

Equity Research

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Earnings Revised — February 26, 2021

Software

Salesforce.com, inc. (CRM)

CRM: Feelin' the Force; Seeing Results

Our Call

We view Salesforce.com as the company most leveraged to the ongoing mobile/cloud computing (MCC) replatforming cycle that continues to drive strong growth in the CRM market. We expect Salesforce to benefit from adoption trends in artificial intelligence (AI), cloud, and mobile, positioning the company as the leading customer-centric, integrated front-office suite because of its ability to provide the most complete solution set across CRM. (See [Rise Of The Front-Office Suite](#).) We maintain our price target of \$300, which equates to SNTM EV/UFCF and NTM EV/RR multiples of 40.5x and 12.2x.

Results. Overweight-rated Salesforce.com reported FQ4 results of EPS of \$1.04 and \$5.817 billion in revenue versus consensus of \$0.75 and \$5.679 billion. Current remaining performance obligation (cRPO) of \$18.0 billion, or 20% year-over-year growth, was well ahead of consensus' \$17.4 billion.

Analysis. FQ4 was another demonstration of Salesforce's durable business model and consistent execution as cRPO, billings, growth and profitability were all ahead of consensus estimates. Billings grew by a very impressive 21.3% year-over-year versus consensus of 17.2% despite a challenging 27.4% growth comparison in Q4 FY2020, and attrition was better than expected albeit higher than the year ago period. The Platform business continues to expand at the fastest rate of Salesforce's businesses, improving 31.0% year-over-year (or 22.9% year-over-year when excluding Tableau's contribution), with Service Cloud's 18.6% increase showing meaningful traction as well. Sales Cloud passed the \$5.0 billion annual revenue milestone while growing in the double digits. Salesforce's results reinforce our belief that COVID-19 exposed the shortcomings of legacy applications and processes, changing enterprises' planning forever whereby a "no-cloud" strategy will officially become "no go" in the post-pandemic world. As companies begin to pivot to growth in a post-vaccine environment, we believe widespread process and application modernization will begin with front-office applications tied to digital transformation initiatives (e.g., CRM). (See [#SoftwareRules2021: The Year Of Acceleration & GARP Over GAAP](#).)

Furthermore, we believe these results underscore the breadth and durability of Salesforce's model and strategy. In particular, the depth and breadth of functionality that Salesforce offers as challenging for competitors to match in our opinion. FQ4 results and management's commentary reinforce our view of Salesforce's critical role in the future of work and digital enablement and fortified our expectation for the Service, Platform, and Marketing/Commerce clouds to continue to outperform Sales Cloud in the near term.

Estimates & Guidance. For FY2022, CFO Amy Weaver raised guided to \$25.650-25.750 billion from \$25.450-25.550 billion versus consensus of \$25.416 billion, which equates to 21% year-over-year growth. Salesforce expects an operating margin of ~17.7% and EPS of \$3.39-3.41 which results in operating cash flow growth of ~10-11% year-over-year. We are revising our FY2022E/2023E revenue and EPS estimates from \$25.530/\$30.429 billion and \$3.34/\$4.07, respectively to \$25.728/\$30.582 billion and \$3.41/\$4.09, respectively.

Equity Analyst(s)

Philip Winslow, CFASenior Equity Analyst | Wells Fargo Securities, LLC
philip.winslow@wellsfargo.com | 212-214-5047**Richard Hilliker**Associate Equity Analyst | Wells Fargo Securities, LLC
richard.hilliker@wellsfargo.com | 212-214-8123**Andy Kellam**Associate Equity Analyst | Wells Fargo Securities, LLC
andy.kellam@wellsfargo.com | 212-214-8133

Rating	Overweight
Ticker	CRM
Price Target/Prior:	\$300.00/NC
Upside/(Downside) to Target	29.8%
Price (02/25/2021)	\$231.08
52 Week Range	\$115.29 - 284.50
Shares Outstanding	917,734,496
Market Cap (MM)	\$212,070
Enterprise Value (MM)	\$212,375
Average Daily Volume	6,361,850
Average Daily Value (MM)	\$1,470
Dividend (NTM)	\$0.00
Dividend Yield	0.0%
Net Debt (MM) - last reported	\$305
ROIC - Current year est.	5%
3 Yr EPS CAGR from current year (unless otherwise noted)	1%

\$	2020A	2021A	2021A	2022E	2022E
EPS		Curr.	Prior	Curr.	Prior
Q1 (Apr)	0.93 A	0.70 A	NC	0.89 E	0.81 E
Q2 (Jul)	0.66 A	1.44 A	NC	0.90 E	0.92 E
Q3 (Oct)	0.75 A	1.74 A	NC	0.86 E	0.84 E
Q4 (Jan)	0.66 A	1.04 A	0.74 E	0.77 E	0.78 E
FY	3.00 A	4.93 A	4.63 E	3.41 E	3.34 E
P/E	77.1x	46.8x		67.8x	

Source: Company Data, Wells Fargo Securities estimates, and Refinitiv.
NA = Not Available, Volatility = Historical trading volatility

All estimates/forecasts are as of 2/26/2021 unless otherwise stated. 2/26/2021 6:01:01 EST. Please see page 14 for rating definitions, important disclosures and required analyst certifications.

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The Positive:	<p>Salesforce reported EPS of \$1.04 and \$5.817 billion of revenue, ahead of consensus estimates of \$0.75 and \$5.679 billion, respectively (versus our estimates of \$0.74 and \$5.656 billion, respectively).</p> <p>Current remaining performance obligation (cRPO) of \$18.0 billion, or 20% year-over-year growth, was well ahead of consensus' \$17.4 billion.</p> <p>The company reported operating margin of 17.5%, ahead of consensus estimates of 16.8% (our estimate of 16.6%).</p> <p>Unearned revenue equaled \$12.607 billion, which was ahead of consensus estimates of \$12.389 billion (our estimate of \$12.870 billion).</p> <p>Salesforce.com reported billings of \$10.501 billion, which was above consensus estimates of \$10.145 billion (our estimate of \$10.603 billion). Salesforce's revenue guidance for Q1 and FY2022 was ahead of consensus expectations.</p>
The Negative:	<p>Operating cash flow of \$0.939 billion was below consensus expectations of \$0.948 billion (our estimate of \$0.951 billion).</p>
What's Our Take?	<p>FQ4 was another demonstration of Salesforce's durable business model and consistent execution. cRPO, billings, growth and profitability were all ahead of consensus estimates. FQ4 results and management's commentary reinforce our view of Salesforce's critical role in the future of work and digital enablement and fortified our expectation for the Service, Platform, and Marketing/Commerce clouds to continue to outperform Sales Cloud in the near term.</p>
What's the Stock Thesis?	<p>We view Salesforce.com as the company most leveraged to the ongoing mobile/cloud computing (MCC) replatforming cycle that continues to drive strong growth in the CRM market. We expect Salesforce to benefit from adoption trends in artificial intelligence (AI), cloud, and mobile, positioning the company as the leading customer-centric, integrated front-office suite because of its ability to provide the most complete solution set across CRM—resulting in attractive revenue growth and steady operating margin expansion.</p>
What's the Impact to the Model?	<p>We are revising our FY2022E/2023E revenue and EPS estimates from \$25.530/\$30.429 billion and \$3.34/\$4.07, respectively to \$25.728/\$30.582 billion and \$3.41/\$4.09, respectively.</p>
What's the Next Potential Catalyst/Data Point?	<p>The company is expected to report its Q1 results in May.</p>
What's the Valuation?	<p>Salesforce trades at NTM EV/UFCF and LTM EV/RR multiples of 49.1x and 11.4x compared to the company's five year historical average multiples of 31.8x and 7.9x, respectively. Furthermore, the stock's LTM EV/RR to NTM growth ratio of 0.54 remains at a discount to the SaaS sector at 1.01. Our price target of \$300.00 is based on SNTM EV/UFCF and NTM EV/RR multiples of 40.5x and 12.2x, respectively.</p>

Quarterly Analysis

Quarterly Highlights

Exhibit 1 - Quarterly Variance Analysis

US\$ in millions, unless otherwise stated

Quarterly Variance Analysis								
	Actual Jan-21	WFS Est Jan-21E	\$ Δ	% Δ	Actual Jan-21	Consensus Jan-21E	\$ Δ	% Δ
Subscription and support	5,476	5,311	165	3.1%	5,476	5,339	137	2.6%
Professional services and other	341	345	(4)	-1.2%	341	339	2	0.5%
Revenue	\$5,817	\$5,656	\$161	2.9%	\$5,817	\$5,679	\$138	2.4%
Cost of goods sold	1,250	1,213	37	3.0%	1,250	1,222	28	2.3%
Gross profit	4,567	4,442	125	2.8%	4,567	4,457	110	2.5%
Gross margin	78.5%	78.5%			78.5%	78.5%		
Operating expenses	3,549	3,504	45	1.3%	3,549	3,500	49	1.4%
Operating income	1,018	938	80	8.5%	1,018	957	61	6.4%
Operating margin	17.5%	16.6%			17.5%	16.8%		
Interest and other, net	232	(31)	263	-851.2%	232	(40)	272	-681.9%
Pretax income	1,250	907	343	37.8%	1,250	917	333	36.3%
Effective tax rate	22.0%	22.0%			22.0%	22.2%		
Net income	975	708	267	37.8%	975	713	262	36.7%
EPS	\$1.04	\$0.74	\$0.29	39.5%	\$1.04	\$0.75	\$0.29	38.0%
FD shares outstanding	939	951	(12)	-1.3%	939	948	(9)	-0.9%
OCF	2,174	2,246	(72)	-3.2%	2,174	2,236	(62)	-2.8%
Deferred revenue	12,607	12,870	(263)	-2.0%	12,607	12,389	218	1.8%
Billings	10,501	10,603	(102)	-1.0%	10,501	10,145	356	3.5%
Current RPO	18,000	17,413	587	3.4%	18,000	17,440	560	3.2%
Capital spending	149	129	20	15.1%	149	101	48	46.8%
12,563.0								
Growth Analysis								
	Sequential Comparison				Y/Y Comparison			
	Actual Jan-21	Oct-20	\$ Δ	% Δ	Actual Jan-21	Jan-20	\$ Δ	% Δ
Revenue	\$5,817	\$5,419	\$398	7.3%	\$5,817	\$4,851	\$966	19.9%
Cost of goods sold	1,250	1,160	90	7.8%	1,250	999	251	25.1%
Gross profit	4,567	4,259	308	7.2%	4,567	3,852	715	18.6%
Operating expenses	3,549	3,186	363	11.4%	3,549	3,107	442	14.2%
Operating income	1,018	1,073	(55)	-5.1%	1,018	745	273	36.6%
Pretax income	1,250	2,099	(849)	-40.4%	1,250	777	473	60.9%
Net income	975	1,637	(662)	-40.4%	975	602	373	62.0%
EPS	\$1.04	\$1.74	(\$0.71)	-40.4%	\$1.04	\$0.66	\$0.38	57.1%
Gross margin	78.5%	78.6%			78.5%	79.4%		
Operating margin	17.5%	19.8%			17.5%	15.4%		
Net margin	16.8%	30.2%			16.8%	12.4%		

Source: Company data, FactSet, and Wells Fargo Securities, LLC estimates.

Estimates & Guidance

For FY2022, CFO Amy Weaver raised guided to \$25.650-25.750 billion from \$25.450-25.550 billion versus consensus of \$25.416 billion, which equates to 21% year-over-year growth. Salesforce expects an operating margin of ~17.7% and EPS of \$3.39-3.41 which results in operating cash flow growth of ~10-11% year-over-year. We are revising our FY2022E/2023E revenue and EPS estimates from \$25.530/\$30.429 billion and \$3.34/\$4.07, respectively to \$25.728/\$30.582 billion and \$3.41/\$4.09, respectively.

Exhibit 2 - Quarterly Estimate Changes vs. Company Guidance

US\$ in millions, unless otherwise stated

Quarterly Estimates & Guidance Variance Analysis				
	New Guidance Apr-21E	Consensus Apr-21E	Prev WFS Est Apr-21E	New WFS Est Apr-21E
Subscription and support		5,377	5,599	5,540
Professional services and other		342	350	343
Revenue	\$5,875-5,885	\$5,719	\$5,950	\$5,883
Cost of goods sold		1,211	1,254	1,248
Gross profit		4,508	4,696	4,634
Gross margin		78.8%	78.9%	78.8%
Operating expenses		3,567	3,668	3,567
Operating income		941	1,028	1,067
Operating margin		16.5%	17.3%	18.1%
Interest and other, net		7	13	5
Pretax income		948	1,040	1,072
Effective tax rate	21.5%	23.0%	22.0%	21.5%
Net income		730	811	841
EPS	\$0.88-0.89	\$0.75	\$0.85	\$0.89
FD shares outstanding	950	969	958	950
OCF		2,233	3,921	3,299
Deferred revenue		10,375	11,692	11,225
Billings		3,705	4,618	4,501
Current RPO	~17,255	16,878	16,434	17,267
Capital spending		189	195	176

Source: Company data, FactSet, and Wells Fargo Securities, LLC estimates.

Exhibit 3 - Annual Estimate Changes vs. Company Guidance, 2022E

US\$ in millions, unless otherwise stated

Annual Estimates & Guidance Variance Analysis					
	Prev Guidance 2022E	New Guidance 2022E	Consensus 2022E	Prev WFS Est 2022E	New WFS Est 2022E
Subscription and support			23,941	24,062	24,292
Professional services and other			1,475	1,468	1,436
Revenue	\$25,450-25,550	\$25,650-25,750	\$25,416	\$25,530	\$25,728
Cost of goods sold			5,416	5,412	5,434
Gross profit			20,000	20,118	20,294
Gross margin			78.7%	78.8%	78.9%
Operating expenses			15,562	15,742	15,818
Operating income			4,438	4,377	4,476
Operating margin		17.7%	17.5%	17.1%	17.4%
Interest and other, net			(6)	(73)	(119)
Pretax income			4,432	4,304	4,357
Effective tax rate		21.5%	24.0%	22.0%	21.5%
Net income			3,368	3,357	3,420
EPS		\$3.39-3.41	\$3.49	\$3.34	\$3.41
FD shares outstanding			966	1,004	1,003
OCF		5,281-5,329	5,993	6,569	5,320
Deferred revenue			14,080	15,089	14,533
Billings			27,154	27,748	27,654
Current RPO			20,622	20,251	20,324
Capital spending		770-773	795	836	772

Source: Company data, FactSet, and Wells Fargo Securities, LLC estimates.

Valuation

Exhibit 4 - Valuation Matrix (Calendar Year Basis)

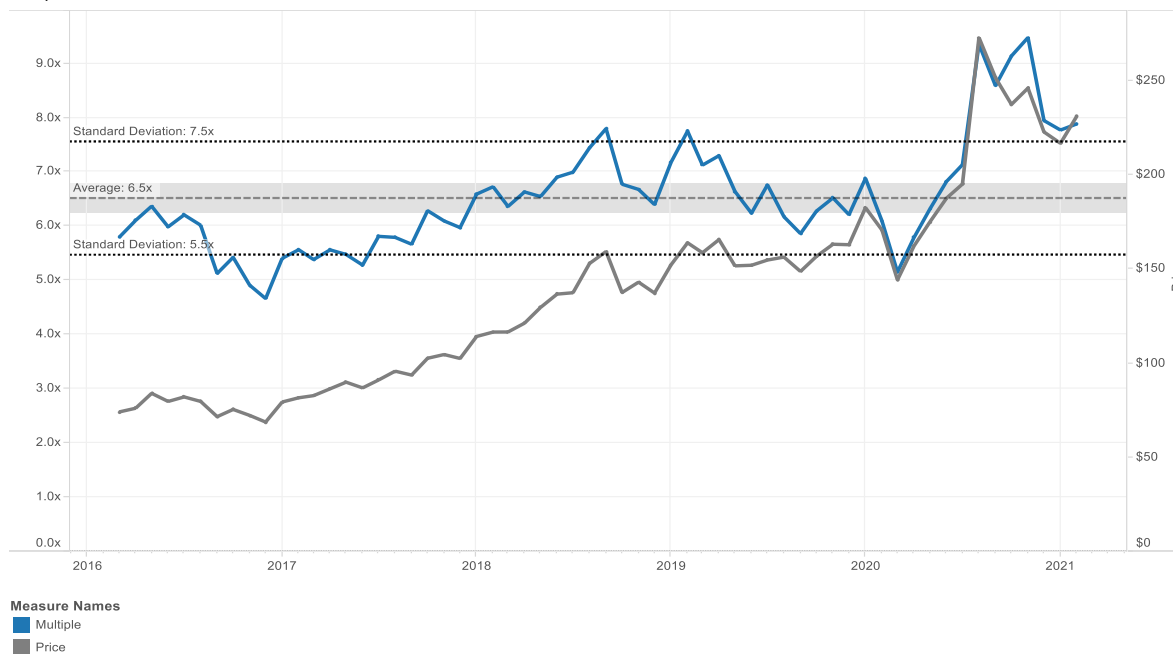
US\$ in millions, unless otherwise stated

		2020	2021E	2022E	LTM	NTM	SNTM
Estimates	Revenue	\$21,252.0	\$25,727.8	\$30,581.8	\$21,252.0	\$25,727.8	\$30,581.8
	Recurring Revenue	\$19,976.0	\$24,291.9	\$29,012.4	\$19,976.0	\$24,291.9	\$29,012.4
	EPS (Pro Forma)	\$4.93	\$3.41	\$4.09	\$4.92	\$3.41	\$4.09
	CFO	\$4,801.0	\$5,319.9	\$8,099.8	\$4,801.0	\$5,319.9	\$8,099.8
	FCF	\$4,091.0	\$4,548.1	\$7,182.4	\$4,091.0	\$4,548.1	\$7,182.4
	UFCF	\$2,448.4	\$4,641.4	\$7,313.0	\$2,448.4	\$4,641.4	\$7,313.0
Current: \$231.08	EV/R	10.7x	8.9x	7.5x	10.7x	8.9x	7.5x
	EV/R/Growth	0.51x	0.47x	NM	0.51x	0.47x	NM
	EV/Recurring Rev.	11.4x	9.4x	7.9x	11.4x	9.4x	7.9x
	EV/RR/Growth	0.54x	0.50x	NM	0.54x	0.50x	NM
	P/E (Pro Forma)	46.8x	67.8x	56.5x	46.9x	67.7x	56.5x
	EV/CFO	47.5x	42.9x	28.2x	47.5x	42.9x	28.2x
	EV/FCF	55.8x	50.2x	31.8x	55.8x	50.2x	31.8x
	EV/UFCF	93.2x	49.1x	31.2x	93.2x	49.1x	31.2x
Price Target: \$300.00	EV/R	13.9x	11.5x	9.7x	13.9x	11.5x	9.7x
	EV/R/Growth	0.66x	0.61x	NM	0.66x	0.61x	NM
	EV/Recurring Rev.	14.8x	12.2x	10.2x	14.8x	12.2x	10.2x
	EV/RR/Growth	0.70x	0.65x	NM	0.70x	0.65x	NM
	P/E (Pro Forma)	60.8x	88.0x	73.4x	60.9x	87.9x	73.4x
	EV/CFO	61.7x	55.7x	36.6x	61.7x	55.7x	36.6x
	EV/FCF	72.4x	65.1x	41.2x	72.4x	65.1x	41.2x
	EV/UFCF	120.9x	63.8x	40.5x	120.9x	63.8x	40.5x

Source: Company data, FactSet, and Wells Fargo Securities, LLC estimates.

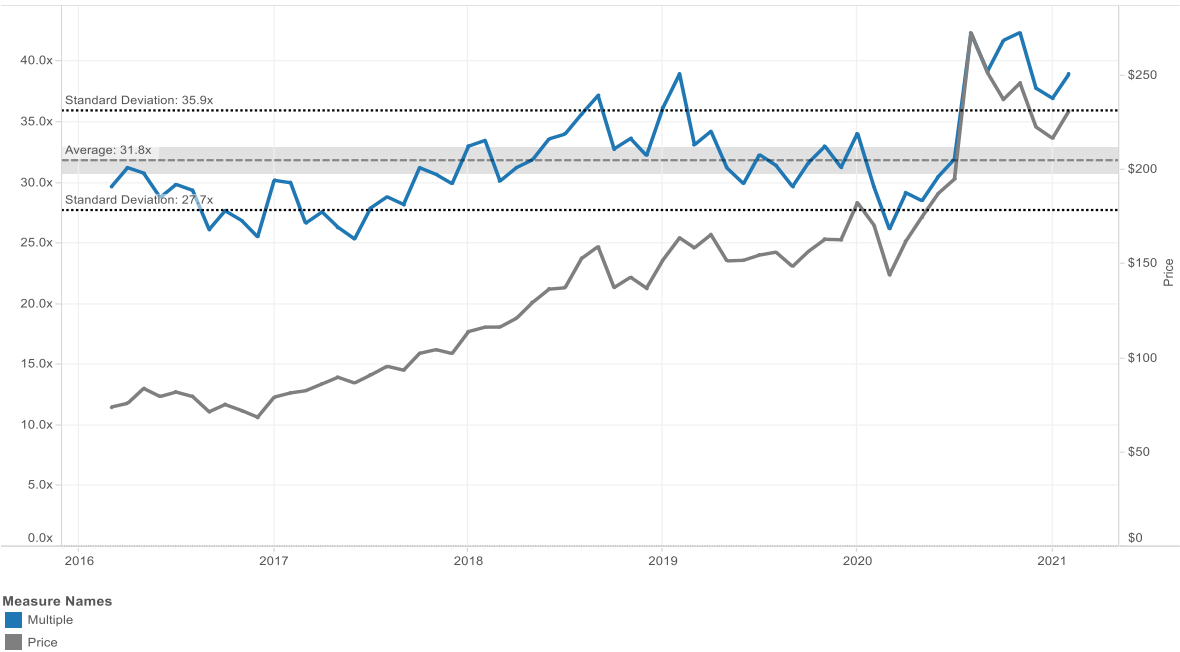
Exhibit 5 - Salesforce.com – NTM EV/UFCF Multiple, Last 5 Years

US\$



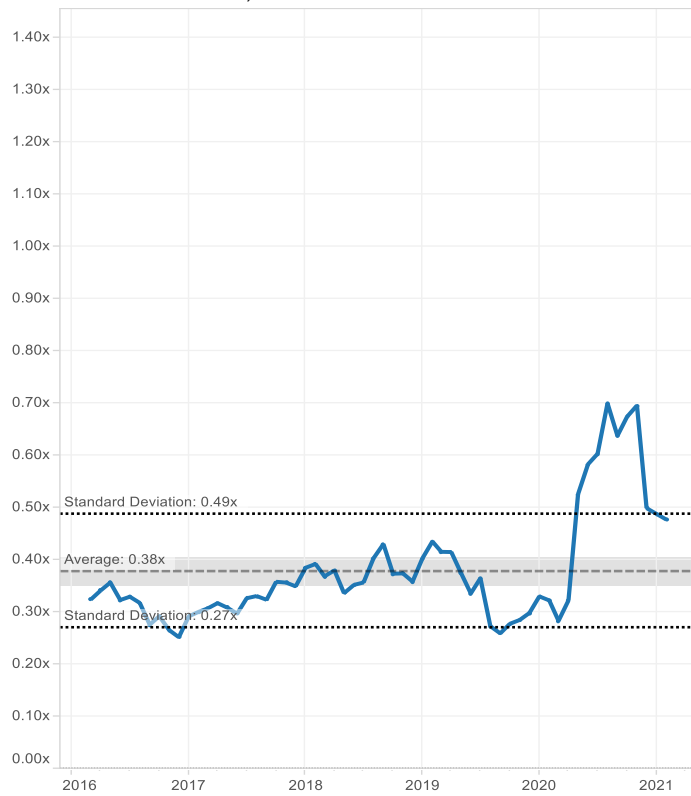
Source: Company data, FactSet, and Wells Fargo Securities, LLC estimates

Exhibit 6 - Salesforce.com – NTM EV/Recurring Revenue Multiple, Last 5 Years
US\$



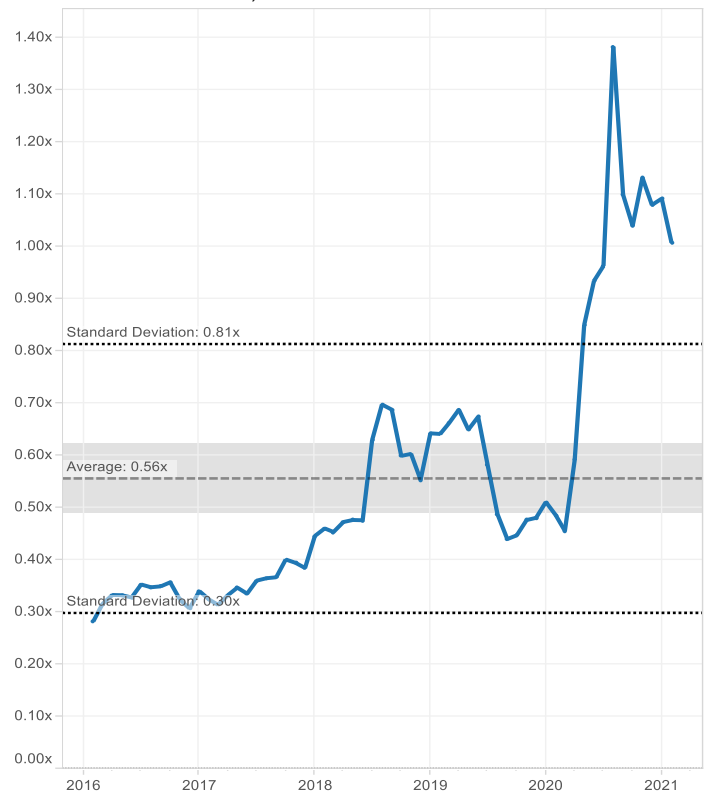
Source: Company data, FactSet, and Wells Fargo Securities, LLC estimates.

Exhibit 7 - Salesforce.com – LTM EV/Recurring Revenue to NTM Revenue Growth Ratio, Last 5 Years



Source: Company data, FactSet, and Wells Fargo Securities, LLC estimates.

Exhibit 8 - SaaS Sector – LTM EV/Recurring Revenue to NTM Revenue Growth Ratio, Last 5 Years



Source: Company data, FactSet, and Wells Fargo Securities, LLC estimates.

Financials

Exhibit 9 - Historical & Projected Income Statement

US\$ in millions, unless otherwise stated

US\$ in millions, unless otherwise stated	Fiscal 2020 by Quarter				Fiscal 2021 by Quarter				Fiscal 2022 by Quarter				Fiscal Year Ends January				
	Apr-19	Jul-19	Oct-19	Jan-20	Apr-20	Jul-20	Oct-20	Jan-21	Apr-21E	Jul-21E	Oct-21E	Jan-22E	2019	2020	2021	2022E	2023E
Total revenue	\$ 3,737.0	\$ 3,997.0	\$ 4,513.0	\$ 4,851.0	\$ 4,865.0	\$ 5,151.0	\$ 5,419.0	\$ 5,817.0	\$ 5,882.6	\$ 6,470.3	\$ 6,602.1	\$ 6,772.8	\$ 13,282.0	\$ 17,098.0	\$ 21,252.0	\$ 25,727.8	\$ 30,581.8
Subscription and support % of revenue	3,496.0 93.6%	3,745.0 93.7%	4,239.0 93.9%	4,563.0 94.1%	4,575.0 94.0%	4,840.0 94.0%	5,085.0 93.8%	5,476.0 94.1%	5,539.6 94.2%	6,110.1 94.4%	6,238.1 94.5%	6,404.0 94.6%	12,413.0 93.5%	16,043.0 93.8%	19,976.0 94.0%	24,291.9 94.4%	29,012.4 94.9%
Professional services and other % of revenue	241.0 6.4%	252.0 6.3%	274.0 6.1%	288.0 5.9%	290.0 6.0%	311.0 6.0%	334.0 6.2%	341.0 5.9%	343.0 5.8%	360.2 5.6%	364.0 5.5%	368.8 5.4%	869.0 6.5%	1,055.0 6.2%	1,276.0 6.0%	1,435.9 5.6%	1,569.4 5.1%
Cost of subscription and support % of subscription and support	617.0 17.6%	665.0 17.8%	713.0 16.8%	763.0 16.7%	807.0 17.6%	847.0 17.5%	891.0 17.5%	947.0 17.3%	958.0 17.3%	1,056.7 17.3%	1,078.8 17.3%	1,107.5 17.3%	2,389.0 19.2%	2,758.0 17.2%	3,492.0 17.5%	4,200.9 17.3%	5,017.3 17.3%
Cost of professional services & other % of professional services & other	193.0 80.1%	194.0 77.0%	210.0 76.6%	236.0 81.9%	236.0 81.4%	235.0 75.6%	269.0 80.5%	303.0 88.9%	290.5 84.7%	312.6 86.8%	312.0 85.7%	318.1 86.3%	686.0 78.9%	833.0 79.0%	1,043.0 81.7%	1,233.2 85.9%	1,350.8 86.1%
Total cost of revenue	810.0	859.0	923.0	999.0	1,043.0	1,082.0	1,160.0	1,250.0	1,248.5	1,369.2	1,390.8	1,425.6	3,075.0	3,591.0	4,535.0	5,434.1	6,368.1
Gross profit	2,927.0	3,138.0	3,590.0	3,852.0	3,822.0	4,069.0	4,259.0	4,567.0	4,634.1	5,101.1	5,211.2	5,347.2	10,207.0	13,507.0	16,717.0	20,293.6	24,213.7
Gross margin	78.3%	78.5%	79.5%	79.4%	78.6%	79.0%	78.6%	78.5%	78.8%	78.8%	78.9%	79.0%	76.8%	79.0%	78.7%	78.9%	79.2%
Operating expenses:																	
Research and development % of revenue	473.0 12.7%	509.0 12.7%	605.0 13.4%	669.0 13.8%	693.0 14.2%	714.0 13.9%	721.0 13.3%	767.0 13.2%	788.3 13.4%	874.5 13.5%	917.7 13.9%	941.4 13.9%	1,579.0 11.9%	2,256.0 13.2%	2,895.0 13.6%	3,521.8 13.7%	4,081.3 13.3%
Sales and marketing % of revenue	1,452.0 38.9%	1,560.0 39.0%	1,705.0 37.8%	2,009.0 41.4%	2,055.0 42.2%	1,904.0 37.0%	2,021.0 37.3%	2,294.0 39.4%	2,285.7 38.9%	2,491.1 38.5%	2,574.8 39.0%	2,776.8 41.0%	5,189.0 39.1%	6,726.0 39.3%	8,274.0 38.9%	10,128.4 39.4%	11,917.3 39.0%
General and administrative % of revenue	320.0 8.6%	496.0 12.4%	406.0 9.0%	429.0 8.8%	439.0 9.0%	411.0 8.0%	444.0 8.2%	488.0 8.4%	493.5 8.4%	537.0 8.3%	561.2 8.5%	575.7 8.5%	1,174.0 8.8%	1,651.0 9.7%	1,782.0 8.4%	2,167.4 8.4%	2,544.2 8.3%
Total operating expenses	2,245.0	2,565.0	2,716.0	3,107.0	3,187.0	3,029.0	3,186.0	3,549.0	3,567.5	3,902.5	4,053.7	4,293.9	7,942.0	10,633.0	12,951.0	15,817.6	18,542.8
Operating income	682.0	573.0	874.0	745.0	635.0	1,040.0	1,073.0	1,018.0	1,066.7	1,198.5	1,157.6	1,053.3	2,265.0	2,874.0	3,766.0	4,476.0	5,670.8
Operating margin	18.2%	14.3%	19.4%	15.4%	13.1%	20.2%	19.8%	17.5%	18.1%	18.5%	17.5%	15.6%	17.1%	16.8%	17.7%	17.4%	18.5%
Stock options compensation expense % of revenue	343.0 9.2%	388.0 9.7%	543.0 12.0%	511.0 10.5%	504.0 10.4%	578.0 11.2%	566.0 10.4%	542.0 9.3%	603.5 10.3%	719.6 11.1%	683.0 10.3%	624.3 9.2%	1,283.0 9.7%	1,785.0 10.4%	2,190.0 10.3%	2,630.4 10.2%	3,096.1 10.1%
Interest and other, net	272.0	106.0	(1.0)	32.0	187.0	661.0	1,026.0	232.0	5.0	(40.3)	(41.9)	(41.7)	452.0	409.0	2,106.0	(118.9)	(167.5)
Pretax income	954.0	679.0	873.0	777.0	822.0	1,701.0	2,099.0	1,250.0	1,071.7	1,158.2	1,115.7	1,011.5	2,717.0	3,283.0	5,872.0	4,357.1	5,503.3
Pro forma taxes	215.0	153.0	196.0	175.0	181.0	374.0	462.0	275.0	230.4	249.0	239.9	217.5	585.0	739.0	1,292.0	936.8	1,210.7
Effective tax rate	22.5%	22.5%	22.5%	22.5%	22.0%	22.0%	22.0%	22.0%	21.5%	21.5%	21.5%	21.5%	21.5%	22.5%	22.0%	21.5%	22.0%
Pro forma net income	739.0	526.0	677.0	602.0	641.0	1,327.0	1,637.0	975.0	841.3	909.2	875.8	794.0	2,132.0	2,544.0	4,580.0	3,420.4	4,292.6
Pro forma net margin	19.8%	13.2%	15.0%	12.4%	13.2%	25.8%	30.2%	16.8%	14.3%	14.1%	13.3%	11.7%	16.1%	14.9%	21.6%	13.3%	14.0%
Pro forma EPS (fully-diluted)	\$0.93	\$0.66	\$0.75	\$0.66	\$0.70	\$1.44	\$1.74	\$1.04	\$0.89	\$0.90	\$0.86	\$0.77	\$2.75	\$3.00	\$4.03	\$3.41	\$4.06
GAAP EPS (fully-diluted)	\$0.49	\$0.11	(\$0.12)	(\$0.28)	\$0.11	\$2.85	\$1.15	\$0.28	\$0.15	\$0.12	\$0.12	\$0.08	\$1.43	\$0.15	\$4.39	\$0.47	\$0.95
FD shares outstanding	793.0	795.0	898.0	911.0	913.0	922.0	939.0	939.0	950.2	1,008.8	1,020.5	1,032.2	774.8	849.3	928.3	1,002.8	1,050.0

Source: Company data, Wells Fargo Securities, LLC estimates.

Exhibit 10 - Historical & Projected Income Statement Growth Analysis

	Fiscal 2020 by Quarter				Fiscal 2021 by Quarter				Fiscal 2022 by Quarter				Fiscal Year Ends January				
	Apr-19	Jul-19	Oct-19	Jan-20	Apr-20	Jul-20	Oct-20	Jan-21	Apr-21E	Jul-21E	Oct-21E	Jan-22E	2019	2020	2021	2022E	2023E
Sequential growth																	
Revenue	3.7%	7.0%	12.9%	7.5%	0.3%	5.9%	5.2%	7.3%	1.1%	10.0%	2.0%	2.6%	26.0%	28.7%	24.3%	21.1%	18.9%
Subscription and support	3.6%	7.1%	13.2%	7.6%	0.3%	5.8%	5.1%	7.7%	1.2%	10.3%	2.1%	2.7%	27.1%	29.2%	24.5%	21.6%	19.4%
Professional services and other	5.7%	4.6%	8.7%	5.1%	0.7%	7.2%	7.4%	2.1%	0.6%	5.0%	1.0%	1.3%	12.3%	21.4%	20.9%	12.5%	9.3%
Gross profit	6.0%	7.2%	14.4%	7.3%	-0.8%	6.5%	4.7%	7.2%	1.5%	10.1%	2.2%	2.6%	26.6%	32.3%	23.8%	21.4%	19.3%
Research and development	7.7%	7.6%	18.9%	10.6%	3.6%	3.0%	1.0%	6.4%	2.8%	10.9%	4.9%	2.6%	22.1%	42.9%	28.3%	21.7%	15.9%
Sales and marketing	3.3%	7.4%	9.3%	17.8%	2.3%	-7.3%	6.1%	13.5%	-0.4%	9.0%	3.4%	7.8%	27.2%	29.6%	23.0%	22.4%	17.7%
General and administrative	0.0%	55.0%	-18.1%	5.7%	2.3%	-6.4%	8.0%	9.9%	1.1%	8.8%	4.5%	2.8%	23.4%	40.6%	7.9%	21.6%	17.4%
Total operating expenses	3.7%	14.3%	5.9%	14.4%	2.6%	-5.0%	5.2%	11.4%	0.5%	9.4%	3.9%	5.9%	25.6%	33.9%	21.8%	22.1%	17.2%
% growth in deferred costs seq	14.4%	-16.0%	52.5%	-14.8%	-14.8%	63.8%	3.2%	-5.1%	4.8%	12.4%	-3.4%	-9.0%	30.2%	26.9%	31.0%	18.9%	26.7%
Pro forma pretax income	36.7%	-28.8%	28.6%	-11.0%	5.8%	106.9%	23.4%	-40.4%	-14.3%	8.1%	-3.7%	-9.3%	57.0%	20.8%	78.9%	-25.8%	26.3%
Pro forma net income	34.9%	-28.8%	28.7%	-11.1%	6.5%	107.0%	23.4%	-40.4%	-13.7%	8.1%	-3.7%	-9.3%	88.2%	19.3%	80.0%	-25.3%	25.5%
Pro forma EPS (fully-diluted)	33.7%	-29.0%	13.9%	-12.3%	6.2%	105.0%	21.1%	-40.4%	-14.7%	1.8%	-4.8%	-10.4%	78.4%	8.9%	64.7%	-30.9%	19.9%
GAAP EPS (fully-diluted)	7.3%	-76.8%	-206.0%	132.5%	-138.4%	2525.6%	-59.6%	-75.3%	-46.2%	-20.8%	-4.9%	-31.2%	192.3%	-89.6%	2856.7%	-89.4%	104.8%
Year-over-year growth																	
Revenue	24.3%	21.8%	33.0%	34.6%	30.2%	28.9%	20.1%	19.9%	20.9%	25.6%	21.8%	16.4%					
Subscription and support	24.4%	22.4%	33.8%	35.2%	30.9%	29.2%	20.0%	20.0%	21.1%	26.2%	22.7%	16.9%					
Professional services and other	23.0%	14.0%	22.3%	26.3%	20.3%	23.4%	21.9%	18.4%	18.3%	15.8%	9.0%	8.1%					
Gross profit	26.6%	24.2%	37.7%	39.5%	30.6%	29.7%	18.6%	18.6%	21.2%	25.4%	22.4%	17.1%					
Research and development	32.1%	33.2%	51.3%	52.4%	46.5%	40.3%	19.2%	14.6%	13.7%	22.5%	27.3%	22.7%					
Sales and marketing	23.2%	23.5%	27.1%	42.9%	41.5%	22.1%	18.5%	14.2%	11.2%	30.8%	27.4%	21.0%					
General and administrative	21.7%	67.0%	38.1%	34.1%	37.2%	-17.1%	9.4%	13.8%	12.4%	30.7%	26.4%	18.0%					
Total operating expenses	24.7%	32.1%	33.5%	43.5%	42.0%	18.1%	17.3%	14.2%	11.9%	28.8%	27.2%	21.0%					
Operating income	33.2%	-2.1%	52.8%	25.0%	-6.9%	81.5%	22.8%	36.6%	68.0%	15.2%	7.9%	3.5%					
Pro forma pretax income	34.4%	-3.1%	43.6%	11.3%	-13.8%	150.5%	140.4%	60.9%	30.4%	-31.9%	-46.8%	-19.1%					
Pro forma net income	32.7%	-4.4%	41.9%	9.9%	-13.3%	152.3%	141.8%	62.0%	31.2%	-31.5%	-46.5%	-18.6%					
Pro forma EPS (fully-diluted)	26.2%	-6.9%	24.1%	-5.2%	-24.7%	117.5%	131.2%	57.1%	26.1%	-37.4%	-50.8%	-25.9%					
GAAP EPS (fully-diluted)	8.3%	-70.4%	NM	NM	-78.1%	2387.3%	NM	NM	41.1%	-95.7%	-90.0%	-72.1%					

Source: Company data, Wells Fargo Securities, LLC estimates.

Exhibit 11 - Historical & Projected Balance Sheet

US\$ in millions, unless otherwise stated

(US\$ in millions, unless otherwise stated)	Fiscal 2020 by Quarter				Fiscal 2021 by Quarter				Fiscal 2022 by Quarter				Fiscal Year Ends January				
	Apr-19	Jul-19	Oct-19	Jan-20	Apr-20	Jul-20	Oct-20	Jan-21	Apr-21E	Jul-21E	Oct-21E	Jan-22E	2019	2020	2021	2022E	2023E
Current assets	\$ 7,927	\$ 7,656	\$ 8,289	\$ 9,910	\$ 11,704	\$ 11,838	\$ 13,419	\$ 15,875	\$ 19,258	\$ 13,365	\$ 14,111	\$ 15,620	2,669.0	4,145.0	6,195.0	5,939.9	3,367.3
Cash and cash equivalents	4,110.0	3,510.0	3,868.0	4,145.0	5,772.0	4,052.0	3,724.0	6,195.0	9,578.4	3,684.6	4,431.2	5,939.9	1,673.0	3,802.0	5,771.0	5,771.0	5,771.0
Short-term marketable securities	2,269.0	2,532.0	2,661.0	3,802.0	4,030.0	5,231.0	5,768.0	5,771.0	5,771.0	5,771.0	5,771.0	5,771.0	4,924.0	6,174.0	7,766.0	8,738.4	10,280.5
Accounts receivable, net of allowance	2,153.0	2,332.0	2,573.0	6,174.0	3,076.0	3,445.0	3,316.0	7,786.0	3,513.7	4,241.9	4,011.2	8,738.4	788.0	926.0	1,146.0	1,213.9	1,449.4
Deferred commissions	766.0	786.0	813.0	926.0	881.0	948.0	1,017.0	1,146.0	1,015.1	1,030.4	1,140.6	1,213.9	-	-	-	-	-
Deferred taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses and other current assets	717.0	743.0	1,111.0	916.0	954.0	1,170.0	1,121.0	991.0	1,153.6	1,469.7	1,365.7	1,401.0	629.0	916.0	991.0	1,401.0	1,644.4
Total current assets	10,035.0	9,903.0	11,026.0	15,963.0	14,713.0	14,846.0	14,946.0	21,889.0	21,031.8	16,197.5	16,719.7	23,064.3	10,683.0	15,963.0	21,889.0	23,064.3	22,512.6
Long-term investments																	
Fixed assets, net	2,243.0	2,283.0	2,365.0	2,375.0	2,518.0	2,528.0	2,564.0	2,459.0	2,469.4	2,493.5	2,518.7	2,545.3	2,051.0	2,375.0	2,459.0	2,545.3	2,722.5
Operating lease right-of-use	2,854.0	2,904.0	3,150.0	3,040.0	2,983.0	2,985.0	2,962.0	3,204.0	3,204.0	3,204.0	3,204.0	3,204.0	-	3,040.0	3,204.0	3,204.0	3,204.0
Deferred commissions, noncurrent	1,149.0	1,105.0	1,103.0	1,348.0	1,171.0	1,309.0	1,462.0	1,715.0	1,519.1	1,542.0	1,706.9	1,816.7	1,232.0	1,348.0	1,715.0	1,816.7	2,169.1
Marketable securities/investments, noncurrent	1,548.0	1,614.0	1,760.0	1,963.0	1,902.0	2,555.0	3,927.0	3,909.0	3,909.0	3,909.0	3,909.0	3,909.0	1,302.0	1,963.0	3,909.0	3,909.0	3,909.0
Goodwill	12,854.0	13,199.0	25,022.0	25,134.0	25,266.0	26,301.0	26,313.0	26,318.0	25,616.4	24,914.9	24,213.3	23,511.8	12,851.0	25,134.0	26,318.0	23,511.8	20,705.5
Other assets	2,471.0	2,328.0	5,516.0	5,303.0	5,070.0	7,256.0	6,962.0	6,807.0	6,807.0	6,807.0	6,807.0	6,807.0	2,466.0	5,303.0	6,807.0	6,807.0	6,807.0
Total assets	33,154.0	33,336.0	49,942.0	55,126.0	53,623.0	57,780.0	59,136.0	66,301.0	64,556.7	59,067.9	59,078.6	64,858.0	30,737.0	55,126.0	66,301.0	64,858.0	62,029.7
Current liabilities																	
Accounts payable	-	-	-	-	-	-	-	-	-	-	-	-	165.0	-	-	-	-
Accrued expenses and other current liabilities	2,228.0	2,347.0	2,881.0	3,433.0	2,989.0	3,485.0	3,546.0	4,355.0	3,206.03	3,526.3	3,598.1	3,691.2	2,523.0	3,433.0	4,355.0	3,691.2	4,332.2
Operating lease liabilities	675.0	706.0	735.0	750.0	742.0	767.0	765.0	766.0	766.0	766.0	766.0	766.0	-	750.0	766.0	766.0	766.0
Deferred revenue	7,585.0	7,142.0	6,858.0	10,662.0	9,112.0	8,711.0	7,923.0	12,607.0	11,225.5	10,525.1	9,520.0	14,532.8	8,564.0	10,662.0	12,607.0	14,532.8	17,894.9
Total current liabilities	10,488.0	10,195.0	10,474.0	14,845.0	12,843.0	12,963.0	12,234.0	17,728.0	15,197.5	14,817.4	13,884.2	18,989.9	11,255.0	14,845.0	17,728.0	18,989.9	22,993.1
Long term liabilities																	
Term loan, noncurrent	3,173.0	2,973.0	2,824.0	2,673.0	2,673.0	2,673.0	2,672.0	2,673.0	2,684.0	12,688.0	12,692.0	12,696.0	3,173.0	2,673.0	2,673.0	12,696.0	1,523.0
Operating lease liabilities	2,383.0	2,341.0	2,535.0	2,445.0	2,422.0	2,407.0	2,403.0	2,842.0	2,842.0	2,842.0	2,842.0	2,842.0	-	2,445.0	2,842.0	2,842.0	2,842.0
Other liabilities, noncurrent	664.0	661.0	830.0	1,278.0	1,120.0	1,297.0	1,517.0	1,565.0	1,565.0	1,565.0	1,565.0	1,565.0	704.0	1,278.0	1,565.0	1,565.0	1,565.0
Total liabilities	16,708.0	16,170.0	16,663.0	21,241.0	19,058.0	19,340.0	18,826.0	24,808.0	22,292.5	31,920.4	30,995.2	36,108.9	15,132.0	21,241.0	24,808.0	36,108.9	28,955.1
Total shareholders' equity	16,446.0	17,166.0	33,279.0	33,885.0	34,565.0	38,440.0	40,310.0	41,493.0	42,264.2	27,147.4	28,083.4	28,749.1	15,605.0	33,885.0	41,493.0	28,749.1	33,074.6
Total liabilities and shareholders' equity	33,154.0	33,336.0	49,942.0	55,126.0	53,623.0	57,780.0	59,136.0	66,301.0	64,556.7	59,067.9	59,078.6	64,858.0	30,737.0	55,126.0	66,301.0	64,858.0	62,029.7

Source: Company data, Wells Fargo Securities, LLC estimates.

(US\$ in millions, unless otherwise stated)

Source: Company data, Wells Fargo Securities, LLC estimates.

Price Target Basis and Risk

Price Target for CRM: \$300.00 from NC

Our price target of \$300.00 is based on SNTM EV/UFCF and NTM EV/RR multiples of 40.5x and 12.2x, respectively.

Risk for CRM

Salesforce.com's business is susceptible to adverse changes in global macro trends and events. Additionally, the sudden loss or departure of Salesforce.com's executive officers could negatively impact the business. Competitive pressures and/or a change in the company's ability to execute, integrate acquisitions, and cross- or up-sell could materially impact the trajectory and therefore pose downside risk to our price target.

Investment Thesis

CRM

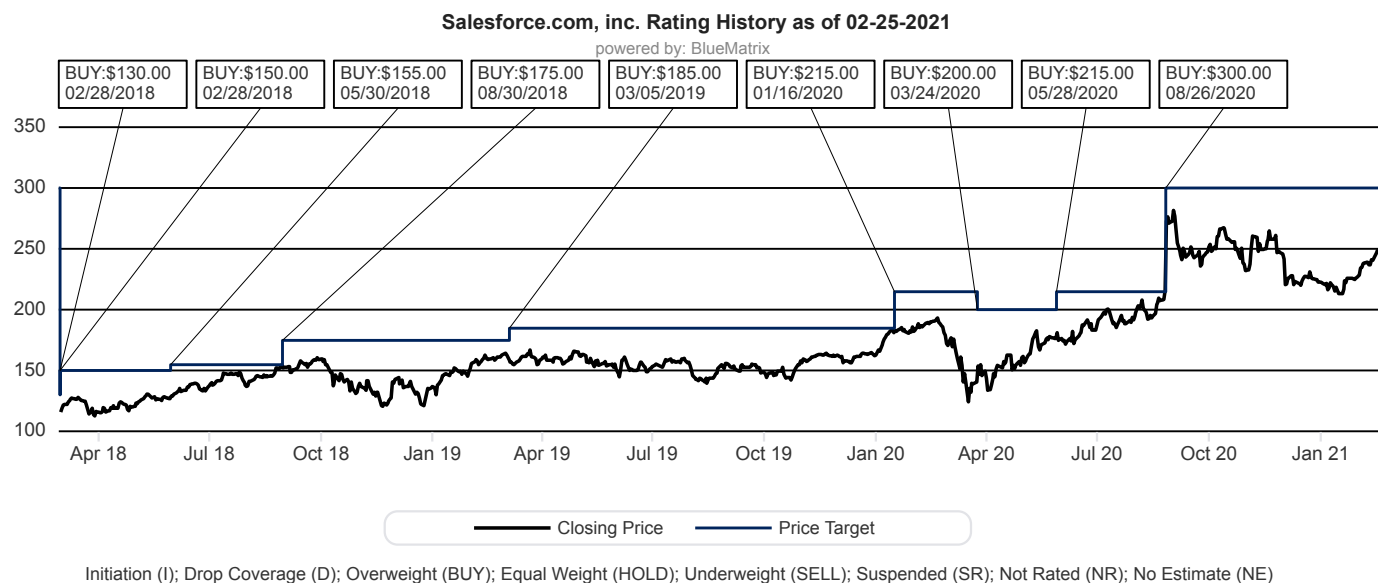
We view Overweight-rated Salesforce as the company most leveraged to the ongoing mobile/cloud computing (MCC) replatforming cycle that continues to drive strong growth in the CRM market. We expect Salesforce to benefit from adoption trends in cloud, social, and mobile, positioning the company as the leading customer-centric, integrated front-office suite because of its ability to provide an end-to-end solution.

Required Disclosures

I, Philip Winslow, certify that:

- 1) All views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers discussed; and
- 2) No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this research report.

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Wells Fargo Securities, LLC maintains a market in the common stock of Salesforce.com, inc..

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CRM:

Salesforce.com's business is susceptible to adverse changes in global macro trends and events. Additionally, the sudden loss or departure of Salesforce.com's executive officers could negatively impact the business. Competitive pressures and/or a change in the company's ability to execute, integrate acquisitions, and cross- or up-sell could materially impact the trajectory and therefore pose downside risk to our price target.

Wells Fargo Securities, LLC does not compensate its research analysts based on specific investment banking transactions. Wells Fargo Securities, LLC's research analysts receive compensation that is based upon and impacted by the overall profitability and revenue of the firm, which includes, but is not limited to investment banking revenue.

STOCK RATING

1=Overweight: Total return on stock expected to be 10%+ over the next 12 months. BUY

2=Equal Weight: Total return on stock expected to be 0-10% over the next 12 months. HOLD

3=Underweight: Total return on stock expected to lag the Overweight- and Equal Weight-rated stocks within the analyst's coverage universe over the next 12 months. SELL

As of February 25, 2021

55.3% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Overweight.

33.0% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Equal Weight.

11.7% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Underweight.

Wells Fargo Securities, LLC has provided investment banking services for 58.4% of its Equity Research Overweight-rated companies.

Wells Fargo Securities, LLC has provided investment banking services for 46.3% of its Equity Research Equal Weight-rated companies.

Wells Fargo Securities, LLC has provided investment banking services for 44.0% of its Equity Research Underweight-rated companies.

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