

# Salesforce, Inc. NYSE:CRM

## FQ3 2024 Earnings Call Transcripts

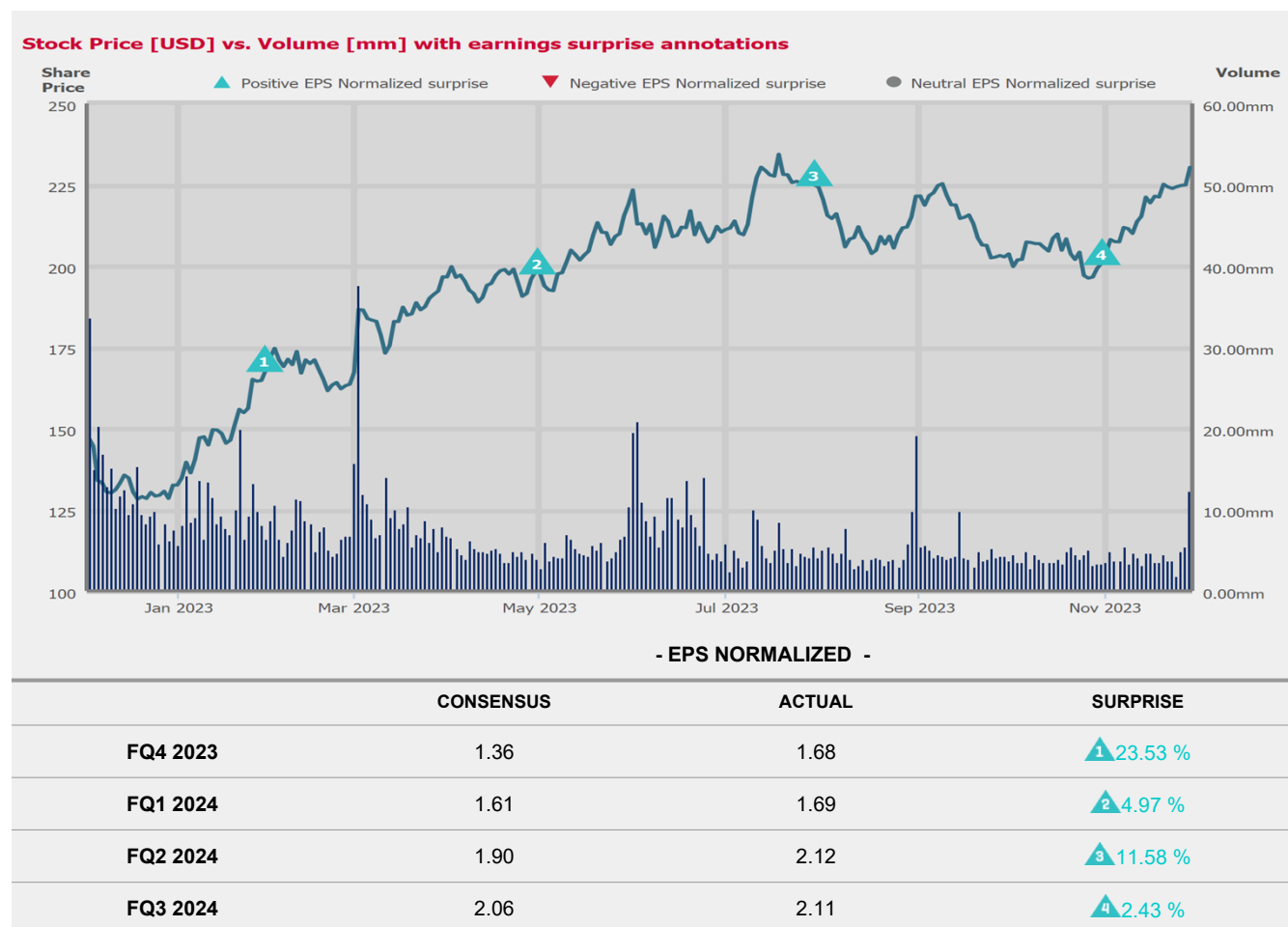
**Wednesday, November 29, 2023 10:00 PM GMT**

S&P Global Market Intelligence Estimates

	-FQ3 2024-			-FQ4 2024-	-FY 2024-	-FY 2025-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	2.06	2.11	▲ 2.43	2.25	8.19	NA
Revenue (mm)	8716.47	8720.00	▲ 0.04	9216.23	34798.20	NA

Currency: USD

Consensus as of Nov-30-2023 6:00 PM GMT



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# Call Participants

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*President & CFO*

**Brian Millham**  
*President & COO*

**Marc R. Benioff**  
*Co-Founder, Chairman & CEO*

**Michael Spencer**  
*Executive Vice President of Investor Relations*

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# Presentation

## Operator

Welcome to Salesforce's Fiscal 2024 Third Quarter Results Conference Call. [Operator Instructions] I would now like to hand the conference over to your speaker, Mike Spencer, Executive Vice President of Investor Relations. Sir, you may begin.

## Michael Spencer

*Executive Vice President of Investor Relations*

Thank you. Good afternoon, and thanks for joining us today on fiscal 2024 third quarter results conference call. Our press release, SEC filings and a replay of today's call can be found on our website. Joining me on the call today is Marc Benioff, Chair and CEO; Amy Weaver, President and Chief Financial Officer; and Brian Millham, President and Chief Operating Officer.

As a reminder, our commentary today will include non-GAAP measures. Reconciliations between our GAAP and non-GAAP results and guidance can be found in our earnings materials and press release. Some of our comments today may contain forward-looking statements that are subject to risks, uncertainties and assumptions, which could change. Should any of these risks 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 is included in our SEC filings, including our most recent report on Forms 10-K, 10-Q and any other SEC filings. Except as required by law, we do not undertake any responsibility to update these forward-looking statements. And with that, let me hand the call over to Marc.

## Marc R. Benioff

*Co-Founder, Chairman & CEO*

All right. Hey Mike, thanks so much, and thanks for all your hard work this year. It's been an incredible year. And also, I just really appreciate everyone being here on the call today. And hope you all had a great Thanksgiving, and I hope you're all preparing a fantastic holiday for yourself coming up. I know it's been an incredible year for so many of the folks on this call, and I'd just encourage all of my folks to try to take a couple of days off and do a little digital detox. And I hope you get a chance to do that as well as we come into the season.

We're obviously super excited about these results. We've delivered in this unbelievable quarter and in this unbelievable year. And this double-digit revenue growth, delivering non-GAAP margin exceeding 30%, this is really exciting for us. And when we look at these numbers, when we think about having an \$8.7 billion quarter, 31.2% margin in the quarter, and then talking about this year at \$34.8 billion fiscal year '24, amazing with 30.5% margin growth, whether it's 800%, 900%, 1,000% increase from year-over-year, these numbers all exceed what we thought we were able to do.

And I'll tell you, we really did this in partnership with all of you. I'm just going to come back to that a couple of times to give you the gratitude and thanks that you deserve for everything you've been doing to help us have an unbelievably great year. But I'll tell you, it's more than just a great year. It's also a huge year of transformation. I think everyone on the call knows that. It's exactly a year ago, as you remember, or maybe I'd like to forget, exactly how crazy that year got, and it was a really unusual year. But we knew we had to change. We knew there had to be transformation. We knew there were things that had to get done.

And we know, look, that we were going to have to restructure our business for the short and long term. We talked about that in each of the last several calls. We knew we had to focus on increasing profitability, productivity, operational excellence across the board. We knew that. We knew that we had to really double down on our core, deliver some strong relationships with you, our investors. And then I'll just keep coming back to that, that you've been just such great partners in making all of this happen.

And I'll tell you that we have to stay focused on continuing to be this #1 AI CRM, which we've been doing. You're going to hear about that today and really finding these incredible growth factors for the company. You know what, people have been asking me why am I so excited about this quarter? And Brian is going to hit on this as well, and Amy is going to hit on this as well. The 3 things that keep coming back to me are, number one, that we have 80% growth in deals more than \$1 million (sic) [ the average size of our deals greater than \$1 million was up 80% year-over-year ]. That is far exceeding our expectations, that we were able to pull together all of these different clouds into this kind of what we call a cocktail.

The customers were wanting to buy Tableau, Slack, MuleSoft, the Data Cloud, the Sales Cloud, the Service Cloud, all that we're able to build these big transactions. And there's no question that, that kind of fell off last year, now to see that come back. That is just really exciting. Brian's going to talk about that.

Number two, we have a great new product. And everyone knows here at Dreamforce, Data Cloud. You can see in the quarter 1,000 new Data Cloud customers. That is number 2 thing. I am really excited about that. I literally just got off the plane from Tokyo. You probably all saw me yesterday at Salesforce World Tour. Tokyo was incredible. Everyone is very excited about Salesforce in Japan, now the second largest software company in Japan. Incredible what has happened over there in the market.

I met with hundreds of customers while I was there. I spoke to some of the CEOs of the largest companies in Japan. It was an incredible week. It was the momiji season, which is the fall season with incredible fall leaves, beautiful over there. And I'll tell you, everyone wants to talk about Data Cloud. And that is really exciting to have an incredible driver for future growth.

And the third thing is these Einstein GPT Copilots that we've delivered. These Einstein GPT Copilots, this is a product we didn't really even have an imagination around a year ago. Of course, we had Einstein. Of course, we could see the incredible growth of Einstein. I mean now Einstein, with predictive and generative combined, is doing 1 trillion transactions a week, that's amazing. But more amazing is that 17% of the Fortune 100 are now Einstein GPT Copilot customers. And this is a product that is just coming to market. Everyone is so excited about buying this product.

So when you see these larger deals, when you see Data Cloud, when you see these Einstein GPT Copilots going into place, that is why we are excited about our growth and why we're excited about this quarter. And then you look at the financial metrics. The \$1.5 billion in cash flow, up about 1,000%. That is another reason why we're excited about the quarter.

So let me get into the script a little bit, and let me talk to kind of give you the structured messages and then turn this over to Brian. So number one, we are the #1 AI CRM. If that isn't clear already, we're leading the industry through the unprecedented AI innovation cycle. It's unlike anything I've seen and most of the people that I talk to all over the world feel the same way. We're the only platform that are bringing CRM and data and AI and trust together for our customers in a way that enables them across every industry to be more successful, faster, be more productive, more efficient. We're the #1 by market share for the tenth year in a row based on latest IDC software tracker. We're the #1 enterprise apps company now. That's amazing.

And Data Cloud, this hyperscale, this real-time customer data platform that is performing incredibly well for us, it's the foundation of every AI transaction, but it's the foundation of every large deal that we did this quarter. That is what is so exciting. And in just our third quarter, Data Cloud has ingested an astonishing 6.4 trillion records, 6.4 trillion records. That's 140% year-over-year increase. It triggered 1.4 trillion activations, a 220% increase year-over-year. This is a monster product. I could not be more excited.

And it's the perfect time, we didn't really understand that it was going to line up so well with this generative AI revolution. This is a product we've been working on for a couple of years. Just the timing of it has been incredible because, listen, if you don't have your data together, in a company, you're not going to deliver AI. It's not like companies are going to run their AI off of Reddit or off of some kind of big public data set. They have to have their data set together to make AI work for them, and that is why the Data Cloud is so powerful for them.

Now as I've said before, this AI revolution is going to be a trust revolution. It's not just about CRM, data or AI. It's also about trust. And I think the trust layer and the way that we've architected our platform so that our customers are not basically taking -- getting taken advantage of these next-generation large language models, these foundation models, they are so hungry for all of this data, and they want our customers' data so that they can grow. We're not going to let them have it. We're going to separate ourselves from those models through a trust layer so customers can be protected. This is going to be so important for the future of how Salesforce architects itself with artificial intelligence.

Now revenue in the quarter was \$8.7 billion. Not too many software executives get to say it so I think I'll say it twice, actually. Revenue for the quarter was \$8.7 billion, up 11% year-over-year. Incredible. Third largest enterprise software company now by revenue, also incredible. And companies standardizing on Salesforce as their core technology platform, doing these multi-cloud deals with us. Getting that growth, as I said, that incredible stat that Brian is going to come back to, the 80% growth in deals of more than \$1 million, so exciting. 9 of the top 10 deals included 6 or more clouds. Think about that. 9 out of our top 10 deals included 6 or more clouds.

So you know that we have amazing clouds, Sales Cloud, Service Cloud, Marketing Cloud, Platform, our Commerce Cloud, Slack, Tableau, MuleSoft, but think about it, how they're bringing all of those things together, Data Cloud, they're bringing it all together into a cocktail. That's amazing. And by the way, those cocktails are going to be a Christmas cocktail soon. And in Q3, we once again showed our commitment to increasing our margins. Non-GAAP operating margin for the quarter was 31.2%, up 850 basis points year-

over-year, following an increase of 1,000 basis points in the previous 2 quarters. It kind of is a sentence that you don't really expect ever read as a CEO, so that was kind of amazing.

Operating cash flow for the third quarter was \$1.5 billion, up 389% year-over-year. Free cash flow was \$1.4 billion, up 1,088% year-over-year. Percentages and absolute numbers are just mind-blowing. And our remaining performance obligation ended the third quarter at \$48.3 billion, which is an increase of, oh, yes, 21% year-over-year. Pretty good.

Okay. Now let's move on to guidance. Based on our performance, we're raising our fiscal year '24 revenue guidance in constant currency to \$34.8 billion at the high end of the range, 11% projected growth year-over-year. Last quarter was raised our fiscal year '24 non-GAAP operating margin of 30% and now we're accelerating again. And we think that we're going to move this thing to 30.5% for the year. And Amy, I think you better beat that, okay? So I mean, the acceleration on the margin this year has been pretty incredible as we all know.

So if you go back and look at the last 5 quarters, you wouldn't believe it. I don't believe it. We delivered an improvement of 850 basis points year-over-year this quarter. I couldn't be more proud of our entire team, how well they are doing. We just got our employee surveys back. The team, the morale is super high, so cohesive, brought back so many boomerangs, really reinforced our culture during this year as well. That's been one of the major things that we have been doing. We've really been focused on building this #1 AI CRM, rebuilding our product strategy.

Really focused on, number 2, is getting these sales executives be able to tell these stories of AI success. And it's incredible to be able to exactly explain to a customer what they can do to be successful. Through -- the third thing we're really focused on is this idea of delivering new products and new technologies, and this UE+ product that we've now introduced in the market to see so many customers adopt that in the quarter, to see so much of it in our pipeline, UE+ and the incredible work of David Schmaier and his team has been just amazing there.

And also our professional services team, delivering these great implementations and making sure our customers are successful. And the fifth thing I would say we're focused on is this Ohana 2.0 culture, which is really takes shape in the middle of this year and really now evidence in this -- you probably saw we just became a Great Place to Work again. We're on the top 10. We're now #7. And it's amazing to see that recognition for this company is so well deserved.

So where are we? Well, you're seeing this high level of interest in Data Cloud and Einstein. It's incredible what's happened. I've been on the road pretty much nonstop, especially over the last month. I've been in -- throughout Europe. I've been now in Asia. I've been throughout the United States. And I just continue to see these same trends, which is customers are investing for the future and they're investing and inspired by AI to give them more productivity.

Look, they realize unemployment is just so low. Where are they going to hire more people? It's so hard for them to hire. They're going to have to get more productivity from their employees. They're going to do that through this great new technology, and we're going to help them make that happen. Data Cloud was part of 6 of our top 10 deals in the quarter. We had more than 1,000 net new customers for Data Cloud. I've talked a little bit about the number of deals -- the number of wins over \$1 million in Data Cloud doubled, and the average ARR per win more than tripled compared to last quarter, pretty awesome.

And we've now created a self-service switch so that every EE and UE customer can just flip it on. And engineering has just done a great job letting every customer become a Data Cloud customer. Closed a lot of amazing deals in the quarter. Really excited about AWS. I know everyone has been talking about that, especially down at the conference this week at re:Invent, and we couldn't be more thrilled for our partnership with Andy Jassy, really excited.

Really excited about our relationship with American Cancer Society doing -- they've been a customer for a long time, doing incredible work now seeing them use the Data Cloud, even becoming even more productive, more efficient. [ Group Global ], 30 million users now using Data Cloud, SiriusXM. Joe Inzerillo, great executive. We worked so closely with him at Disney. And one of the reasons that Disney has become wall-to-wall Salesforce. And nowadays at SiriusXM, he's deployed a great, incredible deployment of Data Cloud, but our -- actually our whole product line or so. Excited to work with Joe.

And this is really, I think, going to continue on as we start to talk more about customers who are using Data Cloud. I was just in Houston and had a great dinner down there with all of our customers. We had some phenomenal local country music performance at the dinner as well. The Ortega family did a great job cooking for us. Their restaurants are probably our favorite when we get on the road. But I'll tell you, Waste Management and Jim Fish, who I saw when I was in Houston, great executive, love working with Jim. Here is a great company, North America's leading environmental sustaining -- sustainability solutions provider. Now most of the folks on the call are probably customers.

And wow, they just have done an incredible implementation and now doing a great job implementing all the AI solutions as well. Well, there's a lot more to talk about there. We've got so much going on and March 8 is going to be a big day for Salesforce. We're going to turn 25 years old. It's hard to believe. At the same time, we've completely rebuilt the company and so well positioned for the AI revolution. And we're lucky to have a great management team, and we've got them sitting here at the table.

Of course, we've got Mike Spencer here who is doing a great job running FP&A and IR. We have Sabastian, our new Chief Legal Officer; Amy, our new CFO. But Brian, why don't you take it from here and tell us what happened during the quarter?

**Brian Millham**  
*President & COO*

Yes, I really appreciate it, Marc. Thank you so much. I'm very pleased with the quarter, and it's really a testament to our laser focus on operational excellence, high performance and profitable growth initiatives. We're seeing the results of our full-scale transformation of our company. In Q3, our non-GAAP operating margin is up an amazing 850 basis points year-over-year. And we reduced GAAP sales and marketing costs as a percentage of revenue by 6 full points. And we've matured our pricing and packaging to drive growth and simplify the buying experience.

As Marc said, we're well positioned to continue to drive profitable growth as we head into the largest quarter, our largest quarter and into next fiscal year. Despite the continued measured buying environment, we grew revenues in Q3, driven primarily by the strength of our product portfolio and multi-cloud transformational deals. In fact, the average size of our deals greater than \$1 million, as Marc said, was up 80% year-over-year, doubling our net new business in this segment. And for the third consecutive quarter, we saw add-on products like sales performance management, digital service and sales productivity grow ARR nearly 40%.

As customers look for quick time-to-value solutions and productivity gains, we saw traction with our new Salesforce Starter offering with nearly 1,000 new logos added this quarter. As the #1 AI CRM, companies in every industry and geography like Fujitsu, Southwest Airlines, ANZ Bank are turning to us as their trusted adviser to help them transform their business for the AI future. We're seeing amazing energy across our ecosystem with our partners, GSIs and ISVs who are looking to do -- build more opportunities with us around our AI offerings. And we've established new partnerships with global management consulting companies like Bain and McKinsey. And as Marc mentioned, we're expanding our existing relationship with AWS.

It marks a significant milestone in the evolution of our global partnership with Amazon, deepening the integrations between AWS and Salesforce products. We're bringing together the #1 AI CRM and a leading public cloud provider to deliver an open integrated data and AI platform to make it easy to find, buy and manage Salesforce products to the AWS Marketplace.

Before I get into the product momentum, I want to share some operational highlights. We continue to effectively manage our expenses, as you've seen, and is reflected in our improved non-GAAP operating margin, which exceeded 31%. Today, our execution, inspection and understanding of our customers buying and approval process is better than ever. Our focus on high performance is a driver of growth is paying huge dividends in Q3. We saw more than a 30% increase in AE productivity year-over-year.

We're also refining and scaling our big deal motion and further bundling products to drive higher sales and simplify the buying experience for our customers. And we're doing all this while becoming more effective and efficient. I've been impressed with how quickly we deployed our own trusted generative AI tools and applications internally. We've launched Sales GPT and Slack Sales Elevate internally, and our global support team is live with Service GPT, and we're seeing incredible results.

We've streamlined our quoting process with automation, eliminating over 200,000 manual approvals so far this year. And since the introduction in September, our AI-driven chatbot has autonomously resolved thousands of employee-related queries without the need for human involvement. We're seeing great success with our products and so our customers, which is clearly reflected in the high-level engagement and participation we're seeing in our events.

In addition to Dreamforce, we hosted 80% of our top customers for the quarter. We also held an amazing 450 customer events in our offices with nearly \$2 billion in pipeline. And as we close out the year, we have a New York City World Tour coming up in December 14. I hope you all can join us in person. And if you can't, we hope you join us on Salesforce+.

We continue to hire selectively across key growth areas, especially in data cloud and AI, and we've seen the highest demand to join Salesforce in our history with the largest volume of applications in any quarter ever. Our growth initiatives across our core products, data, AI, industries and international drove our strong performance in the quarter. And as Marc outlined, we're seeing strong momentum in Data Cloud and Einstein. Importantly, we're already seeing high demand for our new premium UE+ bundle as customers recognize the value of our integrated solutions with Einstein AI functionality and Data Cloud built in.

And our existing customers increased their spend with us by more than 70% when they upgraded to UE+. Industry clouds continue to be a tailwind to our growth, chosen by customers like Humana and U.S. Agency for internal development and RBC Wealth Management U.S. For the first time this quarter, 9 of 13 industry clouds grew ARR above 50%. We're seeing continued MuleSoft growth, which was in 8 of our top 10 deals this quarter and delivered an amazing 140 billion automated flows, up 142% year-over-year.

And Tableau, which is fully integrated to the Data Cloud, continues to help customers like Rubrik, Canara Bank and U.S. Navy see and understand their data and make data-driven decisions. In the quarter, we did continue to see the macro trends affect our business, in particular, our professional services business, our create and close sales motion and our Slack self-service business. Despite those headwinds, Slack was included in 7 of our top 10 deals. Every day this quarter, there were 700 million Slack messages sent and 2.75 million workflows ran on the Slack platform.

We recently announced Denise Dresser as the new CEO of Slack, and I've had the chance to work with Denise for a dozen years and could not be more thrilled for her, and importantly, for the Slack business. Before I hand it off to Amy, I want to share some key number and highlights on how we deliver for our customers during Cyber Week. Commerce Cloud powered nearly 50 million orders on digital storefronts across Cyber Week with 100% uptime. Einstein powered more than 49 billion product recommendations and over 53 billion marketing messages were sent via the Marketing Cloud. In addition, Service Cloud helped our customers field and resolve 3.7 billion cases. This clearly demonstrates the scale and reliability of our #1 AI CRM platform.

So in closing, we're heading into Q4 with a ton of energy and ambition, guiding our customers through a new innovation cycle with an unwavering commitment to their success. I, like Marc, am extremely proud of the team with the changes that we've made not just in Q3 but over the last year. And as I said earlier, we're well positioned for Q4 and as we head into fiscal year '25. And with that, I'll turn it over to you, Amy.

**Amy E. Weaver**  
*President & CFO*

Great. Thanks, Brian. Q3 represents another strong quarter of strong execution and discipline. As you heard from both Marc and Brian, we've transformed the company over the past 12 months to drive consistent, profitable growth. And we are pioneering the next wave of innovation with data, AI, CRM and trust.

Now let's get right to the results. For the third quarter, revenue was \$8.7 billion, up 11% year-over-year and 10% in constant currency. This represents a \$40 million beat in constant currency. The growth was primarily driven by continued MuleSoft momentum and resilient sales and service performance. From a geographic perspective, the Americas revenue grew 9%, EMEA grew 14% or 10% in constant currency, and APAC grew 18% or 21% in constant currency. We saw strong new business growth in India, Brazil and Japan, while parts of EMEA were more constrained.

From an industry perspective, public sector performed very well while high tech and general continues to be more measured. And as Brian mentioned, our multi-cloud momentum continues. In Q3, 9 of our top 10 deals included 6 or more clouds. Q3 revenue attrition remained strong and ended the quarter again at approximately 8%. In Q3, our non-GAAP operating margin was 31.2%, up 850 basis points year-over-year. Our strong margin outperformance was driven by our continued disciplined investment strategy. Q3 operating cash flow was \$1.5 billion, up 389% year-over-year. Q3 free cash flow was \$1.4 billion, up 1,088% year-over-year. This upside in cash flow was driven primarily by strong collections as well as lower cash outflow that results to higher margins just discussed.

Now turning to remaining performance obligations, RPO, which represents all future revenue under contract, ended Q3 at \$48.3 billion, up 21% year-over-year. Current remaining performance obligation, or CRPO, ended at \$23.9 billion, up 14% year-over-year and 13% in constant currency. This was ahead of expectations, primarily driven by strong early renewal performance as well as a large customer win in the quarter. This was partially offset by a 1-point headwind from professional services that we had cautioned about last quarter. Finally, we continue to deliver on our capital return commitment. In Q3, we returned another \$1.9 billion in the form of share repurchases. And to date, we have exceeded our initial authorization of \$10 billion in just over 5 quarters.

Before moving to guidance, I want to reiterate that we continue to assume a consistent measured customer buying environment. Let's start with full year fiscal year '24. On revenue, we are narrowing our guidance range to \$34.75 billion to \$34.8 billion, representing 11% growth year-over-year in nominal. We are now expecting a \$50 million FX headwind, which implies a modest raise in constant currency. On margins, we have made incredible progress on profitability and productivity this year. For fiscal year '24, we are very pleased to raise non-GAAP operating margin guidance again to 30.5%, representing an 800 basis point improvement year-over-year. We also remain focused on stock-based compensation, which is now expected to be approximately 8% as a percent of revenue.



As a result of these updates, we now expect fiscal year '24 GAAP diluted EPS of \$3.99 to \$4, including estimated charges for the restructuring of \$0.91. Non-GAAP diluted EPS is now expected to be \$8.18 to \$8.19. We are raising our fiscal year '24 operating cash flow growth guidance to approximately 30% to 33%, and this continues to include a 14- to 16-point headwind from restructuring. The upside in our cash flow guidance is driven by strong collections to date and our continued expense discipline.

CapEx for the fiscal year is expected to be slightly below 2.5% of revenue. This results in free cash flow growth of approximately 33% to 36% for the fiscal year. And as we focus on shareholder return and disciplined capital allocation, we continue to expect to fully offset our stock-based compensation dilution through our share repurchases in fiscal year '24. In fact, as a result of our ongoing share repurchases, for the first time in company history, we expect the full year's ending share count to decrease year-over-year.

Now to guidance for Q4. On revenue, we expect \$9.18 billion to \$9.23 billion, growth of 10% in both nominal and constant currency. CRPO growth for Q4 is expected to be 10% year-over-year in nominal and 11% in constant currency. Similar to this past quarter, we expect professional services headwinds of 1 point to CRPO growth. For Q4, we expect GAAP EPS of \$1.26 to \$1.27 and non-GAAP EPS of \$2.25 to \$2.26. As we look forward to our largest quarter of the year, we remain focused on strong execution and our disciplined investment strategy.

In closing, I want to echo both Marc and Brian. This was a great quarter, but even more than that, this has been an extraordinary year of transformation. I want to thank our shareholders for their continued support, and I particularly want to thank our employees for their incredible work throughout the past year. Now Mike, let's open up the call for questions.

**Michael Spencer**

*Executive Vice President of Investor Relations*

Thanks, Amy. Operator, we'll move to questions now. Out of courtesy for others on the call, we ask that each person participating only ask 1 question. And with that, operator, we'll take the first question.

# Question and Answer

## Operator

Our first question comes from the line of Kirk Materne with Evercore ISI.

### **Kirk Materne**

*Evercore ISI Institutional Equities, Research Division*

And congrats on a nice quarter in a tough market environment. This -- I don't know if Marc or Brian wants to take this one, but MuleSoft growth against a pretty tough comp really does stand out a little bit in this quarter. And I was just wondering if you could talk about if we should view that as a harbinger of more interest in the broader Data Cloud offering, and whether the interest in MuleSoft is also sort of a harbinger of -- just more interest in AI as people try to get their data estates in order to get ready for this coming AI wave?

### **Marc R. Benioff**

*Co-Founder, Chairman & CEO*

I'm going to have Brian really give you the detail, but what I'll tell you is you're seeing something that we have been seeing and calling out for the last few quarters, but we probably have not been able to illuminate it to the level that you see now in the numbers, which is that every customer and every customer transformation and every customer AI transformation is going to begin and end with data. And for us to achieve that goal, those customers are going to have to get to another level of excellence with their data.

And at the heart and soul of that for many of these customers is becoming MuleSoft. So in addition to Einstein, in addition to Data Cloud, in addition to our Copilot technology that we called out, it's been a lot about MuleSoft this year. And we think that, that trend is going to continue and it's very exciting, and that we're very well positioned with this completely unique product that is helping our customers bring all their data together for their AI transformations. Brian?

### **Brian Millham**

*President & COO*

Kirk, thanks for the question. I think you nailed it. It's exactly what's happening out there. The data is becoming such an important asset for our customers that they want to bring it all together and they want to leverage our MuleSoft technology to do it. And so it's really an exciting opportunity. As we stated, it was 8 of our 10 top deals in the quarter. And you can see the amount of data flowing through MuleSoft as an indicator for how important the data is, 142% up year-over-year on automated flows on the platform.

I'd be remiss if I also didn't call out the leader there and Eric Eyken-Sluyters, who's done an incredible job in leading the sales organization as well. And so I think you nailed it in your question. This is a really important critical product for us and for our customers as we think about scaling to the future.

## Operator

Your next question comes from the line of Raimo Lenschow with Barclays.

### **Raimo Lenschow**

*Barclays Bank PLC, Research Division*

Congrats from me as well. The -- Brian, you talked about the sales productivity, and that was a big theme this year and the 30% increase is very impressive. Where are we on that journey in terms of like, first of all, how did you achieve that? Because that's a very big number in the software industry. But like where are we on that journey in terms of going forward?

### **Brian Millham**

*President & COO*

Thanks for the question, and obviously a big focus for us. We've talked about it on previous calls with all of you. It's a never-ending journey, obviously, and we want to continue to drive productivity for account executives. We talked about a very large deal in the quarter that helped drive that productivity. But all in, we saw a very nice increase in our productivity, really focused on a couple of things.

One, we leaned in enablement for all of our sellers out there to ensure that they really understand this broad portfolio of products and are able to go out and talk to our customers about it. Deeply understanding our buying process. This was some of an area early in maybe last year where we stumbled a bit, not understanding the buying process of our customers, deep inspection of our business, both pipelines and cycles that we're in and driving.

Really being oriented to value as we talk to our customers about the solutions that we can provide to them. What is the ROI our customers going to see from the investments they're making in Salesforce, ensuring that we really understand that before we put proposals in front of them. And finally, I think there's -- I couldn't be prouder of the inspection that we're getting across the board. We have a new sales leader in Miguel Milano, who's brought a new discipline to the way that we're looking at the pipeline not only in the existing quarters but in future quarters going forward. And so the discipline that we've driven across the board is driving these great results from a productivity perspective at the [ EE ] front. Thank you for the question.

**Operator**

Your next question comes from the line of Keith Weiss with Morgan Stanley.

**Keith Weiss**

*Morgan Stanley, Research Division*

Very nice quarter. I wanted to ask about the 17% of the Fortune 500 that are the Einstein GPT Copilot customers. Really impressive figure. Really early in a technology cycle, because a lot of what we're hearing is a lot of exploration out there, a lot of people trying to figure out what to do with these tools, not a lot of buying. So can you give us a little bit of color on kind of what's driving that adoption and what's enabled you guys to get such good adoption so quickly? And maybe if I could sneak one in for Amy as well. Great margin expansion this year, but there's a lot of stuff you guys need to be investing against with this technology cycle. Should we expect to see further margin expansion as we head into FY '25?

**Amy E. Weaver**

*President & CFO*

Great. Do you want me to take this first?

**Marc R. Benioff**

*Co-Founder, Chairman & CEO*

Yes...

**Amy E. Weaver**

*President & CFO*

Okay, Keith, always looking for that margin expansion, always looking for a little bit more guidance, but really happy to address this. We've had fantastic margin expansion this year, I mean, up 800 basis points for the end of the year. If I look back over the last 3 years, we have gone from 17.7% 3 years ago to -- we'll be ending this year over 30% on operating margin, which I am just thrilled about. I think that we do have some room here. As I've said before, we view this as a floor, not a ceiling on our success, and we intend to continue our focus on operating margin.

In terms of investments, it's all a matter of priorities. We cut deeply earlier this year, and we've really been using that to invest into the areas of the business that we see as most strategic going forward. And we've been very disciplined, especially around head count as we've been doing that. Right now, I really see areas of investment in AI and Data Cloud. In distribution, we're looking at those success stories like MuleSoft and doubling down.

But we're also being very careful on how we do that. We are questioning levels. We are questioning locations. We're making sure that we're maximizing really high-skill, lower-cost locations as well. So I feel like we've got the room to do this, and we have the opportunities to invest into our future as well as to manage our margin very efficiently.

**Brian Millham**

*President & COO*

Yes, I'll just add a little bit there, too, Amy. I think we have really a team focused on the margin expansion. We want to continue to simplify our go-to-market strategies, how we optimize our pricing and packaging going forward as well. We talked about some of the things that we're doing there. New channels to market. We're really excited about the AWS Marketplace as a new channel to market for us. Amy mentioned location strategies, how do we continue to look at our real estate portfolio as an opportunity, how do

we leverage our own technology, sales force on Salesforce and using our own products to drive more efficiency and automation in our business.

So lots of opportunity to continue to do this. I'm excited about the culture and structural change in the way that we're thinking about margin expansion of the company, and I think you'll continue to see that. So thank you, Keith.

And then on the Fortune 500 (sic) [ 100 ] that are using it, you're right, it is early days. And as we said in the script, a lot of our customers are starting to trial and use this technology to see the benefits around productivity and cost takeout, leveraging the technology. But as we've also said, the data is an important aspect of this. And how do they clean up and harmonize their data first before they start to roll out these AI technologies broadly? How do you trust the output that you're getting from your AI investments?

And so what we found in conversations with our customers is an energy around and excitement around AI, but in a need to clean up the data first before they can really take advantage of this. And we'll continue to see the expansion. The 17% is great. We want to continue to go faster there, and we're going to work with our customers to go drive those outcomes.

**Operator**

Your next question comes from the line of Mark Murphy with JPMorgan.

**Mark Ronald Murphy**  
*JPMorgan Chase & Co, Research Division*

And congrats on an amazing performance. Marc, part of the story of 2023 has been optimizations weighing on hyperscaler spend and then greater scrutiny on seat-based SaaS licenses. We are now starting to hear from hyperscalers that the optimizations are attenuating. Do you sense that a shift in mentality spilling over a little into the thought process, for example, for Sales Cloud seats or perhaps some excitement sparked by Sales GPT and freeing up some budget there on GenAI that maybe wasn't there 6 months ago?

**Marc R. Benioff**  
*Co-Founder, Chairman & CEO*

I think your #1 thing that you're going to see is customers trying to achieve more productivity. This AI revolution is a productivity revolution, and it means that every customer is just a lot more augmented. When I was in Tokyo, obviously, the yen is very depressed. And of course, we see that in our financial results as well. They'd be so much higher if the yen was higher. But I had an opportunity to walk into a couple of our customers' retail stores, and one of them that I was extremely impressed with was Louis Vuitton.

And when I walked into Louis Vuitton, they know exactly who I am. They have -- even in Tokyo, and I test this wherever I go in the world, lots of different customers, I had an incredible experience. They use this amazing app that they've built with our platform called ICON. They've done an incredible job. They have my full customer data and buying history. The sales executives are guided on how to work with me and what kind of products I'm interested in and what I want to buy.

And it's a productivity revolution for them. They are able to get a lot more success with our technology. And I walked into another store which is not one of our customers, and I have to follow up still with the CEO because, wow, the customer experience was just Oracle. It was the exact opposite. They didn't know anything about me. They couldn't work with me at all. It took probably the salesperson 3 or 4 or 5 times as long to complete the transaction because they did not have the automation. The productivity revolution had not come to this company.

So when I look at the companies that have had that great success, obviously, the entire Louis Vuitton group, obviously, the entire Kering Group, when I look at so many of the organizations that I had the opportunity to kind of touch, it's been amazing. I guess I was also very inspired in Japan talking to Goto-san as the CEO of Seibu. He has an incredible hotel chain called Prince Hotels. And they're building a whole next-generation loyalty system based on Salesforce. They've had great success in using our product for marketing their hotels and having much higher levels of customer touch, both in B2B and B2C.

But now they can take it to another level with the Data Cloud and provide a high-level loyalty management point system, something that's so important for their future growth. I had another opportunity to talk to [ Tomiyama-san ] is the Head of Technology at Toyota. His point was very simple, that we've fully automated all of the Toyota dealers in Japan. It's been an incredible success story. We have done that with Toyota Media Services as our partner, a company that we have an incredible relationship with.

But now with Toyota, we have the ability to take our vision to a whole another level, making this connected car experience really go one step higher, connecting all the Toyota cars directly to our Data Cloud and the Data Cloud then having the ability to proactively deliver the customer information and interactivity as it hits different thresholds. These are the opportunities that I see going forward.

It's about productivity. It's about automation. It's about doing it on a global basis for these companies. And ultimately, for them, it's about taking advantage of incredible new artificial intelligence technology that before was not possible.

**Amy E. Weaver**  
*President & CFO*

Mark, if I could weigh in there as well. I think Marc stated it well. Companies are still really focused right now in this environment, on productivity, on automation, on time to value. You certainly see it from the CFO as my counterparts around the world. Real focus on every dollar that's being spent. We're now entering our sixth quarter of measured customer buying behavior, and we're seeing that this has been continuing recently.

And that does reflect, particularly in areas like SMB, self-serve, create and close, you see this in professional services. But I'm also really excited about what we're seeing in terms of how we can step in and really help our customers get to their goals. Brian, I don't know if you have anything further to add.

**Brian Millham**  
*President & COO*

No, that's great, Amy. Exactly what I was going to say, a lot of demand at the top of the funnel for us for new technologies like Data Cloud and like AI, but also seeing some headwinds, no doubt, from our more transactional business, as you stated. So Mark, thank you for the question.

**Operator**

Your next question comes from the line of Brent Thill with Jefferies.

**Brent John Thill**  
*Jefferies LLC, Research Division*

Marc, really nice improvement in deals over \$1 million, up 80% year-over-year. You've all alluded to this larger contract you landed. I'm just curious, do you feel like this is a new environment? Do you feel this is Miguel and the team having better gel in the field. What do you -- any more color there, if you could talk to you on the bigger deal front would be helpful.

**Marc R. Benioff**  
*Co-Founder, Chairman & CEO*

There's a lot of debate on the management team and putting together this call on how we're going to answer that question. We don't want to, in any way, give you indications that we see this environment going behind us. That said, we see a lot of green shoots. There's -- just a lot of opportunities. Customers are excited about -- and I think Japan, I would say, is very much a metaphor for me. When I was there about a year ago, for them, it was still the pandemic. Everyone, when I had lunch with my employees, they had to wear masks a year ago. So this was the first time when I felt like, oh, kind of back to normal and the pandemic hangover is kind of ingested by the customers.

I think that we're cautious about saying, oh, it's all green shoots, everything is going, we're back to normal. But at the same level, we are honest with you that we have a lot of green shoots and -- in products, in geographies. And you can see in this growth rate in large deals. So we're excited. I don't think we're willing to say to you on the call, hey, we've turned the corner. We want to but we're not sure because for a lot of customers, they still are measured in their buying environments. You know that. You talk to these customers. You talk to the channel partners. They're somewhat measured in their buying environments.

But I would say people are a lot less measured than they were is one way to put it. There's definitely a reduction in the measured environment. And on a global basis, and like I said, in some of these customers in the last 30 days, I was in -- I can give you my direct experience. I was in San Francisco, Los Angeles, Las Vegas, Stuttgart, Germany, I was in Nice, Monaco. I visited with our customers throughout that area. And also, I went up to Amsterdam, to France. I had a large customer dinner in the U.K. in London. I went to the U.K. Safety Summit. I then came back and went to Japan.

I think I see something very consistently, which is customers are extremely excited about AI everywhere we go. It could be government, it could be commercial organizations. It could be technologists. Everyone is excited about AI. At the same time, there is a lot of confusion about what AI can and cannot do. And I think that's a huge opportunity for us to tell stories to our customers of what the success opportunities are in the enterprise with AI and also what the reality is for a lot of these customers.

When I -- I mentioned I was in Vegas. When I showed up in Vegas at the Wynn Hotel, the customers are -- they have our product in their hands, welcoming me. The whole team comes out because they're so excited because they used Salesforce, it's very flattering. When I got to Disneyland in Anaheim, which is something I have done 4 times this year, and obviously, they've become also one of our very largest customers in the world. Every Disney guy and they use Disney guys, which is a product. I highly recommend it to all the Disneylands, in Disney Tokyo on Monday and in Disney Anaheim. Been talking to the Disney guys and they use Salesforce and Slack to make those tours happen.

They use Salesforce call center now for Disney+. On the Disney store is Commerce Cloud. It's an incredible success story, but it's a huge opportunity for them to take another level of Disney where I certainly can see how all that information can get translated into AI. And that when I walk in the park, I'm expecting The Mandalorian to come up to me and say, "Hey, what did you think of the episode last night?" It hasn't happened yet. I think we're all kind of on the cusp of delivering that full customer 360 for Disney. I think Bob Iger has been doing an incredible job in his vision for the future of the company with AI Assist extraordinary.

And I can kind of go customer by customer, story by story. And this excitement, this energy, these ideas of innovation of AI were not in place a year ago. Because don't forget, a year ago, I don't think any of us have used ChatGPT or Bard or Anthropic or Cohere or Adapt or any of the new AI companies. None of us had really had our hands on or envisioned what it really meant to us or that we would have Copilots, and that those Copilots would give us this ability to do all kinds of next-generation capabilities.

But a year later, it's a technology revolution. And we just want to make sure it's a trust revolution. We want to make sure it's about an AI and CRM and data revolution. I think we hit it right with the Data Cloud. We have -- we still have a lot of work, as everyone does in our industry, on AI and making it safe for our customers. This is going to be incredibly important. I think for a lot of customers, they realize that they'd like to just let this AI unleashed autonomously but it still hallucinates a huge amount and it also is quite toxic. So we're not quite ready for that revolution.

But every day, it's getting a little better. And when I -- going through the streets of Tokyo, it's not quite the minority report, which is a movie that was partly written by our futurist, Peter Schwartz, but it's getting closer to that idea. And when I walked into some of these stores, there's definitely a lot more automation based on my customer record but not quite the level of automation that Tom Cruise felt when he walked into that Gap store, if you remember that scene, which was so amazing, which is very much front of mind for a lot of our customers because they want to have that capability and they want us to deliver that for them.

## **Operator**

Your next question comes from the line of Karl Keirstead with UBS.

### **Karl Emil Keirstead**

*UBS Investment Bank, Research Division*

Okay. Great. Maybe I'll direct this to Amy and Brian. Salesforce obviously made a fairly significant pricing change early in the fourth quarter. And maybe, Brian, I'd love to get some color on the receptivity. And Amy in particular, is there a way you might frame the extent to which the price change may have impacted the guidance for 11% constant currency in the fourth quarter? And also, was that perhaps one of the drivers for the early renewals that you saw in 3Q as some customers maybe wanted to get in front of it?

### **Brian Millham**

*President & COO*

Karl, thanks for the question. Appreciate it. The price increases landed as well as the price increase can, I guess, with our customers out there. I think when we're delivering value to our customers and they're seeing benefits from our technology, we feel good about our ability to go execute against this. It's still early, honestly. We just introduced this a few months ago.

And so we have seen certainly some benefits from it. But we'll see these benefits roll in over the next, really, 3 years as these contracts come up for renewal. And so yes, there's been receptivity to it but the big impact will be seen over the next 3 years. We're not going to see it in the near term, honestly, in our numbers. Amy, any comments?

### **Amy E. Weaver**

*President & CFO*

Thanks, Brian. Karl, Brian pretty much summed it up. As we mentioned last quarter, we do not anticipate a material impact from pricing in the guide this year. That said, I have been very pleased by the execution and the discipline that we're showing around rolling this out. And an uplift really needs to roll for the full renewal installed base, which is going to take some time.

**Operator**

Your final question will come from the line of Brad Sills with Bank of America.

**Bradley Hartwell Sills**

*BofA Securities, Research Division*

Wonderful. Great to see all the success here with Data Cloud. I'm not surprised we're hearing that from the channel. My question is really around the organization, the team that's responsible for executing on this and how they plug into the different product groups. Data scientists in this day and age are a rare commodity and you clearly are attracting that. So would love to get a sense for that organization, how it's evolved and how well integrated they are across the different product groups.

**Marc R. Benioff**

*Co-Founder, Chairman & CEO*

Well, I think that, that is very much a primary focus of the company, which is that -- when we started this Data Cloud, we thought we were just building a CDP. And a CDP looked like an exciting market opportunity. We're #1 in enterprise marketing automation. That seems like a great opportunity. But the more we started working on this product, we realized, oh, every one of our clouds needs this Data Cloud. And so Sales Cloud needs a Data Cloud, Service Cloud needs a Data Cloud. Yes, Marketing Cloud needs a Data Cloud, called that CDP. And Slack needs a Data Cloud. Tableau also needs a Data Cloud. If you've seen any of my recent demonstrations and propose it with these great Tableau customers in Japan, they all need Data Cloud on the back end of Tableau.

And this idea that the Data Cloud will become the heart and soul of the product, be the engine of all of Salesforce's apps and say you can use our models, our AI models or you can bring your own models into the Data Cloud, which is a very cool feature. This idea that it also has this incredible level of capability. But the amount of data that it's already managing and the amount of data that it's already ingested, that is what is shocking to us. And I think that you're going to see as we get deeper and deeper into this so you can really see the level of data that we're handling, the trillions and trillions of transactions. This is going to be the key to the AI working for enterprises.

Enterprises are going to want to deploy AI for productivity. I think I've made that case already on the call, but they're going to get frustrated when the Copilot that they are given from other companies don't have any data. They just have data grounded to maybe the application that's sitting in front of them, but it doesn't have a normalized data framework on -- integrated into the Copilot. So while I think Copilots on productivity applications are exciting because you can tap into these kind of broad consumer databases that we've been using. So as an example, the Copilot is I'm writing an e-mail. So now my -- I'm saying to the Copilot, hey, now can you rewrite this email for me or some -- make this 50% shorter or put it into the words of William Shakespeare. That's all possible and sometimes it's a cool party trick.

It's a whole different situation when we say, "I want to write an e-mail to this customer about their contract renewal. And I want to write this e-mail that really references the huge value that they receive from our product and their log-in rates. And I also want to emphasize how the success of all the agreements that we have signed with them have impacted them, and that we're able to provide this rich data to the Copilot and through the prompt and the prompt engineering that is able to deliver tremendous value back to the customer." And this date, this customer value will only be provided by companies who have the data. And we are just very fortunate to be a company with a lot of data.

And we're getting a lot more data than we've ever had. And a lot of that is coming from the Data Cloud because it's amplifying the capabilities of all the other data we have. So it's a very interesting moment for Salesforce. I think the demonstrations at Dreamforce were outstanding. The demonstrations that we'll deliver in our February release will be mind-boggling for our customers of what they will be able to get done. And I think that by the time we get to Dreamforce '25 or '24, in September '24, what we'll see is nothing that we could have possibly imagined just 24 months earlier before these breakthroughs in generative AI have really taken hold through the whole industry.

No one company has a hold on this. I think it's pretty clear at this point that because of the way AI is built through open source, that these models are very much commodity models, and these responses are very much commodity responses. So we've always felt that way about AI. For more than a decade, we said that its growth has really been amplified by open source development. Because these open source models now are as strong as commercial models are or proprietary models, I think that what we really can see is that, that is going to accelerate this through every customer. There's not going to be any kind of restrictions because of the proprietariness or the cost structures of these models. We're going to see this go much faster than any other technology.

The reference point, as I've been using as I travel around, is really mobile operating systems. Mobile operating systems are very important, and we all have one on our desk or in our pocket right now. But really, the development of mobile operating systems has been quite constrained because they're really held mostly by 2 companies and 2 sets of engineering teams. That's not how this technology is being built. This technology is highly federated across thousands of companies and thousands of engineering teams who are sharing this technology. And because of that, you're ending up with a rate of innovation unlike anything we've seen in the history of our industry and is moving us into areas very quickly that could become uncomfortable. So this is an exciting moment.

**Michael Spencer**

*Executive Vice President of Investor Relations*

Great. Thanks, Brad. With that, we'll conclude the call. We appreciate everyone joining the call and wish everyone a happy holiday season. Thank you. Happy holidays, everybody.

**Brian Millham**

*President & COO*

Thanks, everybody.

**Amy E. Weaver**

*President & CFO*

Bye, everyone. Thank you.

**Operator**

And that concludes today's call. Thank you all for joining. You may now disconnect.



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