

SALESFORCE

INVESTMENT ANALYSIS

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All data was sourced between June 25 and July 3
Current portfolio value 36.500 with projected 12 month return of over 20%

My way of investing

- Buying at fair price, holding and maintaining a portfolio of quality compounding machines with long term approach . Always assessing the risk reward potential and creating a future thesis by understanding short term headwinds and long term growth drivers . I'm very critical with my investments with no emotion. I see each portfolio as a team and not an emotional way of funding companies. If a company does not perform the way I anticipate I reassess my position accordingly . Be fearful when others are greedy be greedy when others are fearful.

I invest in companies with

- Monopolistic models
- Pricing power
- Operating leverage
- Smart capital allocation
- Creating shareholder value
- Strong financials

**My intrinsic value of a company estimation
is gathered by many metrics but most
importantly the free cash flow per
share of the company in the future.**

B2B MODEL

The reasons why I look into these type of businesses long-term:

Larger Transactions

Values Stable and Long-Term Relationships

Market Demand and Scalability Cost Efficiency

Profit Margins Technological Advancements

Innovation Customer Dependence

Significant Switching Costs

Market Insight and Expertise Global Reach

Resilience to Market Fluctuations Regulatory and Compliance Expertise



Salesforce, Inc. is the leader in customer relationship management (CRM) technology globally, aiming to connect companies and their customers through its Customer 360 platform. This platform enables collaborative and connected customer experiences. Salesforce's key service offerings include.

Sales: Tools for data storage, lead monitoring, opportunity forecasting, analytics, relationship intelligence, and managing quotes, contracts, and invoices.

Service: Personalized customer service and support at scale.

Flexible Platform: Allows businesses to build custom apps using drag-and-drop tools.

Online Learning: Platform for learning Salesforce skills.

Slack: Engagement system.

Marketing: Tools for planning, personalizing, and optimizing customer marketing journeys.

Commerce: Unified customer experience across various commerce points.

Tableau: End-to-end analytics solutions.

MuleSoft: Data integration across enterprises.

Sales forces revenue overtime

was:

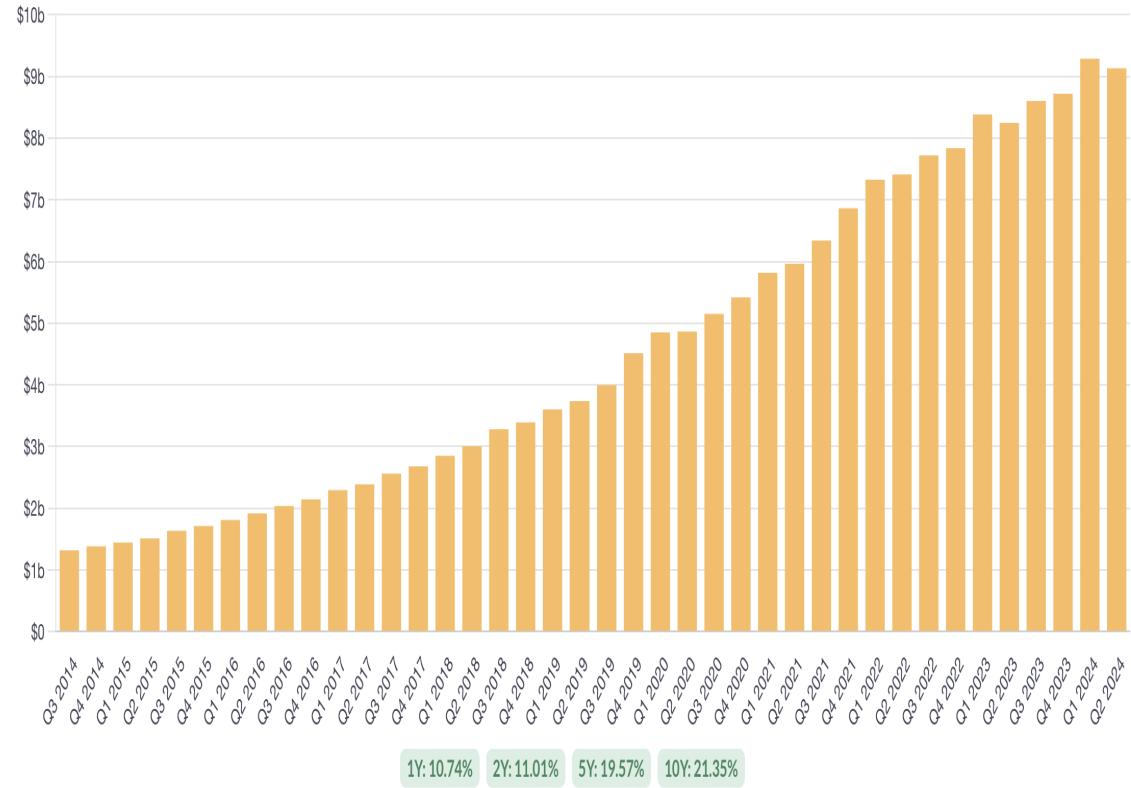
- Manly driven by acquisitions.
- New services offerings.
- Marketing.

'Now we are seeing a change in the future expansion of the company'

- By practicing their pricing power due to their products 'stickiness' to each firms technology core .
- Reducing stock based compensation in relative to revenue.
- Share buy back program is taking place.
- Cutting unnecessary costs.(employee count , marketing)
- Management will reduce the acquisitions budget.

In conclusion the team shifted from a top line grower to a bottom line and margins improver which will return high shared holder value long term while maintaining a 10+% revenue growth estimation.

Revenue-CRM



QUALTRIM

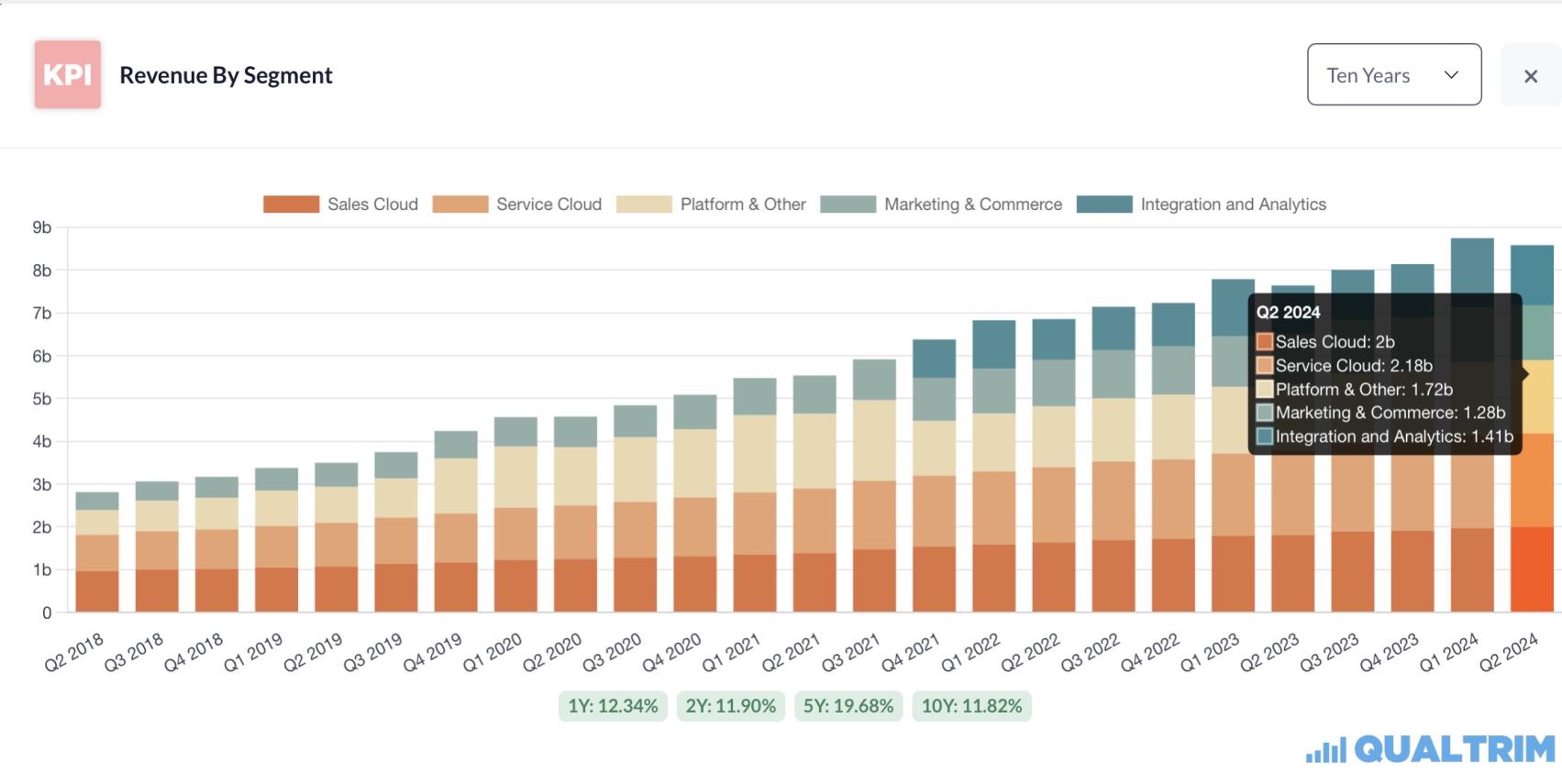
Revenue by segment:

Key takeaways

Every segment is highly profitable

The cloud industry is projected to have annual GAGR of 16,4%

We can also understand their products stickiness to clients by steadily increasing revenue every year. Retention rate of 92%.



Leader in the CRM Market

- The revenue of the CRM market is projected to reach 88.19 billion in 2024
- With an annual GAGR of 10,5%-12% between 2024 and 2028 resulting in a market volume of 131,9-138,7 billion in 2028.

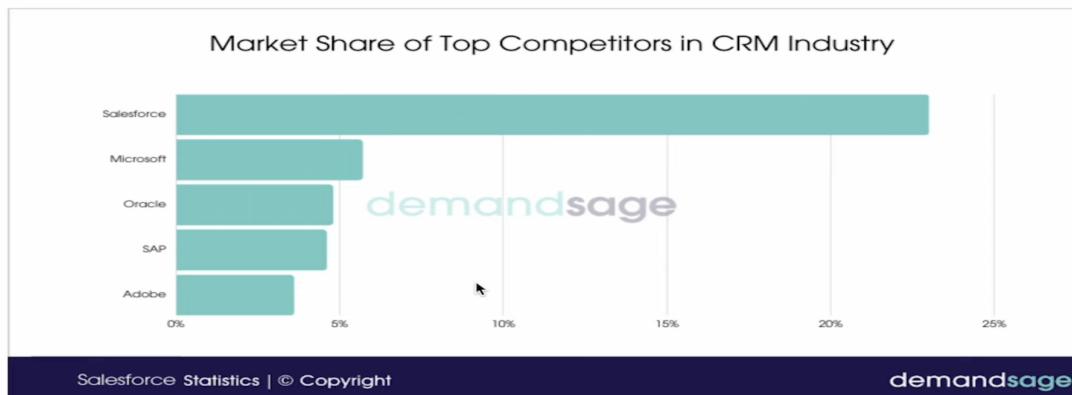
Being the largest in the sector meaning efficient economies of scale while having a high retention rate, in my thesis they will grow their top line over the 10% In the next few years.



Salesforce Market Share 2024

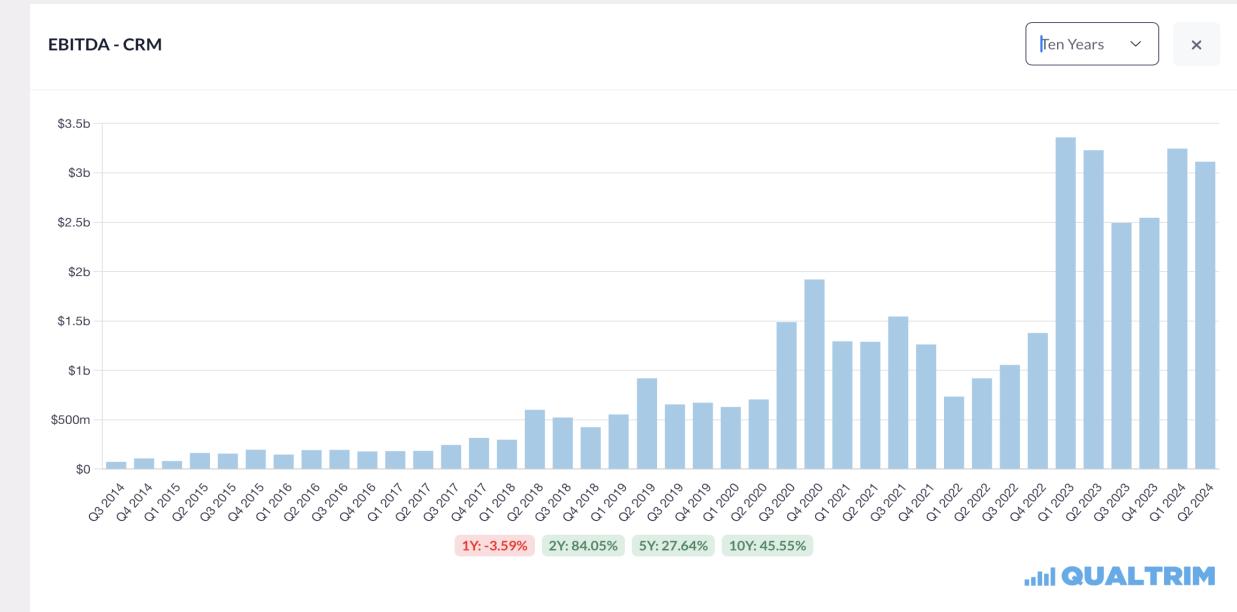
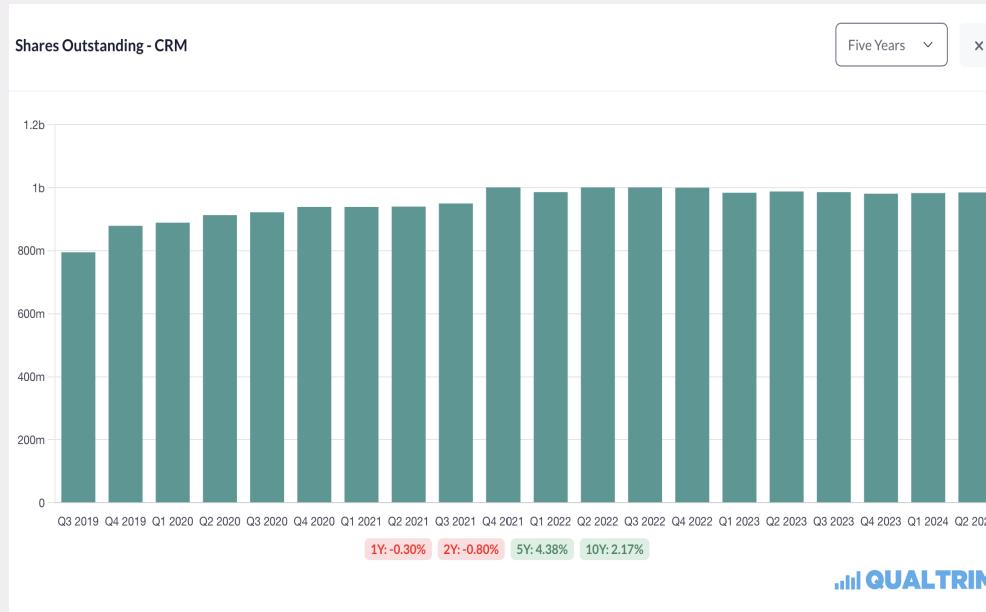
18. Salesforce holds 23% of the Global CRM Market as of 2024.

It holds the market share owned by three other top competitors. Some of the top competitors of Salesforce in the CRM industry are Microsoft, Oracle, SAP, Adobe, etc.



Key management decisions .

- 1.Reduce shares out-standing . (increases shareholders ownership percentage of the company)
- 2.Focus on margins expansion .(meaning even if demand shrinks the company is still creating value)
- 3.Acquisitions will only occur at fair price and when a company is beneficial for salesforce core suite of product offerings.



Here we can see management's actual targets with a track record of overperforming their statements in the past .

Profitable Growth at Scale

Disciplined operating framework drives accelerating margin expansion

Sales and Marketing

Drive Non-GAAP S&M as a % of revenue **below 35%** by FY26

Research and Development

Continue to invest in organic innovation
Best-in-class acquisition integration

General and Administrative

Automation and optimization of workflow & process
Advance the hybrid workforce strategy

Outcome

25%+ FY26 Non-GAAP Operating Margin
inclusive of future M&A

First-Ever Share Repurchase

\$10B

Share Repurchase Authorization¹

30-40%

Average Free Cash Flow Return²



Implemented Programmatic Approach

Profitable Growth at Scale

\$50B

FY26 Revenue Target²

~17%

FY26 Revenue CAGR

25%+

FY26 Non-GAAP Operating Margin²

\$10B

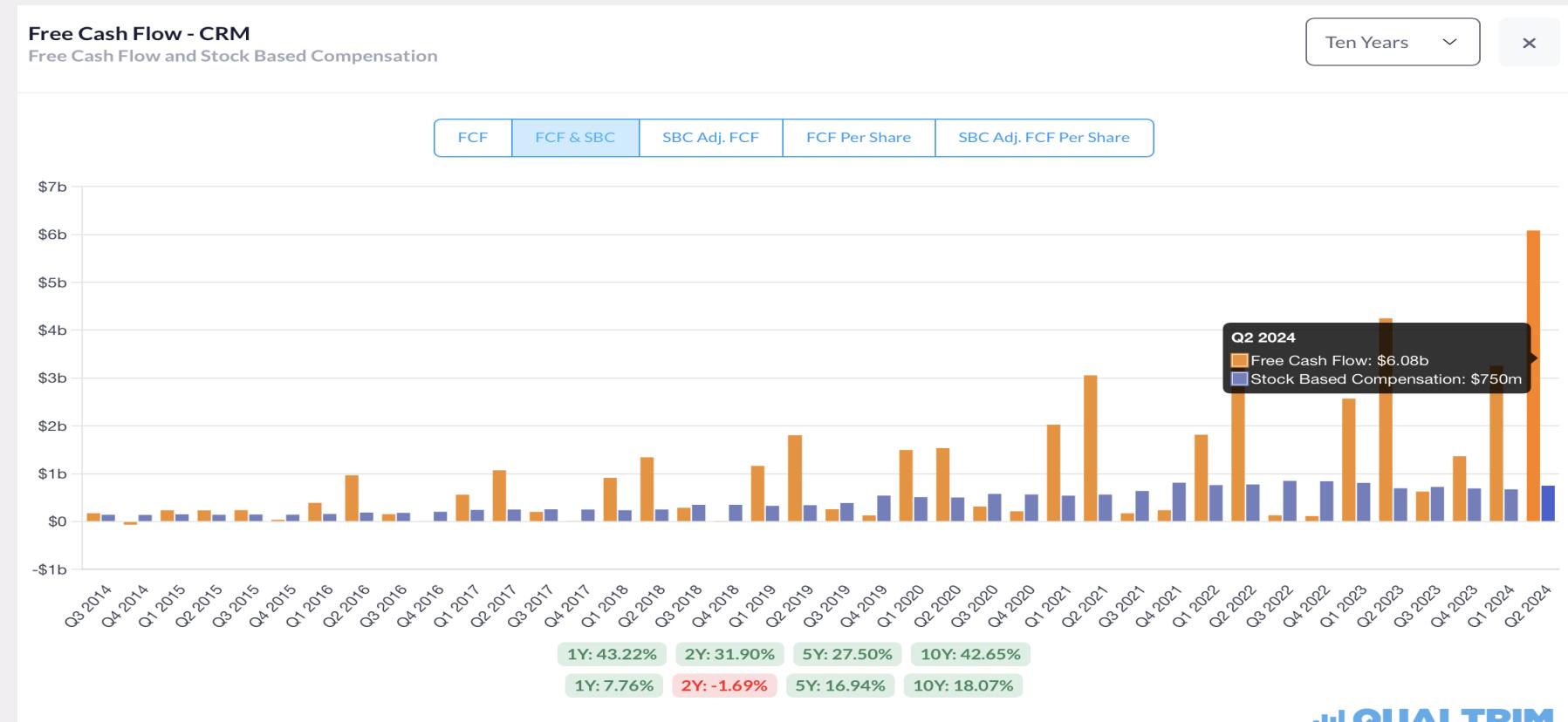
Share Repurchase Authorization¹

30-40%

Average Free Cash Flow Return²

Latest quarter results show a highly well managed profitable growth strategy already taking place, with record amounts of free cash flow.

I expect going forward a FCF Margin of 30%. Due to a much more profitable growth strategy of the management.



Valuation

Valuation

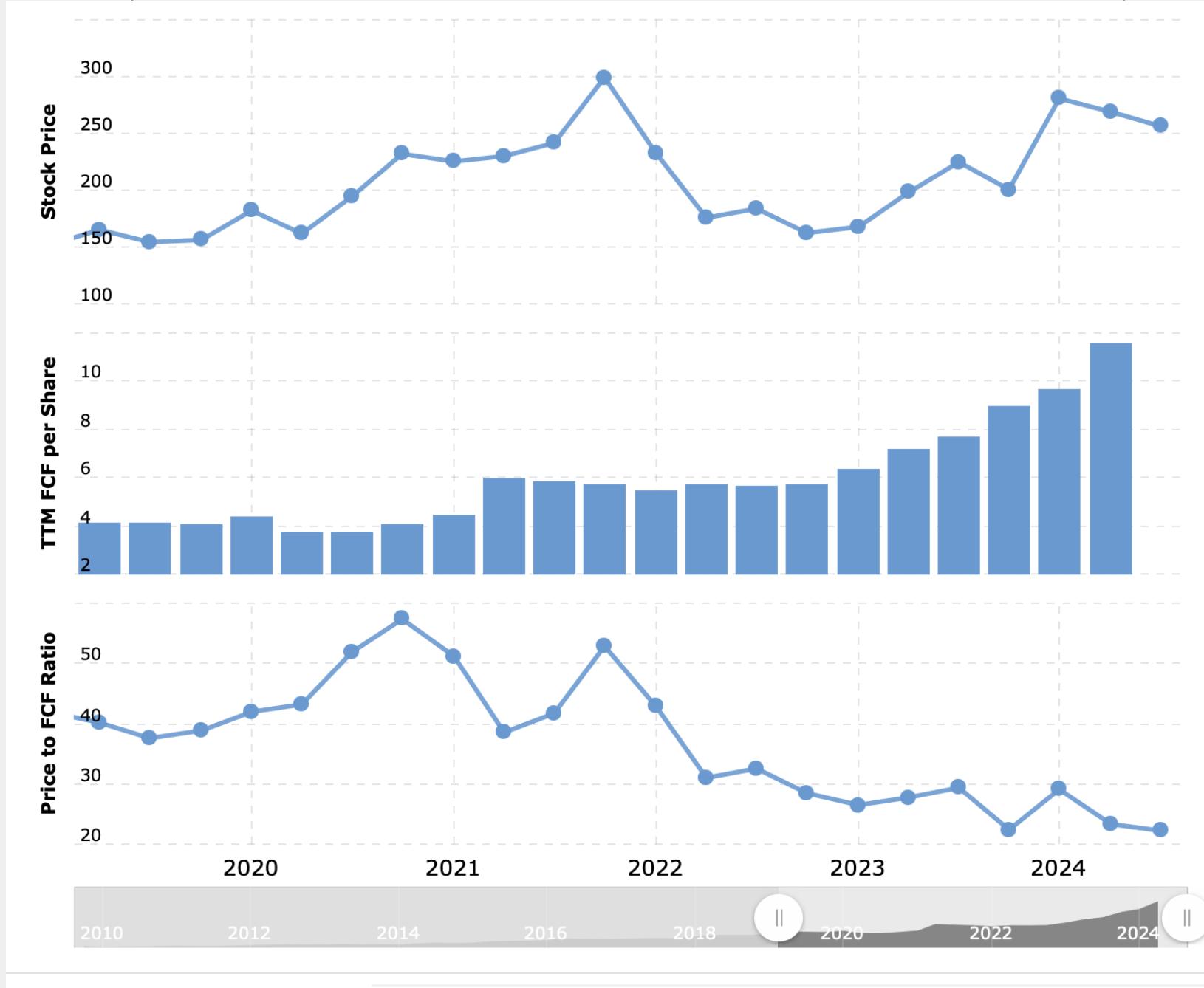
Market Cap:	\$249.13b
PE (TTM FWD):	46.32 30.3
Price To Sales:	8.19
EV To EBITDA:	28.51
Price to Book:	4.786
Enterprise value	
243.37	

Cash Flow

Free Cash Flow Yield:	4.56%
SBC Adj. Free Cash Flow Yield:	3.42%
SBC Impact:	-25.07%
Price to free cash flow	
23.33	

Historical valuation

- Current Price to free cash flow 23.33 forward 20.58 with historical average of 35-40 meaning around 40% discount when the company is at its best market positioning . Forward Sector median is 23.9. In my analysis Salesforce has a greater quality to offer, while currently having cheaper valuations than other competitors.



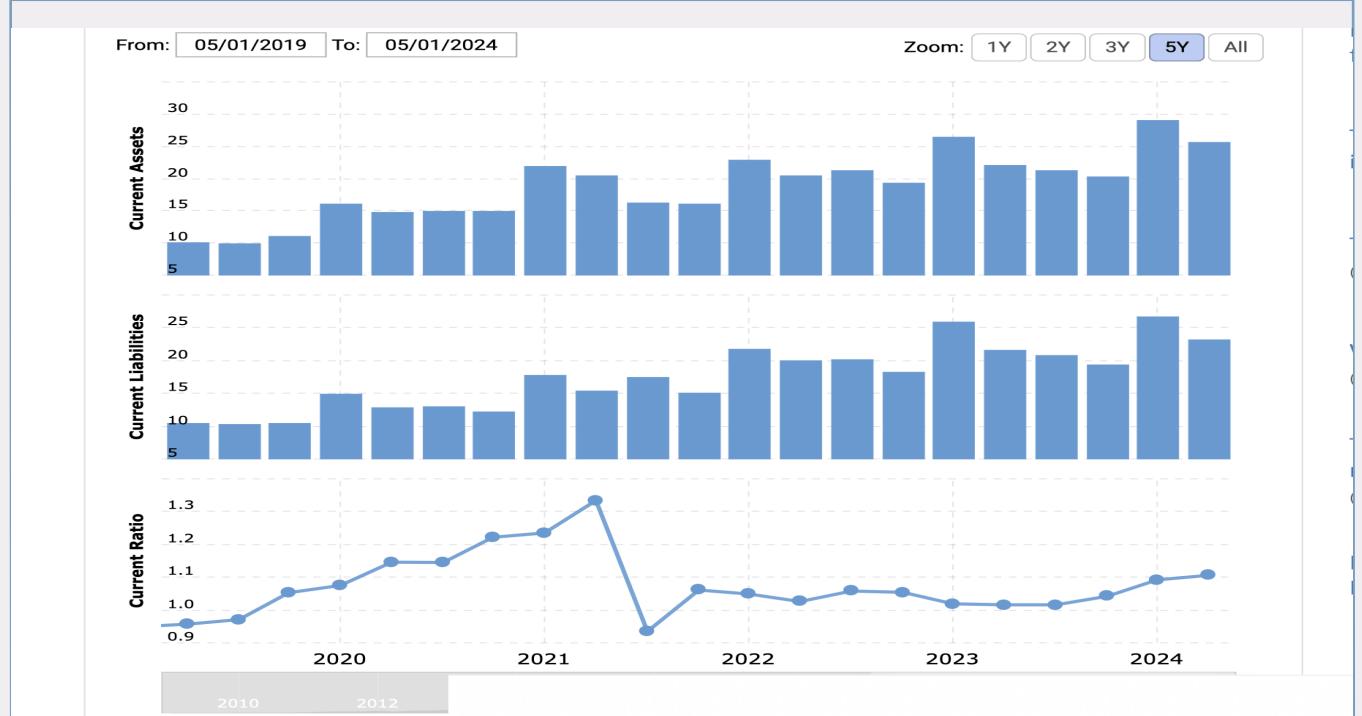
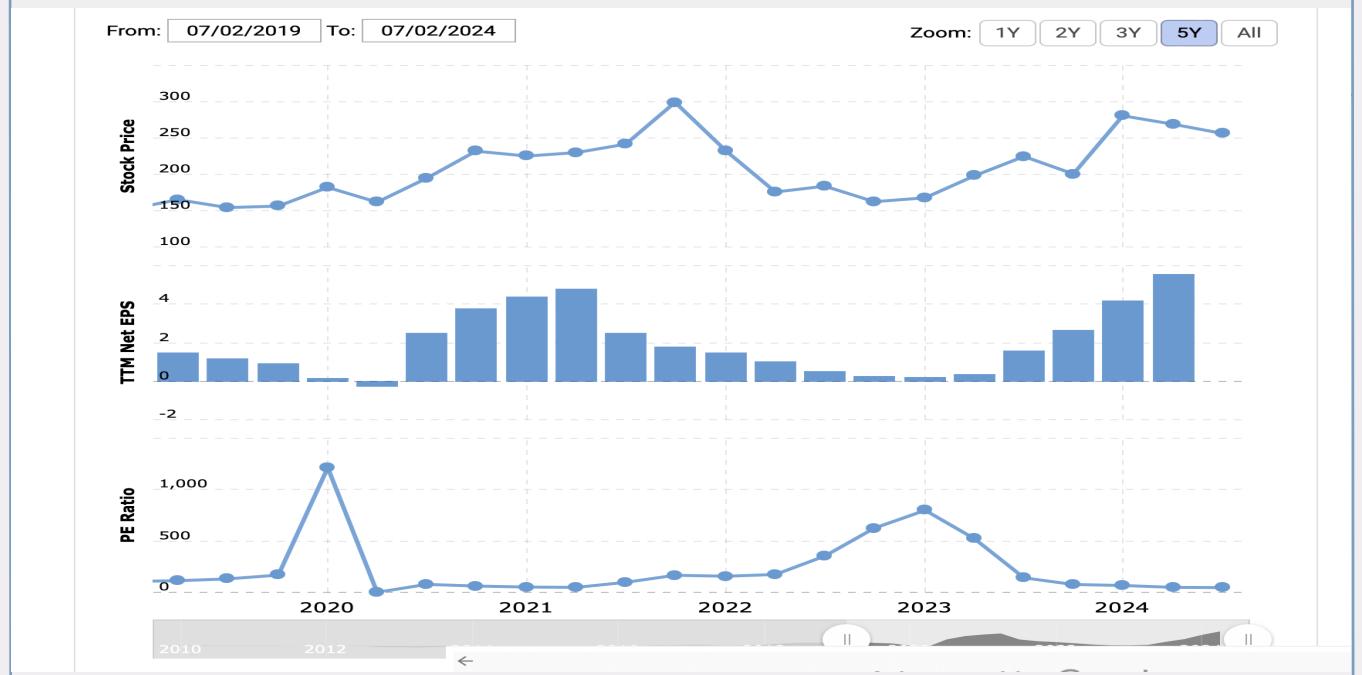
Short term Headwinds :

The stock has underperformed the market in the last year due to a few reasons :

- Future is uncertain with high interest rates, companies look ways to cut costs.
- Investors believe traditional software companies will under perform hardware companies.

My thesis is all these hardware companies have cyclical and unreliable revenue .

Furthermore interest rates are expected soon to be reduced and enterprises will again focus on re-investing their cash firstly in programs that bring



Discounted Free cash flow MODEL

Assumptions :

Discount rate of 10,5%

Expected free cash flow margin
of 30%

Growth rates of 9% in the base case and 10% in the best case

Share dilution and share buy back are equal.

Price to sales multiple of 7,81
(historic 8,5)

Results: 311-324\$ per share

DCF MODEL TAKEAWAYS

Both normal and best case are quite conservative and still results in a 23%-30% upside for it to be fair priced. (based on 1/7/2024 with a price of 258\$)

- I don't take into consideration the possible shares outstanding decreasing overtime even if it has already taken place I want more time to adjust it into the dcf model.
- Growth rates are at analysts estimates for the company but by taking into consideration all the data I still believe they are quite conservative.
- Margin of safety is at 10,5% this is the MOS I apply to quality companies.

For all those reasons I see Salesforce out-performing the Market in the next few years.

CONCLUSION

- I believe Salesforce is a quality undervalued asset at its current prices with huge long term potential.
- Cloud companies are future winners as many data shows.
- Its moat is significant in the b2b industry providing high value to other enterprise and saving them a lot more than the subscription they pay.
- The high switching costs and already great relations with big companies result in a stable revenue growth.
- Big lead in the industry of CRM which has shown high resilience over time
- Investors are afraid of software companies for short term headwinds which makes a great buying opportunity .

It is a 10% holding in my portfolio and I'm already in the green by 14% I still see it as a huge buying opportunity.

 Hims & Hers Health, Inc. HIMS	\$4,622.84	↑ 37.27%	\$3,367.74	222	\$15.17	...
 Alphabet Inc. GOOGL	\$4,243.16	↑ 32.42%	\$3,204.36	23	\$139.32	...
 Salesforce, Inc. CRM	\$3,639.30	↑ 14.01%	\$3,192.00	14	\$228.00	...
 Sea Limited SE	\$2,278.06	↑ 15.68%	\$1,969.28	32	\$61.54	...
 On Holding AG ONON	\$1,173.44	↑ 8.46%	\$1,081.92	32	\$33.81	...