Salesforce Inc.

Fiscal 2023 Third Quarter Results Conference Call

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PRESENTATION

Operator

Welcome to Salesforce's Fiscal 2023 Third Quarter Results Conference Call.

Please be advised that this call is being recorded.

Now, at this time, I'll turn the call over to your speaker, Mr. Mike Spencer, Executive Vice President, Investor Relations.

Please go ahead.

Mike Spencer

Thank you Bo.

Good afternoon and thanks for joining us today on our Fiscal 2023 Third Quarter Results Conference Call.

Our press release, SEC filings and a replay of today's call can be found on our website.

With me on the call today is Marc Benioff, Chair and Co-CEO; Bret Taylor, Vice Chair and Co-CEO; Amy Weaver, 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 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, are included in our SEC filings, including in our most recent report on Forms 10-K, 10-Q, and other SEC filings. Except as required by law, we do not undertake any responsibility to update these forward-looking statements.

With that, let me hand the call over to Marc.

Marc Benioff

Okay well thank you so much Mike, and thank you everyone for being on the call.

I just want to come back to how great it was to see so many of you at Dreamforce in September. It was really a wonderful experience for me personally, it was our most successful, but I really think it was our most important Dreamforce ever, because we were able to come together for what we called our great reunion, and being with you all of you, especially at our IR day, that was a joy for me.

Now let's get on to the quarter results. We delivered solid revenue growth and profitability in an increasingly challenging environment. You've seen how we're driving customer success, the strength of our organic innovation, and this incredible Trailblazer community and how it manifested at the Dreamforce. Everywhere we turned, we saw customers learning how to connect with their customers in entirely new ways, and the depth of our Customer 360 platform.

We're also thrilled to introduce Genie, which is our customer data cloud. It's one of the most transformational technologies we have ever delivered, and when you hear some of the metrics already coming out of customer adoption with Genie, I think that you'll be incredibly impressed, and I can't wait for Bret to talk about that.

The best part of Dreamforce was being together. That was what it was all about for me, and I'm sure it was for you as well, and the 40,000 folks that all came to San Francisco to have this incredible experience, and all the additional folks that joined us online.

Now let's get to our results.

Revenue in the quarter, well, it was $7.84 billion, that's up 14% year over year, I think that's a record for us. Also, it was 19% in constant currency. We're going to talk about that foreign exchange situation in just a second.

We closed some amazing deals in the quarter, with great companies like Bank of America and RBC Wealth Management and Dell and other great stories, and I'm also going to get that into a moment as well. Even with purchase decisions receiving greater scrutiny, we continue to gain market share and close marquee transactions. IDC recently ranked Salesforce as the number one in CRM, and now we've done that for nine years in a row.

I'm proud that we've delivered revenue growth in this environment, but especially proud of the team for our continued focus on delivering record operating margins. Here you can see now up 22.7% non-GAAP operating margin we delivered for the quarter, and I think, when I look back at various financial crises, we think back even, I think, to ’08, ’09, I think it was like somewhere down in 10%. So we've come a long way in a short period of time.

This quarter's been further proof of our commitment to profitable growth, continuing our operating margin growth, continued focus on our revenue growth, continued focus on our market share growth, and a great evidence of that is our remaining performance obligation. Our RPO is now an incredible $40 billion.

Now, as I've said in the last few quarters, the dollar had a strong quarter, maybe even a stronger quarter than we had. I think that when we first said that, in the second quarter, folks didn't really understand what we were talking about; or maybe it was in the first quarter we said that. I remember it was a trip to Japan when I called Amy, and I was asking her what the expectations were for revenue. But when I told her what my guidance was for what and how I was looking at revenue, including foreign exchange, I don't think either one of us could believe what was really happening, and now we've really seen it start to play out. We continue to see the impact of foreign currency fluctuations, and of course that is our biggest surprise of the year. In the quarter, we saw $300 million year-over-year headwinds to revenue, and we've expected a total of $900 million for the full year. Now, that is something we just could not have expected a year ago, and that is when we initiated our revenue guidance.

At Dreamforce and in my travels around the world, our customers have been asking how to best navigate this economic situation, with the high level of market volatility and uncertainty. A lot of CEOs have never been through these types of crises before, they haven't seen these kind of variations in the market, or in foreign exchange, or even in market demand. Well, we've got a lot to say about that, because this is not our first financial crisis. I'm seeing a lot of buying behavior that really reflects a lot of what we've seen during other crises, whether it was ’08, ’09, or even ’01. Obviously the current economic situation is nowhere near as severe as what happened beginning in ’08, but there are some patterns that we've seen repeat themselves. In early ’08, we saw customers who were reluctant to expand distribution capacity, they weren't adding service people, they froze their hiring, they initiated headcount reductions. We saw those occur that year, we saw that in ’01 as well. I think that maybe when things start to get a little tough, or when the stock market shifts, that's when CEOs say hold on, should we be expanding distribution capacity right now? Should we be expanding service capacity? Let's stop our advertising, let's stop our marketing spend; things that they can immediately take actions on. Well, you couple that with foreign exchange headwinds have become an issue and everyone was shifting their focus to finding efficiencies, reducing their costs, increasing productivity, and again we're feeling all of this once again.

That led us to the shift of the Company. It took us a lot to how we operate and where we are investing our dollars. We've actually developed our own playbook. We really wrote it all down, we talked about what was happening, we knew it would happen again. We had to dust off some of those plans and numbers from 12, 13 years ago, from 22 years ago, and we've turned that playbook into gaining market share and focusing on operational discipline and operational excellence, especially in the face of economic headwinds. As the economy has started to recover, whether it's in 2010 or even in 2002, we were able to radically accelerate our growth.

I have to tell you, when we went back as a team and we looked at the numbers, even I was really shocked to see kind of how things changed, some of the decisions that we made, but then how we all of a sudden were able to navigate so well and use that as an opportunity to adjust the Company in a number of really critical and strategic areas.

Now, I've always believed, since that point especially, that an economic crisis creates these opportunities, and we're squarely in that moment, and we've acted.

Starting in July of this year, the buying environment became more measured, and foreign exchange headwinds were becoming increasingly complex. We told you then we didn't believe this challenging macro environment was going to be a short-term problem. You know we're not economists. You know that we don't know exactly what is happening or when the recovery will happen, etc., but we do see a lot, and I think we understand a lot about what's going on, because we have such strong global data.

And we're not assuming that this economy gets any better anytime soon. We're just reporting what we see with our customers, the kind of changes they make when they start to feel these headwinds. We're following our playbook to make sure we're well positioned to gain market share, to increase our profitability, to focus on our operating margin, to focus on the growth of our revenue, and be able to continue to invest, especially when the economy recovers.

Now for this fiscal year, we're maintaining our revenue guidance of $30.9 billion to $31 billion, up 17% year over year, or 20% in constant currency, and you saw that that also included that incremental foreign exchange headwind, and it's even an expected incremental $100 million of foreign exchange headwind just since last quarter.

We're raising our Fiscal Year ‘23 non-GAAP operating margin guidance from 20.4% to 20.7%, an expansion of 200 basis points year over year, and I expect a lot more, especially with this increased focus we have on expanding our operating margin.

Salesforce is mission-critical to nearly every Fortune 1000 company, because every company is becoming a customer company. And everyone knows that this is the time, during a crisis like this, that you need to focus on your customers. If you need to do one thing, if there's one critical thing that every company has to do to get through this, it's to make sure they maintain their relationships with their customers. It's a critical part of navigating through this time, and you're not going to be successful if you don't stay connected with your customers.

We're signing transformational deals with major brands, as every industry continues to digitally transform, and that continues to be perhaps the most important initiative of every company, regardless of the economic situation. When you look at this by industry, it's slightly different for each industry. In telecom, we're working with almost every major player as they transform how they connect with their customers. All telcos must deliver faster better service to customers, keeping their costs down, focusing on their NPS scores, becoming more competitive, we all know that. It's a highly competitive industry, we all understand the dynamics well, it's one of the reasons why we've done so well in all these global telecom companies.

But I really want to talk to you about a great example and this deal that we signed with T-Mobile in the quarter. Now we've done a lot of work with Mike and with T-Mobile over the years, and it's been very exciting to see how they built their company, and especially how they've executed the merger, and now they have a tremazing (phon) transformational opportunity on how they work with businesses. We're working with them to develop a vision for the next-generation user experience for T-Mobile for Business, and our professional services team is leading that charge.

Financial services, well, that's another industry that's been going through one of the most incredible digital transformations, but it's an incredible moment for them actually, in this crisis. It's why we're working with all the major financial service companies to drive stronger client relationships and unite their teams to be more effective, especially in this environment. It's a golden time for financial services in many ways. A great example is Bank of America, who I think has been a customer for more than 20 years, and we've been with them through many different financial crises. But in a short amount of time, they've increased productivity and reduced their technical debt. They're saving time and money, they're connecting with their customers in new ways. It's a tremendous relationship with BofA, to become their CRM standard. We're delighted to have such great success with them over many decades, and to expand this relationship to the business bank, the corporate bank, and the investment bank. It's really an expansion, and I just want to thank Brian for his tremendous loyalty, but also his partnership, over so many decades, and it's just a great organization to work with every single day.

Well, before I go on, first of all I want to give you an invitation. I hope that you'll all plan to join us in New York City next week, where we're going to host our Salesforce world tour on December 8. Join us in person or online, where we're going to announce some new innovations, and you're going to hear from our incredible customers and so much more.

Now. Before I end, I have to say something, and it's something that I did not want to say ever, and I'm extremely sad to tell you that Bret Taylor is going to be leaving the Company. Bret and I are like brothers. I love him very deeply. He's an incredible person. One of the great joys of my Company has been having him here. And I'll tell you, for me, this has been a feeling of tremendous loss, I'm experiencing that right now, you can probably hear it in my voice. It makes me think of all the great people that we have actually lost in the Company over the time as well, so many great leaders of our industry, but especially now with Bret, this is just really hard for me, and I'm extremely sad to see him go. I know he has created two great companies, I know he wants to go create a third great company, and you can't keep a wild tiger in a cage. We got to let them be free and let him go, and I understand, but I don't like it.

Bret, you know that you're always going to be our brother, you know that we love you very deeply, that you have a home here. We're going to try to get you back somehow. So don't think that you're going to somehow get out of this alive, because you're not. You're always going to be part of our Ohana. We are really upset about this, and it's going to be a difficult moment for us, but I know that you're going to be with us through the end of the year, and I know you're going to continue to work with us even after this point, but Bret, we love you, and we're so sorry to see you leave the Company at the end of this year.

Bret Taylor

Thank you Marc. It's hard to follow that, and trying to keep my composure as well. I just want to start, Marc, by just expressing how deeply grateful I am to you and, just as importantly, the entire Salesforce team, for the past six-plus years. I just couldn't have imagined it when I joined the Company. I could not be more proud of the trust, innovation and customer success we've delivered in my time here, particularly over the past few years. I think this amazing community has helped every organization in the world to remain connected to their customers amidst a public health crisis, economic turmoil, this global pandemic, it's just incredible and I'm incredibly grateful.

Marc, you personally, you've been my mentor long before I joined this Company, and in the past six years, your relationship has definitely become the most significant in my professional career. I would not be the leader I am today without you, and I cannot thank you enough for our friendship and our partnership.

The past few years have been tumultuous for all of us, and I've recently been reflecting what's been truly important to me. While there is absolutely no easy time for a transition like this, I really do feel that now is the right time for me to return to my entrepreneurial roots, particularly given the technology landscape and the economy going through such tectonic shifts.

Salesforce has never been stronger, and I've never been more confident in the future of the Company. As Marc said, I will remain as Co-CEO through the end of the fiscal year, not only to ensure a smooth transition but, most importantly, to ensure that we have a strong close to the quarter and a strong close to the fiscal year. As Marc said, even after this transition, I will always, always be a part of this Company and always be a part of this community.

As Marc said, we had a solid quarter, double-digit top- and bottom-line performance, demonstrating the strength of our business model and our commitment to operating with discipline and delivering profitable growth at scale. We continue to deliver on organic innovation, and our product portfolio is strategically positioned, mission-critical, and highly differentiated. Our ecosystem and our app exchange marketplace are unparalleled in the industry. As Marc mentioned, as you saw at Dreamforce, our innovation engine is in overdrive, with Genie, Slack Canvas, Net Zero Marketplace and more, building on our position as a leader in nearly every CRM category.

Genie, in particular, makes every part of our Customer 360 platform more automated, intelligent, and real-time, driving faster time to value for our customers. The adoption of Genie by our customers, particularly this past Cyber Week, has exceeded all of our expectations. The Genie Customer Data Cloud is already processing literally over 100 billion customer records on average every single day. During Cyber Week alone, Genie ingested an astonishing 1.1 trillion records and enabled 43 billion consumer engagements for our customers. Inter, a leading digital banking service company in Brazil, is a great example of Genie's power. Inter was able to consolidate six data systems into one, and they are converting 35 times more customers with Genie.

Like Marc, I met with hundreds of CEOs across every industry over the last few months. In this buying environment, our customers are increasingly focused on three things. First is time to value: our customers need to quickly get the benefits of their technology investments. Second is ensuring these digital transformation projects drive cost savings, in addition to customer satisfaction and top-line growth. Third, we know our customers need to consolidate their platforms and vendor relationships to reduce complexity and risk and to drive efficiency.

We are delivering on all three at scale today for our customers. Our customers are seeing on average an estimated 25% in savings in their IT costs and 26% increase in employee productivity using Salesforce, according to a recent survey of more than 3,500 of our customers. RBC Wealth Management is a great example. RBC is onboarding new customers in minutes instead of days, and they've consolidated over 26 technology systems into one using our Customer 360 platform, decreasing their maintenance costs by 50%.

Despite the economic headwinds that Marc mentioned, we had record low revenue attrition again this quarter, which is a testament to just how mission-critical Salesforce is to our customers, especially in this environment.

We also launched new product bundles for sales, service, marketing and analytics. These product bundles are enabling our customers to consolidate their tools on Salesforce, driving efficient growth. We're also closing transformational deals and multi-cloud expansions. This quarter, seven of our top ten deals included five or more of our clouds.

Now let's turn to the cloud performance. Sales Cloud, our flagship, continues to drive sales productivity for the world's most important brands. Sales Cloud grew 12% year over year, a healthy 17% in constant currency, including great customer wins at companies like Bolt, Snowflake, and Thermo Fisher. Service

Cloud continues to help our customers deliver exceptional customer service experiences and reduce their customer service costs. Service Cloud grew 12% year over year, or 16% in constant currency, approaching $2 billion in revenue for the quarter, with wins at Carl Zeiss, Dell, and Fujitsu. Our Marketing and Commerce Clouds power the digital customer experiences for the world's greatest retailers and brands around the world, and together grew 12% year over year, or 18% in constant currency, thanks to wins at companies like Banco Bradesco, Hugo Boss, and Slack.

We just passed Black Friday and Cyber Monday. I want to express my gratitude to our engineering teams. Our engineering teams again delivered unparalleled mission-critical reliability and scale to retailers around the world. Even lapping the pandemic, the sales process for our Commerce Cloud in Cyber Week increased 11% year over year, and our Marketing Cloud delivered nearly 49 billion messages in Cyber Week alone, up 21% year over year. We've now sent 1.4 trillion messages from our Marketing Cloud so far this year. Just incredible.

Our platform business, which includes Slack, grew 18%, or 22% in constant currency, highlighted by wins at Japan Airlines, WorkSafe Victoria, and Zoom. Einstein Artificial Intelligence platform is now generating 194 billion predictions every single day across the Salesforce Customer 360 platform, up 57% year over year.

Slack, which now powers collaboration and workflows across the entire Customer 360, grew 46% year over year. Slack is now handling more than 2.6 billion actions every single day, and had great wins this quarter with companies like Rivian and Verizon.

Data, which includes MuleSoft and Tableau, continues to be core to every digital transformation at every single one of our customers. Data grew 13% year over year, or 16% in constant currency. We're seeing strong demand for MuleSoft, which re-accelerated in the quarter to 19% year-over-year growth, or 23% in constant currency, with wins at brands like Western Union, SmileDirectClub, and Kona. Integration transactions on the MuleSoft platform grew to $6.7 billion per day, up 33% year over year. Tableau grew at 8% year over year, or 9% in constant currency, with wins in the quarter at Inter and McLaren Racing. As a reminder, due to the way we recognize revenue in MuleSoft and Tableau, when the macro environment is difficult, we typically see the effects earlier and more pronounced in these businesses.

We're confident in the opportunity ahead for Tableau, and we recently made changes to re-accelerate Tableau growth. This includes new leadership and, as importantly, new product integrations like Revenue Intelligence, a deep integration between Sales Cloud and Tableau that has become one of our fastest-growing add-on products.

Finally, as we mentioned every quarter, our industry solutions continue to be a strength in our portfolio, with out-of-the-box processes that enable our customers to achieve faster time to value and lower implementation costs.

Even with the many successes in the quarter, we expect this increasingly challenging buying environment to continue next year. I'm confident that Salesforce has never been more mission-critical to our customers in this environment.

To wrap, I'm so grateful for our employees, our 18 million Trailblazers, and all of our customers and partners for helping lead the way with innovation, agility and resilience to navigate in these times.

Before I pass it to you, Amy, I just want to express my personal gratitude to you. As I became a first-time CEO and you became a first-time CFO, navigating the Company and navigating our customers through these crises, I'm so grateful for our relationship and for everything this Company has done for me.

Amy Weaver

Great. Bret, thank you so much. Let me just start by saying to you, it has truly been a joy to work with you through the last six years. I am going to miss you terribly, but I'm also equally excited for you on your next steps, and I know they will be incredible success again.

Taking a sharp left turn to our results here, I am pleased to report another quarter of double-digit top- and bottom-line growth. Despite increasing macro pressure, revenue grew nearly 20% in constant currency. And, as we discussed at our Investor Day in September, it's a new day for profitability. I'm very proud of our Salesforce team and all of our employees for generating record operating margin during Q3.

Reiterating Marc's comments, profitable growth is a major focus as we lean in on best-in-class operational excellence across all aspects of our business. As customers focus on optimizing time to value, driving cost savings, and consolidating platforms and vendor relationships, we remain well positioned to support them through the current economic environment.

Now to our results for Q3 Fiscal Year 2023. I'll begin with top-line commentary. Total revenue for the third quarter was $7.84 billion, up 14% year over year, or 19% in constant currency. Foreign exchange continued to be a headwind to our results, as the dollar further strengthened throughout the quarter. For Q3, the total FX impact was $300 million, approximately $50 million more than we had forecast.

A few highlights from the quarter. Again, as we outlined at Investor Day, we have three balanced growth pillars: Customer 360 Advantage, industry solutions, and geographical expansion. All of these continue to reflect the growing adoption of our portfolio across our customer base.

First, multi-cloud adoption by our customer base continues. Customers with five or more clouds increased ARR by over 20%. Second, our industry solution continues to be a strong tailwind to our revenue growth. Seven of our 13 industry clouds grew ARR above 50% this quarter. Some of the highest-performing industries' clouds in the quarter included energy and utilities, manufacturing, and our recently announced Automotive Cloud. Finally, from a geographical perspective, Americas grew 16% year over year, EMEA grew 10%, 23% in constant currency, and APAC grew 14%, which is 30% in constant currency. As you have heard, revenue attrition in Q3 was again below 7.5%, reflecting the value that our services are providing to the customer base in this tough operating environment.

Q3 non-GAAP operating margin was a strong 22.7%, driven by our ongoing focus on disciplined execution, our hiring slowdown, and resource prioritization. Q3 GAAP EPS was $0.21 and non-GAAP EPS was $1.40. Mark-to-market accounting of the Company's strategic investments increased GAAP and non-GAAP EPS by $0.02.

Operating cash flow was $313 million in Q3, down 23% year over year. Capex was $198 million, resulting in free cash flow of $115 million, down 52% year over year, both driven by lower billings.

Turning to remaining performance obligation, which represents all future revenue under contract. RPO ended Q3 at approximately $40 billion, up 10% year over year. Current remaining performance obligation, or CRPO, was approximately $20.9 billion, up 11% year over year and 15% in constant currency. This includes one point of incremental FX headwinds beyond our Q3 guidance.

And, finally, Q3 was a milestone quarter for Salesforce. After announcing our first-ever share repurchase program on the last earnings call, I am pleased to share that we returned $1.7 billion to shareholders during Q3.

Before moving to our guidance, I'd like to comment on the current economic environment. Recall that last quarter we noted measured customer buying behavior, really beginning in July. This led to elongated sales cycles, additional deal approval layers, and deal compression, particularly in enterprise. As Q3 progressed, we saw an even more challenging buying environment, driving intense customer scrutiny on every investment dollar to ensure the highest return possible. During Q3, this behavior was most pronounced in our U.S. and major European markets, while Japan remained more resilient. From an industry perspective, the most impacted were retail, consumer goods, and communications and media, while the more resilient were travel and hospitality, manufacturing, automotive, and energy. And, from a product perspective, we continued to see customer spending pressure in commerce and marketing.

Now to our guidance. First, on revenue, we are pleased to maintain our Fiscal Year ‘23 revenue guidance of $30.9 billion to $31 billion, representing 17% growth year over year, or 20% in constant currency, despite an incremental $100 million FX headwind since our last call. This raises the total year-over-year FX headwind to $900 million. In addition, our guidance includes Slack at slightly above $1.5 billion.

As you've already heard, we are deeply committed to expanding our profitability over the long term. I am proud that we are raising our Fiscal ‘23 non-GAAP operating margin guidance to 20.7%, an increase of 200 basis points year over year. This guidance also includes approximately 75 basis points of headwind from Slack. As a reminder, because our regional revenue and expenses are generally in the same currencies, there tends to be a natural FX hedge in our operating margin.

For Q4, we expect GAAP EPS of $0.23 to $0.25, and non-GAAP EPS of $1.35 to $1.37. For the full year, we expect GAAP EPS of $0.55 to $0.57, and non-GAAP EPS of $4.92 to $4.94. CRPO growth for Q4 is expected to be approximately 7% year over year, or 10% in constant currency. This guidance continues to incorporate the more challenging trends in our customer behavior, as previously discussed.

We now expect our Fiscal ‘23 operating cash flow guidance to be approximately 16%, which is at the lower end of our previous guidance, driven by lower billings. This includes a three-point headwind from cash taxes associated with tax law changes, requiring the capitalization of certain R&D costs. We now expect Capex to be approximately 2.5% of revenue for the fiscal year. This results in free cash flow growth of approximately 17% for the fiscal year.

Before I close, I'd like to share a few thoughts on Fiscal Year ‘24. As discussed, we are experiencing a very unpredictable macro environment, as our customers are working to ensure their businesses are also healthy for the long term. Compounding that dynamic is an unprecedented foreign currency market. Therefore, at this time, we believe it would be premature to provide revenue guidance for the next fiscal year.

Now, in terms of operating margin, we are driving operating discipline and following our playbook, that Marc discussed, to ensure that we are consistently expanding our operating margin in the face of top-line headwinds. And, as a leadership team, we're continuing to take a hard look at our cost structure. This is all part of our playbook, and we will continue to take steps that drive profitable growth.

Of note, we intend to provide full FY’24 guidance on our fourth quarter earnings call.

To close, we are helping our customers navigate the current macro environment by bringing much-needed efficiencies to their digital strategy, with a compelling value case. Our commitment to disciplined decision-making is unwavering, and we are marching towards our Fiscal ‘26 target of at least 25% non-GAAP operating margin, inclusive of any capital allocation decision. And, as our business grows, we will continue to target returning on average 30% to 40% of free cash flow annually to our shareholders.

Now, Mike, should we open up the call for questions?

Mike Spencer

Sounds good, thank you Amy.

Bo, we'll go to Q&A and we'll take the first question.

Operator

Thank you Mr. Spencer. We take our first question this afternoon of Keith Weiss of Morgan Stanley.

Keith Weiss

Excellent. Thank you guys for taking the questions. Maybe one for Marc and one for Amy.

Marc, on the leadership change or Bret leaving, we're also very sorry to see Bret leaving. He was a great addition to the team. I guess the good news is there's already a CEO, in you, set to go. But should we expect a replacement for Bret on a going-forward basis? Are you going to look to go back to that kind of Co-CEO dynamic, or replace kind of what he was doing on a day-to-day basis with some other executive on a go-forward basis?

Then I guess for Amy, at the Analyst Day, you talked about a more back-end-loaded operating margin trajectory towards that 25%. Any change in that dynamic, given kind of what's going on in the macro environment, and seeing kind of the degradation on the top line? Does that push operating margin? Does that sort of push operating margin expansion to kind of the forefront in any way?

Marc Benioff

Well thanks Keith, and I think it's a great question, and obviously we're still in a little bit of shock and extremely sad, and feeling a lot of loss for losing Bret. Again, I don't have to tell you, one of the best people I've ever worked with in my life and also just a great person.

I have to also tell you that we have a lot of fantastic people in the Company. Bret's management team, what we call the ELT here at Salesforce, includes some incredible people who have been with us in some cases for decades. They're some of our most capable and incredible people. I think you know a lot of them Keith, very well, and on a personal level as well, and I have to tell you, I couldn't be more proud of Bret and everything he's done in the last seven years.

But while we have a huge light on Bret, I think it would be unfair to not also put a huge light on these other managers and leaders in the Company who have done such a great job, whether it's our product leaders, our operational leaders, geographic leaders, many of them who you know and have met over the years, whether it was at Dreamforces or World Tours or at Investor Days, whether it is people who do our impact work or philanthropy work or human resources, our incredible marketing leaders, many of whom we have such deep personal relationships with, because we've done such unbelievable marketing in the Company now for so long; folks who have joined us after acquiring their companies, and we have many of those folks as well, and which is also how we ended up with Bret when we bought his company; and people who are doing core work in our areas, like the quality and sustainability, as well as operational leaders, where we've brought in some great new folks recently from organizations who are bringing us a new level of operational excellence. I don't have to tell you, I think we have the finest engineering team in the world, the leaders in engineering, and some of them are what we call boomerangs, people left and didn't find greener pastures, and came back to reclaim their leadership positions in the Company, are probably the greatest. I don't have to call out my co-founder, who you know very well, Parker Harris, who happens to be in Tokyo today and not on the call, because he's running our world tour with our phenomenal team there, who's delivered what I expect to be shortly the second largest software company in Japan; and on and on and on.

But I do want to bring it back to Bret, because this is his moment, and I think it's very important that we really send him the appropriate gratitude and also call out. Until he walks out the door, don't worry, I'm trying to keep recruiting him back, and I am a good salesman, Keith, as you know me very well, and the deal is not over until it's over, but we do have to tell you that he has decided to leave, but I tell people all the time, we lose deals all the time, Keith, and for me, I never lose. I keep going back until I win.

Brian is here laughing. Brian, how long have you been with the Company now?

Brian Millham

Twenty-three years.

Marc Benioff

Twenty-three years. Is that true, Brian?

Brian Millham

Yes, it’s true.

Marc Benioff

Do you feel like I'm going to keep at this?

Brian Millham

Yes, you will.

Marc Benioff

Yes. I'll break him down, when I (inaudible). So he's in trouble.

All right. Amy?

Amy Weaver

Okay Keith, turning over to operating margin.

As I mentioned, we are very committed to being at 25% or above by FY’26. Now, we're not giving a guide for FY’24 at this moment, so I'm not going to comment on the linearity. I will say that this is just a huge focus for the entire Company. I think we've really shown that with our current quarter at 22.7%, which is an all-time record high. This is coming not just from one area or one silver bullet, but really from a commitment and a disciplined approach across all parts of the Company, whether it is sales, G&A, marketing, finance; the list goes on as the groups were contributing.

One thing that we're particularly focused on are structural changes. So, we've certainly driven down workforce costs by the much more measured approach to hiring that we have had this year. We also look to our cost of goods sold infra (phon) third-party cost efficiencies. We tightly prioritized T&A this year, to prioritize customer-facing travel, and we are also benefiting from choices that we have made in the past and continue to review around our real estate footprint.

Again, the commitment is here, I'm excited to see where we can go, and I think we're already putting the necessary tools in place.

Operator

Thank you. We take our next question now from Mark Murphy of J.P.Morgan.

Mark Murphy

Thank you very much. Bret, happy trails, and thanks for everything.

Marc, I wanted to ask you if you think that this volatile environment is going to be fully conducive to remote work, or do you see some of your employees maybe gravitating back a little more to in-office?

Amy, relatedly and since you just mentioned it, could you touch on the plans for the real estate footprint, including the Salesforce Tower and the other buildings, and just help us understand maybe how that could contribute to margin expansion?

Marc Benioff

Absolutely. First, Mark, I hope that you see that the operating margin in this quarter, which has hit a record level at 22.7%, that we are fulfilling our commitment to you and to others, that we are deeply focused on this. You're 100% right, that there's a lot of things pre pandemic that we had in our Company that are expenses that we don't need post pandemic.

Now, in regards to being in the office, well, all of us are in the office today. There are no remote workers here. It's an interesting metaphor, but there's companies that I work with very closely, and I have to tell you, someone who's influenced me greatly is the CEO of Honeywell, Darius, and share common Board member Robin Washington. He's made a plea for me for many years that he has factory workers, and those factory workers still every single day during the pandemic were in the factory, and that it's a very critical part of how he runs his business. When I have advocated for new kinds of work and folks having the flexibility in their working environment, to remember his factory workers, and I think he's absolutely right and 100% correct. Well, I would also say we have factory workers. Now today, we are the factory workers. The work that we're doing is required here in our factory. You know where that factory is very well, Mark, you know where we are. And we have different factories around the world that we call our towers and our hubs and core offices. But I think we also realize, and I think that even Darius would agree with me, that the percentage of folks who are working remotely is going to be higher.

Before the pandemic, the percentage of remote workers for Salesforce was approximately 20%. For other companies now, we're seeing that normalize at somewhere around 50%, even with mandatory workdays. So I do think that we're going to have a rebalancing. I think, even at Salesforce, we have what I would call factory jobs, folks that are required to be here, whether they're doing maybe very core work, or even new folks who don't have maybe the tribal knowledge yet or need the mentorship, or folks coming in from college who benefit from being in the office.

But we're never going back to how it was, we all know that; I'm sure a lot of you actually are at home right now. Before this, even maybe your companies, especially the banks, especially the New York banks, and some of those New York bank leaders who have made impassioned pleas for return to work; but even though many of you who belong to some of those banks, I bet you're not at those offices right now. And I think we are in a new world, and we all realize that.

But I think that we're finding a new way forward, and there will be more in office, and there will be—but we'll maintain the flexibility to be at home, and I will call out one more thing, which is probably one of the most successful things we've done is come up with new ways to work, and you've probably been down to the Salesforce Ranch, and we'll have about 10,000 of our employees go through that this year in training and collaboration sessions, and we'll find other new ways to work, and that's also one of the reasons why we acquired Slack, and I think why we've seen just great growth in Slack, why Slack channels are so important, why you saw the tremendous new multimedia environment in Slack, and we have got quite a few other surprises coming in regards to the integration between Slack and Customer 360 and line of business capabilities and other areas, regarding systems of record involving Slack, and all of that's because we're in a new way to work, and we're going to need new tools.

That’s how I look at it Marc, I'm trying to be straight, honest with you, that you have to have a beginner's mind, and we're finding our way through this, and we're going to have more in work in the office, but we're never going to go back to how it was.

Brian, do you want to talk about what you're doing with the organization?

Brian Millham

Yes Marc, I appreciate it, and certainly don't want to contradict anything that you said, but…

Marc Benioff

Oh, go ahead, Brian. Why should today be any different?

Brian Millham

Yes, agreed.

Marc, I really believe that being together drives more learning, better collaboration, better networking, and better enablement. We have a broad portfolio of products, and we saw through the pandemic that there's a lot to learn around the way that we're positioning our products, new organic products coming out, acquisitions that we were positioning our Customer 360 to our customers. So I really like people coming back in the office. I like that connection that we have to one another. I think it's part of our culture and how we operate. I've asked my team recently to spend more time in the office. But importantly, I've also asked them to spend more time in front of our customers. It's a big differentiation for us when we're out talking to our customers and driving the success that they expect from us. So I want to drive higher productivity and the performance culture, and one of the ways I want to do that to ensure that we're spending more time together, whether that's in the office, or out in front of our customers.

Amy Weaver

Great. So and Mark, turning to your question about how that may affect our real estate strategy and margins and savings going forward. So over the past two years, we have continued to re-imagine our real estate strategy. That is not only to optimize for scale, but also continue hybrid work environment and how people are working and how they're using their space. This has included reducing our footprint fairly significantly. Now some of that you see when we do large write-offs over this time, but a lot of it has also been opportunistic, when leases come up and we don't renew, when we consolidate into areas. It's something that we are continuing to benefit from. It's also something that we are continuing to evaluate.

We have a new head of real estate, Relina Bulchandani, who is doing an incredible job along with Steve Breshir (phon), and really looking at every aspect of our real estate, and seeing how we use it the best and the most efficiently in this new world.

Mike Spencer

Thanks Mark.

Bo, let's go to the next question.

Operator

Certainly. We'll take our next question now from Raimo Lenschow at Barclays.

Raimo Lenschow

Great. Thank you.

I just wanted to—question for Brian. As you kind of started alluding already on the initiatives you're taking there, like how should we think about what do you see in terms of what—in the field in terms of—there's macro, but has also relatively a decent penetration of Salesforce, like how do you think this will play out, and how do you see your Salesforce position in terms of sales capacity, etc., (audio interference) to sell in this environment? Thank you.

Brian Millham

Thanks Raimo for the question, and really appreciate it.

Certainly, the buyer environment has changed out there in the market. It's become more measured. But our platform is still mission-critical to every one of our customers out there, and we're seeing that play out in the demand environment. The pipeline that we're creating is very healthy in the market right now. The interest in our customers' C360 platform remains very high. We've repositioned our products and our selling teams to sell not just to the CEO but to the CFO, actually across the entire C-suite. We want to make sure that we're covering off everybody that could potentially say yes or no to a buying process.

We're going to focus on what we can control. We have plenty of capacity in the market right now. We have lots of AEs that we've hired over the past couple years. We want to make sure that we're doing the things that we can to continue to grow market share across the entire portfolio.

We continue to see multi-cloud expansion. You mentioned that. We think we have a huge opportunity to continue to sell to our existing customers more of the products that are in our portfolio, both inorganic and the acquired companies that we have. So we still see a big opportunity for us to spend a lot of time with our customers, selling the entire product portfolio. The size of our selling base, the customers that we have, still very big opportunity for us to expand our TAM and execute on our growth strategies.

Mike Spencer

Thanks Raimo.

Bo, let's go to next question.

Operator

Thank you. We go next now to Brad Zelnick at Deutsche Bank.

Brad Zelnick

Great, thanks so much for taking my question, and Bret, best of luck to you, it's been a pleasure.

My question is for Marc. Marc, you have a lot of pressure out there from all kinds of investors to drive profitability, including some activists. But paradoxically, it would seem an amazing time to put money to work, with all the dislocation in the world creating opportunity. How do you do both at the same time?

Marc Benioff

Thank you Brad for the question, because I think it's probably what's on my mind every day.

First, before I go to the question, I want to go back to Raimo, and Raimo, I want to tell you that our thoughts and prayers are with your CEO for a full recovery, and we were so sorry to hear about his diagnosis, and Barclays is such an important partner of ours. But your CEO is so fantastic, and we're thinking of him every single moment right now.

Brad, you're right. We are in a moment here where one of our goals, strong goals, as you can see by these results, is to increase our operating margin. We're not going to do anything that's going to prevent that increased momentum. As a shareholder myself, that's my thought every single day.

We also realize we want to reduce dilution; that's also why we're doing our stock buyback. We've talked about that extensively, it's been extremely important. I think that we bought back a considerable amount of stock during the quarter, that we, I think, set a goal that we're going to buy back about $10 billion, and I think that we have bought back an extensive amount, I think over $1 billion in the quarter…

Amy Weaver

Yes, about 11 million shares, $1.7 billion returned to shareholders.

Marc Benioff

I think that's extremely important as an action. Reducing dilution is very important to us, and increasing our operating margin is very important to us, increasing our profitability; but this is a massive opportunity, you know, every company is going through a digital transformation. You and I both know very well it all begins and ends with the customer, and that's why we're closing these incredible transactions globally.

At the same time, you know that there's all kinds of opportunities out there. But it has to be balanced, and we have to weigh those. I think some of the transactions that we were able to do in the past, when we were a smaller company, a more tactical company, or maybe shooting more from the hip from an acquisition perspective.

And I think we've done, I don't know, Amy, would you say more than 60 transactions or more?

Amy Weaver

Yes, 60, 70, probably, over the years.

Marc Benioff

As we do even the smallest transaction to the largest, it has a different frame and a different calculation.

Look, it's one of the reasons why we recruited Mike to the Company. He had the background, and you all know Mike from Microsoft, because we wanted that kind of financial discipline. Amy and I talked about it very closely. As she came in, we spent a lot of time thinking about who we would recruit, and as we identified somebody who could guide us specifically in that area, we picked Mike, and this was important. We've also made other major changes to Amy's team so that she had the best A-team possible.

Now, when we look at this going forward, we want to do it all. We want to continue to grow revenue, we want to continue to grow our operating margin, and we want to look at strategic opportunities. But we're not going to do that at the expense of our operating margin. We're going to continue to grow it.

I think you know, at Investor Day we said that we have the short-term goal of 25 points, but I think that the reality is that we like to beat our targets. We're not going to get crazy with you on this call, but we're doing everything we can to make these numbers go up, and we will continue to do that in all these areas that you see, and you know the Company as well as anybody, you've been inside and outside this Company, you know every single part of it, you know that we have lots of opportunities, lots of levers, lots of things that we can do. I think that you also watched us very closely through '08 and '09, and you can see how we acted then to increase operating margin, and we are going to continue to do everything we can to make this the best Company possible, best numbers, and also the highest values in the industry, and be an example for others as well.

Mike Spencer

Thanks Brad.

Bo, let's go to the next question.

Operator

Certainly. We'll take that now from Kirk Materne at Evercore ISI.

Kirk Materne

Thanks very much. I'll add my best wishes to Bret on his next endeavors.

Maybe this one's for Brian. Brian, you mentioned that the pipeline bill levels still remain healthy. I was just kind of curious if you could talk to us a little bit about industries that are seemingly more impacted for you all, due to the macro backdrop and maybe products, and kind of what's your thought process on some of the sales elongation that you've been seeing?

I assume that you're not expecting it to change anytime in the near term, but I was just wondering if you could just talk to us about industries and products in particular that might be getting hit a little bit harder, or perhaps those that are hanging in there better than others. Thanks.

Brian Millham

Thanks for the question. I think, starting with the ones that are hanging in there better, travel and hospitality was a strength for us in the quarter. Our manufacturing industry really bounced back this quarter and was very good. Automotive was very strong for us in the quarter, and energy was also quite strong.

On the other side, we felt a little bit of pressure on our tech industry right now, and great relationships and big customers there, but that's an industry that we did not see acceleration in in the quarter. Some of the other industries were sort of flat. Financial service, as an example, was relatively flat in the quarter.

One of the strengths that we did have, though, I will say, is our industry clouds. The more investment we make in our industry clouds, we're seeing acceleration there, very good growth in the quarter as we invest in those products, we're seeing great penetration, we're seeing higher close rates. We're also seeing better retention rates, which is obviously very important to us as we think about the customer success of our base. We're able to get deals done faster, speaking the customer's language, and showing up with products that match up to their requirements very well.

I'm sorry, I missed the other part of your question, if you wouldn't mind repeating it.

Kirk Materne

Just any products that you'd call out. We obviously see the revenue, but I was just kind of curious on a bookings basis…

Brian Millham

I think Marc mentioned earlier in his commentary about some of the products that tend to get cut early in a downturn, marketing spend would be one that we see impacted fairly early on marketing automation. CEOs make quick action, and that's a quick place to sort of pull back, on marketing. We did see less expansion on sales and service in the quarter on incremental users as our customers started to maybe do a little less hiring, maybe they paused hiring, we saw less expansion on the Sales Cloud users and Service Cloud users. Certainly Commerce has been one where we had a great run up over the past couple years during the pandemic, and we've seen a bit of a slowdown on Commerce. So those would be a couple of examples of some of the products that are seeing a bit of headwinds in these times.

Bret Taylor

Kind of interesting anecdote there around commerce. In our Commerce Cloud obviously we had blowout numbers in Cyber Week, despite lapping the pandemic. But it was interesting: commerce page views were up 14%, but commerce orders were only up 2%. So you can see not only our customers' impact, but even the consumer behaviors becoming more measured, and we're obviously a B2B company, but all consumer companies are seeing this right now, and sort of doing more with less, and a lot of people browsing for products and buying a little bit less than they did last year, which I thought was very interesting.

Brian Millham

That's right.

Mike Spencer

Great, thanks Kirk.

Bo, let's take our last question now.

Operator

Certainly. That last question will come from Sarah Hindlian-Bowler at Macquarie Capital.

Sarah Hindlian-Bowler

Great, thank you so much, I really appreciate you squeezing me in. I'll add my congratulations and best wishes to you, Bret, hopeful that you have an incredible opportunity in front of you.

This was a question for Amy. I think one topic that we touched on, you mentioned briefly on the call, were your retention rates, which continue to be a great way to add revenue that's really high margin. So maybe we could drill down into that a little bit, what you're doing to drive your retention rates higher, and maybe how some of the product bundling or suite strategy plays into that would be helpful as well. Thanks Amy.

Amy Weaver

Sarah, let me start by saying it's great to have you back as a covering analyst for our stock, and to hear your voice on this call.

Yes, on attrition or retention rates, really really pleased to see where we were this quarter. Again, record lows. I think it says so much about our teams who support that, but also our customers and their dedication to us, and the fact that Salesforce has become so mission-critical.

I'm actually going to turn this over to Brian, because if there is an expert in the Company on attrition and what we're doing for our customers, it's Brian.

Brian, do you want to add…

Brian Millham

Amy, thank you, I appreciate it. I'll quickly address it. Thank you Sarah for the question.

First of all, I think it's part of our heritage, our DNA, is that customer success is a core value of ours, and we own it across the entire Company. So it's not just the success teams or the services teams that own it, but the entire organization from product to our financial teams, everyone owns customer success.

We've made some investments in the way that we go to market, touching our customers more frequently from a success perspective and the motions that we're running. As I mentioned earlier, selling products that align very specifically to our customers from the industry cloud perspective, and we're seeing better adoption rates there and better usage. We've also made some strategic investments in our own services organization, alongside a great ecosystem of partners as well, that are driving better implementations up front, faster time to value for our customers, and better results from a customer success perspective. So, some of the motions that we're running that are new, great leadership under a gentleman named Jim Roth, who's running our success organization; Lori Steele, who joined us to run our services organization, and now has turned over the reins to Mark Wakelin, doing great work with our customers, very oriented to speed to value and ensuring they're getting tremendous customer success on our platform.

Mike Spencer

Great, thanks Sarah.

And thank you everyone for joining the call today, and we look forward to seeing everyone over the next few weeks. Take care.

Operator

Thank you. Again, ladies and gentlemen that will include Salesforce's Fiscal 2023 Third Quarter Results Call. I'd like to thank you all so much for joining us and wish you all a great evening. Goodbye.