

# Salesforce (CRM)

## Overview

### Investment Thesis

Salesforce is undervalued relative to its long-term growth and cash flow profile, with high switching costs from deeply embedded customer workflows creating a durable competitive moat. At the same time, Agentforce is scaling rapidly, reaching \$540M in ARR with 330% year-over-year growth, and could reaccelerate growth and drive a valuation re-rating.

### Thesis Highlights

▪ **Undervalued Despite Consistent Growth and Positive Guidance**

Salesforce is trading at its lowest forward valuation in nearly a decade despite strong financials. The company has delivered 16.4% revenue-per-share CAGR and 26.7% free cash flow-per-share CAGR over 10 years and is guiding for \$41.5 billion in revenue and significant operating cash flow growth in 2026.

▪ **AI Segment Growth Potential Through Agentforce**

Agentforce, Salesforce's AI platform focused on customer service, generated \$540 million in annual recurring revenue, up 330% year-over-year. More than 9,500 pilot deals will convert to long-term contracts throughout 2026.

▪ **Strategic Acquisitions and Contract Expansion**

Salesforce's targeted acquisition strategy, combined with high-value government and enterprise contracts, is transforming the company from a CRM provider into a core enterprise automation platform embedded in customers' most critical operational workflows, expanding its addressable markets.

### Thesis Risks

▪ **AI Disrupts Rather Than Enhances The Core Business**

AI-driven automation could reduce seat-based pricing growth and expansion revenue, while also enabling greater competition or in-house solutions. This may pressure Salesforce's pricing power and weaken its competitive moat.

▪ **Revenue Growth Continues to Decrease**

Revenue growth has slowed to around 10%, and further deceleration could justify Salesforce's lower valuation multiple and recent sell-off. Without stabilization or reacceleration, the stock may drop further.



### Investment View: Bullish

Price Target: \$280.21

Current Price: \$187.52

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### Key Equity Ratios

EV / EBITDA: 16.34

Forward P/E: 16.39

Yield: 0.78%

Q3 Revenue: \$10.26B

2025 Expected Revenue: \$41.50B

2024 FCF: \$12.43B

### Key Macro Metrics

Unemployment Rate: 4.4%

YoY CPI: 2.7%

YoY PCE: 2.8%



### Thesis Point 1:

- Valuation Reversion
- Margin Expansion
- Bounce Potential

## Undervalued Despite Consistent Growth and Positive Guidance

### Valuation Reversion to the Mean

CRM is a textbook case for a valuation bounce, especially with the Forward P/E sitting around 28x. That's a massive discount compared to the 5-year average from back when everyone viewed it as a pure hyper-growth play. Now that the company has matured into a high-margin beast, the market is still pricing it like a legacy laggard rather than a profitable powerhouse. For a call debit spread, this compressed multiple provides a serious margin of safety - the downside is basically baked in at these levels, so any shift back toward historical norms would propel the company, and this play, forward.

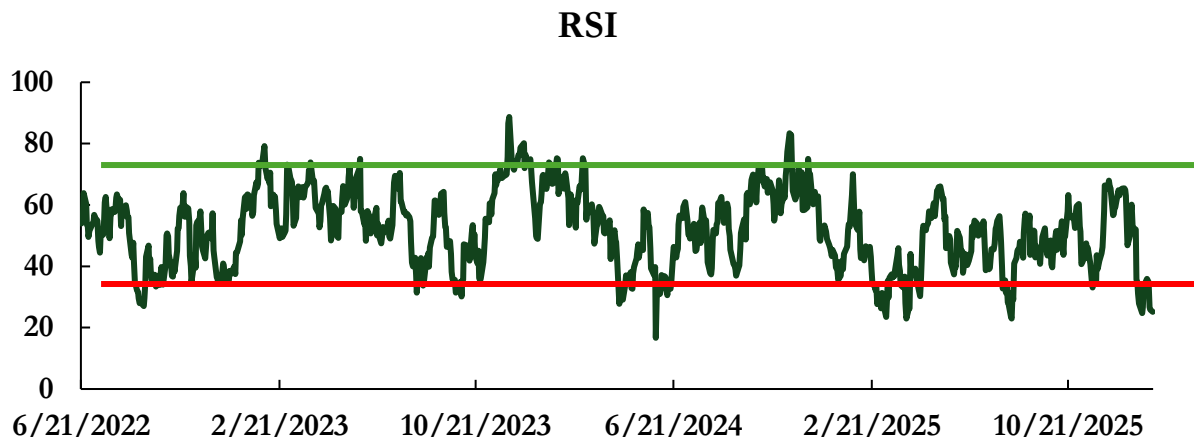
Beyond the low P/E, what makes this a high-conviction play is CRM's aggressive move to protect its own price. They've locked in a massive \$50 billion buyback program and initiated a quarterly dividend, signaling they've graduated to a "Cash Cow" that takes care of its shareholders. For a debit spread, this creates a structural floor between the company buying up its own float and new institutional money coming in for the yield, the stock is basically spring-loaded to bounce once the selling pressure lets up.

### Sustained Margin Expansion

Salesforce has mastered the "efficient growth" pivot, with non-GAAP operating margins consistently climbing toward 35-36%. This isn't some one-time accounting trick; it's the result of disciplined cost-cutting and pushing higher-margin products like Data Cloud. By squeezing more profit out of every dollar, they're proving they can grow the bottom line regardless of the macro environment. This margin expansion puts a fundamental floor under the stock, making it hard for the price to stay suppressed for long.

### Technical "Oversold" Bounce Potential

CRM after dropping nearly 40% in the past year is sitting right on multi-year support, and the RSI is at levels that usually signal a sharp bounce is coming. When a blue-chip Dow stock gets beat down this hard despite beating earnings and raising guidance, you usually get a "rubber band" effect. As big money starts rotating back into undervalued tech for the back half of 2026, this technical setup is the perfect tailwind to push a debit spread back toward the \$250+ range.



### Thesis Point 2:

- AI Capabilities
- Longterm Outlook

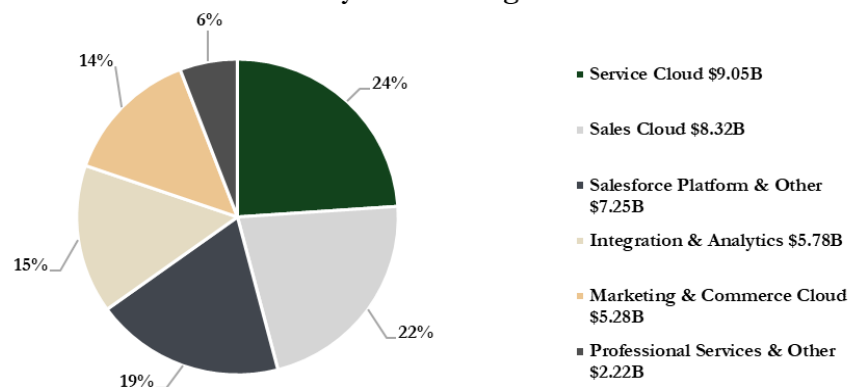
## AI Segment Growth Potential Through Agentforce

### Embedded AI Adoption

Agentforce represents a meaningful and rapidly expanding growth driver within Salesforce's broader AI strategy, particularly in the customer service and workflow automation verticals. As enterprises increasingly prioritize AI-enabled efficiency and scalability, Agentforce is positioned at the center of Salesforce's value proposition by embedding generative AI directly into mission-critical customer engagement functions. The platform enhances productivity by automating routine service interactions, improving response accuracy, and enabling real-time decision support, which strengthens customer retention and deepens platform reliance.

Financial performance to date highlights strong market adoption and monetization momentum. Agentforce generated approximately \$540 million in annual recurring revenue, reflecting a 330% year-over-year increase. This growth underscores accelerating enterprise demand for AI-driven customer service solutions and validates Salesforce's strategy of integrating AI capabilities across its core CRM offerings. Importantly, this revenue stream is highly recurring in nature, reinforcing long-term visibility and margin expansion potential as implementation costs decline with scale.

Salesforce Revenue by Product Segement - FY2025



Looking ahead, the conversion of more than 9,500 pilot deployments into long-term contractual agreements throughout 2026 represents a substantial embedded growth opportunity. These pilot programs indicate strong customer engagement and provide a visible pipeline for future revenue expansion as use cases mature, workflows scale, and average contract values increase. As customers transition from experimentation to full production deployment, Agentforce is expected to benefit from meaningful upsell opportunities, multi-year commitments, and deeper integration across Salesforce's broader product ecosystem. Over time, this progression should drive higher switching costs and incremental seat expansion, as AI capabilities become embedded within core customer service operations. Collectively, these dynamics reinforce platform stickiness, enhance customer lifetime value, and support sustained, AI-driven revenue growth with improving margin characteristics.

Thesis Point 3:

- Strong Acquisition Record
- Government Contracts

Strategic Acquisitions and Contract Expansion

Sustained Growth

In the past three years, Salesforce’s acquisition strategy has evolved to reflect the industry’s pivot toward AI-driven automation and data centrality. The company has added a number of targeted technology firms that extend Salesforce’s AI and data capabilities across its core platform. In 2023 and 2024, Salesforce integrated specialized startups such as Airkit.ai, Tenyx, PredictSpring, and Spiff, enhancing its autonomous agent frameworks, voice and chat-based customer service tools, point-of-sale retail capabilities, and incentive compensation management, respectively.

These acquisitions have been integrated into products such as Service Cloud and Customer 360, accelerating innovation and delivering immediate value to customers. Most recently, Salesforce acquired Moonhub, an AI-driven hiring platform, to strengthen its workforce intelligence and HR automation capabilities. The acquisition of Own Company in 2024 for approximately \$1.9 billion expanded Salesforce’s enterprise data protection and disaster recovery offerings, addressing critical customer requirements around data resilience and compliance.

Acquisition Strategy

Salesforce’s acquisition strategy operates in tandem with a growing pipeline of strategic contracts that validate its technology and expand its addressable market. A high-visibility example is the multi-billion-dollar indefinite delivery/indefinite quantity (IDIQ) contract signed with the U.S. Army, valued at up to \$5.6 billion over a potential decade. Through this agreement, Salesforce will deploy cloud-based solutions and AI-enhanced collaboration tools, including Slack, to modernize recruiting, training, and operational workflows, demonstrating the platform’s applicability to large-scale public sector digital transformation efforts.

Salesforce’s broader Missionforce division, established to serve defense and government clients, will leverage real-time data and workflow automation to improve decision-making and operational efficiency across mission-critical activities. This contract underscores Salesforce’s ability to compete for and deliver long-term enterprise-grade engagements that extend beyond traditional CRM deployments into strategic enterprise modernization programs.

Recent Acquisitions

Year	2023	2023	2024	2024	2025
Acquisition	Airkit.ai	Spiff	Own Company	Moonhub	Informatica
Deal Size	\$300M	\$250M	\$1.9B	Undisclosed	\$8.0B

### Thesis Risk 1:

- Market Threats
- Investor Implications

## AI Disrupts Rather Than Enhances The Core Business

### Market Threats

Salesforce itself acknowledges competitive threats from platform tools that let customers build applications on customer infrastructure and from would-be customers developing internal enterprise applications. If AI makes internal software development or integration materially easier, switching costs can decrease margin.

The cost frontier for building custom workflow layers, orchestration, and integration “wrappers” around systems is shifting, which can change negotiation dynamics and reduce incremental seat expansion. If AI makes it easier for customers to right-size seats, replace some human workflows with automation, and reduce perceived “must-have” seat count Salesforce could face a potential customer retention drawback.

### Investor Implications

Salesforce’s own risk factors emphasize sensitivity to renewal and upgrade rates and explicitly tie future success to selling more subscriptions and enhanced editions to current customers. AI disruption could cause weaker expansion, slower upgrades, and more pricing pressure at renewals. Overall if AI disruption continues to accelerate, we could see investors start to lose confidence in Salesforce.

### Thesis Risk 2:

- Historical Performance
- Investor Implications

## Revenue Growth Continues to Decrease

### Historical Performance

Salesforce continues to grow in revenue; the company faces a meaningful risk of slowing revenue growth rates. Revenue increase from \$26.5 Billion in 2022 to \$40.3 Billion in 2026, but the rate of growth has steadily declined during this period. Year-over-year growth fell from 18.5% (2022-23) to 11.1% (2023-24), 8.6% (2024-25), and 6.3% (2025-present). This continuous decline in revenue growth rate suggests that this trend may continue to damage Salesforce's bottom line.

This slowdown presents risk because Salesforce's valuation and long-term potential for revenue growth has historically been dependent on large sustainable growth. As this growth stagnates, the company may experience reduced operating leverage, limiting their ability to expand margins while simultaneously investing in innovation, Agentforce (their AI helper), and expansion of their platform. This slowed growth reduces the margin of error for them as well; any price disruption, change in consumer demand, or innovation will have a greater impact on their stock and company.

### Investor Implications

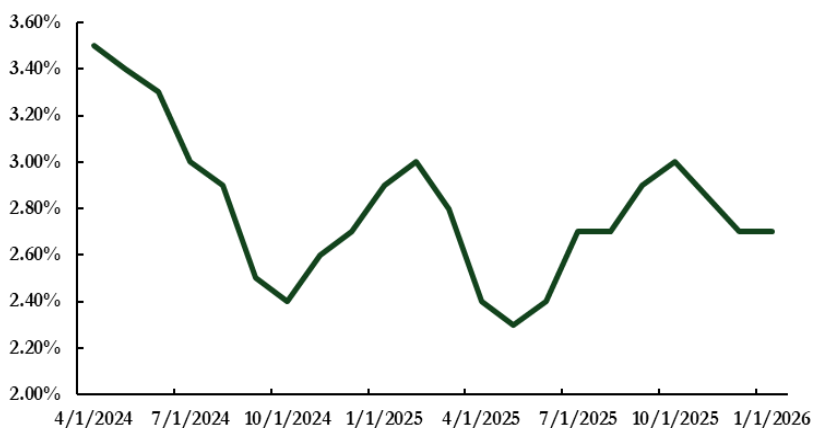
From an investor perspective, a consistent revenue slowdown raises risk of a continued decline. Salesforce is seen as a more mature company that should be receiving more stable consistent growth, rather than a smaller growth potential company. If revenues continue to slow down, we could see investors start to lose confidence in Salesforce.

# Salesforce (CRM)

## Macroenvironment Overview

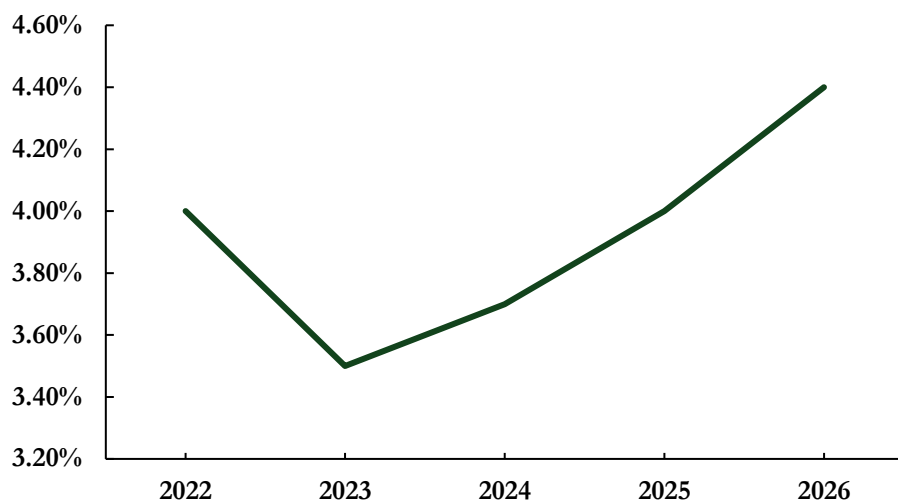


CPI YoY %



With YoY CPI remaining elevated but relatively stable, companies continue to face inflation-driven cost pressures, increasing the need to operate more efficiently. Salesforce benefits from this environment as enterprises increasingly rely on CRM and automation tools to streamline sales operations, improve customer retention, and offset higher labor and operating expenses. While inflation may pressure discretionary spending, Salesforce's mission-critical software makes it a priority investment, particularly among large and high-quality customers.

Unemployment in the United States

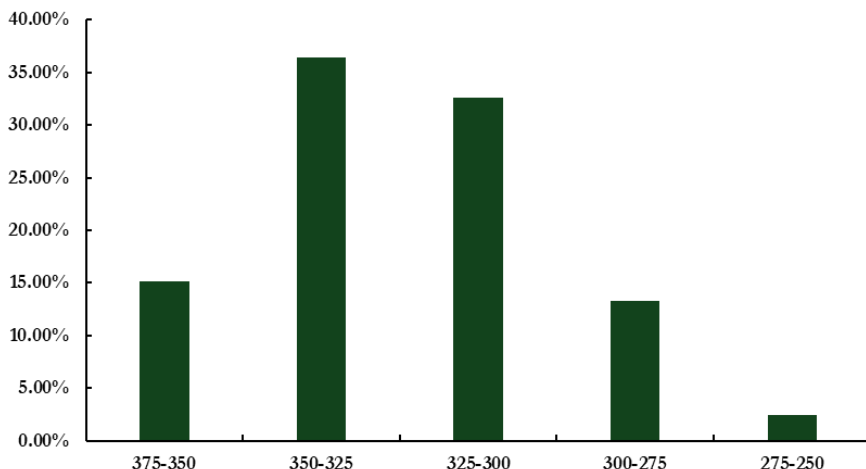


Since 2023, unemployment has gradually increased from lower levels as the labor market cooled after the post-pandemic recovery. While unemployment remained low through 2023, it began rising more noticeably in 2024 as hiring slowed and economic growth moderated.

Rate Probabilities for 09/16/26 Fed Meeting

### Monetary Policy Tailwinds

The probability distribution for the September 2026 FOMC meeting shows meaningful odds of a rate cut, with the outcomes centered around lower policy ranges (350–325bps and below). Even incremental easing would lower discount rates applied to long-duration growth equities, an important tailwind for Salesforce, whose valuation is sensitive to forward cash-flow expectations.





### Strengths

#### ▪ Market Leadership / Brand Recognition

Salesforce is the world's leading CRM provider, holding the largest global market share. Salesforce serves 150,000+ customers worldwide, including approximately 90% of Fortune 500 companies, demonstrating strong enterprise penetration.

#### ▪ Cloud Ecosystem and Switching Costs

Salesforce offers an integrated suite of products, including Sales Cloud, Service Cloud, Marketing Cloud, and Data Cloud. This deep integration increases efficiency while creating high switching costs for customers.

### Weakness

#### ▪ High Cost of Ownership

Salesforce's licensing, add-ons, and customization costs can be higher than competitors', which may limit adoption among smaller businesses or cost-conscious buyers. Typical pricing ranges from ~\$25 to ~\$330+ per user/month.

#### ▪ Platform Complexity

The platform requires significant training and often dedicated administrators or consultants for implementation, as reflected in the fact that thousands of certified Salesforce partners and consultants exist globally.

### Opportunities

#### ▪ AI Automation and Growth

Salesforce is expanding its AI offerings such as Einstein and Agentforce. AI and Data Cloud segments show rapid growth (e.g., Data Cloud/AI ARR growing 120% YoY), indicating strong demand for AI-powered CRM.

#### ▪ Growing CRM Demand Worldwide

The CRM software market continues to grow as digital transformation expands across industries. Salesforce's top share positions it to capture more cloud CRM spend globally.

### Threats

#### ▪ Intensifying Competition

Salesforce faces growing competition from Microsoft Dynamics 365, Oracle, SAP, Adobe, and emerging AI-native platforms. Large competitors can bundle CRM with broader enterprise software at lower incremental cost, while AI-first tools may reduce switching costs.

#### ▪ AI Disruption and Monetization Risk

If customers adopt standalone or embedded AI tools that replicate Salesforce workflows, Salesforce may face pricing pressure or slower seat expansion unless it successfully monetizes AI features such as Einstein at scale.

ESG Metric	Score	Peer Rank
Environmental	6.41	Leading
Social	3.67	Leading
Governance	7.43	Leading

**Salesforce's ESG score is 5.51**, which is leading compared to its peers in the industry. The median ESG score of Salesforce's peer group is 2.58, which is 114% less than Salesforce's score.

Salesforce continues to strengthen its ESG leadership through measurable environmental, social, and governance commitments. The company achieved net-zero greenhouse gas emissions across its full value chain in 2021, placing it among a small group of global leaders. Socially, Salesforce has pledged that by 2026, 40% of its global workforce will be women-identifying and non-binary, and it reinforces accountability by linking executive variable pay to ESG outcomes such as diversity and sustainable procurement. These actions support Salesforce's strong industry-leading ESG performance and ongoing recognition as a global ESG leader.

# Salesforce (CRM)

## Recent Earnings Call



### Margin Expansion Drives EPS Beat

For Q3 FY2026, Salesforce reported revenue growth of 8.6% year over year, slightly below consensus. Adjusted EPS beat expectations by 13.6%, driven by strong operating leverage. Non-GAAP operating margin expanded 240 basis points year over year and exceeded expectations, reaching a record level.

### Bookings and RPO Show Demand Strength

The key takeaway was strength in forward demand indicators. Remaining performance obligations grew 12.1% year over year and beat consensus, while current RPO rose 11.3% to \$29.4 billion. Billings increased 13.1%, led by Agentforce, Data Cloud, Slack, and Data 360, with net new AOV growth outpacing overall AOV growth.

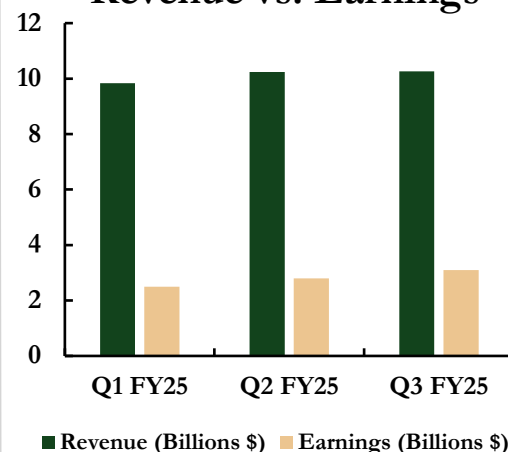
### Guidance Supports Stable Outlook

Management guided Q4 revenue above consensus and modestly raised FY2026 revenue guidance while maintaining operating margin at 34.1%. Operating cash flow growth guidance increased to 13 to 14% year over year. While near term multiple expansion catalysts remain limited, accelerating Agentforce adoption helped ease concerns around AI disruption.

### Key Financials Released

Revenue:	\$10.26B
Adjusted EPS:	\$3.25
RPO:	+12.1%
cRPO:	+11.3%
Operating Margin:	35.5%

### Revenue vs. Earnings



### Revenue (In Millions)

Year	Q1	Q2	Q3	Q4	FY
2024	9,287	9,133	9,325	9,444	37,895
2025	9,829	10,236	10,259	11,180 (E)	41,497
2026 (E)	11,016	11,409	11,480	12,224	46,108

Salesforce's revenue is expected to continue growing and reach over \$46 billion by the end of fiscal 2026. Revenue growth has slowed to around 8.7%, but analysts expect growth to reaccelerate toward approximately 11%, reflecting stabilization.

Salesforce uses a capital-light SaaS definition of FCF where interest is not added back, though it is adjusted for FCFE/FCFE to reflect strategic debt shifts. As an asset-light firm, CRM now prioritizes aggressive share buybacks and dividends over capital expenditures to maximize shareholder value.

### Free Cash Flows (In Millions)

	2020	2021	2022	2023	2024	2025
FCF	3,688	4,091	5,283	6,313	9,498	12,434
FCF to the firm	3,711	-	5,487	6,403	-	-
FCF to equity	3,619	4,067	11,988	6,309	7,795	10,831



# Salesforce (CRM)

## Competitor Analysis



### ▪ Microsoft (MSFT)

Microsoft is one of the largest global enterprise software providers, offering products like the Windows operating system and cloud services like Microsoft Azure and Dynamics 365, which compete with Salesforce directly in CRM (customer relationship management).

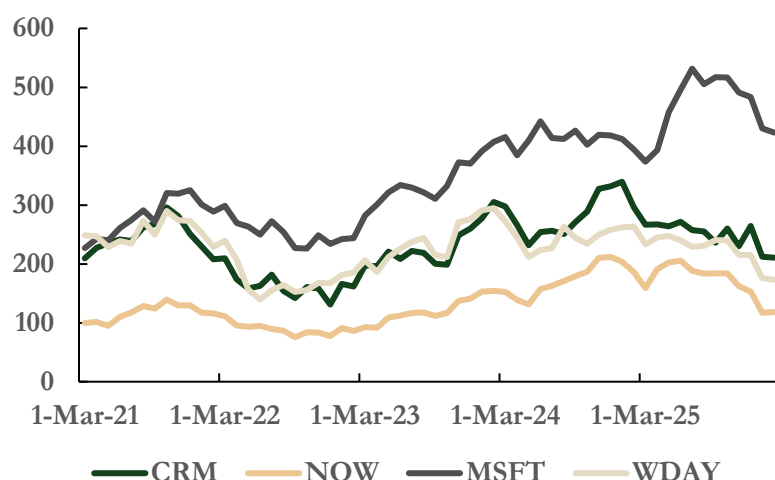
### ▪ Workday (WDAY)

Workday is another provider of cloud-based enterprise software. The company operates a subscription SaaS business model similar to Salesforce, serving large enterprises with applications that generate recurring revenue through long-term customer contracts.

### ▪ ServiceNow (NOW)

Another enterprise SaaS company that provides cloud-based workflow automation. Its subscription-driven business model is comparable to Salesforce's.

## 5 Year Price Chart of Competitors



	CRM	MSFT	NOW	WDAY
EV / FCF	15.41	40.86	33.27	18.36
P/E	23.55	27.98	70.09	79.41
PEG	1.58	1.73	1.05	2.01

Based on these numbers, CRM has a **significantly lower EV/FCF** compared to its competitors. This means investors are paying less per dollar of future earnings for CRM than its competitors. CRM also has a **notably lower P/E ratio** than their competitors, again indicating undervaluation. Lastly, the PEG (Price/Earnings Growth) ratio signifies that **CRM investors are paying a reasonable price relative to the company's expected growth** compared to other similar competitors.

## Competitor Analysis/Implied Valuation

Salesforce's derived relative valuation to MSFT, WDAY, and NOW shows undervaluation in the current market. The implied share price of CRM according to our comparable companies analysis suggests **66.97%** upside from the current price of \$210.81.

All multiples compared in our model suggested the current market is undervaluing CRM, with P/E and EV/FCF standing out as two of the more extreme indications. It should be noted that Salesforce's transition from rapid revenue growth to steady profitability improvements contributes to the disparity between growth expectations for CRM and some of their competitors, specifically NOW and WDAY. However, we believe that recent pessimism underrates CRM's growth potential and underestimates their position as a bridge between commercial data and concrete AI applications.

**\$351.98**

Comparative company analysis  
implied CRM share price

# Salesforce (CRM)

## Debt Overview – A+



Timeframe	Salesforce	Corporate Curve
2 Year	3.72%	3.95%
5 Year	3.77%	4.25%
10 Year	4.30%	4.84%
30 Year	5.61%	5.62%

The Salesforce yields are from their specific corporate curve (NIA), and the Corporate yields are from the BS75 USD US Corporate yield curve. Based on this, Salesforce's yields are much lower than the broader corporate curve. This tight spread indicates that the credit market views Salesforce as a high-quality, low-risk borrower, even while the stock price has remained under pressure.

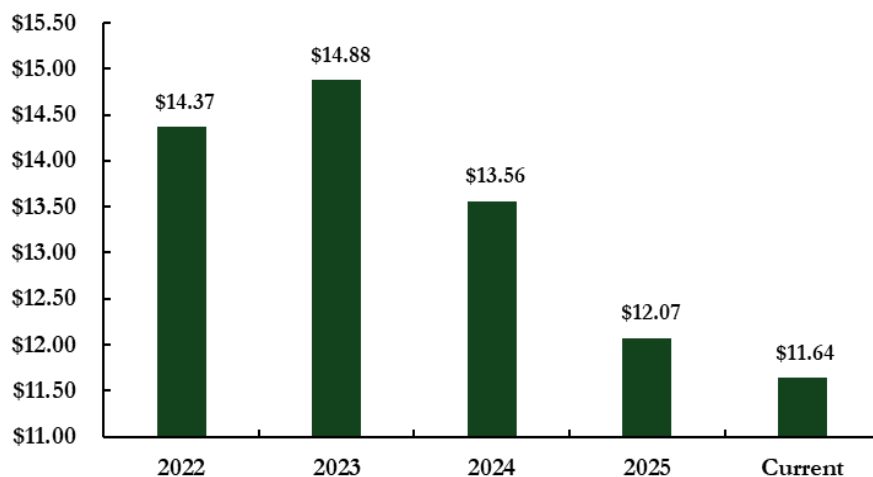
Salesforce (CRM) maintains a distinct market position with no single competitor that perfectly mirrors its organizational structure. SAP SE (SAP) remains the most comparable peer, as both companies lead the industry in data cloud storage and enterprise software solutions. While Microsoft (MSFT) and Oracle (ORCL) also provide cloud data storage, their business models offer different infrastructural benefits and carry significantly higher debt loads of over \$120 billion each.

	CRM	SAP	ORCL	MSFT
<b>Credit Rating</b>	A+	A+	BBB-	AAA
<b>Total Debt (Billions)</b>	\$11.64	\$8.07	\$124.39	\$123.23
<b>Avg Coupon</b>	2.7%	1.17%	4.41%	3.18%
<b>Avg Years</b>	9.28	2.55	12.35	17.62
<b>Total Issues</b>	9	8	53	41
<b>Debt / EBITDA</b>	0.902	0.645	0.688	4.673

Salesforce currently has \$11.64 billion of debt, with an average coupon of 2.7%. In 2026, \$4 billion is in loans and the rest is unknown.

With a Debt/EBITDA ratio of 0.902, they have the ability to pay off their total debt within the year. They have lowered their total debt significantly since 2023 with a \$3 Billion decrease.

Total Debt (In Billions)



### Bull Call Spread (Call Debit Spread)

#### How a Bull Call Spread Works

A bull call spread is an options strategy where an investor buys a call option at a lower strike price and sells a call at a higher strike price with the same expiration date.

#### Why Use a Bull Call Spread

A bull call spread is used when the investor expects a moderate increase in the underlying asset's price, while limiting both risk and potential profit.

#### Position Thesis

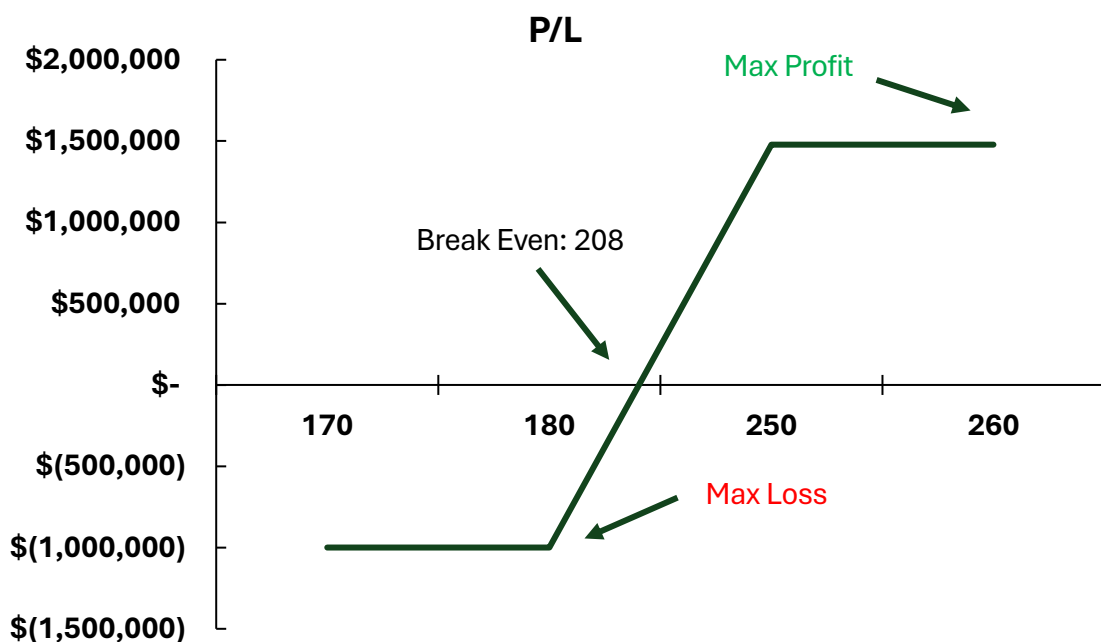
We remain long-term bullish on Salesforce, expecting a moderate price recovery after its recent sharp drop and elevated market uncertainty surrounding software stocks. Elevated implied volatility makes outright calls expensive, so a bull call spread reduces the upfront cost and limits time decay risk. Selling the higher-strike call offsets part of the premium while still allowing us to capture meaningful upside potential with limited downside.

#### Long Call

Strike	180
Expiration	6/17/2027
Premium	\$50.00
Contracts	354
Delta	0.689
Gamma	0.007
Vega	0.814
Theta	-0.029

#### Short Call

Strike	250
Expiration	6/17/2027
Premium	\$21.75
Contracts	354
Delta	-0.431
Gamma	-0.008
Vega	-0.906
Theta	0.034



#### Liquidity Concerns

Given the size of the position and the potential for reduced option liquidity as expiration approaches or following earnings-related volatility, active position management will be required. To mitigate execution risk and adverse price impact, the team will consider scaling out of the spread incrementally rather than exiting all contracts at once. Partial exits may be implemented following each earnings announcement or during periods of elevated volume and tighter bid-ask spreads. This phased approach is intended to preserve pricing efficiency, reduce slippage, and maintain flexibility in adjusting exposure as market conditions evolve.

# Salesforce (CRM)

## Appendix A: Income Statement



Salesforce, Inc. (CRM)					Source: FactSet Fundamentals			
GAAP/IFRS Income Statement		OCT '25	JAN '25	JAN '24	JAN '23	JAN '22	JAN '21	JAN '20
Sales		40,317	37,895	34,857	31,352	26,492	21,252	17,098
Cost of Goods Sold (COGS) incl. D&A		12,068	11,639	11,357	10,944	9,101	6,955	5,463
COGS excluding D&A		6,516	6,067	5,473	5,490	4,455	3,051	2,452
Depreciation & Amortization Expense		5,552	5,572	5,884	5,454	4,646	3,904	3,011
Depreciation		1,845	1,877	2,059	1,786	1,698	1,746	1,343
Amortization of Intangibles		1,543	1,600	1,900	2,000	1,600	1,100	792
Amortization of Deferred Charges		2,164	2,095	1,925	1,668	1,348	1,058	876
Gross Income		28,249	26,256	23,500	20,408	17,391	14,297	11,635
SG&A Expense		19,369	18,590	17,501	18,550	16,843	13,842	11,132
Research & Development		5,794	5,493	4,906	5,055	4,465	3,598	2,766
Other SG&A		13,575	13,097	12,595	13,495	12,378	10,244	8,366
EBIT (Operating Income)		8,880	7,666	5,999	1,858	548	455	503
Nonoperating Income - Net		649	745	257	227	286	2,232	549
Nonoperating Interest Income		458	0	0	0	0	0	117
Other Income (Expense)		191	745	257	227	286	2,232	432
Interest Expense		270	272		287	220	126	131
Gross Interest Expense		270	272		287	220	126	131
Unusual Expense - Net		379	701	1,306	1,138	-918	0	215
Impairments		452	582	466	491	51		
Financial Fixed Assets		452	582	466	491	51		
Restructuring Expense		598	461	988	828	0	0	40
Unrealized Valuation Gain/Loss		671	342	148	181	969		-9
Investments		671	342	148				
Hedges/Derivatives					181	969		-9
Excpl Chrgs - Others						0	0	166
Early termination of Contracts costs (Income)						0	0	166
Pretax Income		8,880	7,438	4,950	660	1,532	2,561	706
Income Taxes		1,658	1,241	814	452	88	-1,511	580
Consolidated Net Income		7,222	6,197	4,136	208	1,444	4,072	126
Net Income		7,222	6,197	4,136	208	1,444	4,072	126
Net Income available to Common		7,222	6,197	4,136	208	1,444	4,072	126
Per Share								
EPS (recurring)		7.86	6.87	5.13	1.01	0.82	4.38	0.33
EPS (basic)		7.56	6.44	4.25	0.21	1.51	4.48	0.15
Basic Shares Outstanding		948.00	962.00	974.00	992.00	955.00	908.00	829.00
Total Shares Outstanding		942.00	962.00	971.00	1,009.00	989.00	919.00	893.00
EPS (diluted)		7.50	6.36	4.20	0.21	1.48	4.38	0.15
Diluted Shares Outstanding		952.00	974.00	984.00	997.00	974.00	930.00	850.00
Total Shares Outstanding		942.00	962.00	971.00	1,009.00	989.00	919.00	893.00
Earnings Persistence			90.89	88.37	88.82	69.74	84.01	68.40
Dividends per Share		1.65	1.60	0.00	0.00	0.00	0.00	0.00
Payout Ratio		21.99	25.15	0.00	0.00	0.00	0.00	0.00
EBITDA								
EBITDA		14,432	13,238	11,883	7,312	5,194	4,359	3,514
EBIT		8,880	7,666	5,999	1,858	548	455	503
Depreciation & Amortization Expense		5,552	5,572	5,884	5,454	4,646	3,904	3,011

All figures in millions of U.S. Dollar except per share items.

Source: FactSet Fundamentals

# Salesforce (CRM)

## Appendix B: Balance Sheet



Salesforce, Inc. (CRM) GAAP/IFRS Balance Sheet		Source: FactSet Fundamentals					
	JAN '25	JAN '24	JAN '23	JAN '22	JAN '21	JAN '20	
<b>Assets</b>							
<b>Cash &amp; Short-Term Investments</b>	<b>14.03</b>	<b>14.19</b>	<b>12.51</b>	<b>10.54</b>	<b>11.97</b>	<b>7.95</b>	
Cash Only	7.15	7.14	5.14	4.29	5.05	4.15	
Total Short Term Investments	6.88	7.06	7.37	6.24	6.91	3.80	
<b>Short-Term Receivables</b>	<b>11.95</b>	<b>11.41</b>	<b>11.40</b>	<b>10.33</b>	<b>8.26</b>	<b>6.62</b>	
<b>Other Current Assets</b>	<b>1.78</b>	<b>1.56</b>	<b>0.71</b>	<b>0.53</b>	<b>0.51</b>	<b>0.47</b>	
Prepaid Expenses							
Miscellaneous Current Assets	1.78	1.56	0.71	0.53	0.51	0.47	
<b>Total Current Assets</b>	<b>27.76</b>	<b>27.17</b>	<b>24.62</b>	<b>21.40</b>	<b>20.74</b>	<b>15.04</b>	
<b>Net Property, Plant &amp; Equipment</b>	<b>5.39</b>	<b>6.06</b>	<b>6.59</b>	<b>5.70</b>	<b>5.66</b>	<b>5.42</b>	
<b>Total Long-Term Investments</b>	<b>5.58</b>	<b>4.85</b>	<b>4.67</b>	<b>4.78</b>	<b>3.95</b>	<b>2.06</b>	
<b>Intangible Assets</b>	<b>55.71</b>	<b>53.90</b>	<b>55.69</b>	<b>56.92</b>	<b>30.43</b>	<b>29.86</b>	
Deferred Tax Assets	5.81	5.39	5.44	5.25			
<b>Other Assets</b>	<b>5.00</b>	<b>5.45</b>	<b>5.57</b>	<b>5.14</b>	<b>5.51</b>	<b>2.76</b>	
Deferred Charges	4.45	4.42	4.47	3.80	2.86	2.27	
Tangible Other Assets	0.56	1.03	1.10	1.34	2.65	0.49	
<b>Total Assets</b>	<b>105.25</b>	<b>102.81</b>	<b>102.58</b>	<b>99.18</b>	<b>66.30</b>	<b>55.13</b>	
<b>Liabilities &amp; Shareholders' Equity</b>							
<b>Current</b>							
ST Debt & Curr. Portion LT Debt	0.92	1.89	2.03	0.80	0.80	0.80	
Accounts Payable	3.52	3.24	3.89	2.96	2.62	1.86	
<b>Other Current Liabilities</b>	<b>23.54</b>	<b>21.50</b>	<b>19.98</b>	<b>18.03</b>	<b>14.31</b>	<b>12.19</b>	
<b>Total Current Liabilities</b>	<b>27.98</b>	<b>26.63</b>	<b>25.89</b>	<b>21.79</b>	<b>17.73</b>	<b>14.85</b>	
<b>Long-Term</b>							
<b>Long-Term Debt</b>	<b>11.15</b>	<b>11.67</b>	<b>12.85</b>	<b>13.57</b>	<b>5.61</b>	<b>5.45</b>	
Long-Term Debt excl Lease Obligations	8.43	8.43	9.42	10.59	2.67	2.67	
Capital and Operating Lease Obligations	2.72	3.25	3.43	2.97	2.94	2.78	
Deferred Tax Liabilities	2.32	2.98	3.73	3.97			
<b>Other Liabilities</b>	<b>2.62</b>	<b>1.87</b>	<b>1.75</b>	<b>1.72</b>	<b>1.47</b>	<b>0.95</b>	
Other Liabilities (excl. Deferred Income)	2.62	1.87	1.75	1.72	1.47	0.95	
Deferred Income							
<b>Total Liabilities</b>	<b>44.08</b>	<b>43.16</b>	<b>44.22</b>	<b>41.05</b>	<b>24.81</b>	<b>21.24</b>	
<b>Equity</b>							
<b>Common Equity</b>	<b>61.17</b>	<b>59.65</b>	<b>58.36</b>	<b>58.13</b>	<b>41.49</b>	<b>33.89</b>	
Common Stock Par/Carry Value	0.00	0.00	0.00	0.00	0.00	0.00	
Additional Paid-In Capital/Capital Surplus	64.58	59.84	55.05	50.92	35.60	32.12	
Retained Earnings	16.37	11.72	7.59	7.38	5.93	1.86	
Other Appropriated Reserves	-0.27	-0.23	-0.27	-0.17	-0.04	-0.09	
Treasury Stock	-19.51	-11.69	-4.00	0.00	0.00	0.00	
<b>Total Shareholders' Equity</b>	<b>61.17</b>	<b>59.65</b>	<b>58.36</b>	<b>58.13</b>	<b>41.49</b>	<b>33.89</b>	
<b>Total Equity</b>	<b>61.17</b>	<b>59.65</b>	<b>58.36</b>	<b>58.13</b>	<b>41.49</b>	<b>33.89</b>	
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>105.25</b>	<b>102.81</b>	<b>102.58</b>	<b>99.18</b>	<b>66.30</b>	<b>55.13</b>	
<b>Per Share</b>							
Book Value per Share	63.59	61.43	57.84	58.78	45.15	37.95	
Tangible Book Value per Share	5.68	5.92	2.64	1.23	12.04	4.51	

All figures in billions of U.S. Dollar except per share items.

# Salesforce (CRM)

## Appendix C: Statement of Cash Flows



### Salesforce, Inc. (CRM)

Source: FactSet Fundamentals

### GAAP/IFRS Statement of Cashflows

OCT '25 JAN '25 JAN '24 JAN '23 JAN '22 JAN '21 JAN '20

#### Operating Activities

Net Income / Starting Line	7,222	6,197	4,136	208	1,444	4,072	126
<b>Depreciation, Depletion &amp; Amortization</b>	<b>5,552</b>	<b>5,572</b>	<b>5,884</b>	<b>5,454</b>	<b>4,646</b>	<b>3,904</b>	<b>3,011</b>
Depreciation and Depletion	1,896	1,877	2,059	1,786	1,698	1,746	1,343
Amortization of Intangible Assets	3,656	3,695	3,825	3,668	2,948	2,158	1,668
Other Funds	2,927	3,304	3,064	3,518	1,568	-1,983	1,524
Funds from Operations	15,701	15,073	13,084	9,180	7,658	5,993	4,661
<b>Changes in Working Capital</b>	<b>-2,199</b>	<b>-1,981</b>	<b>-2,850</b>	<b>-2,069</b>	<b>-1,658</b>	<b>-1,192</b>	<b>-330</b>
Receivables	-699	-490	-659	-995	-1,824	-1,556	-1,000
Accounts Payable	368	1,089	-478	528	507	1,100	15
Other Accruals							967
Other Assets/Liabilities	-1,868	-2,580	-1,713	-1,602	-341	-736	-312
Net Operating Cash Flow	13,502	13,092	10,234	7,111	6,000	4,801	4,331

#### Investing Activities

<b>Capital Expenditures</b>	<b>-607</b>	<b>-658</b>	<b>-736</b>	<b>-798</b>	<b>-717</b>	<b>-710</b>	<b>-643</b>
Capital Expenditures (Fixed Assets)	-607	-658	-736	-798	-717	-710	-643
Net Assets from Acquisitions	-3,249	-2,734	-82	-439	-14,876	-1,281	-369
Sale of Fixed Assets & Businesses	0	0	0	0	0	0	0
<b>Purchase/Sale of Investments</b>	<b>1,037</b>	<b>229</b>	<b>-509</b>	<b>-752</b>	<b>1,057</b>	<b>-1,980</b>	<b>-1,968</b>
Purchase of Investments	7,019	7,418	4,257	5,327	7,392	5,902	4,625
Sale/Maturity of Investments	8,056	7,647	3,748	4,575	8,449	3,922	2,657
Net Investing Cash Flow	-2,819	-3,163	-1,327	-1,989	-14,536	-3,971	-2,980

#### Financing Activities

<b>Cash Dividends Paid</b>	<b>-1,579</b>	<b>-1,537</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Common Dividends	-1,579	-1,537	0	0	0	0	0
<b>Change in Capital Stock</b>	<b>-7,486</b>	<b>-6,289</b>	<b>-5,666</b>	<b>-3,139</b>	<b>1,289</b>	<b>1,321</b>	<b>840</b>
Repurchase of Common & Preferred Stk.	-8,735	-7,829	-7,620	-4,000	0	0	0
<b>Sale of Common &amp; Preferred Stock</b>	<b>1,249</b>	<b>1,540</b>	<b>1,954</b>	<b>861</b>	<b>1,289</b>	<b>1,321</b>	<b>840</b>
Proceeds from Stock Options	1,249	1,540	1,954	861	1,289	1,321	840
<b>Issuance/Reduction of Debt, Net</b>	<b>-536</b>	<b>-1,603</b>	<b>-1,811</b>	<b>-423</b>	<b>6,549</b>	<b>-127</b>	<b>-676</b>
<b>Change in Long-Term Debt</b>	<b>-536</b>	<b>-1,603</b>	<b>-1,811</b>	<b>-423</b>	<b>6,549</b>	<b>-127</b>	<b>-676</b>
Issuance of Long-Term Debt	0	0	0	0	7,906	0	0
Reduction in Long-Term Debt	-536	-1,603	-1,811	-423	-1,357	-127	-676
<b>Other Funds</b>	<b>-139</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other Uses	-139	0	0	0	0	0	0
Net Financing Cash Flow	-9,740	-9,429	-7,477	-3,562	7,838	1,194	164

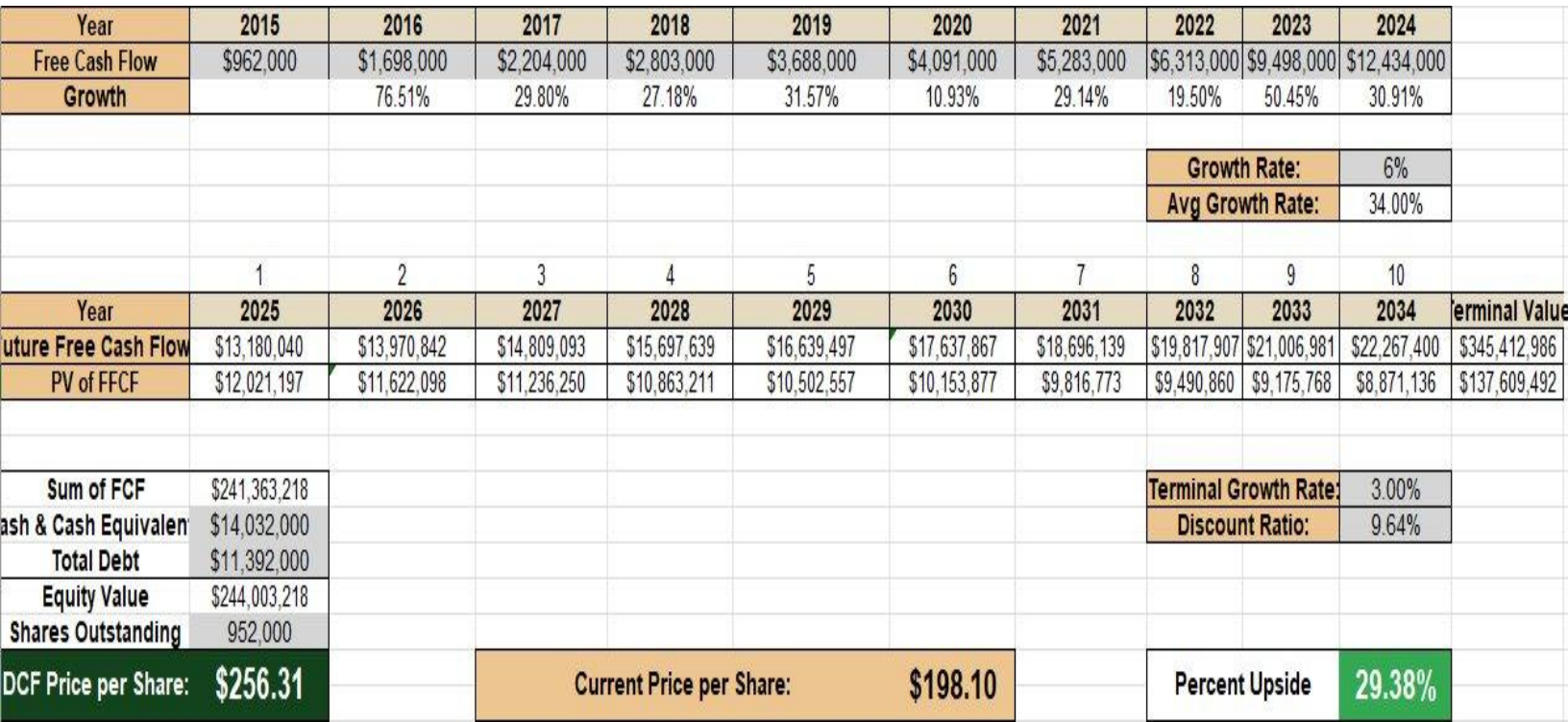
#### All Activities

Exchange Rate Effect	38	-124	26	-8	-33	26	-39
Net Change in Cash	981	376	1,456	1,552	-731	2,050	1,476
<b>Free Cash Flow</b>	<b>12,895</b>	<b>12,434</b>	<b>9,498</b>	<b>6,313</b>	<b>5,283</b>	<b>4,091</b>	<b>3,688</b>
Free Cash Flow per Share	14	13	10	6	5	4	4
Free Cash Flow Yield (%)	5.20	3.74	3.43	3.77	2.33	1.95	2.38

All figures in millions of U.S. Dollar except per share items.



## Appendix D: Discounted Cash Flow



# Salesforce (CRM)

## Appendix E: Comparable Analysis



Comparable Company Analysis							
	P/S	P/E	P/B	EV/FCF	EV/EBITDA		
MSFT	10.34	27.98	10.72	40.86	16.80		
NOW	9.30	70.09	9.44	33.27	39.22		
WDAY	5.06	79.41	5.16	18.36	32.68		
Average Multiples	8.23	59.16	8.44	30.83	29.57		
CRM Info	Sales	Profit	Book value	FCF	EBITDA	Shares Outstanding	Equity Value
Value	40,317,000,000	8,979,000,000	41,755,000,000	12,895,000,000	9,320,000,000	952,000,000	197,530,000,000
CRM Implied Price	348.68	557.98	370.18	417.60	289.46		
Weights	P/S	P/E	P/B	EV/FCF	EV/EBITDA		
% Weight	0.30	0.05	0.15	0.15	0.35		
Estimated Price							
CRM Weighted Price	351.98						