriction of cross-border data transfers and other regulatory developments.
- Evolving or unfavorable industry-specific regulations, requirements, interpretive positions or standards.
- Lawsuits against us by third parties for various claims, including alleged infringement of proprietary rights.
- Any failure to obtain registration or protection of our intellectual property rights.
- Risks related to government contracts and related procurement regulations.
- Governmental sanctions and export and import controls that could impair our ability to compete in international markets and may subject us to liability.

#### **Financial Risks**

- Because we generally recognize revenue from subscriptions for our services over the term of the subscription, downturns or upturns in new business may not be immediately reflected in our operating results.
- Significant fluctuations in our rate of anticipated growth and any failure to balance our expenses with our revenue forecasts.
- Unanticipated changes in our effective tax rate and additional tax liabilities and global tax developments.
- Fluctuations in currency exchange rates, particularly the U.S. Dollar versus local currencies.
- Our debt service obligations, lease commitments and other contractual obligations.
- Accounting pronouncements and changes in other financial and non-financial reporting standards.

#### **Risks Related to Owning Our Common Stock**

- Fluctuations in our quarterly results.
- Volatility in the market price of our common stock and associated litigation.
- Provisions in our certificate of incorporation and bylaws and Delaware law that might discourage, delay or prevent a change of control of the Company or changes in our management.

#### **General Risks**

- The effects of the COVID-19 pandemic and related public health measures on how we and our customers are operating our businesses.
- Volatile and significantly weakened global economic conditions.
- The occurrence of natural disasters and other events beyond our control.
- The long-term impact on our business from climate change.

#### **Operational and Execution Risks**

***If our security measures or those of our third-party data center hosting facilities, cloud computing platform providers or third-party service partners, or the underlying infrastructure of the Internet are breached, and unauthorized access is obtained to a customer’s data, our data or our IT systems, or authorized access is blocked or disabled, our services may be perceived as not being secure, customers may curtail or stop using our services, and we may incur significant reputational harm, legal exposure and liabilities, or a negative financial impact.***

Our services involve the storage and transmission of our customers’ and our customers’ customers’ proprietary and other sensitive data, including financial, health and other personal information. While we have security measures in place to protect our customers’ and our customers’ customers’ data, our services and underlying infrastructure may in the future be materially breached or compromised as a result of the following:

- third-party attempts to fraudulently induce our employees, partners or customers to disclose sensitive information such as user names, passwords or other information to gain access to our customers' data or IT systems, or our data or our IT systems;
- efforts by individuals or groups of hackers and sophisticated organizations, such as state-sponsored organizations or nation-states, to launch coordinated attacks, including ransomware and distributed denial-of-service attacks;
- third-party attempts to abuse our marketing, advertising, messaging or social products and functionalities to impersonate persons or organizations and disseminate information that is false, misleading or malicious;
- cyberattacks on our internally built infrastructure on which many of our service offerings operate, or on third-party cloud-computing platform providers;
- vulnerabilities resulting from enhancements and updates to our existing service offerings;
- vulnerabilities in the products or components across the broad ecosystem that our services operate in conjunction with and are dependent on;
- vulnerabilities existing within new technologies and infrastructures, including those from acquired companies;
- attacks on, or vulnerabilities in, the many different underlying networks and services that power the Internet that our products depend on, most of which are not under our control or the control of our vendors, partners or customers; and
- employee or contractor errors or intentional acts that compromise our security systems.

These risks are mitigated, to the extent possible, by our ability to maintain and improve business and data governance policies, enhanced processes and internal security controls, including our ability to escalate and respond to known and potential risks. Our Board of Directors, Cybersecurity Committee and executive management are regularly briefed on our cybersecurity policies and practices and ongoing efforts to improve security, as well as periodic updates on cybersecurity events. Although we have developed systems and processes designed to protect our customers' and our customers' customers' proprietary and other sensitive data, we can provide no assurances that such measures will provide absolute security or that a material breach will not occur. For example, our ability to mitigate these risks may be impacted by the following:

- frequent changes to, and growth in complexity of, the techniques used to breach, obtain unauthorized access to, or sabotage IT systems and infrastructure, which are generally not recognized until launched against a target, and could result in our being unable to anticipate or implement adequate measures to prevent such techniques;
- the continued evolution of our internal IT systems as we early adopt new technologies and new ways of sharing data and communicating internally and with partners and customers, which increases the complexity of our IT systems;
- the acquisition of new companies, requiring us to incorporate and secure different or more complex IT environments;
- authorization by our customers to third-party technology providers to access their customer data, which may lead to our customers' inability to protect their data that is stored on our servers; and
- our limited control over our customers or third-party technology providers, or the processing of data by third-party technology providers, which may not allow us to maintain the integrity or security of such transmissions or processing.

In the normal course of business, we are and have been the target of malicious cyberattack attempts and have experienced other security incidents. To date, such identified security events have not been material or significant to us, including to our reputation or business operations, or had a material financial impact, but there can be no assurance that future cyberattacks will not be material or significant. Additionally, as our market presence grows, we may face increased risks of cyberattack attempts or security threats.

A security breach or incident could result in unauthorized parties obtaining access to, or the denial of authorized access to, our IT systems or data, or our customers' systems or data, including intellectual property and proprietary, sensitive or other confidential information. A security breach could also result in a loss of confidence in the security of our services, damage our reputation, negatively impact our future sales, disrupt our business and lead to increases in insurance premiums and legal, regulatory and financial exposure and liability. Finally, the detection, prevention and remediation of known or potential security vulnerabilities, including those arising from third-party hardware or software, may result in additional financial burdens due to additional direct and indirect costs, such as additional infrastructure capacity spending to mitigate any system degradation and the reallocation of resources from development activities.

For example, in April 2022, we learned a threat actor had obtained unauthorized access to several databases on Heroku, a Salesforce platform-as-a-service. The threat actor downloaded stored customer security credentials and passwords for logging into GitHub, a third-party code hosting service used by both Heroku and Heroku customers. The threat actor also was able to download passwords for a subset of customer user accounts and access the encryption key. While we do not believe this incident has materially affected our business or financial results, there is no assurance that such circumstances or other similar incidents in the future could not result in a material adverse effect on our business.

***Defects or disruptions in our services could diminish demand for our services and subject us to substantial liability.***

Because our services are complex and incorporate a variety of hardware, proprietary software, third-party and open-source software, our services may have errors or defects that could result in unanticipated downtime for our subscribers and harm to our reputation and our business. Our customers may also use our services in unanticipated ways that may cause a disruption in services for other customers attempting to access their data. Cloud services frequently contain undetected errors when first introduced or when new versions or enhancements are released. We may also encounter difficulties integrating acquired technologies into our services and in augmenting the technologies to meet the quality standards that are consistent with our brand and reputation. As a result, our services may have errors or defects resulting from the complexities of integrating acquisitions.

We have from time to time found defects in, and experienced disruptions to, our services and new defects or disruptions may occur in the future. Such defects could be the result of employee, contractor or other third-party acts or inaction, and could negatively affect our brand and reputation. Defects in our products could create vulnerabilities that could inadvertently permit access to protected customer data. For example, in December 2021, a vulnerability in a widely-used open-source software application, known as Apache Log4j, was identified that could have allowed bad actors to remotely access a target, potentially stealing data or taking control of a target's system. We promptly worked to remediate vulnerabilities related to Apache Log4j in our internal systems and service offerings while working with our vendors to ensure the same. While this issue did not materially affect our business, reputation or financial results, there is no assurance that such circumstances or other similar incidents in the future could result in material adverse effect on our business. Vulnerabilities in open source or any proprietary or third-party product can persist even after security patches have been issued if customers have not installed the most recent updates, or if the attackers exploited the vulnerabilities before patching was complete.

Since our customers use our services for important aspects of their business, any errors, defects, disruptions in service or other performance problems could hurt our reputation and may damage our customers' businesses. As a result, customers could elect to not renew our services or delay or withhold payment to us. We could also lose future sales or customers may make warranty or other claims against us, which could result in an increase in our allowance for doubtful accounts, an increase in collection cycles for accounts receivable or the expense and risk of litigation.

***Any interruptions or delays in services from third parties, including data center hosting facilities, cloud computing platform providers and other hardware and software vendors, or from our inability to adequately plan for and manage service interruptions or infrastructure capacity requirements, could impair the delivery of our services and harm our business.***

We currently serve our customers from third-party data center hosting facilities and cloud computing platform providers located in the United States and other countries. We also rely on computer hardware purchased or leased from, software licensed from, and cloud computing platforms provided by, third parties in order to offer our services, including database software, hardware and data from a variety of vendors. Any disruption or damage to, or failure of our systems generally, including the systems of our third-party platform providers, could result in interruptions in our services. We have from time to time experienced interruptions in our services and such interruptions may occur in the future. The ongoing COVID-19 pandemic has disrupted and continues to disrupt the supply chain of hardware needed to maintain these third-party systems or to run our business, which affects our and our suppliers' operations. In addition, supply chain disruptions due to geopolitical developments in Europe and any indirect effects may further complicate existing supply chain constraints. As we increase our reliance on these third-party systems, particularly with respect to third-party cloud computing platforms, our exposure to damage from service interruptions may increase. Interruptions in our services may cause us to issue credits or pay penalties, cause customers to make warranty or other claims against us or to terminate their subscriptions, and adversely affect our attrition rates and our ability to attract new customers, all of which would reduce our revenue. Our business and reputation would also be harmed if our customers and potential customers believe our services are unreliable.

For many of our offerings, our production environment and customers' data are replicated in near real time in a separate facility located elsewhere. Certain offerings, including some offerings of companies added through acquisitions, may be served through alternate facilities or arrangements. We do not control the operation of any of these facilities, and they may be vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures and similar events. They may also be subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct, as well as local administrative actions (including shelter-in-place or similar orders), changes to legal or permitting requirements and litigation to stop, limit or delay operation. Despite precautions taken at these facilities, such as disaster recovery and business continuity arrangements, the occurrence of a natural disaster or public health emergency (including the COVID-19 pandemic), an act of terrorism, a decision to close the facilities without adequate notice or other unanticipated problems at these facilities could result in lengthy interruptions in our services.

These hardware, software, data and cloud computing platforms may not continue to be available at reasonable prices, on commercially reasonable terms or at all. Any loss of the right to use any of these hardware, software or cloud computing platforms could significantly increase our expenses and otherwise result in delays in the provisioning of our services until

equivalent technology is either developed by us, or, if available, is identified, obtained through purchase or license and integrated into our services.

If we do not accurately plan for our infrastructure capacity requirements and we experience significant strains on our data center capacity, our customers could experience performance degradation or service outages that may subject us to financial liabilities, result in customer losses and harm our reputation and business. As we add data centers and capacity and continue to move to cloud computing platform providers, we may move or transfer our data and our customers' data. Despite precautions taken during this process, any unsuccessful data transfers may impair the delivery of our services, which may damage our business.

***As we acquire and invest in companies or technologies, we may not realize the expected business or financial benefits and the acquisitions could prove difficult to integrate, disrupt our business, dilute stockholder value and adversely affect our operating results and the market value of our common stock.***

As part of our business strategy, we periodically make investments in, or acquisitions of, complementary businesses, joint ventures, services and technologies and intellectual property rights. We continue to evaluate such opportunities and expect to continue to make such investments and acquisitions in the future.

Acquisitions and other transactions, arrangements and investments involve numerous risks and could create unforeseen operating difficulties and expenditures, including:

- potential failure to achieve the expected benefits on a timely basis or at all;
- potential identified or unknown security vulnerabilities in acquired products that expose us to additional security risks or delay our ability to integrate the product into our service offerings;
- difficulties in increasing or maintaining the security standards for acquired technology consistent with our other services, and related costs;
- difficulty of transitioning the acquired technology onto our existing platforms and customer acceptance of multiple platforms on a temporary or permanent basis;
- augmenting the acquired technologies and platforms to the levels that are consistent with our brand and reputation;
- brand or reputational harm associated with our strategic investments or acquired companies;
- challenges converting the acquired company's revenue recognition policies and forecasting the related revenues, including subscription-based revenues and software license revenue, as well as appropriate allocation of the customer consideration to the individual deliverables;
- diversion of financial and managerial resources from existing operations;
- the potential entry into new markets in which we have little or no experience or where competitors may have stronger market positions;
- currency and regulatory risks associated with foreign countries and potential additional cybersecurity and compliance risks resulting from entry into new markets;
- difficulties in integrating acquired operations, technologies, services, platforms and personnel;
- regulatory challenges from antitrust or other regulatory authorities that may block, delay or impose conditions (such as divestitures, ownership or operational restrictions or other structural or behavioral remedies) on the completion of transactions or the integration of acquired operations;
- failure to fully assimilate, integrate or retrain acquired employees, which may lead to retention risk with respect to both key acquired employees and our existing key employees or disruption to existing teams;
- differences between our values and those of our acquired companies, as well as disruptions to our workplace culture;
- inability to generate sufficient revenue to offset acquisition or investment costs;
- challenges with the acquired company's customers and partners, including the inability to maintain such relationships and changes to perception of the acquired business as a result of the acquisition;
- challenges with the acquired company's third-party service providers, including those that are required for ongoing access to third-party data;
- potential for acquired products to impact the profitability of existing products;
- unanticipated expenses related to acquired technology and its integration into our existing technology;
- known and potential unknown liabilities associated with the acquired businesses, including due to litigation;
- difficulties in managing, or potential write-offs of, acquired assets or investments, and potential financial and credit risks associated with acquired customers;

- negative impact to our results of operations because of the depreciation and amortization of acquired intangible assets, fixed assets and operating lease right-of-use assets;
- the loss of acquired unearned revenue and unbilled unearned revenue;
- challenges relating to the structure of an investment, such as governance, accountability and decision-making conflicts that may arise in the context of a joint venture or other majority ownership investments;
- difficulties in and financial costs of addressing acquired compensation structures inconsistent with our compensation structure;
- additional stock-based compensation issued or assumed in connection with the acquisition, including the impact on stockholder dilution and our results of operations;
- delays in customer purchases due to uncertainty related to any acquisition;
- ineffective or inadequate controls, procedures and policies at the acquired company;
- in the case of foreign acquisitions, challenges caused by integrating operations over distance, and across different languages, cultures and political environments; and
- the tax effects of any such acquisitions including related integration and business operation changes, and assessment of the impact on the realizability of our future tax assets or liabilities.

Any of these risks could harm our business or negatively impact our results of operations. In addition, to facilitate acquisitions or investments, we may seek additional equity or debt financing, which may not be available on terms favorable to us or at all, which may affect our ability to complete subsequent acquisitions or investments, and which may affect the risks of owning our common stock. For example, if we finance acquisitions by issuing equity or convertible or other debt securities or loans, our existing stockholders may be diluted, or we could face constraints related to the terms of, and repayment obligation related to, the incurrence of indebtedness that could affect the market price of our common stock.

Our ability to acquire other businesses or technologies, make strategic investments or integrate acquired businesses effectively may be impaired by trade tensions and increased global scrutiny of foreign investments and acquisitions and investments in the technology sector. For example, several countries, including the U.S. and countries in Europe and the Asia-Pacific region, are considering or have adopted restrictions of varying kinds on transactions involving foreign investments and acquisitions. Antitrust authorities in a number of countries have also reviewed acquisitions and investments in the technology industry with increased scrutiny. Governments may continue to adopt or tighten restrictions of this nature, some of which may apply to acquisitions, investments or integrations of businesses by us, and such restrictions or government actions could negatively impact our business and financial results.

***We may fail to realize all of the anticipated benefits of the Slack acquisition, and the integration and benefits of the acquisition may take longer to realize than expected.***

In fiscal 2022, we completed the acquisition of Slack, our largest acquisition to date. We believe that there are significant benefits and synergies that may be realized through combining the products, scale and combined enterprise customer bases of Salesforce and Slack. However, the efforts to realize these benefits and synergies is a complex process and may disrupt both companies' existing operations if not implemented in a timely and efficient manner. We are devoting significant attention and resources to successfully align the business practices and operations of Salesforce and Slack. This process may disrupt the businesses and, if ineffective, could limit the anticipated benefits of the acquisition. The full benefits of the acquisition, including the anticipated sales or growth opportunities, may not be realized or achieved within the anticipated time frame. Failure to achieve the anticipated benefits of the acquisition could adversely affect our results of operations or cash flows, cause dilution to our earnings per share, decrease or delay any accretive effect of the acquisition and negatively impact the price of our common stock.

***Supporting our existing and growing customer base could strain our personnel resources and infrastructure, and if we are unable to scale our operations and increase productivity, we may not be able to successfully implement our business plan.***

We continue to experience significant growth in our customer base and personnel, particularly through acquisitions, which has placed a strain on and in the future may stress the capabilities of our management, administrative, operational and financial infrastructure. We anticipate that significant additional investments will be required to scale our operations and increase productivity, to address the needs of our customers, to further develop and enhance our services, to expand into new geographic areas, and to scale with our overall growth. The additional investments we are making will increase our cost base, which will make it more difficult for us to offset any future revenue shortfalls by reducing expenses in the short term. We may not be able to make these investments as quickly or effectively as necessary to successfully scale our operations.

We regularly upgrade or replace our various software systems and processes. If the implementations of these new applications are delayed, or if we encounter unforeseen problems with our new systems and processes or in migrating away from our existing systems and processes, our operations and our ability to manage our business could be negatively impacted.

For example, our efforts to further automate our processes for customer contracts may be complicated by unanticipated operating difficulties.

Our success will depend in part upon the ability of our senior management to manage our projected growth effectively. To do so, we must continue to increase the productivity of our existing employees and to hire, train and manage new employees as needed. Additionally, changes in our work environment and workforce in the wake of the COVID-19 pandemic could adversely affect our operations. In particular, although most of our offices have reopened, we have offered a significant percentage of our employees the flexibility in the amount of time they work in an office. Our new office model and any adjustments made to our current and future office environments or work-from-home policies may not meet the needs and expectations of our workforce, which could negatively impact our ability to attract and retain our employees. To manage the expected domestic and international growth of our operations and personnel, we will need to continue to improve our operational, financial and management controls, our reporting systems and procedures, and our utilization of real estate. If we fail to successfully scale our operations and increase productivity, we may be unable to execute our business plan and the value of our common stock could decline.

***If our customers do not renew their subscriptions for our services or if they reduce the number of paying subscriptions at the time of renewal, our revenue and current remaining performance obligation could decline and our business may suffer. If we cannot accurately predict subscription renewals or upgrade rates, we may not meet our revenue targets, which may adversely affect the market price of our common stock.***

Our customers have no obligation to renew their subscriptions for our services after the expiration of their contractual subscription period, which is typically 12 to 36 months, and in the normal course of business, some customers have elected not to renew. In addition, our customers may renew for fewer subscriptions, renew for shorter contract lengths, or switch to lower cost offerings of our services. It is difficult to predict attrition rates given our varied customer base and the number of multi-year subscription contracts. Historically, our subscription and support revenues primarily consisted of subscription fees; however, with the 2018 acquisition of MuleSoft and the 2019 acquisition of Tableau, subscription and support revenues also now include term software license sales. We have less experience forecasting the renewal rates of such term software license sales. Our attrition rates may increase or fluctuate as a result of various factors, including customer dissatisfaction with our services, customers' spending levels, mix of customer base, decreases in the number of users at our customers, competition, pricing increases or changes and deteriorating general economic conditions.

Our future success also depends in part on our ability to sell additional features and services, more subscriptions or enhanced editions of our services to our current customers. This may also require increasingly sophisticated and costly sales efforts that are targeted at senior management. Similarly, the rate at which our customers purchase new or enhanced services depends on a number of factors, including general economic conditions and customer receptiveness to any price changes related to these additional features and services.

If customers do not renew their subscriptions, do not purchase additional features or enhanced subscriptions or if attrition rates increase, our business could be harmed.

***Periodic changes to our sales organization can be disruptive and may reduce our rate of growth.***

We periodically change and make adjustments to our sales organization in response to market opportunities, competitive threats, management changes, product introductions or enhancements, acquisitions, sales performance, increases in sales headcount, cost levels and other internal and external considerations. Such sales organization changes have in some periods resulted in, and may in the future result in, a reduction of productivity, which could negatively impact our rate of growth in the current and future quarters and operating results, including revenue. In addition, any significant change to the way we structure our compensation of our sales organization may be disruptive and may affect our revenue growth.

***Our ability to deliver our services is dependent on the development and maintenance of the infrastructure of the Internet by third parties.***

The Internet's infrastructure comprises many different networks and services that are highly fragmented and distributed by design. This infrastructure is run by a series of independent third-party organizations that work together to provide the infrastructure and supporting services of the Internet under the governance of the Internet Corporation for Assigned Numbers and Names ("ICANN") and the Internet Assigned Numbers Authority, now under the stewardship of ICANN.

The Internet has experienced a variety of outages and other delays as a result of damages to portions of its infrastructure, denial-of-service attacks or related cyber incidents, and it could face outages and delays in the future, potentially reducing the availability of the Internet to us or our customers for delivery of our Internet-based services. Any resulting interruptions in our services or the ability of our customers to access our services could result in a loss of potential or existing customers and harm our business.

In addition, certain countries have implemented, or may implement, legislative and technological actions that either do or can effectively regulate access to the Internet, including the ability of Internet service providers to limit access to specific



websites or content. Other countries have attempted or are attempting to change or limit the legal protections available to businesses that depend on the Internet for the delivery of their services. These actions could potentially limit or interrupt access to our services from certain countries or Internet service providers, increase our risk or add liabilities, impede our growth, productivity and operational effectiveness, result in the loss of potential or existing customers and harm our business.

***Sales to customers outside the United States expose us to risks inherent in international operations.***

We sell our services throughout the world and are subject to risks and challenges associated with international business. We intend to continue to expand our international sales efforts. The risks and challenges associated with sales to customers outside the United States or those that can affect international operations generally, include:

- natural disasters, acts of war, terrorism, and actual or threatened public health emergencies, including the ongoing COVID-19 pandemic and related public health measures and resulting changes to laws and regulations, including changes oriented toward protecting local businesses or restricting the movement of people;
- localization of our services, including translation into foreign languages and associated expenses;
- regulatory frameworks or business practices favoring local competitors;
- pressure on the creditworthiness of sovereign nations, where we have customers and a balance of our cash, cash equivalents and marketable securities;
- foreign currency fluctuations and controls, which may make our services more expensive for international customers and could add volatility to our operating results;
- compliance with multiple, conflicting, ambiguous or evolving governmental laws and regulations, including employment, tax, privacy, anti-corruption, import/export, customs, anti-boycott, sanctions and embargoes, antitrust, data transfer, storage and protection, and industry-specific laws and regulations, including rules related to compliance by our third-party resellers and our ability to identify and respond timely to compliance issues when they occur;
- liquidity issues or political actions by sovereign nations, including nations with a controlled currency environment, which could result in decreased values of these balances or potential difficulties protecting our foreign assets or satisfying local obligations;
- vetting and monitoring our third-party resellers in new and evolving markets to confirm they maintain standards consistent with our brand and reputation;
- treatment of revenue from international sources, evolving domestic and international tax environments, and changes to tax codes, including being subject to foreign tax laws and being liable for paying withholding taxes in foreign jurisdictions;
- impacts of or uncertainties regarding the United Kingdom's exit from the EU ("Brexit") on regulations, currencies, taxes and operations, including possible disruptions to the sale of our services or the movement of our people between the United Kingdom, EU and other locations;
- uncertainty regarding the imposition of and changes in the United States' and other governments' trade regulations, trade wars, tariffs, other restrictions or other geopolitical events, including the evolving relations between the United States and China, the United States and geopolitical developments in Europe;
- changes in the public perception of governments in the regions where we operate or plan to operate;
- regional data privacy laws and other regulatory requirements that apply to outsourced service providers and to the transmission of our customers' data across international borders, which grow more complex as we scale, expand into new markets and enhance the breadth of our service offerings;
- different pricing environments;
- difficulties in staffing and managing foreign operations;
- different or lesser protection of our intellectual property, including increased risk of theft of our proprietary technology and other intellectual property;
- longer accounts receivable payment cycles and other collection difficulties; and
- regional economic and political conditions.

Any of these factors could negatively impact our business and results of operations. The above factors may also negatively impact our ability to successfully expand into emerging market countries, where we have little or no operating experience, where it can be costly and challenging to establish and maintain operations, including hiring and managing required personnel, and difficult to promote our brand, and where we may not benefit from any first-to-market advantage or otherwise succeed.

***As more of our sales efforts are targeted at larger enterprise customers, our sales cycle may become more time-consuming and expensive, we may encounter pricing pressure and implementation and configuration challenges, and we***

***may have to delay revenue recognition for some complex transactions, all of which could harm our business and operating results.***

As we target more of our sales efforts at larger enterprise customers, including governmental entities, we may face greater costs, longer sales cycles, greater competition and less predictability in completing some of our sales. In this market segment, the customer's decision to use our services may be an enterprise-wide decision and, if so, may require us to provide greater levels of education regarding the use and benefits of our services, as well as addressing concerns regarding privacy and data protection laws and regulations of prospective customers with international operations or whose own customers operate internationally.

In addition, larger customers and governmental entities may demand more configuration, integration services and features. As a result of these factors, these sales opportunities may require us to devote greater sales support and professional services resources to individual customers, driving up costs and time required to complete sales and diverting our own sales and professional services resources to a smaller number of larger transactions, while potentially requiring us to delay revenue recognition on some of these transactions until the technical or implementation requirements have been met.

Pricing and packaging strategies for enterprise and other customers for subscriptions to our existing and future service offerings may not be widely accepted by other new or existing customers. Our adoption of such new pricing and packaging strategies may harm our business.

For large enterprise customers, professional services may also be performed by us, a third party, or a combination of our own staff and a third party. Our strategy is to work with third parties to increase the breadth of capability and depth of capacity for delivery of these services to our customers. If a customer is not satisfied with the quality of work performed by us or a third party or with the type of services or solutions delivered, we could incur additional costs to address the situation, the profitability of that work might be impaired, and the customer's dissatisfaction with our services could damage our ability to obtain additional work from that customer. In addition, negative publicity related to our customer relationships, regardless of its accuracy, may further damage our business by affecting our ability to compete for new business with current or prospective customers.

***We may lose key members of our management team or development and operations personnel, and may be unable to attract and retain employees we need to support our operations and growth.***

Our success depends substantially upon the continued services of our executive officers and other key members of management, particularly our co-chief executive officers. From time to time, there may be changes in our management team resulting from the hiring, departure or realignment of executives, and such changes may be disruptive to our business. We are also substantially dependent on the continued service of our existing development and operations personnel because of the complexity of our services and technologies. Our executive officers, key management, development or operations personnel could terminate their employment with us at any time. The loss of one or more of our key employees or groups of employees could seriously harm our business.

The technology industry is subject to substantial and continuous competition for engineers with high levels of experience in designing, developing and managing software and Internet-related services, as well as competition for sales executives, data scientists and operations personnel. We have experienced, and currently experience, challenges with significant competition in talent recruitment and retention, and may not in the future be successful in recruiting or retaining talent or achieving the workforce diversity goals we have set publicly. We have from time to time experienced, and we expect to continue to experience, difficulty in hiring, developing, integrating and retaining highly skilled employees with appropriate qualifications. These difficulties may be amplified by evolving restrictions on immigration, travel, or availability of visas for skilled technology workers. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business and future growth prospects could be severely harmed.

In addition, we believe in the importance of our corporate culture, which fosters dialogue, collaboration, recognition, equality and a sense of family. As our organization grows and expands globally, and as employees' workplace expectations develop, we may find it increasingly difficult to maintain the beneficial aspects of our corporate culture globally. These difficulties may be further amplified by work-from-home requirements imposed and other workforce actions taken in response to the COVID-19 pandemic. Our inability to maintain our corporate culture could negatively impact our ability to attract and retain employees, harm our reputation with customers, or negatively impact our future growth.

***Any failure in our delivery of high-quality professional and technical support services may adversely affect our relationships with our customers and our financial results.***

Our customers depend on our support organization to resolve technical issues relating to our applications. We may be unable to respond quickly enough to accommodate short-term increases in customer demand for support services across our varying and diverse offerings. Outsourced provision of technical support may be suddenly and adversely impacted by unforeseen events, for example, as occurred when certain business process outsourced service providers were delayed in



effectively servicing our customers due to conditions related to the COVID-19 pandemic. Increased customer demand for these services, without corresponding revenues, could increase costs and adversely affect our operating results. In addition, our sales process is highly dependent on our applications and business reputation and on positive recommendations from our existing customers. Any failure to maintain high-quality technical support, or a market perception that we do not maintain high-quality support, could adversely affect our reputation, our ability to sell our service offerings to existing and prospective customers, and our business, operating results and financial position.

## **Strategic and Industry Risks**

***The markets in which we participate are intensely competitive, and if we do not compete effectively, our operating results could be harmed.***

The market for enterprise applications and platform services is highly competitive, rapidly evolving, fragmented and subject to changing technology, low barriers to entry, shifting customer needs and frequent introductions of new products and services. Many prospective customers have invested substantial personnel and financial resources to implement and integrate their current enterprise software into their businesses and therefore may be reluctant or unwilling to migrate away from their current solution to an enterprise cloud computing application service. Additionally, third-party developers may be reluctant to build application services on our platform since they have invested in other competing technology platforms.

Our current competitors include:

- internally developed enterprise applications by our current and potential customers' IT departments;
- vendors of packaged business software, as well as companies offering enterprise apps delivered through on-premises offerings from enterprise software application vendors and cloud computing application service providers, either individually or with others;
- software companies that provide their product or service free of charge as a single product or when bundled with other offerings, or only charge a premium for advanced features and functionality, as well as companies that offer solutions that are sold without a direct sales organization;
- vendors who offer software tailored to specific services as opposed to our full suite of service offerings;
- suppliers of traditional business intelligence and data preparation products, as well as business analytics software companies;
- integration software vendors and other companies offering integration or API solutions;
- marketing vendors, which may specialize in advertising, targeting, messaging, or campaign automation;
- e-commerce solutions from established and emerging cloud-only vendors and established on-premises vendors;
- productivity tool and email providers, unified communications providers and consumer application companies that have entered the business software market;
- collaboration software vendors, calendaring, product management, and file, sync, and share tools that have workflows integrated into the business software used by current and potential customers; and
- traditional platform development environment companies and cloud computing development platform companies who may develop toolsets and products that allow customers to build new apps that run on the customers' current infrastructure or as hosted services.

In addition, we may face more competition as we expand our product offerings. Some of our current and potential competitors may have competitive advantages, such as greater name recognition, longer operating histories, more significant installed bases, broader geographic scope, broader suites of service offerings and larger marketing budgets, as well as substantially greater financial, technical, personnel and other resources. In addition, many of our current and potential competitors have established marketing relationships and access to larger customer bases, and have major distribution agreements with consultants, system integrators and resellers. We also experience competition from smaller, younger competitors that may be more agile in responding to customers' demands. These competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or customer requirements, or provide competitive pricing, more flexible contracts or faster implementations. As a result, even if our services are more effective than the products and services that our competitors offer, potential customers might select competitive products and services in lieu of purchasing our services. For all of these reasons, we may not be able to compete successfully against our current and future competitors, which could negatively impact our future sales and harm our business.

***Our efforts to expand our service offerings and to develop and integrate our existing services in order to keep pace with technological developments may not succeed and may reduce our revenue growth rate and harm our business.***

We derive a significant portion of our revenue from subscriptions to our CRM enterprise cloud computing application services, and we expect this will continue for the foreseeable future. Our efforts to expand our current service offerings may not succeed and may reduce our revenue growth rate. In addition, the markets for certain of our offerings remain relatively new and

it is uncertain whether our efforts, and related investments, will ever result in significant revenue for us. Further, the introduction of significant platform changes and upgrades may not result in long term revenue growth.

In July 2021, we completed our acquisition of Slack, our largest acquisition to date. Slack is a relatively new category of business technology in a rapidly evolving market for software, programs and tools used by knowledge workers that is subject to rapidly changing technology, shifting user and customer needs, new and established market entrants, and frequent introductions of new products and services. The success of Slack as a service offering will depend on adding new users and organizations, converting users of the free version into paid customers, expanding usage within current customers, and selling premium subscription plans. Our ability to attract new users and organizations and increase revenue from existing paid customers will depend in large part on our ability to continually enhance and improve the features, integrations and capabilities that Slack offers, and to effectively introduce compelling new features, integrations and capabilities that reflect or anticipate the changing nature of the market in order to maintain and improve the quality and value of Slack.

If we are unable to develop enhancements to, and new features for, our existing or new services that keep pace with rapid technological developments, our business could be harmed. For example, we may be required to continuously enhance our artificial intelligence offerings to improve the quality of recommendations provided to our customers. The success of enhancements, new features and services depends on several factors, including the timely completion, introduction and market acceptance of the feature, service or enhancement by customers, administrators and developers, as well as our ability to seamlessly integrate all of our product and service offerings and develop adequate selling capabilities in new markets. Failure in this regard may significantly impair our revenue growth as well as negatively impact our operating results if the additional costs are not offset by additional revenues. In addition, because our services are designed to operate over various network technologies and on a variety of mobile devices, operating systems and computer hardware and software platforms using a standard browser, we will need to continuously modify and enhance our services to keep pace with changes in Internet-related hardware, software, communication, browser, app development platform and database technologies, as well as continue to maintain and support our services on legacy systems. We may not be successful in either developing these modifications and enhancements or in bringing them to market timely.

Additionally, if we fail to anticipate or identify significant Internet-related and other technology trends and developments early enough, or if we do not devote appropriate resources to adapting to such trends and developments, our business could be harmed. Uncertainties about the timing and nature of new network platforms or technologies, modifications to existing platforms or technologies, including text messaging capabilities, or changes in customer usage patterns thereof could increase our research and development or service delivery expenses or lead to our increased reliance on certain vendors. Any failure of our services to operate effectively with future network platforms and technologies could reduce the demand for our services, result in customer dissatisfaction and harm our business.

***Our continued success depends on our ability to maintain and enhance our brands.***

We believe that the brand identities we have developed, including associations with trust, customer success, innovation, equality and sustainability have significantly contributed to the success of our business. Maintaining and enhancing the Salesforce brand and our other brands is critical to expanding our base of customers, partners and employees. Our brand strength, particularly for our core services, will depend largely on our ability to remain a technology leader and continue to provide high-quality innovative products, services and features in a secure, reliable manner that enhances our customers' success even as we scale and expand our services. In order to maintain and enhance the strength of our brands, we may make substantial investments to expand or improve our product offerings and services or enter new markets that may be accompanied by initial complications or ultimately prove to be unsuccessful.

In addition, we have secured the naming rights to facilities controlled by third parties, such as office towers and a transit center, and any negative events or publicity arising in connection with these facilities could adversely impact our brand.

Further, entry into markets with weaker protection of brands or changes in the legal systems in countries we operate may impact our ability to protect our brands. If we fail to maintain, enhance or protect our brands, or if we incur excessive expenses in our efforts to do so, our business, operating results and financial condition may be materially and adversely affected.

***We are subject to risks associated with our strategic investments, including partial or complete loss of invested capital. Significant changes in the fair value of this portfolio, including changes in the valuation of our investments in publicly traded and privately held companies, could negatively impact our financial results.***

We also manage a portfolio of strategic investments in both privately held and publicly traded companies focused primarily on enterprise cloud companies, technology startups and system integrators. Our investments range from early to late stage companies, including investments made concurrent with a company's initial public offering. We invest in companies that we believe are digitally transforming their industries, improving customer experiences, helping us expand our solution ecosystem or supporting other corporate initiatives. We continually evaluate our investments in privately held and publicly traded companies. In certain cases, our ability to sell these investments may be impacted by contractual obligations to hold the securities for a set period of time after a public offering. In addition, the financial success of our investment in any company is

typically dependent on a liquidity event, such as a public offering, acquisition or other favorable market event reflecting appreciation to the cost of our initial investment. All of our investments, particularly those in privately held companies, are therefore subject to a risk of partial or total loss of invested capital.

We anticipate additional volatility to our condensed consolidated statements of operations due to changes in market prices, observable price changes and both temporary and permanent impairments to our investments. These changes could be material based on market conditions and events. While historically our strategic investment portfolio has had a positive impact on our financial results, that may not be true for future periods, particularly in periods of significant market fluctuations that affect our equity securities within our strategic investments portfolio. Volatility in global market conditions, including recent economic disruptions, inflation and ongoing volatility in the public equity markets, may impact our strategic investment portfolio and our financial results may fluctuate from historical results and expectations.

***If third-party developers and providers do not continue to embrace our technology delivery model and enterprise cloud computing services, or if our customers seek warranties from us for third-party applications, integrations, data and content, our business could be harmed.***

Our success depends on the willingness of a growing community of third-party developers and technology providers to build applications and provide integrations, data and content that are complementary to our services. Without the continued development of these applications and provision of such integrations, data and content, both current and potential customers may not find our services sufficiently attractive, which could impact future sales. In addition, for those customers who authorize a third-party technology partner access to their data, we do not provide any warranty related to the functionality, security or integrity of the data access, transmission or processing. Despite contract provisions to protect us, customers may look to us to support and provide warranties for the third-party applications, integrations, data and content, even though not developed or sold by us, which may expose us to potential claims, liabilities and obligations, all of which could harm our reputation and our business.

***Social and ethical issues, including the use or capabilities of AI in our offerings, may result in reputational harm and liability.***

Policies we adopt or choose not to adopt on social and ethical issues, especially regarding the use of our products, may be unpopular with some of our employees or with our customers or potential customers, which has in the past impacted and may in the future impact our ability to attract or retain employees and customers. We also may choose not to conduct business with potential customers or discontinue or not expand business with existing customers due to these policies. Further, actions taken by our customers and employees, including through the use or misuse of our products or new technologies for illegal activities or improper information sharing, may result in reputational harm or possible liability. For example, we have been subject to allegations in legal proceedings that we should be liable for the use of certain of our products by third parties. Although we believe that such claims lack merit, these claims could cause reputational harm to our brand or result in liability.

We are increasingly building AI into many of our offerings. As with many innovations, AI and our Customer 360 platform present additional risks and challenges that could affect their adoption and therefore our business. For example, the development of AI and Customer 360, the latter of which provides information regarding our customers' customers, presents emerging ethical issues. If we enable or offer solutions that draw controversy due to their perceived or actual impact on human rights, privacy, employment, or in other social contexts, we may experience brand or reputational harm, competitive harm or legal liability. Data practices by us or others that result in controversy could also impair the acceptance of artificial intelligence solutions. This in turn could undermine the decisions, predictions or analysis AI applications produce, subjecting us to competitive harm, legal liability and brand or reputational harm.

***Our aspirations and disclosures related to environmental, social and governance ("ESG") matters expose us to risks that could adversely affect our reputation and performance.***

We have established and publicly announced ESG goals, including our commitments to advancing racial and gender equality within our workforce and reducing greenhouse gas emissions. These statements reflect our current plans and aspirations and are not guarantees that we will be able to achieve them. Our failure to accomplish or accurately track and report on these goals on a timely basis, or at all, could adversely affect our reputation, financial performance and growth, and expose us to increased scrutiny from the investment community as well as enforcement authorities.

Our ability to achieve any ESG objective is subject to numerous risks, many of which are outside of our control. Examples of such risks include:

- the availability and cost of low- or non-carbon-based energy sources;
- the evolving regulatory requirements affecting ESG standards or disclosures;
- the availability of suppliers that can meet our sustainability, diversity and other ESG standards;
- our ability to recruit, develop and retain diverse talent in our labor markets; and

- the success of our organic growth and acquisitions or dispositions of businesses or operations.

Standards for tracking and reporting ESG matters continue to evolve. Our selection of voluntary disclosure frameworks and standards, and the interpretation or application of those frameworks and standards, may change from time to time or differ from those of others. This may result in a lack of consistent or meaningful comparative data from period to period or between Salesforce and other companies in the same industry. In addition, our processes and controls may not comply with evolving standards for identifying, measuring and reporting ESG metrics, including ESG-related disclosures that may be required of public companies by the SEC, and such standards may change over time, which could result in significant revisions to our current goals, reported progress in achieving such goals, or ability to achieve such goals in the future.

If our ESG practices do not meet evolving investor or other stakeholder expectations and standards, then our reputation, our ability to attract or retain employees, and our attractiveness as an investment, business partner, acquiror or service provider could be negatively impacted. Further, our failure or perceived failure to pursue or fulfill our goals and objectives or to satisfy various reporting standards on a timely basis, or at all, could have similar negative impacts or expose us to government enforcement actions and private litigation.

## **Legal and Regulatory Risks**

***Privacy concerns and laws as well as evolving regulation of cloud computing, cross-border data transfer restrictions and other domestic or foreign regulations may limit the use and adoption of our services and adversely affect our business.***

Regulation related to the provision of services over the Internet is evolving, as federal, state and foreign governments continue to adopt new, or modify existing, laws and regulations addressing data privacy, cybersecurity, data protection, data sovereignty and the collection, processing, storage, hosting, transfer and use of data, generally. In some cases, data privacy laws and regulations, such as the European Union's ("EU") General Data Protection Regulation ("GDPR"), impose obligations directly on Salesforce as both a data controller and a data processor, as well as on many of our customers. In addition, new domestic data privacy laws, such as the California Consumer Privacy Act ("CCPA"), the California Privacy Rights Act ("CPRA"), which will amend the CCPA on January 1, 2023, the Virginia Consumer Data Protection Act, which also goes into effect on January 1, 2023, the Colorado Privacy Act, which goes into effect on July 1, 2023, the Utah Consumer Privacy Act, which goes into effect on December 31, 2023, and the Connecticut Act, which goes into effect July 1, 2023, similarly impose new obligations on us and many of our customers, potentially as both businesses and service providers. These laws continue to evolve, and as various states introduce similar proposals, we and our customers could be exposed to additional regulatory burdens. Further, laws and legislative proposals such as the EU's proposed e-Privacy Regulation are increasingly aimed at the use of personal information for marketing purposes, and the tracking of individuals' online activities.

In addition, historically, various safe harbors have been provided to those who hosted content provided by others, such as safe harbors from monetary damages for copyright infringement arising from copyrighted content provided by customers and others and for defamation and other torts arising from information provided by customers and others. There is an increasing demand for repealing or limiting these safe harbors by either judicial decision or legislation. Loss of these safe harbors may require altering or limiting some of our services or may require additional contractual terms to avoid liabilities for our customers' misconduct.

Although we monitor the regulatory, judicial and legislative environment and have invested in addressing these developments, these laws may require us to make additional changes to our practices and services to enable us or our customers to meet the new legal requirements, and may also increase our potential liability exposure through new or higher potential penalties for noncompliance, including as a result of penalties, fines and lawsuits related to data breaches. These new or proposed laws and regulations are subject to differing interpretations and may be inconsistent among jurisdictions. These and other requirements are causing increased scrutiny amongst customers, particularly in the public sector and highly regulated industries, and may be perceived differently from customer to customer. These developments could reduce demand for our services, require us to take on more onerous obligations in our contracts, restrict our ability to store, transfer and process data or, in some cases, impact our ability or our customers' ability to offer our services in certain locations, to deploy our solutions, to reach current and prospective customers, or to derive insights from customer data globally. For example, on July 16, 2020, the Court of Justice of the European Union ("CJEU") invalidated the EU-US Privacy Shield Framework, one of the mechanisms that allowed companies, including Salesforce, to transfer personal data from the European Economic Area ("EEA") to the United States. Depending on how the CJEU's decision is enforced, the cost and complexity of providing our services in certain markets may increase. While the EU and US governments have recently advanced the EU-US Data Privacy Framework to foster EU-to-US data transfers and address the concerns raised in the aforementioned CJEU decision, it is uncertain whether this framework will be overturned in court like the previous two EU-US bilateral cross-border transfer frameworks. As a result, regulators may be inclined to continue to interpret the CJEU's decision, and the logic behind it, as significantly restricting certain cross-border transfers. Certain countries outside of the EEA (e.g., China and India) have also passed or are considering passing laws requiring varying degrees of local data residency. By way of further example, statutory damages available through a private right of action for certain data breaches under the CCPA, the CPRA and potentially other states' laws, may increase our and our customers' potential liability and the demands our customers place on us.

The costs of compliance with, and other burdens imposed by, privacy laws, regulations and standards may limit the use and adoption of our services, reduce overall demand for our services, make it more difficult to meet expectations from our commitments to customers and our customers' customers, lead to significant fines, penalties or liabilities for noncompliance, impact our reputation, or slow the pace at which we close sales transactions, in particular where customers request specific warranties and unlimited indemnity for noncompliance with privacy laws, any of which could harm our business. In September 2021, Salesforce announced the Hyperforce EU Operating Zone, which will enable storage and processing of customer data solely within the EU. This new EU service may enhance our ability to attract and retain customers operating in the EU, but may also increase the cost and complexity of supporting those customers, and our customers may request similar offerings in other territories.

In addition to government activity, privacy advocates and other industry groups have established or may establish new self-regulatory standards that may place additional burdens on our ability to provide our services globally. Our customers expect us to meet voluntary certification and other standards established by third parties, such as TRUSTe. If we are unable to maintain these certifications or meet these standards, it could adversely affect our ability to provide our solutions to certain customers and could harm our business. In addition, we have seen a trend toward the private enforcement of data protection obligations, including through private actions for alleged noncompliance, which could harm our business and negatively impact our reputation. For example, in 2020 we were made a party to a legal proceeding brought by a Dutch privacy advocacy group (the Privacy Collective) on behalf of certain Dutch citizens that claims we violated the GDPR and Dutch Telecommunications Act through the processing and sharing of data in connection with our Audience Studio and Data Studio products. In December 2021, the Amsterdam District Court declared the Privacy Collective inadmissible in its claims against us and dismissed the case, however this is currently being appealed by the Privacy Collective. We were also named as a defendant in a similar lawsuit brought in the UK, which has subsequently been dismissed. Although we believe that these claims lack merit, these or similar future claims could cause reputational harm to our brand or result in liability.

Furthermore, the uncertain and shifting regulatory environment and trust climate may raise concerns regarding data privacy and cybersecurity, which may cause our customers or our customers' customers to resist providing the data necessary to allow our customers to use our services effectively. In addition, new products we develop or acquire (such as Slack) in connection with changing events may expose us to liability or regulatory risk. Even the perception that the privacy and security of personal information are not satisfactorily protected or do not meet regulatory requirements could inhibit sales of our products or services and could limit adoption of our cloud-based solutions.

***Industry-specific regulations and other requirements and standards are evolving and unfavorable industry-specific laws, regulations, interpretive positions or standards could harm our business.***

Our customers and potential customers conduct business in a variety of industries, including financial services, the public sector, healthcare and telecommunications. Regulators in certain industries have adopted and may in the future adopt regulations or interpretive positions regarding the use of cloud computing and other outsourced services. The costs of compliance with, and other burdens imposed by, industry-specific laws, regulations and interpretive positions may limit our customers' use and adoption of our services and reduce overall demand for our services. Compliance with these regulations may also require us to devote greater resources to support certain customers, which may increase costs and lengthen sales cycles. For example, some financial services regulators have imposed guidelines for use of cloud computing services that mandate specific controls or require financial services enterprises to obtain regulatory approval prior to outsourcing certain functions. In the United States, a cybersecurity Executive Order released in May 2021 may heighten future compliance and incident reporting standards in order to obtain certain public sector contracts. If we are unable to comply with these guidelines or controls, or if our customers are unable to obtain regulatory approval to use our services where required, our business may be harmed. In addition, an inability to satisfy the standards of certain voluntary third-party certification bodies that our customers may expect, such as an attestation of compliance with the Payment Card Industry ("PCI") Data Security Standards, may have an adverse impact on our business and results. If in the future we are unable to achieve or maintain industry-specific certifications or other requirements or standards relevant to our customers, it may harm our business and adversely affect our results.

Further, in some cases, industry-specific, regionally-specific or product-specific laws, regulations or interpretive positions may impact our ability, as well as the ability of our customers, partners and data providers, to collect, augment, analyze, use, transfer and share personal and other information that is integral to certain services we provide. The interpretation of many of these statutes, regulations and rulings is evolving in the courts and administrative agencies and an inability to comply may have an adverse impact on our business and results. This impact may be particularly acute in countries that have passed or are considering passing legislation that requires data to remain localized "in country," as this may impose financial costs on companies required to store data in jurisdictions not of their choosing and to use nonstandard operational processes that add complexity and are difficult and costly to integrate with global processes. This is also true with respect to the global proliferation of laws regulating the financial services industry, including its use of cloud services. In Europe, the Digital Operational Resilience Act (DORA), which aims to ensure the resilience of the EU financial sectors, including through mandatory risk management, incident reporting, resilience testing, and third-party outsourcing restrictions, is expected to be officially passed into law within a year. The UK is advancing similar legislation and other countries may follow. Further,



countries are considering legal frameworks on artificial intelligence, which is a trend that may increase now that the European Commission has proposed the first such framework. Any failure or perceived failure by Salesforce to comply with such requirements could have an adverse impact on our business.

There are various statutes, regulations and rulings relevant to the direct email marketing and text-messaging industries, including the Telephone Consumer Protection Act (“TCPA”) and related Federal Communication Commission orders, which impose significant restrictions on the ability to utilize telephone calls and text messages to mobile telephone numbers as a means of communication, when the prior consent of the person being contacted has not been obtained. We have been, and may in the future be, subject to one or more class-action lawsuits, as well as individual lawsuits, containing allegations that one of our businesses or customers violated the TCPA. A determination that we or our customers violated the TCPA or other communications-based statutes could expose us to significant damage awards that could, individually or in the aggregate, materially harm our business. In addition, many jurisdictions across the world are currently considering, or have already begun implementing, changes to antitrust and competition laws, regulations or interpretative positions to enhance competition in digital markets and address practices by certain digital platforms that they perceive to be anticompetitive. These regulatory efforts could result in laws, regulations or interpretative positions that may require us to change certain of our business practices, undertake new compliance obligations or otherwise may have an adverse impact on our business and results.

***We have been and may in the future be sued by third parties for various claims, including alleged infringement of proprietary rights.***

We are involved in various legal matters arising from the normal course of business activities. These include claims, suits, government investigations and other proceedings involving alleged infringement of third-party patents and other intellectual property rights, as well as commercial, corporate and securities, labor and employment, class actions, wage and hour, antitrust, data privacy and other matters.

The software and Internet industries are characterized by the existence of many patents, trademarks, trade secrets and copyrights and by frequent litigation based on allegations of infringement or other violations of intellectual property rights. We have received in the past and may receive in the future communications from third parties, including practicing entities and non-practicing entities, claiming that we have infringed their intellectual property rights. We have also been, and may in the future be, sued by third parties for alleged infringement of their claimed proprietary rights. Our technologies may be subject to injunction if they are found to infringe the rights of a third party or we may be required to pay damages, or both. Further, many of our subscription agreements require us to indemnify our customers for third-party intellectual property infringement claims, which would increase the cost to us of an adverse ruling on such a claim.

In addition, we have in the past been, and may in the future be, sued by third parties who seek to target us for actions taken by our customers, including through the use or misuse of our products. For example, we have been subject to allegations in legal proceedings that we should be liable for the use of certain of our products by third parties. Although we believe that such claims lack merit, such claims could cause reputational harm to our brand or result in liability.

Our exposure to risks associated with various claims, including claims related to the use of intellectual property as well as securities and related stockholder derivative claims, may be increased as a result of acquisitions of other companies. For example, we are subject to ongoing securities class action litigation and related stockholder derivative claims brought against Tableau and Slack that remain outstanding, and as to which we may ultimately be subject to liability or settlement costs. Additionally, we may have a lower level of visibility into the development process with respect to intellectual property or the care taken to safeguard against infringement risks with respect to acquired companies or technologies. In addition, third parties have made claims in connection with our acquisitions and may do so in the future, and they may also make infringement and similar or related claims after we have acquired technology that had not been asserted prior to our acquisition.

The outcome of any claims or litigation, regardless of the merits, is inherently uncertain. Any claims or lawsuits, and the disposition of such claims and lawsuits, whether through settlement or licensing discussions, or litigation, could be time-consuming and expensive to resolve, divert management attention from executing our business plan, result in efforts to enjoin our activities, lead to attempts on the part of other parties to pursue similar claims and, in the case of intellectual property claims, require us to change our technology, change our business practices, pay monetary damages or enter into short- or long-term royalty or licensing agreements.

Any adverse determination or settlement related to intellectual property claims or other litigation could prevent us from offering our services to others, could be material to our financial condition or cash flows, or both, or could otherwise adversely affect our operating results, including our operating cash flow in a particular period. In addition, depending on the nature and timing of any such dispute, an unfavorable resolution of a legal matter could materially affect our current or future results of operations or cash flows in a particular period.

***Any failure to obtain registration or protection of our intellectual property rights could impair our ability to protect our proprietary technology and our brand, causing us to incur significant expenses and harm our business.***

If we fail to protect our intellectual property rights adequately, our competitors may gain access to our technology, affecting our brand, causing us to incur significant expenses and harming our business. Any of our patents, trademarks or other intellectual property rights may be challenged by others or invalidated through administrative process or litigation. While we have many U.S. patents and pending U.S. and international patent applications, we may be unable to obtain patent protection for the technology covered in our patent applications or the patent protection may not be obtained quickly enough to meet our business needs. In addition, our existing patents and any patents issued in the future may not provide us with competitive advantages, or may be successfully challenged by third parties. Similar uncertainty applies to our U.S. and international trademark registrations and applications. Furthermore, legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain, and we also may face proposals to change the scope of protection for some intellectual property rights in the U.S. and elsewhere. Effective patent, trademark, copyright and trade secret protection may not be available to us in every country in which our services are available and legal changes and uncertainty in various countries' intellectual property regimes may result in making conduct that we believe is lawful to be deemed violative of others' rights. The laws of some foreign countries may not be as protective of intellectual property rights as those in the U.S., and mechanisms for enforcement of intellectual property rights may be inadequate. Also, our involvement in standard-setting activity, our contribution to open source projects, various competition law regimes or the need to obtain licenses from others may require us to license our intellectual property in certain circumstances. Accordingly, despite our efforts, we may be unable to prevent third parties from using our intellectual property.

We may be required to spend significant resources and expense to monitor and protect our intellectual property rights. We may initiate claims or litigation against third parties for infringement of our proprietary rights or to establish the validity of our proprietary rights. If we fail to protect our intellectual property rights, it could impact our ability to protect our technology and brand. Furthermore, any litigation, whether or not it is resolved in our favor, could result in significant expense to us, cause us to divert time and resources from our core business, and harm our business.

***We may be subject to risks related to government contracts and related procurement regulations.***

Our contracts with federal, state, local and foreign government entities are subject to various procurement regulations and other requirements relating to their formation, administration and performance. We may be subject to audits and investigations relating to our government contracts, and any violations could result in various civil and criminal penalties and administrative sanctions, including termination of contracts, refunding or suspending of payments, forfeiture of profits, payment of fines, and suspension or debarment from future government business. In addition, such contracts may provide for termination by the government at any time, without cause. Any of these risks related to contracting with governmental entities could adversely impact our future sales and operating results.

***We are subject to governmental sanctions and export and import controls that could impair our ability to compete in international markets and may subject us to liability if we are not in full compliance with applicable laws.***

Our solutions are subject to export and import controls where we conduct our business activities, including the U.S. Commerce Department's Export Administration Regulations, U.S. Customs regulations, U.S. supply chain regulations and various economic and trade sanctions regulations established by the U.S. Treasury Department's Office of Foreign Assets Control. If we fail to comply with applicable trade laws, we and certain of our employees could be subject to substantial civil or criminal penalties, including the possible loss of trade privileges; fines, which may be imposed on us and responsible employees or managers; and, in extreme cases, the incarceration of responsible employees or managers. Obtaining necessary authorizations, including any required licenses, may be time-consuming, requires expenditure of corporate resources, is not guaranteed, and may result in the delay or loss of sales opportunities or the ability to realize value from certain acquisitions or engagements. Acquisitions may also subject us to successor liability and other integration compliance risks. Furthermore, U.S. export control laws and economic sanctions may prohibit or limit the transfer of certain products and services to U.S. embargoed or sanctioned countries, governments and parties. Even though we take precautions to prevent our solutions from being provisioned or provided to U.S. sanctions targets in violation of applicable regulations, our solutions could be provisioned to those targets or provided by our resellers despite such precautions. Any such sales could have negative consequences, including government investigations, penalties and reputational harm. Changes in our solutions or trade regulations may create delays in the introduction, sale and deployment of our solutions in international markets or prevent the export or import of our solutions to certain countries, governments or persons altogether. Any decreased use of our solutions or limitation on our ability to export or sell our solutions may adversely affect our business, financial condition and results of operations. Import and export control regulations in the U.S. and other countries are subject to change and uncertainty, including as a result of geopolitical developments and relations between the United States and China, the United States and Russia and war in Europe.

## **Financial Risks**

***Because we generally recognize revenue from subscriptions for our services over the term of the subscription, downturns or upturns in new business may not be immediately reflected in our operating results.***

We generally recognize revenue from customers ratably over the terms of their subscription and support agreements, which are typically 12 to 36 months. As a result, most of the revenue we report in each quarter is the result of subscription and support agreements entered into during previous quarters. Consequently, a decline in new or renewed subscriptions in any one quarter may not be reflected in our revenue results for that quarter but will negatively impact our revenue in future quarters. Accordingly, the effect of significant downturns in sales and market acceptance of our services, and changes in our attrition rate, may not be fully reflected in our results of operations until future periods. Our subscription model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as revenue from new customers must be recognized over the applicable subscription and support term.

***If we experience significant fluctuations in our rate of anticipated growth and fail to balance our expenses with our revenue forecasts, our business could be harmed and the market price of our common stock could decline.***

Due to the unpredictability of future general economic and financial market conditions, including from the global economic impact of geopolitical conflict in Europe, the pace of change and innovation in enterprise cloud computing services, the impact of foreign currency exchange rate fluctuations, the growing complexity of our business, including the use of multiple pricing and packaging models and the increasing amount of revenue from software license sales, and our increasing focus on enterprise cloud computing services, we may not be able to realize our projected revenue growth plans. We plan our expense and investment levels based on estimates of future revenue and future anticipated rate of growth. We may not be able to adjust our spending appropriately if the addition of new subscriptions or the renewals of existing subscriptions fall short of our expectations, and unanticipated events may cause us to incur expenses beyond what we anticipated. A portion of our expenses may also be fixed in nature for some minimum amount of time, such as with costs capitalized to obtain revenue contracts, data center and infrastructure service contracts or office leases, so it may not be possible to reduce costs in a timely manner, or at all, without the payment of fees to exit certain obligations early. As a result, our revenues, operating results and cash flows may fluctuate significantly on a quarterly basis and revenue growth rates may not be sustainable and may decline in the future. In some periods, we have not been able to, and may not be able in the future to provide continued operating margin expansion, which could harm our business and cause the market price of our common stock to decline.

***Unanticipated changes in our effective tax rate and additional tax liabilities and global tax developments may impact our financial results.***

We are subject to income taxes in the United States and various other jurisdictions. Significant judgment is often required in the determination of our worldwide provision for income taxes. Our effective tax rate could be impacted by changes in our earnings and losses in countries with differing statutory tax rates, changes in operations, changes in non-deductible expenses, changes in the tax effects of stock-based compensation expense, changes in the valuation of deferred tax assets and liabilities and our ability to utilize them, the applicability of withholding taxes, effects from acquisitions, and changes in accounting principles and tax laws. Any changes, ambiguity or uncertainty in taxing jurisdictions' administrative interpretations, decisions, policies and positions could also materially impact our income tax liabilities.

We may also be subject to additional tax liabilities and penalties due to changes in non-income based taxes resulting from changes in federal, state, local or international tax laws, changes in taxing jurisdictions' administrative interpretations, decisions, policies and positions, results of tax examinations, settlements or judicial decisions, changes in accounting principles, or changes to our business operations, including as a result of acquisitions. Any resulting increase in our tax obligation or cash taxes paid could adversely affect our cash flows and financial results.

We are also subject to tax examinations or engaged in alternative resolutions in multiple jurisdictions. While we regularly evaluate new information that may change our judgment resulting in recognition, derecognition or changes in measurement of a tax position taken, there can be no assurance that the final determination of any examinations will not have an adverse effect on our operating results or financial position.

As our business continues to grow, increasing our brand recognition and profitability, we may be subject to increased scrutiny and corresponding tax disputes, which may impact our cash flows and financial results. Furthermore, our growing prominence may bring public attention to our tax profile, and if perceived negatively, may cause brand or reputational harm.

As we utilize our tax credits and net operating loss carryforwards, we may be unable to mitigate our tax obligations to the same extent as in prior years, which could have a material impact to our future cash flows. In addition, changes to our operating structure, including changes related to acquisitions, may result in cash tax obligations.

Global tax developments applicable to multinational businesses may have a material impact to our business, cash flows from operating activities, or financial results. Such developments, for example, may include certain new provisions introduced by the Inflation Reduction Act, certain Organization for Economic Co-operation and Development's proposals, the European Commission's and certain major jurisdictions' heightened interest in and taxation of companies participating in the digital economy. Furthermore, governments' responses to macroeconomic factors such as shrinking gross domestic product, increased inflation rates or the impacts of the COVID-19 pandemic may lead to tax rule changes that could materially and adversely affect our cash flows and financial results.



***We are exposed to fluctuations in currency exchange rates that have in the past and could in the future negatively impact our financial results and cash flows from changes in the value of the U.S. Dollar versus local currencies.***

We primarily conduct our business in the following regions: the Americas, Europe and Asia Pacific. The expanding global scope of our business exposes us to risk of fluctuations in foreign currency markets, including in emerging markets. This exposure is the result of selling in multiple currencies, growth in our international investments, including data center expansion, additional headcount in foreign locations, and operating in countries where the functional currency is the local currency. Specifically, our results of operations and cash flows are subject to currency fluctuations primarily in Euro, British Pound Sterling, Japanese Yen, Canadian Dollar, Australian Dollar, Brazilian Real and Israeli Shekel against the U.S. Dollar. These exposures may change over time as business practices evolve, economic and political conditions change and evolving tax regulations come into effect. The fluctuations of currencies in which we conduct business can both increase and decrease our overall revenue and expenses for any given fiscal period. Furthermore, fluctuations in foreign currency exchange rates, combined with the seasonality of our business, could affect our ability to accurately predict our future results and earnings.

Additionally, global events as well as geopolitical developments, including conflict in Europe, fluctuating commodity prices, trade tariff developments and inflation have caused, and may in the future cause, global economic uncertainty and uncertainty about the interest rate environment, which could amplify the volatility of currency fluctuations. Although we attempt to mitigate some of this volatility and related risks through foreign currency hedging, our hedging activities are limited in scope and may not effectively offset the adverse financial impacts that may result from unfavorable movements in foreign currency exchange rates, which could adversely impact our financial condition or results of operations.

***Our debt service obligations, lease commitments and other contractual obligations may adversely affect our financial condition, results of operations and cash flows.***

As of October 31, 2022, we had a substantial level of outstanding debt, including our Senior Notes and the loan we assumed when we purchased 50 Fremont. We are also party to the Revolving Loan Credit Agreement, which provides for our \$3.0 billion Credit Facility. There were no outstanding borrowings under the Credit Facility as of October 31, 2022. We may use the proceeds of future borrowings under the Credit Facility for general corporate purposes, which may include, without limitation, financing the consideration for and fees, costs and expenses related to any acquisition.

In addition to the outstanding and potential debt obligations above, we have also recorded substantial liabilities associated with noncancellable future payments on our long-term lease agreements. We also have significant other contractual commitments, such as commitments with infrastructure service providers, which are not reflected on our condensed consolidated balance sheets.

Maintenance of our indebtedness and contractual commitments and any additional issuances of indebtedness could:

- impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate or other purposes;
- cause us to dedicate a substantial portion of our cash flows from operations toward debt service obligations and principal repayments; and
- make us more vulnerable to downturns in our business, our industry or the economy in general.

Our ability to meet our expenses and debt obligations will depend on our future performance, which will be affected by financial, business, economic, regulatory and other factors. We will not be able to control many of these factors, such as economic conditions and governmental regulations. Further, our operations may not generate sufficient cash to enable us to service our debt or contractual obligations resulting from our leases. If we fail to make a payment on our debt, we could be in default on such debt. If we are at any time unable to generate sufficient cash flows from operations to service our indebtedness when payment is due, we may be required to attempt to renegotiate the terms of the instruments relating to the indebtedness, seek to refinance all or a portion of the indebtedness or obtain additional financing. There can be no assurance that we would be able to successfully renegotiate such terms, that any such refinancing would be possible or that any additional financing could be obtained on terms that are favorable or acceptable to us. Any new or refinanced debt may be subject to substantially higher interest rates, which could adversely affect our financial condition and impact our business. In addition, we may seek debt financing to fund future acquisitions. We can offer no assurance that we can obtain debt financing on terms acceptable to us, if at all.

In addition, adverse changes by any rating agency to our credit ratings may negatively impact the value and liquidity of both our debt and equity securities, as well as the potential costs associated with a refinancing of our debt. Downgrades in our credit ratings could also affect the terms of any such refinancing or future financing or restrict our ability to obtain additional financing in the future.

The indentures governing our Senior Notes and the Revolving Loan Credit Agreement impose restrictions on us and require us to maintain compliance with specified covenants. Our ability to comply with these covenants may be affected by events beyond our control. A failure to comply with the covenants and other provisions of our outstanding debt could result in

events of default under such instruments, which could permit acceleration of all of our debt and borrowings. Any required repayment of our debt as a result of a fundamental change or other acceleration would lower our current cash on hand such that we would not have those funds available for use in our business.

Lease accounting guidance requires that we record a liability for operating lease activity on our condensed consolidated balance sheet, which increases both our assets and liabilities and therefore may impact our ability to obtain the necessary financing from financial institutions at commercially viable rates or at all. Our lease terms may include options to extend or terminate the lease. Periods beyond the noncancellable term of the lease are included in the measurement of the lease liability and associated asset only when it is reasonably certain that we will exercise the associated extension option or waive the termination option. We reassess the lease term if and when a significant event or change in circumstances occurs within our control. The potential impact of these options to extend could be material to our financial position and financial results.

***Current and future accounting pronouncements and other financial and nonfinancial reporting standards may negatively impact our financial results.***

We regularly monitor our compliance with applicable financial and nonfinancial reporting standards and review new pronouncements and interpretations that are relevant to us. As a result of new standards, changes to existing standards and changes in their interpretation, we may be required to change our accounting policies, to alter our operational policies, to implement new or enhance existing systems so that they reflect new or amended financial reporting standards, and to adjust our published financial statements. For example, proposed reporting requirements such as the SEC proposals related to the enhancement and standardization of climate-related disclosures may require us to change our accounting policies, to alter our operational policies and to implement new or enhance existing systems so that they reflect new or amended financial reporting standards, or to restate our published financial statements. Such changes may have an adverse effect on our business, financial position and operating results, or cause an adverse deviation from our revenue and operating profit targets, which may negatively impact our financial results.

### **Risks Related to Owning Our Common Stock**

***Our quarterly results are likely to fluctuate, which may cause the value of our common stock to decline substantially.***

Our quarterly results are likely to fluctuate. Fluctuations have occurred due to known and unknown risks, including the sudden and unanticipated effects of the COVID-19 pandemic. In addition, our fiscal fourth quarter has historically been our strongest quarter for new business and renewals, and the year-over-year compounding effect of this seasonality in billing patterns and overall new business and renewal activity causes the value of invoices that we generate in the fourth quarter to continually increase in proportion to our billings in the other three quarters of our fiscal year. As a result, our fiscal first quarter has typically in the past been our largest collections and operating cash flow quarter.

Additionally, some of the important factors that may cause our revenues, operating results and cash flows to fluctuate from quarter to quarter include:

- general economic or geopolitical conditions, including the impacts of the COVID-19 pandemic, conflict in Europe, financial market conditions, increasing costs of operation and foreign currency exchange rates, any of which can adversely affect either our customers' ability or willingness to purchase additional subscriptions or upgrade their services, or delay prospective customers' purchasing decisions, reduce the value of new subscription contracts, or affect attrition rates;
- our ability to retain and increase sales to existing customers, attract new customers and satisfy our customers' requirements;
- the attrition rates for our services;
- the rate of expansion and productivity of our sales force;
- the length of the sales cycle for our services;
- new product and service introductions by our competitors;
- our success in selling our services to large enterprises;
- changes in unearned revenue and remaining performance obligation, due to seasonality, the timing of and compounding effects of renewals, invoice duration, size and timing, new business linearity between quarters and within a quarter, average contract term, the collectability of invoices related to multi-year agreements, the timing of license software revenue recognition, or fluctuations due to foreign currency movements, all of which may impact implied growth rates;
- our ability to realize benefits from strategic partnerships, acquisitions or investments;
- variations in the revenue mix of our services and growth rates of our subscription and support offerings, including the timing of software license sales and sales offerings that include an on-premise software element for which the revenue allocated to that deliverable is recognized upfront;

- the seasonality of our sales cycle, including software license sales, and timing of contract execution and the corresponding impact on revenue recognized at a point in time;
- changes in our pricing policies and terms of contracts, whether initiated by us or as a result of competition, customer preference or other factors;
- expenses associated with our pricing policies and terms of contracts, such as the costs of customer SMS text usage paid by us and the related impacts to our gross margin;
- the seasonality of our customers' businesses, especially our Commerce service offering customers, including retailers and branded manufacturers;
- fluctuations in foreign currency exchange rates such as with respect to the U.S. Dollar against the Euro and British Pound Sterling;
- the amount and timing of operating costs and capital expenditures related to the operations and expansion of our business;
- the number of new employees, including the cost to recruit and train such employees;
- the timing of commission, bonus and other compensation payments to employees, including decisions to guarantee some portion of commissions payments in connection with extraordinary events;
- the cost, timing and management effort required for the introduction of new features to our services;
- the costs associated with acquiring new businesses and technologies and the follow-on costs of integration and consolidating the results of acquired businesses;
- expenses related to our real estate or changes in the nature or extent of our use of existing real estate, including our office leases and our data center capacity and expansion;
- timing of additional investments in our enterprise cloud computing application and platform services and in our consulting services;
- expenses related to significant, unusual or discrete events, which are recorded in the period in which the events occur;
- extraordinary expenses such as litigation or other dispute-related settlement payments;
- income tax effects resulting from, but not limited to, tax law changes, court decisions on tax matters, global tax developments applicable to multinational corporations, changes in operations or business structures and acquisition activity;
- the timing of payroll and other withholding tax expenses, which are triggered by the payment of bonuses and when employees exercise their vested stock options;
- technical difficulties or interruptions in our services;
- changes in interest rates and our mix of investments, which impact the return on our investments in cash and marketable securities;
- conditions, and particularly sudden changes, in the financial markets, which have impacted and may continue to impact the value and liquidity of our investment portfolio;
- changes in the fair value of our strategic investments in early-to-late-stage privately held and public companies, including temporary impairments, which could negatively and materially impact our financial results, particularly in periods of significant market fluctuations;
- equity or debt issuances, including as consideration in or in conjunction with acquisitions;
- the timing of stock awards to employees and the related adverse financial statement impact of having to expense those stock awards on a straight-line basis over their vesting schedules;
- evolving regulations of cloud computing and cross-border data transfer restrictions and similar regulations;
- regulatory compliance and acquisition costs; and
- the impact of new accounting pronouncements and associated system implementations.

Many of these factors are outside of our control, and the occurrence of one or more of them might cause our operating results to vary widely. If we fail to meet or exceed operating results expectations or if securities analysts and investors have estimates and forecasts of our future performance that are unrealistic or that we do not meet, the market price of our common stock could decline. In addition, if one or more of the securities analysts who cover us adversely change their recommendations regarding our stock, the market price of our common stock could decline.

***The market price of our common stock is likely to be volatile and could subject us to litigation.***

The trading prices of the securities of technology companies have historically been highly volatile. Accordingly, the market price of our common stock has been and is likely to continue to be subject to wide fluctuations. Factors affecting the market price of our common stock include:

- variations in our operating results, earnings per share, cash flows from operating activities, unearned revenue, remaining performance obligation, year-over-year growth rates for individual service offerings and other financial and non-financial metrics, and how those results compare to analyst expectations;
- variations in, and limitations of, the various financial and other metrics and modeling used by analysts in their research and reports about our business;
- forward-looking guidance to industry and financial analysts related to, for example, future revenue, current remaining performance obligation, cash flows from operating activities and earnings per share, the accuracy of which may be impacted by various factors, many of which are beyond our control, including general economic and market conditions and unanticipated delays in the integration of acquired companies as a result of regulatory review;
- our ability to meet or exceed forward-looking guidance we have given or to meet or exceed the expectations of investors, analysts or others; our ability to give forward-looking guidance consistent with past practices; and changes to or withdrawal of previous guidance or long-range targets;
- changes in the estimates of our operating results or changes in recommendations by securities analysts that elect to follow our common stock;
- announcements of technological innovations, new services or service enhancements, strategic alliances or significant agreements by us or by our competitors;
- announcements by us or by our competitors of mergers or other strategic acquisitions, or rumors of such transactions involving us or our competitors;
- announcements of customer additions and customer cancellations or delays in customer purchases;
- the coverage of our common stock by the financial media, including television, radio and press reports and blogs;
- recruitment or departure of key personnel;
- disruptions in our service due to computer hardware, software, network or data center problems;
- the economy as a whole, geopolitical conditions, including global trade and health concerns, market conditions in our industry and the industries of our customers;
- trading activity by a limited number of stockholders who together beneficially own a significant portion of our outstanding common stock;
- the issuance of shares of common stock by us, whether in connection with an acquisition or a capital-raising transaction;
- the inability to execute on our Share Repurchase Program as planned, including failure to meet internal or external expectations around the timing or price of share repurchases, and any reductions or discontinuances of repurchases thereunder;
- issuance of debt or other convertible securities;
- the inability to conclude that our internal controls over financial reporting are effective;
- changes to our credit ratings; and
- ESG and other issues impacting our reputation.

In addition, if the market for technology stocks or the greater securities market in general experience uneven investor confidence, the market price of our common stock could decline for reasons unrelated to our business, operating results or financial condition. The market price of our common stock might also decline in reaction to events that affect other companies within, or outside, our industry even if these events do not directly affect us. Some companies that have experienced volatility in the trading price of their stock have been the subject of securities class action litigation, such as the securities litigation against Tableau and Slack that were brought before we acquired such companies. Such litigation, whether against Salesforce or an acquired subsidiary, could result in substantial costs and a diversion of management's attention and resources and liability resulting from or the settlement of such litigation could result in material adverse impacts to our operating cash flows or results of operations for a given period.

***Provisions in our amended and restated certificate of incorporation and bylaws and Delaware law might discourage, delay or prevent a change of control of the Company or changes in our management and, therefore, depress the market price of our common stock.***

Our amended and restated certificate of incorporation and bylaws contain provisions that could depress the market price of our common stock by acting to discourage, delay or prevent a change in control of the Company or changes in our management that the stockholders of the Company may deem advantageous. These provisions among other things:

- permit the board of directors to establish the number of directors;
- authorize the issuance of “blank check” preferred stock that our board could use to implement a stockholder rights plan (also known as a “poison pill”);
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;
- provide that the board of directors is expressly authorized to make, alter or repeal our bylaws; and
- establish advance notice requirements for nominations for election to our board or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

In addition, Section 203 of the Delaware General Corporation Law may discourage, delay or prevent a change in control of our company. Section 203 imposes certain restrictions on merger, business combinations and other transactions between us and holders of 15 percent or more of our common stock.

### **General Risks**

***The effects of the COVID-19 pandemic and related public health measures have materially affected how we and our customers are operating our businesses, and have in the past materially affected our operating results and cash flows; the duration and extent to which this will impact our future results of operations and cash flows remain uncertain.***

The COVID-19 pandemic and related public health measures have materially affected how we and our customers are operating our businesses, and have in the past materially affected our operating results and cash flows; the duration and extent to which this will impact our future results remain uncertain. We have in the past and may in the future deem it advisable to alter, postpone or cancel entirely additional customer, employee and industry events.

In March 2020, we also temporarily closed all Salesforce offices globally. This global work-from-home operating environment has caused strain for, and has adversely impacted productivity of, certain employees, and these conditions may persist and harm our business, including our future sales and operating results. As long as the pandemic continues, our employees may be exposed to health risks and government directives may require us to again close certain of our offices that have since been reopened. Changes in our work environment and workforce in the wake of the COVID-19 pandemic could also adversely affect our operations. In particular, although most of our offices have reopened, we have offered a significant percentage of our employees the flexibility in the amount of time they work in an office. This may present risks for our real estate portfolio and strategy and may present operational and workplace culture challenges that may adversely affect our business.

Our operations have been negatively affected by a range of external factors related to the COVID-19 pandemic that are not within our control, and COVID-19 cases (including the spread of variants or mutant strains) continue to surge in certain parts of the world, which could impact the operations of our business infrastructure and service providers in such parts of the world and delay our security measures, business processes, product development and foreign investments. Authorities throughout the world have implemented numerous preventative measures to contain or mitigate further spread of the virus, such as travel bans and restrictions, limitations on business activity, quarantines and shelter-in-place orders. These public health measures have caused, and are continuing to cause, business slowdowns or shutdowns in affected areas, both regionally and worldwide, which have impacted our business and results of operations and cash flows. As we continue to monitor the situation and public health guidance throughout the world, we may adjust our current policies and practices, and existing and new precautionary measures could negatively affect our operations.

The long-term impact of the COVID-19 pandemic on our financial condition or results of operations remains uncertain. Due to our subscription-based business model, the effect of the COVID-19 pandemic may not be fully reflected in our results of operations until future periods. If the COVID-19 pandemic has a substantial impact on our customers’ business or the productivity of our employees or partners, our results of operations and overall financial performance may be harmed. The global macroeconomic effects of the COVID-19 pandemic and related impacts on our customers’ business operations and their demand for our products and services may persist for an indefinite period, even after the COVID-19 pandemic has subsided. In addition, the effects of the COVID-19 pandemic may heighten other risks described in this “Risk Factors” section.

***Volatile and significantly weakened global economic conditions have in the past and may in the future adversely affect our industry, business and results of operations.***

Our overall performance depends in part on worldwide economic and geopolitical conditions. The United States and other key international economies have experienced significant economic and market downturns in the past, and are likely to experience additional cyclical downturns from time to time in which economic activity is impacted by falling demand for a variety of goods and services, restricted credit, poor liquidity, reduced corporate profitability, volatility in credit, equity and foreign exchange markets, inflation, bankruptcies and overall uncertainty with respect to the economy. These economic conditions can arise suddenly, as did the conditions associated with the COVID-19 pandemic, and the full impact of such conditions can be difficult to predict. In addition, geopolitical and domestic political developments, such as existing and potential trade wars and other events beyond our control, such as conflict in Europe, can increase levels of political and economic unpredictability globally and increase the volatility of global financial markets. Moreover, these conditions have affected and may continue to affect the rate of IT spending; could adversely affect our customers' ability or willingness to attend our events or to purchase our enterprise cloud computing services; have delayed and may delay customer purchasing decisions; have reduced and may in the future reduce the value and duration of customer subscription contracts; and we expect these conditions will adversely affect our customer attrition rates. All of these risks and conditions could materially adversely affect our future sales and operating results.

***Natural disasters and other events beyond our control have in the past and may in the future materially adversely affect us.***

Natural disasters or other catastrophic events have in the past and may in the future cause damage or disruption to our operations, international commerce and the global economy, and thus could have a strong negative effect on us. Our business operations are subject to interruption by natural disasters, fire, power shutoffs or shortages, actual or threatened public health emergencies (including the ongoing COVID-19 pandemic) and other events beyond our control. Although we maintain crisis management and disaster response plans, such events could make it difficult or impossible for us to deliver our services to our customers, and could decrease demand for our services. Our corporate headquarters, and a significant portion of our personnel, research and development activities, IT systems and other critical business operations, are located near major seismic faults in the San Francisco Bay Area. Because we do not carry earthquake insurance for direct earthquake-related losses, with the exception of the building that we own in San Francisco, and significant recovery time could be required to resume operations, our financial condition and operating results could be materially adversely affected in the event of a major earthquake or catastrophic event, and the adverse effects of any such catastrophic event would be exacerbated if experienced at the same time as another unexpected and adverse event. For example, wildfires have resulted in power shut-offs in the San Francisco Bay Area and are likely to occur in the future, and this could adversely affect the work-from-home operations of our employees in the San Francisco Bay Area.

***Climate change may have an impact on our business.***

While we seek to mitigate our business risks associated with climate change by establishing robust environmental programs and partnering with organizations who are also focused on mitigating their own climate-related risks, we recognize that there are inherent climate-related risks wherever business is conducted. Any of our primary locations may be vulnerable to the adverse effects of climate change. For example, our offices globally have historically experienced, and are projected to continue to experience, climate-related events at an increasing frequency, including drought, water scarcity, heat waves, cold waves, wildfires and resultant air quality impacts and power shutoffs associated with wildfire prevention. Furthermore, it is more difficult to mitigate the impact of these events on our employees to the extent they work from home. Changing market dynamics, global policy developments and the increasing frequency and impact of extreme weather events on critical infrastructure in the U.S. and elsewhere have the potential to disrupt our business, the business of our third-party suppliers and the business of our customers, and may cause us to experience higher attrition, losses and additional costs to maintain or resume operations. Additionally, failure to uphold, meet or make timely forward progress against our public commitments and goals related to climate action could adversely affect our reputation with suppliers and customers, financial performance or ability to recruit and retain talent.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Share repurchases of the Company's common stock for the three months ended October 31, 2022 were as follows (in millions, except for average price paid per share):

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Program (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
August 2022	1	\$160.19	1	\$9,887
September 2022	5	152.11	5	9,070
October 2022	5	152.21	5	8,257
Total	11		11	

(1) In August 2022, the Board of Directors authorized a program to repurchase up to \$10.0 billion of the Company's common stock (the "Share Repurchase Program"). The Share Repurchase Program does not have a fixed expiration date and does not obligate the Company to acquire any specific number of shares. Under the Share Repurchase Program, shares of common stock may be repurchased using a variety of methods, including privately negotiated and/or open market transactions, including under plans complying with Rule 10b5-1 under the Exchange Act, as part of accelerated share repurchases and other methods. The timing, manner, price and amount of any repurchases are determined by the Company in its discretion and depend on a variety of factors, including legal requirements, price and economic and market conditions. All repurchases disclosed in the table were made pursuant to the publicly announced Share Repurchase Program.

(2) Average price paid per share includes costs associated with the repurchases, when applicable.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## ITEM 5. OTHER INFORMATION

Not applicable.

## ITEM 6. EXHIBITS

The documents listed in the Index to Exhibits of this quarterly report on Form 10-Q are incorporated by reference or are filed with this quarterly report on Form 10-Q, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).



Exhibit No.	Exhibit Description	Index to Exhibits Provided Herewith	Incorporated by Reference			
			Form	SEC File No.	Exhibit	Filing Date
3.1	<a href="#">Restated Certificate of Incorporation of Salesforce, Inc.</a>		8-K	001-32224	3.1	4/4/2022
3.2	<a href="#">Amended and Restated Bylaws of Salesforce, Inc.</a>		8-K	001-32224	3.2	4/4/2022
31.1	<a href="#">Certification of Co-Chief Executive Officer, Marc Benioff, pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>	X				
31.2	<a href="#">Certification of Co-Chief Executive Officer, Bret Taylor, pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>	X				
31.3	<a href="#">Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>	X				
32.1	<a href="#">Certification of Co-Chief Executive Officers and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>	X				
101.INS	Inline XBRL Instance Document					
101.SCH	Inline XBRL Taxonomy Extension Schema Document					
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					
101.DEF	Inline XBRL Extension Definition					
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					
104	The Cover Page Interactive Data File, formatted in Inline XBRL (included in Exhibit 101)					



## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: November 30, 2022

**Salesforce, Inc.**

By: /s/ AMY WEAVER

**Amy Weaver**  
**President and**  
**Chief Financial Officer**  
**(Principal Financial Officer)**

Dated: November 30, 2022

**Salesforce, Inc.**

By: /s/ SUNDEEP REDDY

**Sundeep Reddy**  
**Executive Vice President and**  
**Chief Accounting Officer**  
**(Principal Accounting Officer)**

# CERTIFICATION

I, Marc Benioff, certify that:

1. I have reviewed this report on Form 10-Q of Salesforce, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 30, 2022

/s/ MARC BENIOFF

**Marc Benioff**

**Chair of the Board of Directors and  
Co-Chief Executive Officer  
(Principal Executive Officer)**

## CERTIFICATION

I, Bret Taylor, certify that:

1. I have reviewed this report on Form 10-Q of Salesforce, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 30, 2022

/s/ BRET TAYLOR

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**Bret Taylor**  
**Vice Chair of the Board and**  
**Co-Chief Executive Officer**  
**(Principal Executive Officer)**

# CERTIFICATION

I, Amy Weaver, certify that:

1. I have reviewed this report on Form 10-Q of Salesforce, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 30, 2022

/s/ AMY WEAVER

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Amy Weaver  
 President and Chief Financial Officer  
 (Principal Financial Officer)

**CERTIFICATION OF CO-CHIEF EXECUTIVE OFFICERS AND CHIEF FINANCIAL OFFICER  
PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Based on my knowledge, I, Marc Benioff, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Salesforce, Inc. on Form 10-Q for the period ended October 31, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Salesforce, Inc.

November 30, 2022

/s/ MARC BENIOFF

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**Marc Benioff  
Chair of the Board of Directors and  
Co-Chief Executive Officer  
(Principal Executive Officer)**

Based on my knowledge, I, Bret Taylor, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Salesforce, Inc. on Form 10-Q for the period ended October 31, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Salesforce, Inc.

November 30, 2022

/s/ BRET TAYLOR

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**Bret Taylor  
Vice Chair of the Board and  
Co-Chief Executive Officer  
(Principal Executive Officer)**

Based on my knowledge, I, Amy Weaver, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Salesforce, Inc. on Form 10-Q for the period ended October 31, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Salesforce, Inc.

November 30, 2022

/s/ AMY WEAVER

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**Amy Weaver  
President and Chief Financial Officer  
(Principal Financial Officer)**