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Salesforce.com, inc. (CRM) on Q2 2020 Results - Earnings Call Transcript

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FQ2: 08-22-19 Earnings Summary



Press Release



10-Q

EPS of \$0.66 beats by \$0.19 | Revenue of \$4B (21.82% Y/Y) beats by \$41.63M

Earning Call Audio



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Salesforce.com, inc. (NYSE:CRM) Q2 2020 Results Earnings Conference Call August 22, 2019 5:00 PM ET

Company Participants

John Cummings - Senior Vice President, Investor Relations

Marc Benioff - Chairman & Co-Chief Executive Officer

Keith Block - Co-Chief Executive Officer

Mark Hawkins - President & Chief Financial Officer

Bret Taylor - President & Chief Product Officer

Amy Weaver - President of Legal & Corporate Affairs

Conference Call Participants

Mark Murphy - JPMorgan

Heather Bellini - Goldman Sachs.

Kash Rangan - Bank of America

Walter Pritchard - Citigroup

Keith Weiss - Morgan Stanley

Kirk Materne - Evercore ISI

Richard Davis - Canaccord

Brad Zelnick - Credit Suisse

Jennifer Lowe - UBS

Operator

Good day, ladies and gentlemen, and thank you for standing by. Welcome to the Salesforce Q2 Fiscal Year 2020 Earnings Conference Call. At this time, all participants are in a listen-only mode. Following management's prepared remarks, we will host a question-and-answer session and our instructions will follow at that time. [Operator Instructions] As a reminder, this conference call is being recorded for replay purposes.

Now, it is my pleasure to hand the conference over to Mr. John Cummings, Senior Vice President, Investor Relations. Sir, you may begin.

John Cummings

Thanks so much, Brian. Good afternoon, everyone, and thanks for joining us for our fiscal 2020 second quarter results conference call. Our results, press release, SEC filings and a replay of today's call can be found on our IR website at www.salesforce.com/investor.

With me on the call today is Marc Benioff, Chairman and co-CEO; Keith Block, co-CEO; Mark Hawkins, President and CFO; Bret Taylor, President and Chief Product Officer and Amy Weaver, President of Legal & Corporate Affairs.

As a reminder, our commentary today will primarily be in non-GAAP terms. Reconciliations between our GAAP and non-GAAP results and guidance can be found in our earnings press release.

Some of our comments today may contain forward-looking statements, which are subject to risks, uncertainties and assumptions. Should any of these materialize or should our assumptions prove to be incorrect, actual company results could differ materially from these forward-looking statements.

A description of these risks, uncertainties and assumptions and other factors that could affect our financial results are included in our SEC filings, including our most recent report on Form 10-Q.

Before I turn the call over to Marc, let me provide a brief comment regarding Tableau. I'm incredibly excited about our acquisition with Tableau software which closed in August 1st and have provided revenue guidance for Tableau for Q3 and FY 2020.

As previously disclosed in our 8-K United Kingdom Competition and Market Authority or CMA is reviewing the transaction and has imposed a whole separate order pending completion of its review. Due to the whole separate order our ability to discuss Tableau today on this call is limited. We're happy to be working constructively with the CMA as it conducts its review.

And with that, let me turn the over to Marc Benioff.

Marc Benioff

All right. Hey, thanks so much John. I really appreciate it. And hello everybody, I'm actually in Geneva, Switzerland and the team is in San Francisco. I am in Geneva at the World Economic Forum headquarters where I'm attending our annual Board of Trustees meeting and also our international business committee of our top 200 CEOs in the world.

And it's been fascinating meeting. But I'll tell you one thing that everyone is really excited about here is what happened in the United States which is that the business roundtable, one of the top two business groups in the U.S. published an incredible statement this

week on the purpose of a corporation and talked about how the purpose of the corporation is to serve all stakeholders.

And why that's exciting here is many of the words that they were using almost exact phrases were written by Klaus Schwab, the founder of the World Economic Forum. Over 50 years ago when he was at UC, Berkeley, and it's great to see the BR team take this incredibly progressive stance and I'm just very grateful to them because of course at Salesforce we do believe that business is the greatest platform for change.

Well, I want to just thank you, John for introducing that and also thank you everybody for being on the call today. And as you can see, we had just incredible quarter here. Revenue in the quarter rose to \$4 billion, up 22% in dollars and 23% constant currency and we ended the quarter with more than \$25 billion in total remaining performance obligation. That was up 20% versus last year. It's really amazing what's happening at Salesforce.

With our organic growth in our acquisitions of Tableau, Salesforce.org, ClickSoftware, we are raising our fiscal year 2020 revenue guidance to \$16.9 billion at the high-end of our range representing about 27% growth year-over-year.

Now, we have really been very strategic in building out our Customer 360 platform. This is our vision that really is at the heart of what's happening at the Fourth Industrial Revolution. Everybody knows the Fourth Industrial Revolution is underway. Everyone and everything is getting connected.

But behind all of those things is the customer and certainly all the customers that I'm working with here in Geneva, all the customers that we work with around the world, well, they realized that behind all that Fourth Industrial Revolution is their customer and that they need to build that Customer 360 platform.

And that's what we're doing. We're doing everything we can to build/deliver this incredible vision and we couldn't be more excited to build out our Customer 360 platform organically as well as through the acquisition of some phenomenal companies and some phenomenal talent.

Now with Customer 360 we have just never really been better positioned for the future. In fact, we're the beginning of an enormous wave of digital transformation, I'm certainly seeing that here in Geneva.

IDC forecast global spending on digital transformation to reach \$1.18 trillion in 2019, that's an increase of nearly 18% over last year, truly quite amazing. And Salesforce is at the center of this massive shift because every digital transformation of every single one of these companies that we're talking to begins and ends with the customer.

In fact, IDC also forecasts global spending on customer experience alone to reach \$641 billion by 2022.

Every company needs a intelligent, 360 degree view of their customers. They need to personalize every customer experience. They need to predict customer behavior and anticipate their customer needs, and they need to build modern mobile apps quickly and deliver the right services at the right time on any device.

Well, that is Customer 360. Our vision for bringing companies and their customers together and it will be a huge growth engine for us over the next decade. And for our customers it's their aspirational goal. They're all trying to create a Customer 360. They want a Customer 360 to see what's happening with their customers in this incredible time of change. And they want to understand their customers and connect with them like never before.

Salesforce is their number one CRM, and our Customer 360 platform is a leader in sales, in service, marketing, commerce, communities, integration, app dev and more. Customer 360 includes amazing platform services such as absolutely leading artificial intelligence and breakthroughs, envision and voice, in mobility and security.

And because they're all built into the foundation of that platform they're available to everyone our customers, to every app, and everyone. We're operating a tremendous scale. Just look at some of the daily milestones our customers have helped us achieve with our Customer 360 platform.

4 million sales opportunities and 4.3 million leads generated today, 77 million service case interactions log, 4.1 billion messages and email sent, 4.2 million orders processed bot, 53 million reports and dashboards created every day and 700 million commerce pages.

We're delivering world-class AI with Einstein, Salesforce Einstein in Customer 360. It's actually generating now and I know many of you've been following this and it's been incredible for me to see this.

But we actually do now 8.6 billion Einstein predictions a day using our market-leading artificial intelligence platform. We've also made Einstein Voice and Einstein Vision available to every Salesforce app and these AI-powered capabilities are the future of the customer experience.

We're also extending the power of Customer 360 with new services like Salesforce Blockchain, Salesforce Maps and as we've seen this quarter is specifically Salesforce Blockchain is the world's first declared Blockchain solution for CRM built natively on our platform.

And with this new Salesforce Maps we're adding intelligent location-based services that improve productivity for sales and service employees to the field was built really building out that Customer 360 vision and our team has just done an incredible job getting this in the hands of customers.

At the heart of Customer 360 is our incredible community of our Trailblazers. They are using Trailhead, our free online digital learning platform to get the skills they need for the jobs in the digital economy. We're more focused on this digital education than ever and we realize to achieve this vision of a new economy that we all want, we have to deliver this next-generation vision of education as well.

We now have 1.5 million learners changing their careers and changing their lives on Trailhead. It's a 50% increase over last year and really cool, just last week we announced a partnership with Southern New Hampshire University, one of the fastest growing universities in the U.S. so that Trailblazers can now earn college credit for free on Trailhead. That's just an incredible lean forward for Trailhead.

Well, Salesforce skills are in high demand. For those of you who watch what happen, I think just now about a week ago we saw that the Salesforce developer was ranked at the second number two on GlassDoor's list of jobs are the best career opportunities that was amazing for us.

A huge economy is developing around Salesforce one that will create more than 3 million jobs and more than 860 billion GDP impact worldwide by 2022 and we'll continue to create opportunities for everyone to participate.

With our Customer 360 vision with amazing Einstein innovations, the millions of Trailblazers innovating on our platform, Salesforce is incredibly well-positioned to help companies transform their customers.

And you'll see all this at our – all this amazing innovation and all this amazing customer success at Dreamforce which this year will be November 19th in San Francisco. You probably know it's almost sold out, so you better register now. We are really right down to our last few seats and we'll be bringing together the thought leaders, industry pioneers, amazing innovators, incredible customers and of course all of our Trailblazers for four days of customer success stress, innovation of quality and learning.

Dreamforce is an expression of our core values, our commitment to giving back which have been the key to our success to the business over the last two decades. For those of you know, we also something about to come out which is my -- our new book Trailblazer, the Power of Business is the greatest platform for Change including many of the concepts pioneered by Klaus Schwab here at the World Economic Forum in Geneva. It comes out on October 15, so you can preorder your book now and I hope you'll get a chance to read it. And let me know what you think at Dreamforce. And until then, I will look foresee you all of you in November.

And now, over to Keith.

Keith Block

Thanks Marc and thanks everybody for joining us on the call today. As Marc said, we have an incredible opportunity ahead as more and more companies invest in their digital transformation. Across every industry, every geography, they are turning to Salesforce as their trust advisor into our Customer 360 platform as the foundation and catalyst of their growth.

That's clearly reflected in our Q2 numbers as we continue to see great result across our clouds, our industry solution and our region. The hundreds of customers that Marc and I meet with every quarter are looking for a vision and they're looking for strategy that will help them propel their growth and to get closer to their customers.

They're asking us about the future of their industries. They are asking us about their peers, their competitors and how are they transforming. They're asking us about best practices from other industries. They're asking us most importantly about how to innovate.

But it's not just about technology. They also want to learn about Salesforce culture and our values and how we can help them drive success with their customers, their partners and their employees.

Now, throughout the quarter, we continue to build and strengthen our relationships with leading brands around the world. FedEx selected Salesforce in the quarter as the platform for their customer service transformation.

FedEx will use Service Cloud Einstein in their call centers to drive agent productivity with AI-powered recommendations in Einstein analytics to get a deeper understanding of their customers needs across their business.

The Union Pacific Railroad system, one of the world's largest transportation companies chose Salesforce as its unified CRM platform to deliver faster, more proactive service. Now that includes automated shipping notifications and tracking updates, so customers can plan better and improve their shipping experience, very important.

Airbnb turned to Salesforce to power its global messaging program. Airbnb expanded with Marketing Cloud that continue to deliver meaningful hyper personalized communications with its community of guests, hosts and travelers engaging with all Airbnb users across

the globe on a single platform.

And we continue to expand our relationship with Marriott, one of the world's great companies which is using Salesforce to better anticipate each guest travel needs and display relevant offers during that stay and provide a more personalized customer experience.

Now, in May we have announced Einstein Analytics for financial services giving wealth advisors, managers and retail bankers that AI-powered insights they need to better serve customers and grow their book of business.

Our momentum in financial services continues. We expanded our relationship with HSBC and form the new relationship with Unicredit in Italy in the quarter. In the public sector, the U.S. federal government increased its Salesforce investment including the Bureau of Land Management, the USDA and U.S. Department of Housing and Urban Development.

A critical part of customer service for many of our customers is also field service. It is incredibly strategic to their operations and differentiates them, and that's why as of Q2, Field Service Lightning is growing at nearly 100% year-over-year.

Now in the quarter FOX Sports chose Field Service Lightning to manage production workflows, employees, equipment, facilities, rentals and more for its live broadcast. And with our recent agreement to acquire Click Software we'll be able to deliver even greater field service innovation to our customer, so that's very, very exciting.

Our international revenue growth continued in the quarter, super strong with EMEA growing at 30% ,APAC growing at 27% year-over-year both in constant currency, AXA , one of the largest insurance companies in the world is on a journey to a global 360 degree view of every customer and in the quarter they made a number of strategic investments across several divisions including deploying service filed to give their insurance agents the complete view of every customer enabling them to have smarter or personalized conversation.

In EMEA, we form new relationships with HDM in Germany, the largest global manufacturer of offset printing press and fashion retail organization Esprit, both choosing Commerce Cloud in the quarter.

In Australia we expanded with ANZ Bank [ph] and form new relationships with Ramsay Health Care and the Australian Department of Environment and Energy. In Japan, we expanded with Hitachi and Mitsui Sumitomo Insurance. Our partners very critical to our strategy continue to help us deliver customer success. In Q2 partners were engaged in 68% of our new business. And these partners continue to invest in their Salesforce practices.

Global partner certifications are up 40% year-over-year. That just keeps going and going and going. All seven of our top consulting partners run their practices on Salesforce, and Salesforce is their fastest growing enterprise practice.

Strategic partnerships are absolutely critical to our future and that's why we're thrilled about our new relationship with Alibaba, as a global company it is important for us to support our multinational customers wherever they do business.

And finally, we close our acquisition of Salesforce.org in the quarter and we continue to seek incredible demand in the non-profit and education verticals. We work with more than 44,000 non-profit and higher education customers and our employees have given more than 4.3 million volunteer hours and we delivered nearly \$300 million in grants which is pretty amazing.

Last quarter, I mentioned making investments to fill the next chapter of our growth around the world. Now part of that investment is bringing incredible talents into the company and we've been very fortunate at two extraordinary executives at EMEA and APAC to our international leadership team.

Later this fall, Jayne-Anne Gadhia will become CEO for Salesforce U.K. and Ireland and Pip Marlow will be joining us as CEO for Salesforce Australia and New Zealand and we're very excited to have both on board. They are both great executives.

And on closing, I'd like to thank our employees, our partners and our customers around the world for their support and of course our company's great execution, so thanks to everybody.

And now, I'll hand this off to Mark Hawkins.

Mark Hawkins

Well, thanks, Keith. As you've heard we delivered strong results in the second quarter, including generating durable organic revenue growth and organic operating margin expansion year-over-year.

Here are few highlights. Total revenue grew 22% in dollars and 23% in constant currency. Excluding Salesforce.org total revenue grew 20% in dollars and 21% in constant currency.

cRPO grew 23% in dollars and 25% in constant currency and we continue to put up solid organic revenue growth across each of our clouds and in our geographies. There are few moving parts here for Q2 results, so let me take you through some of the additional details starting with revenue.

Total revenue for the second quarter was \$3.997 billion including \$54 million of acquisition of Salesforce.org. Just as we saw in Q1, we continue to experience FX headwinds to revenue in the second quarter of approximately \$34 million year-over-year and approximately \$20 million sequentially.

Looking at the drivers of growth by cloud, we continue to see strong subscription and support revenue growth year-over-year with sales cloud growth of 13%, service cloud growth of 22%, marketing and commerce cloud growth of 36%, and platform and other 28% which probably includes \$159 million of MuleSoft, approximately 54% of MuleSoft subscription and support revenue is treated as term license.

Let me call out a few other items related to the various cloud growth rates in the quarter. First, the FX headwind of a total -- for total revenue that I mentioned earlier, represents approximately one percentage point of growth year-over-year, and that affected each of our clouds on a similar proportional basis.

Second, our acquisition of Salesforce.org represented approximately one to two percentage points of growth year-over-year across each of our clouds. Third, this was the first quarter of a normalized year-over-year compelling MuleSoft. So where MuleSoft now on the base period, the rate of growth of platform and other moderated in Q1 to Q2 as expected.

Adjusted for these items, we are very pleased to deliver robust organic constant currency revenue growth across each of our clouds in Q2. Attrition also remain healthy in Q2 as we have seen over the past several quarters, with dollar attrition continuing to decline modestly year-over-year remaining below 10%.

Turning to operating margin, Q2 non-GAAP operating margin was 14.3%, down 349 basis points year-over-year. As a reminder our Q2 operating margin EPS results were affected by the settlement of our reseller agreement with Salesforce.org.

This one time non-cash accounting charge of \$166 million is reported as a discrete line item on statement of the income and was slightly lower than we anticipated. We continue with our efforts to improve our operating efficiencies and we're pleased to deliver Q2 non-GAAP operating margin improvement excluding the Salesforce.org non-cash accounting charge of approximately 66 basis points year-over-year.

Q2 GAAP EPS was \$0.11 and non-GAAP was \$0.66. In Q2 below the line mark-to-market adjustments benefited GAAP EPS in the second quarter by approximately \$0.10 and non-GAAP EPS by approximately \$0.11, business outperformance in the quarter, along with a lower than anticipated salesforce.org settlement charge benefited GAAP and non-GAAP EPS by approximately \$0.08.

Turning to cash flow. Second quarter operating cash flow was \$436 million, down 5% year-over-year. Operating cash flow in the quarter was impacted by a recent M&A activity as well as continued FX headwind. On a trailing 12 month basis, we're pleased to deliver operating cash flow of 25%.

CapEx for the quarter was \$178 million, leading to free cash flow defined as operating cash flow less CapEx of \$258 million down 10% over last year. On a trailing 12-month basis we're pleased to deliver free cash flow growth of 26%.

Remaining performance obligation ended the second quarter approximately \$25.3 billion, up 20% versus last year. Current RPO which is approximately \$12.1 billion was up 23% year-over-year and on a constant currency basis was up 25%. Salesforce.org contributed approximately \$200 million to this amount.

Now turning to Q3 and FY 2020 guidance. We're pleased to be raising our full year FY 2020 revenue to \$16.75 billion to \$16.90 billion for full year growth of approximately 26% to 27%. This guidance includes approximately \$550 million to \$600 million in revenue from our acquisition of Tableau.

Approximately \$200 million in revenue from the acquisition of Salesforce.org and approximately \$25 million in revenue from Click Software, excluding these acquired businesses we expect top line revenue growth of 20% to 21% year-over-year. This outlook reflects approximately \$200 million in FX headwind for the full year.

Turning to our outlook for operating margins we now expect FY 2020 non-GAAP operating margins to be down approximately 50 basis points year-over-year. Our FY 2020 non-GAAP operating margin guide is the result of several factors. First, is the one time non-cash settlement charge of \$166 million related to Salesforce.org reseller agreement.

Second, is the blended margin profile of the recently acquired businesses namely Salesforce.org and Tableau, which we'd anticipate at roughly break even non-cash margins for FY 2020 inclusive of the purchase accounting. And Click Software which is modestly diluted along with the associated transaction cost.

In fact, excluding the impact of these acquisitions this year, we expect our FY 2020 non-GAAP operating margin improvement year-over-year to be more than 150 basis points, which is higher than the improvement we've initially laid out at the beginning of the year.

For EPS we're updating our FY 2020 GAAP diluted EPS of \$0.28 to \$0.30 and our non-GAAP diluted EPS of \$2.82 to \$2.84. For operating cash flow, we're pleased to be maintaining our FY 2020 operating cash flow guidance of 21% to 22% despite the increased expenses from recent M&A and the cash impact of FX headwinds.

For Q3, we expect revenue in the range of \$4.44 billion to \$4.45 billion or 31% growth year-over-year. This guidance assumes revenue of approximately \$300 million from Tableau and approximately \$75 million from Salesforce.org. We also expect Q3 GAAP diluted loss per share of \$0.21 to \$0.20 and non-GAAP diluted EPS of \$0.65 to \$0.66.

We expect cRPO growth of approximately 24% to 25% year-over-year in the third quarter. This guidance assumes around two points of growth from Salesforce.org and two to three points of growth from Tableau. Click Software does not have a material impact on the cRPO growth and excluding this acquired cRPO, we anticipate that our cRPO growth would be approximately 20% year-over-year.

Lastly, regarding our long term FY 2023 revenue target, we continue to be on track for this and to achieve our long term revenue goals on an organic basis. And as previously discussed we plan to update these targets factoring in recent acquisitions during our annual Analyst Day at Dreamforce in November.

To close, we delivered another strong quarter of durable revenue growth and organic margin expansion. We continue to invest to foolproof -- future proof our technology and scale of our business globally. And I'd like to thank our employees, our customers, our partners and our shareholders for your continued support.

And with that, I'd like to open up the call for questions.

Question-and-Answer Session

Operator

Thank you, sir. [Operator Instructions] Our first question will come from the line of Mark Murphy from JPMorgan. Your line is now open.

Mark Murphy

Yes. Thank you very much. Congrats on a superb quarter. Marc, I wanted to ask you, we're witnessing such a bifurcation in the retailer's results this year. We've seen companies like Target and Wal-Mart and Home Depot doing well. And at the same time it seems like the Amazon is hurting some of the others whether it would be Sears or

Barneys or Nordstrom or the GAP or others. I'm wondering if you're finding the retailers that adopted Demandware are actually competing better. And then, and just -- is this retail apocalypse kind of causing companies in other industries Q1 to adopt Salesforce a little faster so that they don't get Amazon or uberized?

Marc Benioff

Well thanks so much for that question. I'll tell you that I think that we are rapidly heading towards this Fourth Industrial Revolution and that this digital transformation is hitting every industry, and retail certainly is one of the major industries that is really been taken the stand and deliver, and you are seeing a bifurcating between those organizations who are ready for this transformation and those who aren't. But it includes not just the ability to have a strong digital presence but also being able to understand what your strength is in regards to your physical presence and making those to work together in a synergistic way. Well, that is where the magic is for many of the organizations that you mentioned.

I work with a lot of those CEOs personally and I can tell you that they've done a tremendous job. You mentioned Target, I mean you just have to go in and see what they've done online is matched as well as what they've done in the physical store. I think that that's kind of an indication of where the future is going. You didn't see of course Amazon moving into the physical world as well. We've seen tremendous success with our own e-commerce platform. We're very excited with Demandware. And some of the customers that we've seen on that platform have really just trounced their competitors. Of course there's a lot of good examples; Adidas [ph] is one, but there's so many others.

And every one of these companies needs a strong platform like Demandware, but I'll tell you it's more than that, it means that they have a real Customer 360 because once that customer actually gets to the store you want to know everything about them in terms of a 360 experience. And we have a number of luxury retailers some that I can mention by name, but honestly a lot of them, so I just cannot by their own request who have done a tremendous job of integrating their digital experience and their physical experience. And when you walk into one of their stores they say, hey did you know we have this new capability or that new capability where you purchase something and in this product line and it's made a big difference for them.

So you're 100% right that transformation in retail is underway and we're excited to offer that Customer 360 vision to the top retailers, so that they can offer whether it's in sales or service or as you mentioned e-commerce or marketing or app development or so many other things the ability to be competitive. Thanks for the question.

Operator

Thank you. And our next question will come from line of Heather Bellini with Goldman Sachs. Your line is now open.

Heather Bellini

Great. Thank you so much. I mean, Marc you've been one of the most strategic visionaries in the software market over the last two decades. And obviously you built one of the biggest cloud companies to-date through a combination of internal R&D and M&A and I guess that's where my questions would lie. Can you share with us your vision for M&A as you look ahead and how you think especially now that you've kind of gotten into the on-premise market as well? How you think about the marriage of the cloud footprint and the on-premise footprint?

And I guess the other question that we get asked a lot about and I'm sure others do on the line is, how do you think about the margin tradeoff that come with that bigger TAM? And given Mark Hawkins talked about it on the call, the fiscal 2023 target there -- are there any thoughts of maybe ever adding a margin target to the [Indiscernible] inorganic number? So I guess that's where my focus is. Thank you very much for taking the questions.

Marc Benioff

Well, thanks Heather and I'll let Mark directly addressed the issues of guidance. But I'll tell you that, the way we look at it is innovation is happening everywhere and we have tremendous innovation happen been in the Salesforce, and that's been so important for us over the last 21 years. But we're also in all of -- a lot of other innovation that's happening outside of our company and we've been fortunate to have a big enough view of innovation that it's motivated us to be one of the most innovative companies in the world because we were the hardest both organic and inorganic innovation I think in a really positive way.

And I have to also thank our customers because a lot of the ideas that we've created whether it's software we've -- software we've built or companies we've bought it's really been driven by those customers. I mean a great example just tying back to the last call is Demandware, one of those luxury retailers is based in Paris. I was having a meeting with them, and they took me aside and they said the company that you should acquire is Demandware and here's why. They had already moved to Salesforce and other services and -- but they had a gap in their Customer 360 and they wanted our ability to be able to connect Demandware into what we were doing so that they could have, be more competitive themselves.

And that has turned out to be really great for them and augment our vision of what CRM is and also being able to execute our Customer 360 vision. I think that when I look out and I just was thinking about conversations that I had today, we're really at a moment in time where these top CEOs in the world all realize not only do their digital transformation has to be under way, their customer experience has to be first. And I'll let Marc to answer the rest of the question.

Mark Hawkins

Sure. Thank you, Marc, and thank you Heather for the question. We certainly highly prize the operating margin expansion. It's something that's very important to us. Over time as you can see over the last several years we've been expanding that. We do make tradeoffs between our organic growth and margin. The tradeoffs are something that we always look at when we look at this opportunity to serve the customer. We have been making considerable progress over the years, but we know there's more work to be done and that's something that we're always thinking about and trying to focus on constantly improving.

We're certainly going to be talking about that in February when we give out our operating margin targets. And I hear your point about exploring beyond one year, but certainly we'll be talking about the operating margin in February.

Operator

Thank you. And our next question will come from a line of Kash Rangan with Bank of America. Your line is now open.

Kash Rangan

Hi. Thank you very much. I'd like to first applaud the company for the tremendous amount of clarity and the straightforwardness of how you report your financials such as the organic versus the acquired currency impact. You go through excruciating detail to make it abundantly clear how your core business is doing particularly the fact that margins are projected to grow excluding the acquisitions more than you anticipated. So I just want to give you a round of applause on the clarity and straightforwardness of the disclosure.

Now the question for you Marc as you move ahead you're targeting a \$28 plus million revenue company with the diversity of end markets that we've just simply not seen in software, the prior analogs and the on-prem with this SAP or Oracle. Just didn't quite have the diversity of end markets that Salesforce.com is pursuing. So as you plan to roughly doubled revenues, how does that go-to-market nature of how you're going. How does the go to market strategy evolved as you attacked a breadth and complexity of markets that the world has simply just not seen, and there's no recipe to follow?

Marc Benioff

Well, let me fill in some of it, but then also let me ask Keith really to fill in the rest. I think you said it really well which is that we've worked really hard to build this Customer 360 platform. It's taken us 21 years and it turns out, this is exactly what customers want and really need to be competitive in today's world. And as we go to now execute and deliver that, we are focused on how do we do that by region, by country where we're really looking at how we're doing that by segment, it's extremely important.

And I think that for us certainly we started just with Salesforce automation. That was our kind of soul app if you will. But it was it was clear from a focus with customers that if we're going to continue to build serve them we had to get to customer – to Customer 360. So, Bret maybe you also want to add to that and then Keith I think maybe it'd be great if you filled in on the go-to-market as well.

Bret Taylor

Yes. I think Marc, you put it well, which is as we think about our value proposition, it spans a lot of different markets, but it's all under this umbrella of digital transformation. And I think the defining characteristic of companies in the Fourth Industrial Revolution is the things driving the digital investment is customer experience. Customers are demanding that they interact with these companies in new ways. And that does span the entire portfolio.

The question that came up earlier about Demandware and commerce, it's a lot more than that. When you think about what it defines your retail experience, it's about customer service, it's about buying online and picking up in-store, it's about merging the physical and the digital. It's about how you get recommendations and marketing after you've purchased something.

And so when I look at our portfolio, it spans wide breadth of functionality. But when I talk to the CEOs of all the major companies in the world that's what they need to transform is all of the above. And when they fragment their customer experience by thinking of them as separate categories or silos they can't actually achieve the vision of the digital native companies that you mentioned before. So, I think our breath is an asset when we go into these conversations with our customers because I think we can provide a more complete vision for their digital transformation than any other company.

Keith Block

Yes. And listen, on their go-to-market side, we made a conscious decision over the last few years to really focus on three things. One is how do you take an international company and turn it into a global company. And there is a large difference between being an international company and being a global company, a lot of that is around culture behavior and how you solve customer problems. The second was really a movement towards selling solutions and speaking the language of the customer and understanding an industry. And just to give you an example of that, in two weeks, I have to go to New York which I'm very, very happy about to address the board of one of the -- I would say the most prestigious retailers in North America. I talk about the future of retail.

A couple weeks ago I had dinner with the CEO of a different company, although same industry, but it's one of the largest retailers in the world and they want to talk about how our Customer 360 platform can help them drive growth and optimize customer experience. So being able to understand the industry and enabling our field organizations and our entire company on understanding an industry and being able to solve the customer problem is a huge part of it.

The third piece of this is moving from a partner ecosystem to a strategic ecosystem. And part of our ecosystem is really encompassing with our classic firms that we do business with like the Accentures, and the PWCs and the Deloitte to the world who are just well processed, but how do we extend that community to drive success for our customers everywhere in the world. And that's why we formed partnerships with companies like Alibaba because we have the service companies all over the world, we have global operations, again I mentioned the word global. It also means that we continue to invest in this Trailblazer community, where we want millions of people who evangelize and architect solutions that drive success for our customers.

And then the final component which I mentioned on the call is talent. We are fortunate enough because of our culture and the type of company and our values to be a destination company for talent. And we have attracted some amazing people whose careers we continue to grow, who are very focused on customer success, as well as these other folks like we talked about with the Jayne-Ann Gadhia, for example who's going to be running the U.K. eye for us. And having those executives, having that talent in place who are passionate about customer success and driving solutions really makes us I think a very, very unique company and that's why you see the success. And that's why we're optimistic about the future.

Operator

Thank you. And our next question will come from the line of Walter Pritchard with Citigroup. Your line is now open.

Walter Pritchard

Hi. Thanks. Question for Mark Hawkins or for Keith Block. I think it's been a couple of years back, you gave a framework around cost to serve on Dreamforce Analyst Day. And I'm wondering you are talking about seeing really good underlying margin progression in the business ex-acquisition. Could you update us on into those two drivers where you're seeing the margin improvement which – it's a little bit harder for us to tell given the acquisition influence on each of the OpEx and cost of revenue line items, that'll be helpful?

Mark Hawkins

Sure. Well, first of all, thank you Walter and I'm happy to do that. I think the thing that we are making progress on right now is in the area of gross margin. You'll take note, we've been investing for quite some time to get more scale and capability there and we're pleased to see some progress on that. We're getting also progress in our G&A areas as we look to make G&A more efficient as we scale up the company. That's certainly an area that we're making progress as well. We have a great initiative.

I think our team driving even customer success there in it to really help deliver an even better performance while also scaling. And I think these are some of the areas in the cost in particular that we're doing. And Walter, I would add just one additional point in an area of cost to book, that's always a choice, it's always a tradeoff. And we just had a great market opportunity in front of us to serve our customer. And we're obviously investing there but always looking for progress as well. But those other areas are the key areas that we're focused on.

Walter Pritchard

Okay. Thank you.

Mark Hawkins

You're welcome.

Operator

Thank you. And our next question will come from the line of Keith Weiss with Morgan Stanley. Your line is open.

Keith Weiss

Hi, guys. Thank you for taking the question and a very nice quarter. I wanted just Keith Block opinion on or perspective on potential synergies from the recent acquisitions particularly Tableau, given the success you guys have seen with MuleSoft over the past year, where should we expect sort of the biggest synergies? What are you most excited about in terms of adding Tableau, and may we can put Click Software into there as well into the portfolio as we look over the next year? And then one for Mark Hawkins, can you repeat the Tableau guidance again in terms of what the full year contribution is and what the Q3 contribution is. Because it seems like it implies like a smaller Q4 than Q3. I want to make sure I have those numbers right?

Marc Benioff

Let me address – hi, Keith. Let me address the first part of this and then I'll ask Mark Hawkins to comment as well. So look, we're incredibly excited about Tableau. It's a great company, a set of great products. It's got an incredible development community. It's got a great executive team and customers love their products. As far as Click Software and I'll let Mark talk about Tableau in a second, but as far as Click Software, we're very, very excited about the Click Software acquisition. As you may know Field Service is incredibly strategic to a number of industries such as utilities, telecommunications, equipment manufacturers and we have a very strong product in Field Service Lightning.

And the combination of Field Service Lightning which grew 100% by the way year-over-year in the quarter and Click Software is very, very compelling. So that's a great example of marrying innovation organically and inorganically. So we're super excited about that. And Mark I know you have some comments specifically on the Tableau.

Mark Hawkins

Yes. I do in fact. And let me take the numbers first and we'll talk about the synergy secondly. First of all, Keith I just want to call off for the year as it relates to Tableau we're anticipating \$550 million to \$600 million contribution for the year, and of course that's not of the DRE [ph] write-down, number one. Number two; for the quarter for Tableau I just want to reiterate that we're looking at \$300 million and the Q3 time period again net the

DRE write-down. That's the first part of your question. The second part of your question has to do with synergies. And I just would call out and say that look, we're incredibly excited, but as discussed at the beginning of the call, we're running the companies separately right now as operating independently.

Right now, it's an incredible company with a fantastic product and leadership team. We're so pleased about that and so excited about that. But let me take a step back and address the spirit of your question. We have a tremendous history with acquisitions of complementing organic innovation and being able to make progress in that way. And when we do M&A, we're always looking for opportunities to make these companies even better and have even greater success for our customers, which is what it's all about at the end of the day. So I've never been more excited about our ability to create more success for our customers that with the strategy, that's what I would say.

Operator

Thank you. And our next question will come from the line of Kirk Materne with Evercore ISI. Your line is now open.

Kirk Materne

Thanks very much and congratulations on the quarter. My question might be for either Keith or Marc Benioff. I was wondering if you could just talk about Europe a little bit. It's obviously been a real source of strength through you over the last few quarters. Just where is the market. I think broadly just in terms of adoption and thinking about things like Customer 360 it seems like it's hitting a little bit of an inflection point and we just love your thoughts on that? Thanks.

Keith Block

Yes. So, Marc and I have actually been flying around the world quite a bit. I spent about a four-week trip where I was in Japan. I was in the United States I was in Canada. I was in the U.K. and Switzerland and France and Italy and meeting with CEOs from various industries in those geographies. You can see from the results EMEA continues to be very, very strong for us with 30% growth in the quarter. And just go back to the UniCredit

situation that I mentioned in the earnings call. This is a very strong bank in Italy. I think we're all aware of the situation that's going on in Italy from a macro perspective, from a government perspective. But the CEO of UniCredit is really betting the future of UniCredit around Customer 360 initiative and the experience for his customers that he wants and how he wants to transform that bank.

And that is the same conversation that is going on in every industry. I was in Paris meeting with one of the largest bank's CEOs in the world. You know the Barclays story that we have in the U.K. We have industrial manufacturers in Germany automotive manufacturers who are trying to improve the customer experience and driving 360 degree. So the one thing that is very, very clear to me is that whatever is going on around the world we see a buying environment. We see CEOs investing. And top of mind for them is digital transformation, which begins and ends with the customer. And that's why they're talking to us and that's why you're seeing these results.

Operator

Thank you. And our next question will come from our Richard Davis with Canaccord. Your line is now open.

Richard Davis

Hey, thanks. So, maybe a technology question. So, I saw that you guys at Gartner ranked you guys, Salesforce as a leader in low-code and in addition you're doing really well in Decision Support with Einstein. And then the other third area that's really hot these days is this whole robotic process automation. So the question I have you maybe for Marc is because you're you think about these things is you know how do you see Salesforce participating in each of those three markets, because it sure seems to me that those three technologies are going to have to work closer with each other over time because they just feel like they're going to intersect and so how does Salesforce position itself for that kind of next wave of those three things kind of connecting with each other? Thanks.

Marc Benioff

Well, I'm going to actually ask Bret to answer that question. I mean I think it's perfectly set up for him to deliver, so Bret you want to hit it.

Bret Taylor

Yes, absolutely. This is really our vision for the Customer 360 platform, which is a platform that works together with all these technology that's accessible to all of our Trailblazers. And when we talk a lot about Trailhead and we talk about this vision of low-code, that's what we mean. There is 1.5 million people are earning 15 million badges, are learning how to apply these advanced technologies and the technologies you mentioned in the first half of this year alone the capabilities had this platform are incredible. We added the Salesforce Blockchain. We added Salesforce Maps. We added Einstein translation, Einstein Voice, Einstein Vision.

We have all these capabilities and they're accessible to everyone on our platform in a low-code way. And what that means for our customers is it's easy for them to leverage these technologies to improve their customer experience. And all those technologies you mentioned the challenges that we hear in the market is these customers are excited about these new technologies and what they could do for their customer experience. But it's often cost prohibitive or too complex to do so. And that's the value they see in our Customer 360 platform. That's why as Marc mentioned Salesforce is the number two most appealing job according to GlassDoor.

In the first half of this year alone over 72,000 new job postings for Salesforce jobs were posted on just the top two job sites. You're seeing the draw of this platform and you're seeing how empowering it is for – I think anyone in the world can become a Salesforce developer. You could if you go on fill out after this call.

Operator

Thank you. And our next question will come from the line of Brad Zelnick from Credit Suisse. Your line is now open.

Brad Zelnick

Thanks so much and congrats again on a fantastic quarter. I'll throw this question out up for grabs and it's really just to dig in a little bit deeper on Service Cloud with the re-acceleration this quarter, just wondering if you could help unpack that a little bit. You called out Field Service Lightning strength in your prepared remarks, but I'd love to hear any additional color in terms of competition win rates and also how you see the products coming together with ClickSoftware coming into the fold? Thanks.

Mark Hawkins

So, why don't I take that and then I think Bret will want to weigh-in as well from the product strategy perspective. This way the digital transformation is really fueled by so many things that is the foundation of it is the 360 degree view of the customer and each of the elements of that 360 degree view of the customer important whether it's relative to the use case and the problem that you're trying to solve whether it's sales or service or marketing or commerce. And service is just very powerful. If you look at companies in a variety of industries they like to differentiate themselves by service and customer experience is a big component of that. And field service is a big component of that.

So as we talk to these executives about the future of growth you can't have growth without the great customer experience and that starts with service. So Bret, I'm sure you want to add to that as well.

Bret Taylor

Yes. I'll add to – I do think our customers are driving us here because service defines their brand. But I also think it shows the power of this Customer 360 platform because all of these fundamental technology innovations we're investing in really I think benefits service in an unique way. Obviously, with Einstein bots enabled customers to deploy frontline support using AI. This past quarter, we added Einstein case routing, so we can route support cases that people have the best skill to provide the best customer experience at the right time. You saw the growth in field service which we are really proud of. It really shows how our investment in maps and geo location and mobility are all sort of converging to enable these customers to provide the right support to the right customers wherever they happen to be.

And so I really want to say that this is really what I view as the power of the platform. We're doing so much leverage from our technology investments to enable the experience that Keith talked about.

Operator

Thank you. And our last question will come from the line of Jennifer Lowe with UBS. Your line is now open.

Jennifer Lowe

Great. Thank you. I wanted to circle back on some of the discussion earlier about going from international company to a global company and the addition of CEOs in a couple of particularly strategic markets? And I'm curious as you add that role what sort of the mandate there? What do you view as sort of core competencies that need to start by global leadership versus providing regional leadership with the flexibility to make the changes or run the business in a way that they see as most appropriate on the ground in that market?

Mark Hawkins

Well, Jennifer, one of the important things of being a global company is to be able to think globally and think strategically and act locally. And we want to empower our leaders in the field so that they can make decisions on behalf of the customers in front of the customers. There's an expression that says, the best decisions are not made in the office. They are made out in the field. And by hiring these senior executives and cultivating and growing our other executives inside the company so that they're empowered to make these decisions. We think this is a perfect way to skill [ph] a company.

With respect to being a global company versus an international company, kind of the key tenant of being a global is that you act the same, you behave the same, you execute the same no matter where you are all over the world, whether it is with one or many customers. And as we bring in these senior executives, we're augmenting and enhancing an already incredible management team. So we're super excited about these adds and challenges and important strategy for the future.

Operator

Thank you. Ladies and gentlemen, this concludes our question and answer session for today. I'll now hand the call back over the company for any closing comments or remarks.

Marc Benioff

Thanks everybody for participating in the call today. And I specially want to thank all of our Ohana who just did a fantastic job this quarter and we couldn't be more pleased with the outcome, and John.

John Cummings

Yes. Thanks so much. Thanks so much Marc. And thanks for everyone for joining us today. As Marc reminded everyone, go ahead and register for Dreamforce. We look forward to seeing many of you there at our Annual Analyst Day. And we'll look forward to giving you an update on our results in Q3. Thank you so much.

Operator

Thank you. Ladies and gentlemen, thank you for your participation on today's conference. This does conclude our program and we may all disconnect. Everybody have a wonderful day.