

LATEST PRICE: \$331.65
AS AT 14 NOV

CRM - US

SALESFORCE

T12A (Tues 12-1:30PM) - Qiliang Xiong



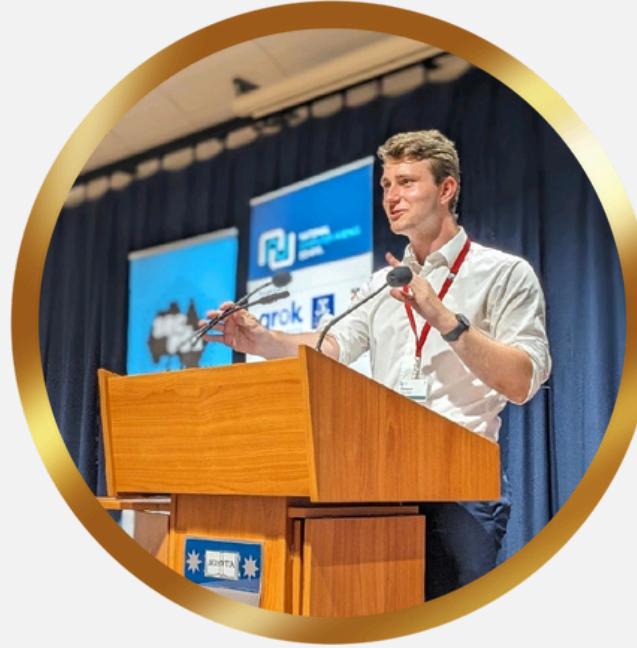
Audrey Hidayat z5479316
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Connor Isaias-White z5358331
Anni Huang z5487433



OUR TEAM

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- As equity analysts, we will deliver a stock pitch to you (State Road Global Advisors) for Salesforce
- Presenting our qualitative & data-driven findings from FactSet
- See next slide for our agenda



Connor



Audrey



Pari



Anni

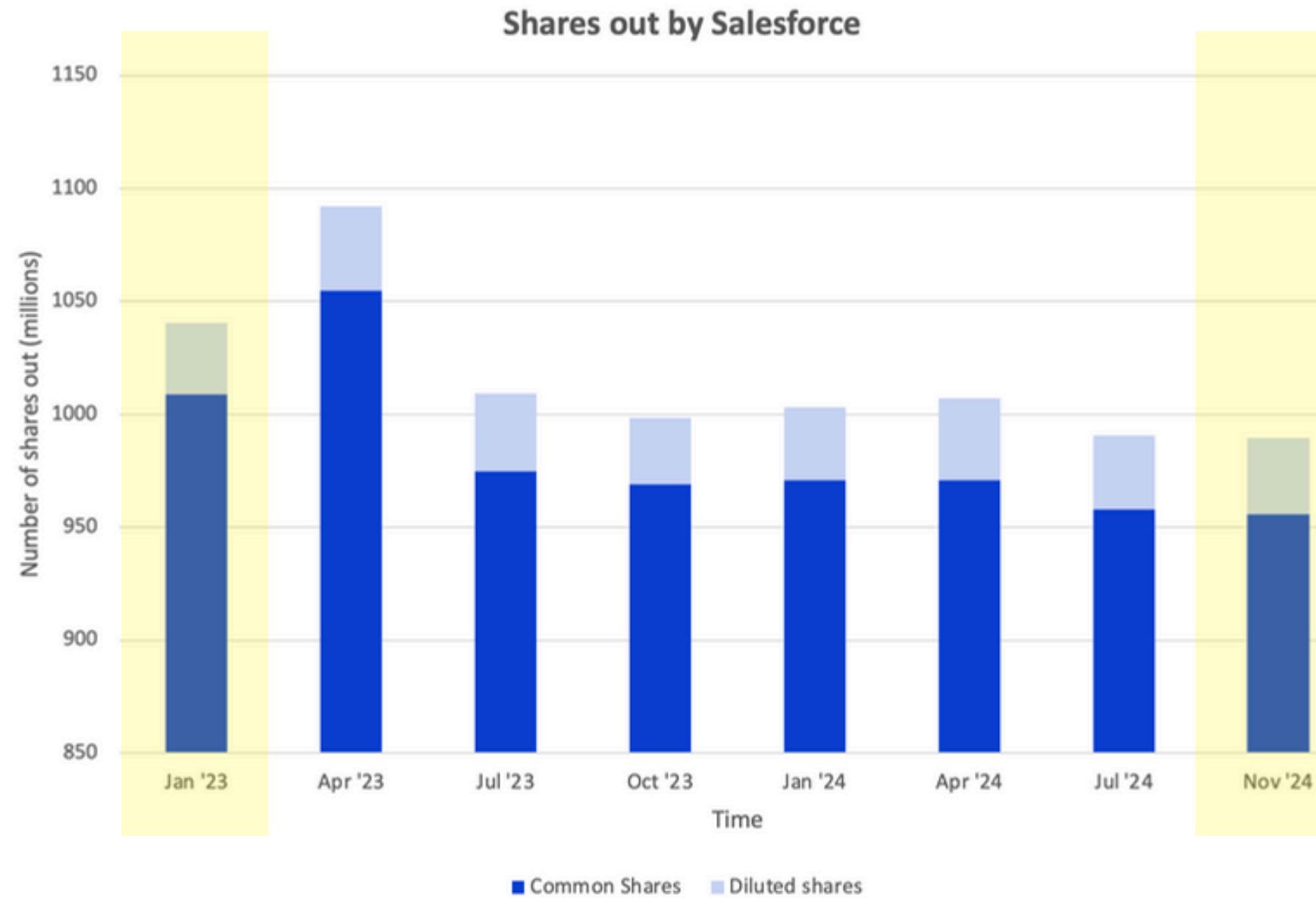


AGENDA

- 01** Introduction & Overview
- 02** Current Capital Structure
- 03** Major Revenue & Expense Sources
- 04** Competitor Analysis
- 05** Annotated Share Price Chart
- 06** Discussion of Key Events & Market Behaviour
- 07** Proposed Investment Strategies

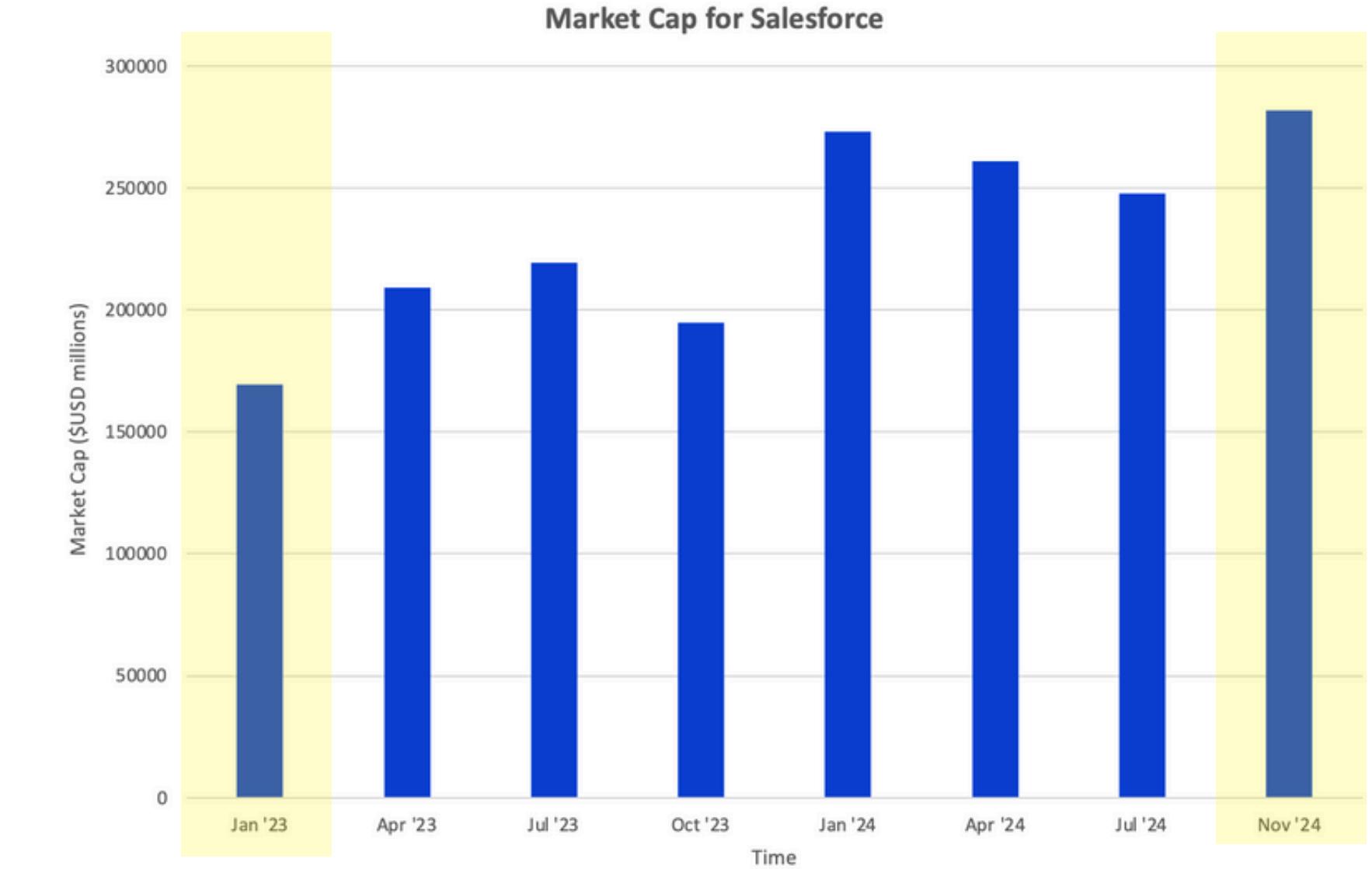
CAPITAL STRUCTURE

Fully diluted equity capitalisation



Common and diluted shares:

Common shares show the current number of stocks that are circulating in the market and owned by shareholders whilst diluted shares include potential stocks.

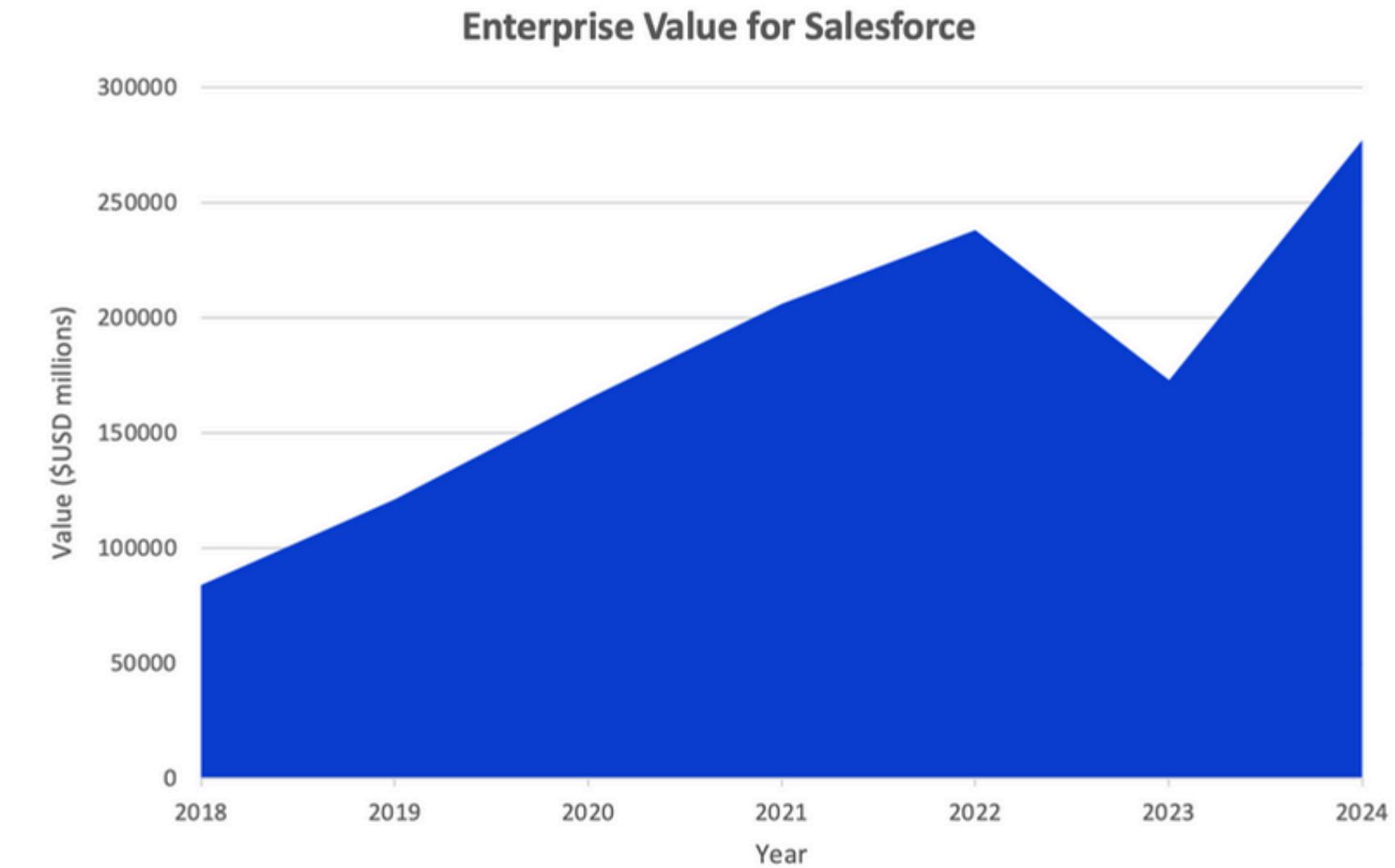
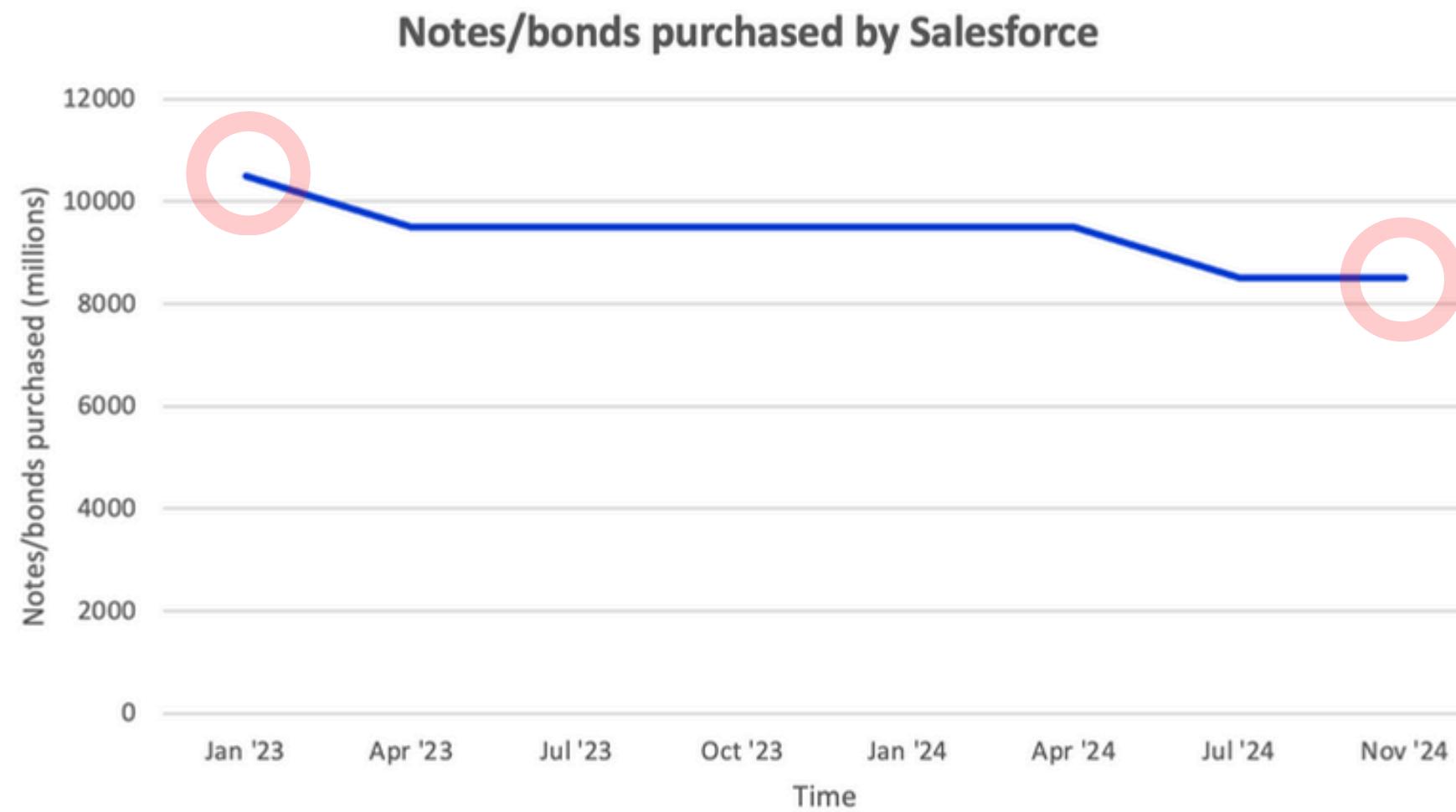


Market cap:

Market cap shows company's total value in market values

CAPITAL STRUCTURE

Long-term debt



Notes and bonds:

Salesforce utilises long term notes/bonds as their main debt instrument

Enterprise value:

Enterprise value shows the total value of market cap, debt and cash levels and provides a holistic view of the value of the company

MAJOR REVENUE SOURCES (OVERVIEW)



1) RBICS - Revenue Exposure by Sector/Industry

- **Key industries:** CRM-US, Technology, Software & Consulting, Software
- **Sub-industries:** Enterprise management software, CRM software, design & engineering software etc.



2) Geographic Revenue Exposure

- **Revenue Exposure by Country/Religion:** mainly in the US (62.1% of total Revenue)
- **Revenue Exposure by Economy:** developed economies (90.1%), emerging economies (10.1%)



3) Segment History

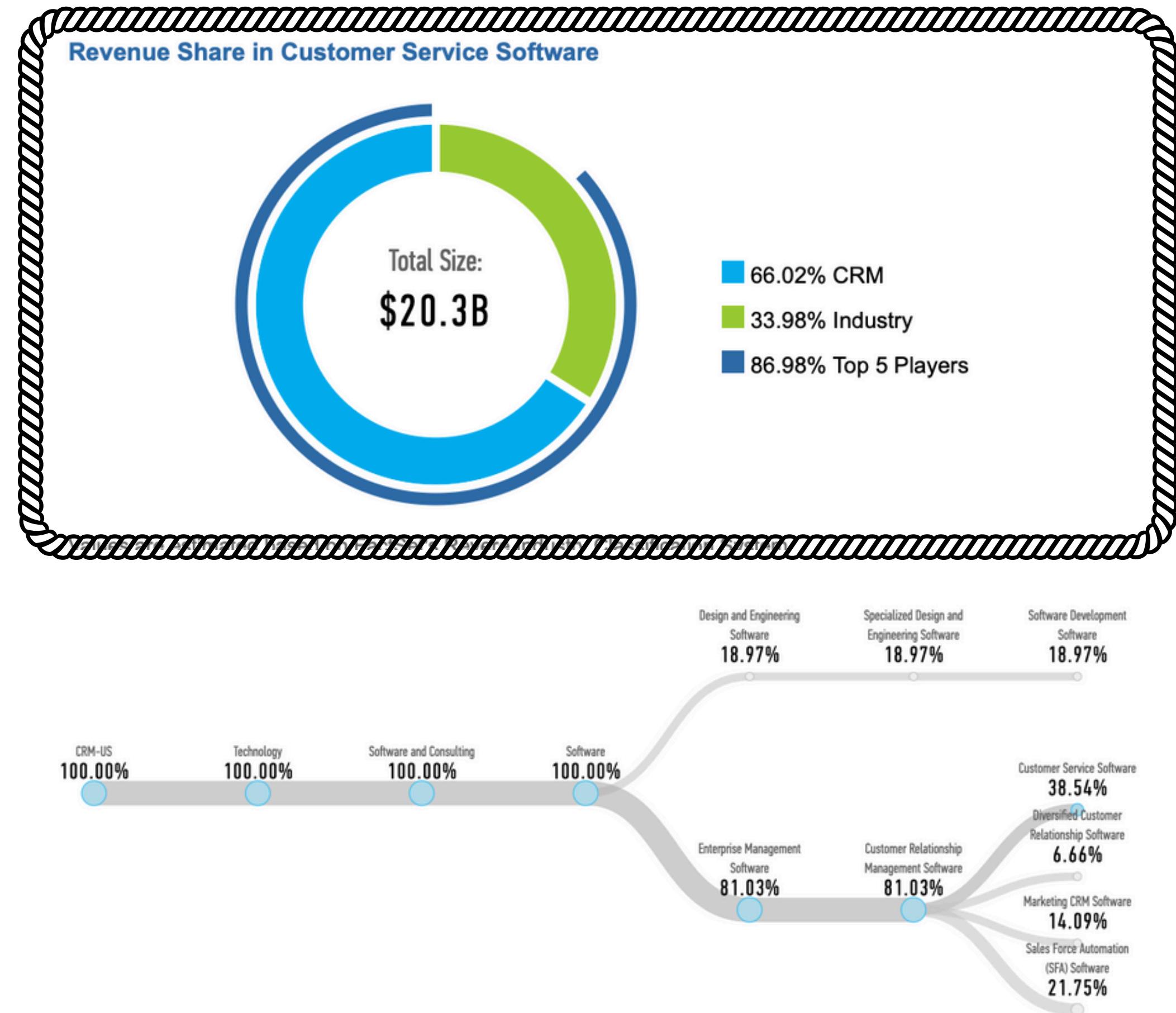
- Revenue/sales by business segments:
- 1. **Service** segment - led Revenue from Jan 2021-2024
 - 2. **Software License** led revenue from 2015-2020
 - **'Data' segment grew significantly** (2022-2024)
 - Steady Revenue growth in 'Professional services & other' (2015-2024)

1) REVENUE - BY SECTOR/INDUSTRY



RBICS - Revenue Exposure by Sector/Industry

- **Key industries:** CRM-US, technology, software & consulting, software
- **Sub-industries:** involve enterprise management software, CRM software, design & engineering software etc.

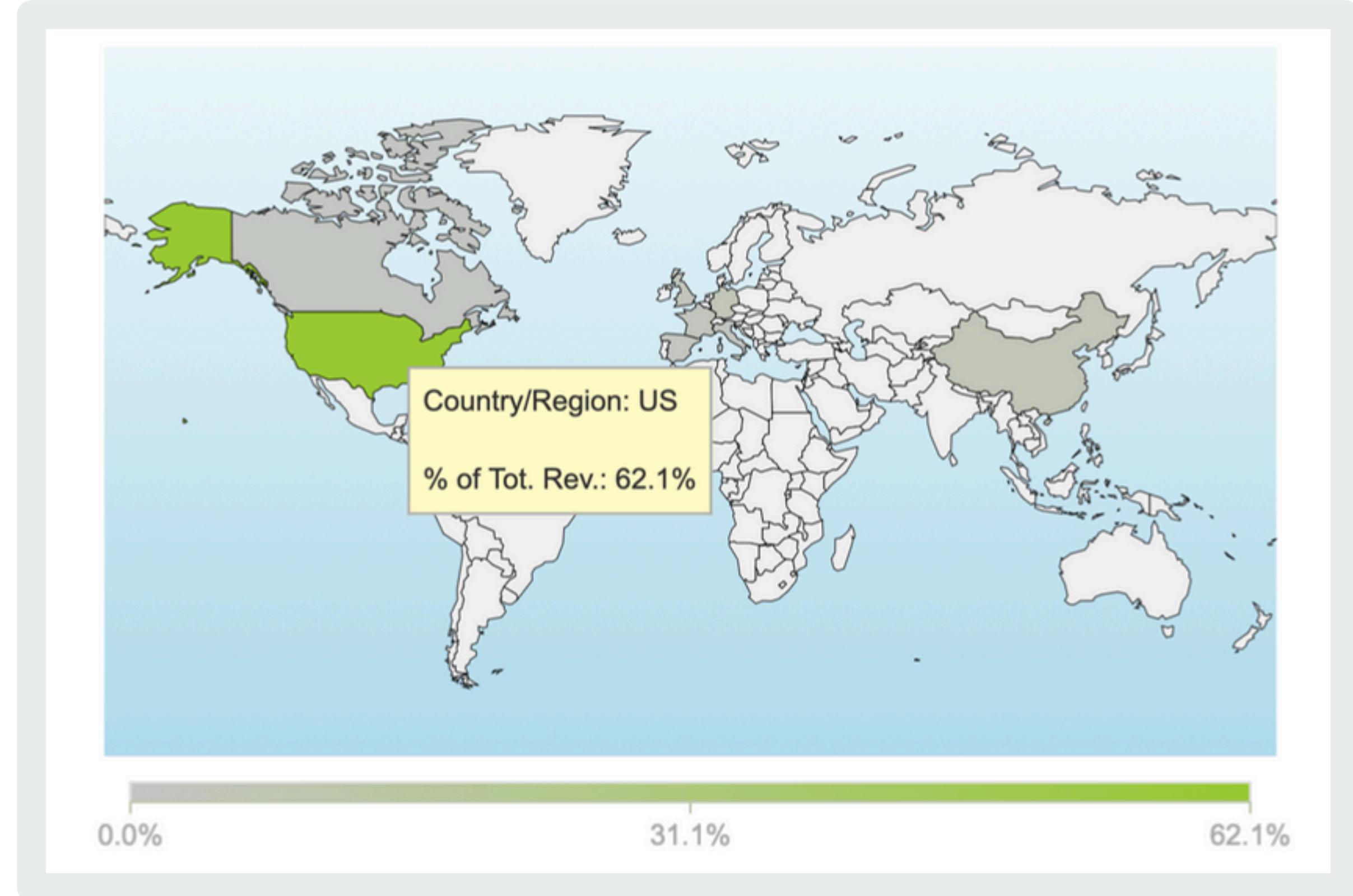


2) REVENUE - BY GEOGRAPHIC EXPOSURE



Geographic Revenue

- **Revenue exposure by country/religion:** mainly in the US (62.1% of total Revenue)
- **Revenue exposure by economy:** developed economies (90.1%), emerging economies (10.1%)



2) REVENUE - BY GEOGRAPHIC EXPOSURE



Revenue Exposure By Country/Region

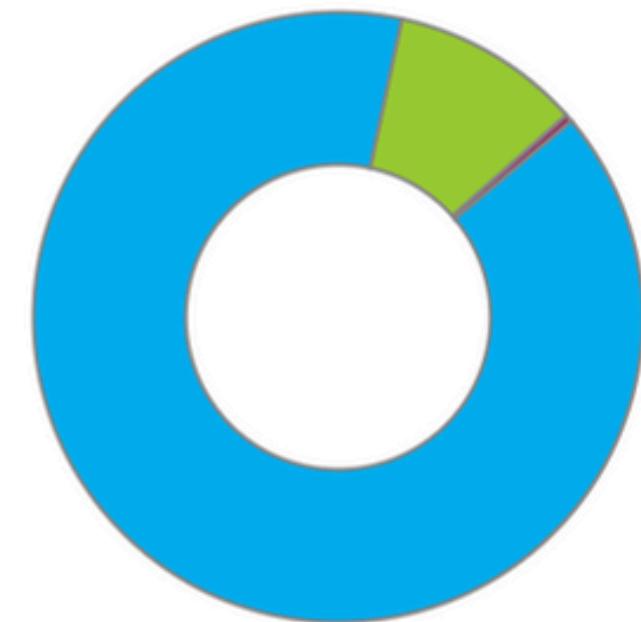
Total LTM Revenue \$36.5B



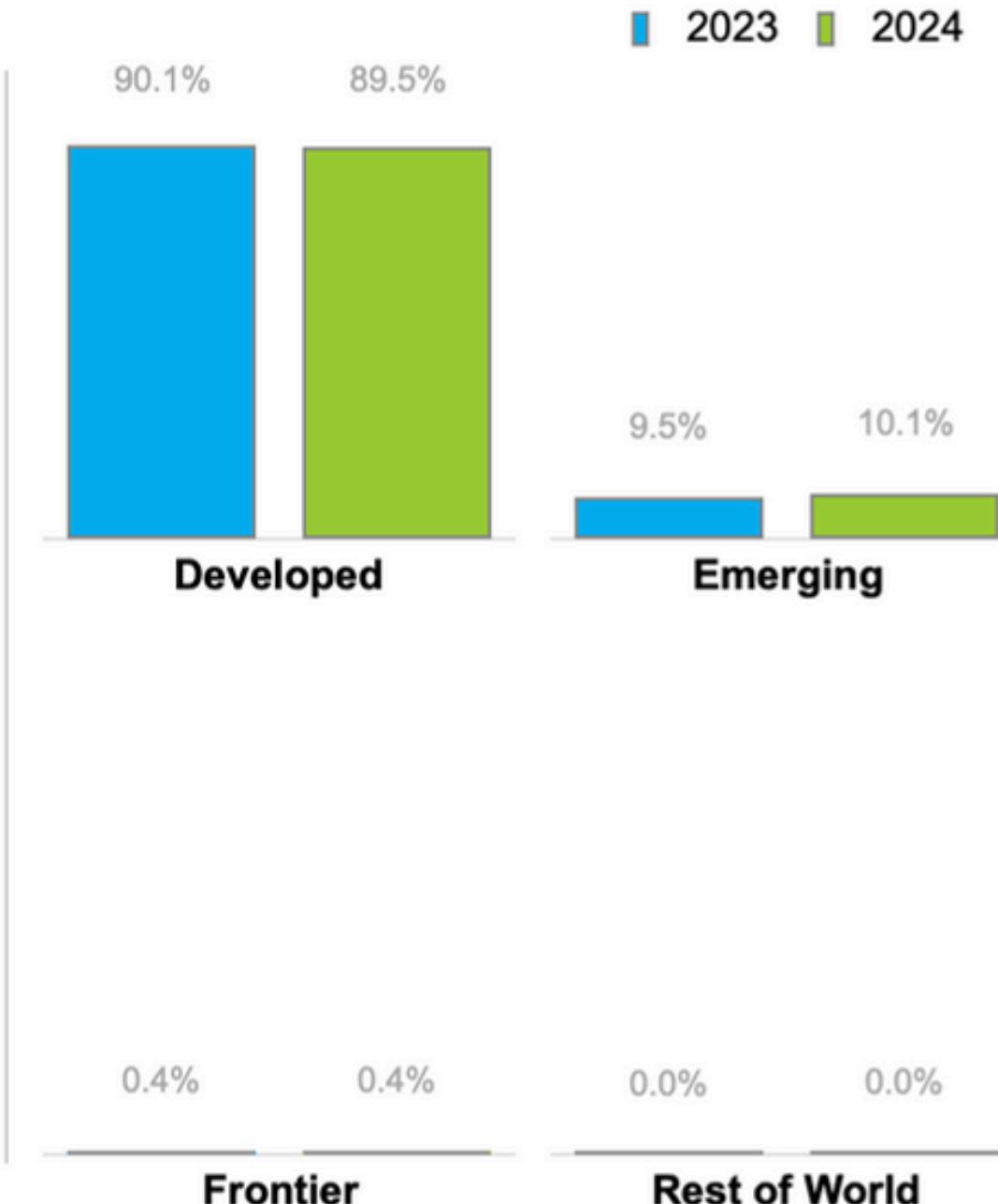
*Country of Domicile | +Country of Risk | Showing up to 8 of 32 countries | GeoRev data as of Jan '24

**Value is estimated based on FactSet's proprietary algorithm

Revenue Exposure By Economy



- Developed: 89.5%
- Emerging: 10.1%
- Frontier: 0.4%
- Rest of World: 0.0%
- Unspecified: 0.0%



3) REVENUE - BY SEGMENT HISTORY



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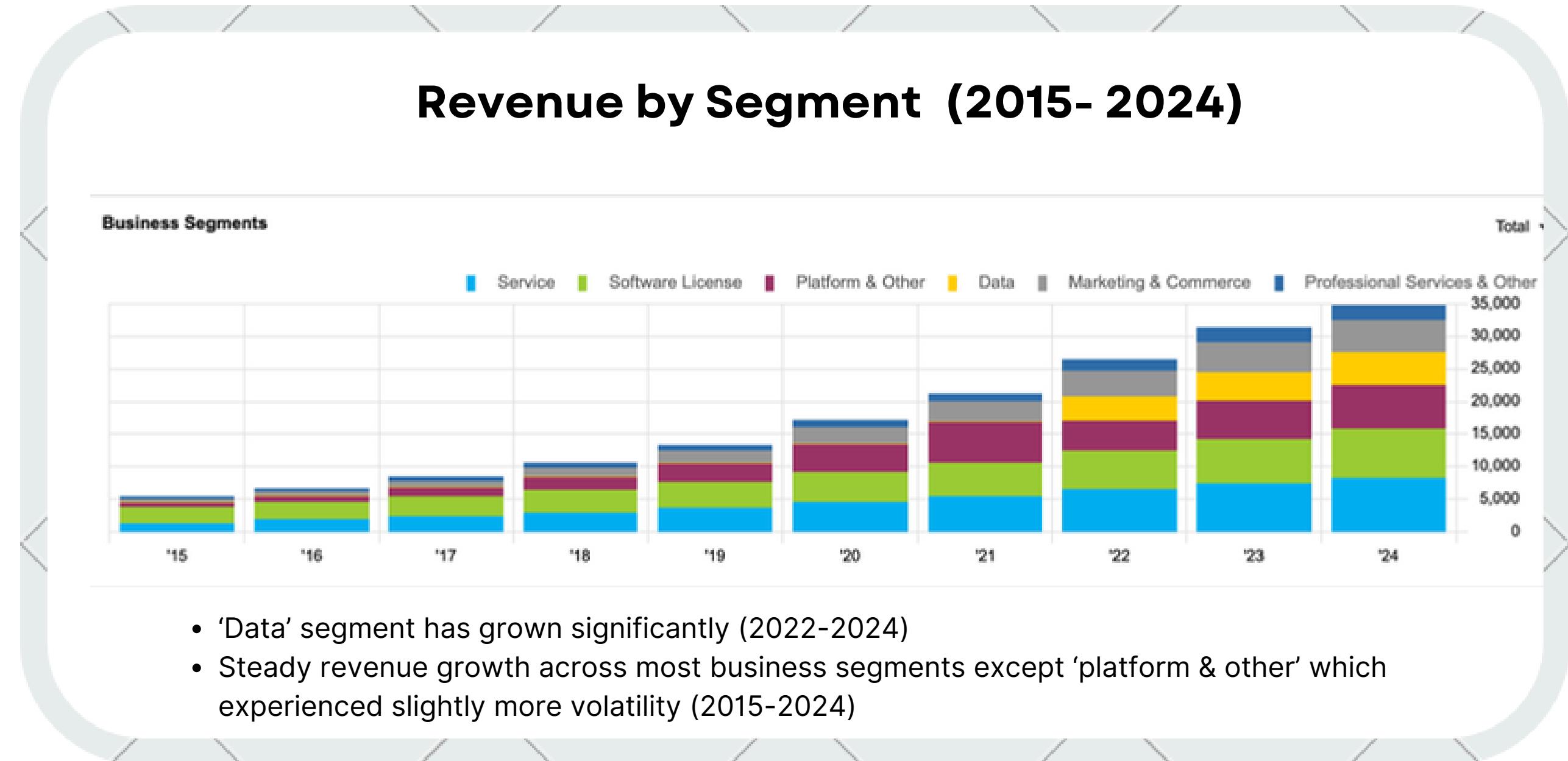


Segment History

Sales by business segments:

1) **'Service'** segment (led Revenue from Jan 2021-2024)

2) **'Software License'** (led revenue from 2015-2020)



MAJOR EXPENSE SOURCES

- **Total expenses** = Net revenue - Net income
- **Both expenses and capital expenditures are considered costs to a business**, but differ based on their tax and accounting treatment



Key Expense Accounts

Total operating expenses: include R&D, Marketing & Sales, G&A.

Others Accounts: lease recovery, operating lease termination, Loss on settlement and restructuring



Key trends 1)

Continuous increase in total operating expenses from 2015 -2024 (**increased over 5 times** from 2015)



Key trends 2)

Significant and **sustained growth** in R&D, Marketing & Sales and G&A expenses

MAIN COMPETITORS



Broadcom's IT solutions especially in AIOps (Artificial Intelligence for IT Operations), application performance, and automation, make it a strong choice for organisations that optimise IT operations.

IBM known for AI-driven IT and asset management solutions, IBM has strong adoption in manufacturing, utilities, and industries needing IoT and asset management.

Oracle's ERP customer base, targeting industries requiring in-depth financial and operational management.

ServiceNow specializes in workflow automation and digital transformation, making it a strong competitor in service management. It targets enterprise clients, focusing on operational efficiencies and IT service management.

MAIN COMPETITORS International Market & Domestic



Capital Advisors

SALESFORCE PRICE CHART ANALYSIS

(NOVEMBER 2023-OCTOBER 2024)



SALESFORCE PRICE CHART ANALYSIS

(NOV 2023-OCT 2024)



The S&P 500 is a benchmark for the overall U.S. market, providing a perspective on Salesforce's performance relative to broader economic trends.

Salesforce significantly outperformed the S&P 500, suggesting strong company-specific performance

Periods of divergence highlight the impact of Salesforce's unique initiatives, such as advancements in AI, and challenges like missed earnings.

PRICE CHART ANALYSIS | COMPETITOR (NOV 2023-OCT 2024)



Salesforce

ServiceNow

Oracle

**Price behaviour analysis of
Salesforce's top 2 competitors:**

- Service now
- Oracle

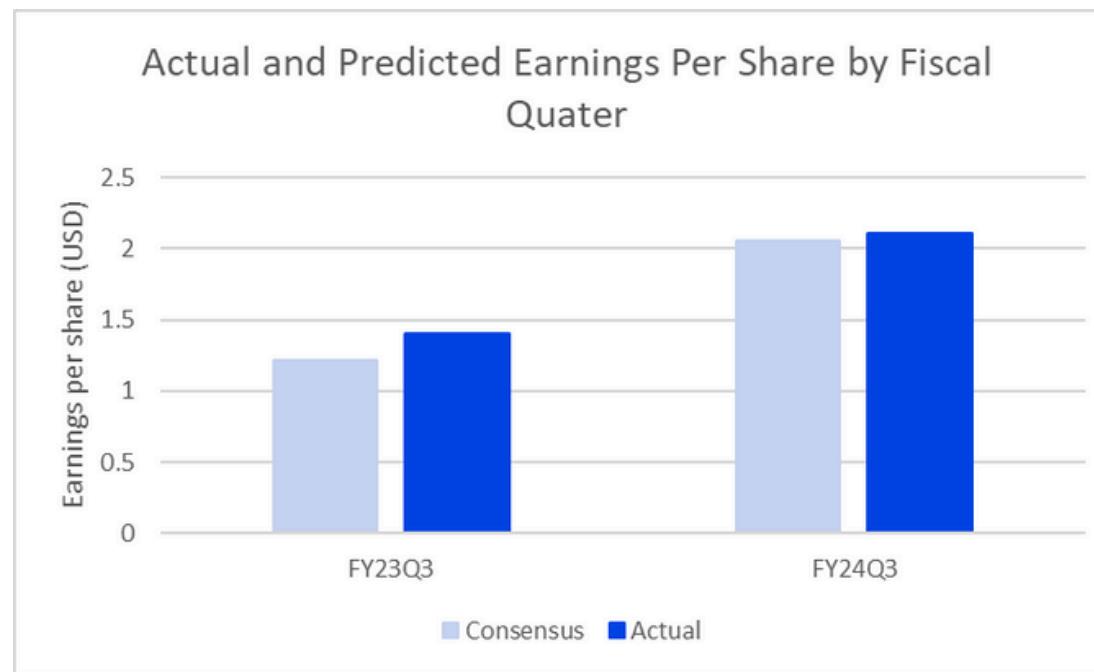
**Salesforce's stock has shown consistent
growth, with fluctuations that align with
industry trends, this steady climb indicates
that the market appreciates**

**While Salesforce has grown strongly,
ServiceNow's even faster growth rate may be
attributed to its dominant position in IT
workflow automation and expanding product
reach into areas beyond IT.**

**ServiceNow has outperformed the other two,
with a 174.68% increase. Salesforce followed
with a 161.53% increase. With a 134.47%
increase, Oracle has the lowest growth among
the three.**

DISCUSSION OF KEY EVENTS

EVENT 1 - 30/11/2023 (POSITIVE)



Higher than expected earnings

- On the **30th of November Q3 Earnings** were announced
- The **estimated EPS** was **\$2.06**
- The **actual EPS** was **\$2.11**
- Increase of **\$0.05**
- 2.4% positive surprise percentage**

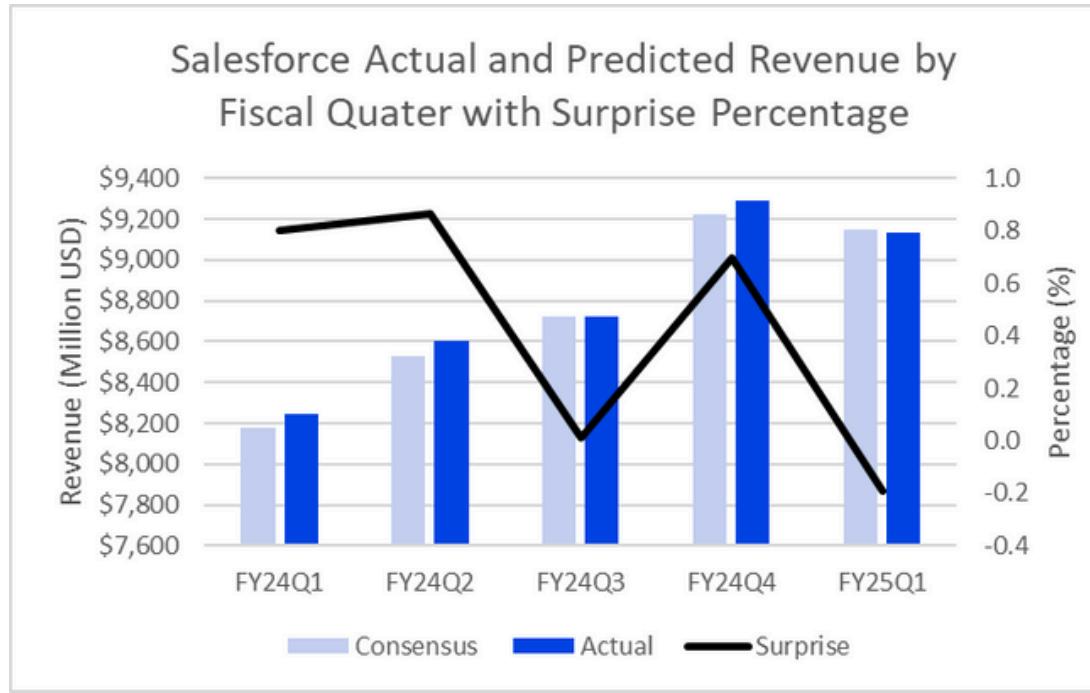


Increase in Share price

- Before the earnings announcement the **share price** was **\$230.35**
- The **share price increased** to **\$251.90** after earnings were announced
- \$21.55 increase** which is a **9.36% growth**
- 24,425,720 shares** were exchanged on that day

DISCUSSION OF KEY EVENTS

EVENT 2 - 30/05/2024 (NEGATIVE)



Lower than expected revenue

- Weaker than expected FY25 Q1
- First time in nearly 2 decades
- **Revenue was \$9.133 Billion USD**
- **\$9.156 billion USD was expected Revenue**
- Surprise Percentage of -0.2%



Decrease in Share Price

- Largest single-day drop in share price since 11/7/2004.
- Share Price Dropped from \$271.62 to \$218.01
- \$53.61 fall
- 19.74% Decrease
- 66,860,914 shares traded

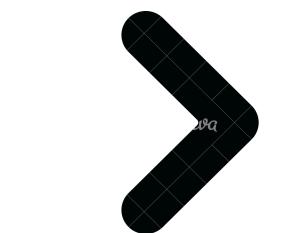
NEGATIVE EVENT - PRICE & VOLUME REACTION

30/5/2024



Price Reaction:

- **Target Price:** \$299.46
- **Actual Price:** \$218.01
- **SP dropped by:** 19.74%
(almost 20%)



*Buy low
Sell high*

Volume Reaction:

- Significantly ***larger*** trading volume reaction than expected due to SP drop
- **Shares traded:** 66, 860, 914
- **Avg vol traded:** 5, 401, 263 (90 Day basis)

- Generated significantly '**LARGER**' Price and Volume reactions than expected
- Trading volume greatly increased as SP plummeted

PRICE



VOLUME

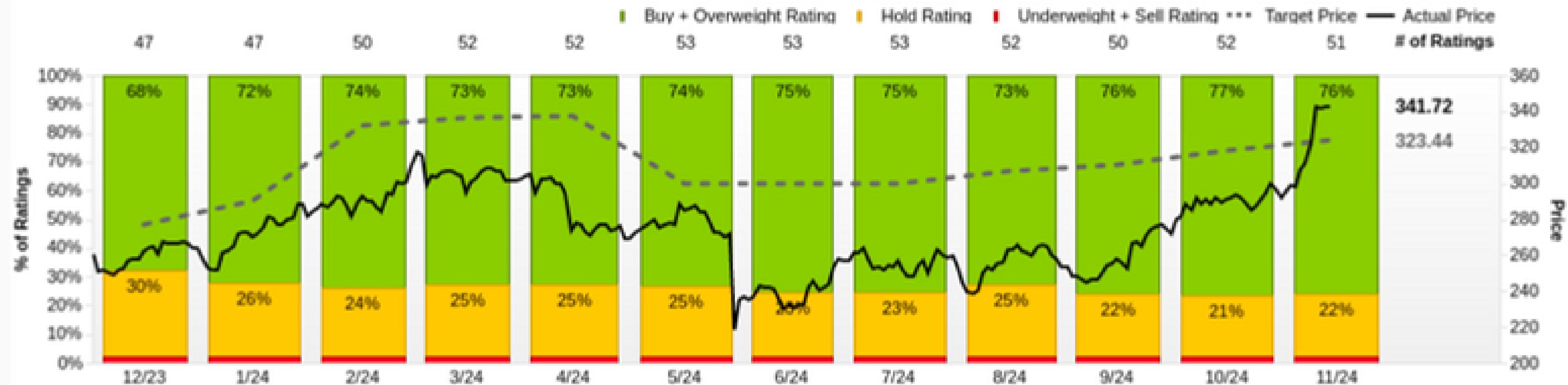
TARGETS & RATINGS: (ON 31 MAY' 24)

- MEAN RATING:
OVERWEIGHT (1.22)
- TARGET PRICE: 299.46
- ACTUAL PRICE: 234.44

Salesforce, Inc. (CRM) \$341.72

Next Rpt Date: 03 Dec '24

Report as of 14 Nov '24



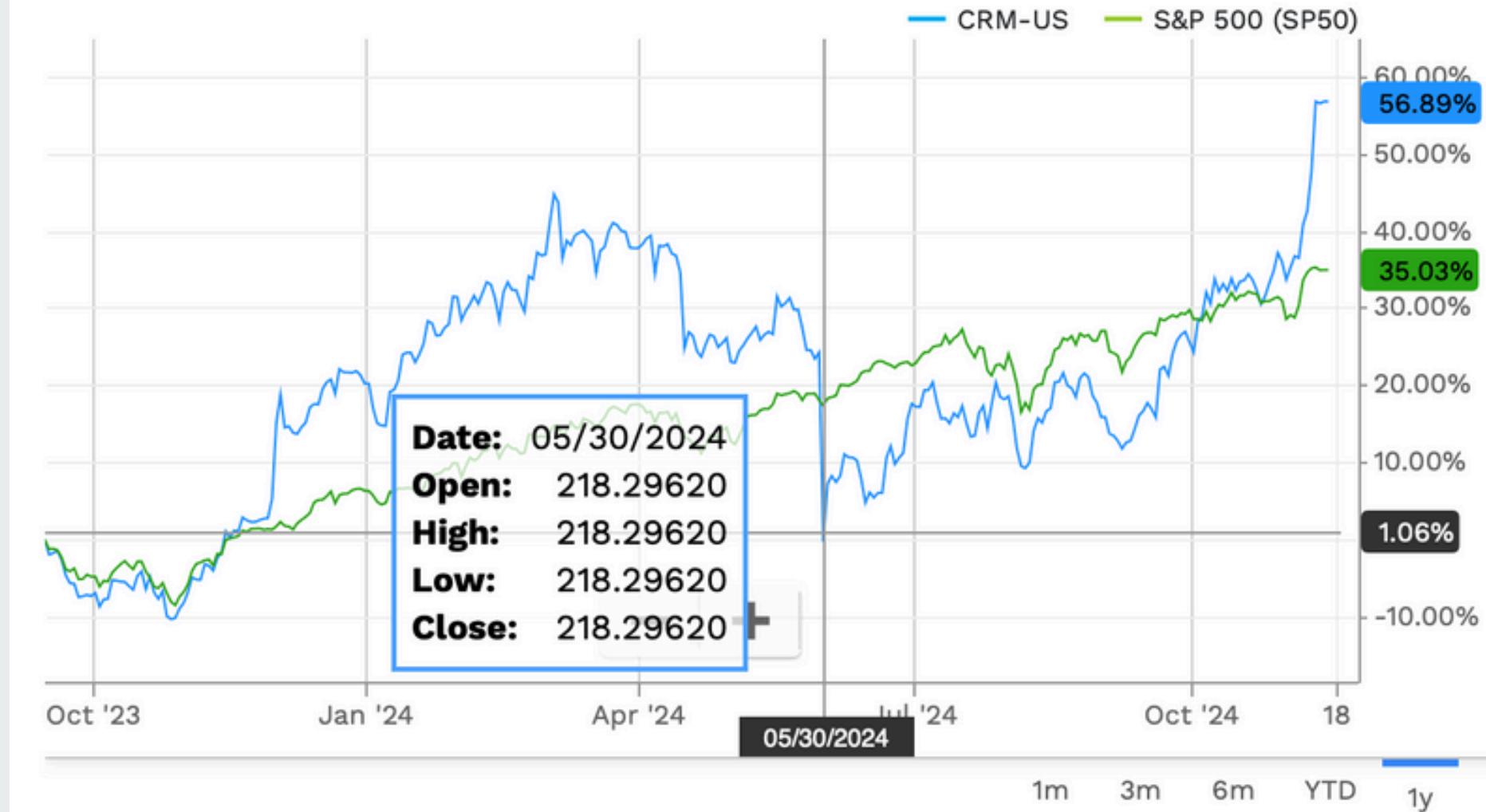
ACTUAL MARKET BEHAVIOUR - TARGETS & RATINGS

EVALUATION OF MARKET BEHAVIOUR WITH EMH (VOL & PRICE)



**VOLUME FLUCTUATIONS WITH
OBV & VOLUME OVERLAY**

Total Return



Returns	1M	3M	6M	YTD	1Y	3Y	5Y	10Y	20Y	IPO
CRM-US	17.17	34.05	23.85	30.45	55.19	3.82	16.02	18.29	23.52	24.46
SP50	2.22	10.09	14.84	26.96	35.01	10.19	15.73	13.40	10.57	10.63

All returns over 1 year are annualized.

**PRICE FLUCTUATIONS
WITH S&P500**

MARKET BEHAVIOUR CONSISTENCY WITH EMH

EMH - 3 forms of market efficiency states:

- Prices should fully and quickly reflect all relevant info
- No investor can beat the market on a 'risk-adjusted basis' in the long run using info-based trading

- Holds true (**Highly consistent**) - empirical evidence show that investors cannot consistently 'beat the market' using only historical data (Technical Analysis) to forecast future price movements
- EX: Investors could not have predicted the 20% drop in the SP of Salesforce ahead of time using only past data

Weak Form



- Not entirely true (**Semi-consistent**) - history proves that value-investing (by stock's PE ratio) with all public info can occasionally outperform the market
- Implies that '**Fundamental analysis**' (Finding fair value) can ultimately lead to higher potential returns

Semi-strong Form



- Does not hold true (**inconsistent**) - studies show that '**insider information**' (private info) may be exploited by investors to beat market average returns
- EX: SP dropped immediately after SF reported 1st miss in revenue expectations of Q1 results since 2006 (Capoot, 2024)
- Evidenced by significant deviations of SF's Actual SP & vol traded from market expectations (target price & avg vol traded)

Strong Form



INVESTMENT RECOMMENDATION - ‘BUY’

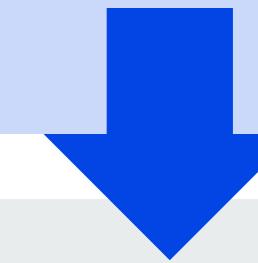
Revenue Growth Outlook
Capitalise on demand for digital innovation

Diversification
Diversify into other technology domains such as further AI and analytics

Profitability and Cost Management
Competitive advantage in the CRM offering and business integration

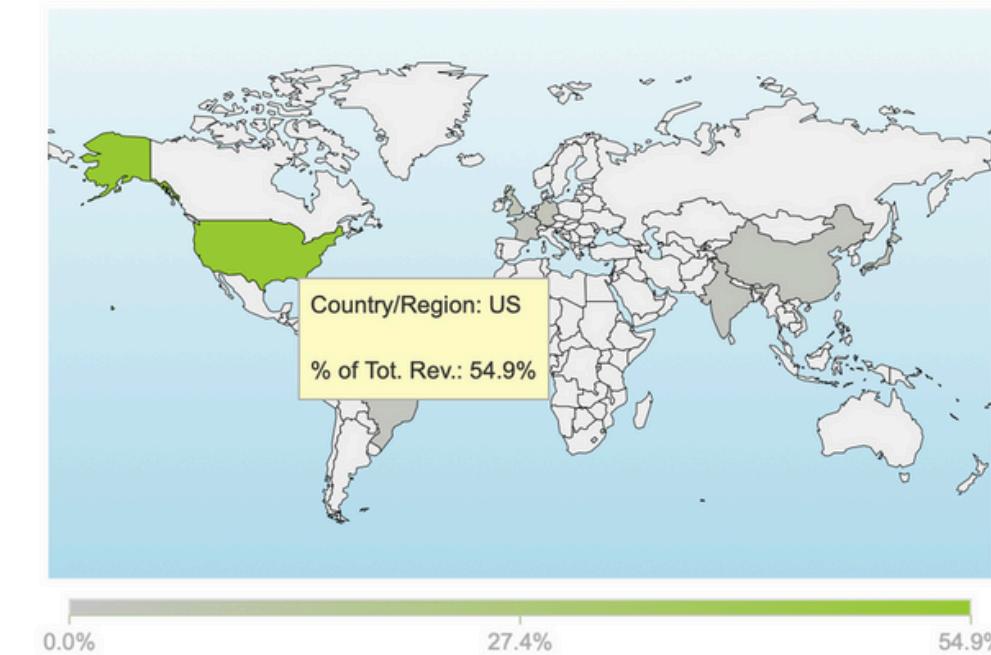
INVESTMENT RECOMMENDATION Evaluation

Investment into medium-to-long term projects

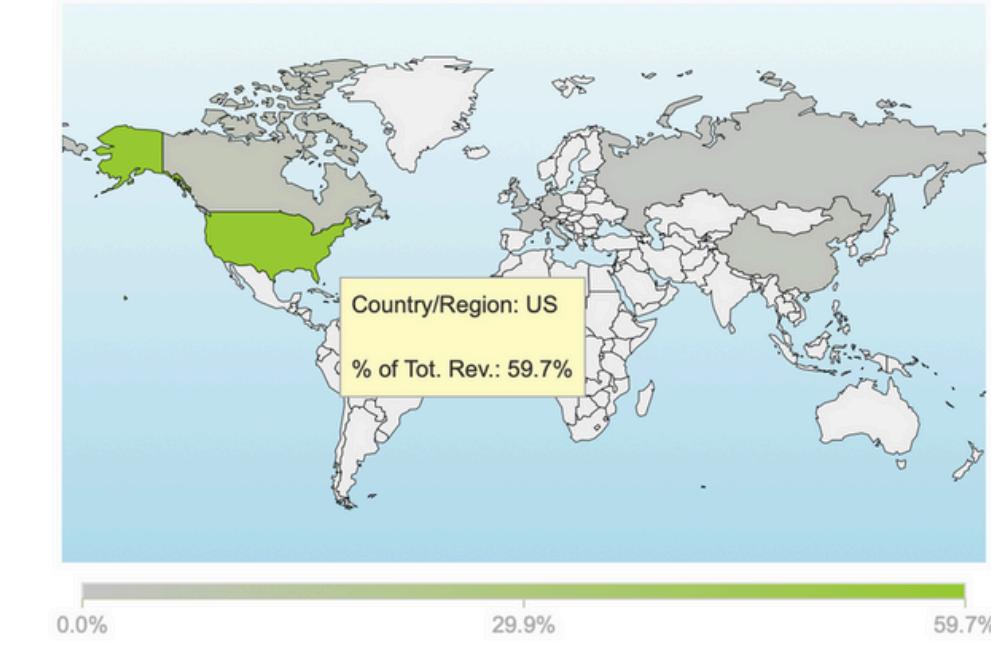


Maintain and increase position of dominance and market share gains in the technology sector

Country/Region Map of Revenue Exposure



Country/Region Map of Revenue Exposure



Oracle's Geographic Revenue Map

ServiceNow's Geographic Revenue Map

Oracle and ServiceNow are the main competitors for Salesforce, with all companies having the same highest revenue base in the US.

INVESTMENT RECOMMENDATION

Final Comments

Salesforce is a "Buy" recommendation for long-term investors

Despite marginally lower FY25 Q1 revenue, Salesforce's robust financial performance, steady earnings growth, and resilience in a competitive market, even amidst fluctuations and challenges, suggest strong dividends and price increases in the future for its investors.



THANK YOU!

FOR YOUR ATTENTION

November 2024



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