

08 - 30 - 2023

# Salesforce

Q2 FY24 Earnings Conference Call

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### CORPORATE SPEAKERS:

**Michael Spencer**

*Salesforce, Inc.; Executive Vice President of Investor Relations*

**Marc Benioff**

*Salesforce, Inc.; Co-Founder, Chairman & Chief Executive Officer*

**Sabastian Niles**

*Salesforce, Inc.; President and Chief Legal Officer*

**Brian Millham**

*Salesforce, Inc.; President & Chief Operating Officer*

**Amy Weaver**

*Salesforce, Inc.; President & Chief Financial Officer*

**Ariel Kelman**

*Salesforce, Inc.; President & Chief Marketing Officer*

**Kendall Collins**

*Salesforce, Inc.; Chief Business Officer and Chief of Staff to the CEO*

### PARTICIPANTS:

**Kasthuri Rangan**

*Goldman Sachs Group, Inc.; Head of Software Coverage*

**Keith Weiss**

*Morgan Stanley; Equity Analyst*

**Kirk Materne**

*Evercore ISI Institutional Equities; Senior MD & Fundamental Research Analyst*

**Karl Keirstead**

*UBS Investment Bank; Analyst*

**Bradley Sills**

*BofA Securities; Director, Analyst*

**Brad Zelnick**

*Deutsche Bank AG; Head of Software Equity Research and Senior US Software Research Analyst*

**Brent Thill**

*Jefferies LLC; Equity Analyst*

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### PRESENTATION:

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

Michael Spencer^ Good afternoon. And thanks for joining us today on our fiscal 2024 second 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 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 Benioff^ All right. Thanks so much, Mike. And really appreciate everyone being here today. We're obviously very excited about these results and getting out there with all of you. And thanks for being on this call. So listen, as we've shared with you over the last couple of earnings calls, Salesforce has really accelerated our transformation to profitable growth. I think that's super clear from the numbers, and I couldn't be more excited, especially on this huge top line beat and what our margin is looking like today.

As you all know, over last year, we've been executing against these 4 key areas of our transformation. First, our restructuring for the short and long term. We've been talking about that since the fourth quarter call, and we're going to update you on that today.

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Second, we're reigniting our performance culture by focusing on productivity, operational excellence and profitability. And Brian is going to talk about that today.

And third, we're prioritizing the core innovations to drive customer success, and I can't wait to share with you at Dreamforce, how we're taking our core platform to a whole new level, showing you some incredible new enhancements to our data cloud as well as new versions of Einstein and also fundamental extensions to our core platform, really showing how our core platform has been rebuilt so that we can take so many of these amazing acquisitions that we've made over the last decade and run them right inside the core.

Our fourth priority is building even stronger relationships with our investors. That's all of you. You know how important that is to us. We probably spent more time in the last six or nine months with our investors than we have maybe in the entire history of the company. And we've received just great feedback from all of you, and we're really making great progress there, and I want to especially thank Mike for everything that he's doing with all of you.

And we're adding a fifth priority. And last quarter, we told you we're now driving our AI transformation. We're pioneering AI for both our customers and ourselves, leading the industry through this incredible new innovation cycle, and I couldn't be happier with Srin and David and the entire product and technology team for the incredible velocity of AI products that were released to customers this quarter, and the huge impact that they're making in the market and showing how Salesforce is transforming from being not only the number one CRM, but to the number one AI CRM, and I just express my sincere gratitude to our entire T&P team.

I couldn't be happier with the performance of our team delivered in the second quarter. The numbers basically speak for themselves. Our AI, data, CRM plus trust platform, well, it's propelled us to become the third largest enterprise software company by revenue in the world. And I think in Japan, we just became the second largest company. So congratulations to everyone at Salesforce and especially to our Japanese team. And with our industry-leading cloud and sales service marketing commerce, our industry clouds powered by Data Cloud, Einstein, Flow, Tableau, Slack, MuleSoft.

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Really, all of these are integrated into one trusted metadata-driven platform. We're providing more capabilities to more customers than any other CRM vendor, and I can't wait to show all that, as I said, at Dreamforce. That's why Salesforce is the number one CRM by market share based on the largest -- latest IDC software tracker. And now, we are working hard to be the number one, as I said, AI CRM.

Our transformation drove our second quarter results, especially when it comes to our highest priority, as you can see, profitability. And look, we couldn't be happier to see these numbers. It's incredible to see the margin acceleration in such a short period of time. We've exceeded our own expectations. I hope we've exceeded yours.

In our second quarter, our non-GAAP operating margin rose to 31.6%. That's up over 1,000 basis points year-over-year. And this is the second quarter in a row our operating margin is up 1,000 or more points year-over-year. And as you're about to hear from Amy, we've maintained our disciplined approach to cost management while also investing in growth initiatives across our entire platform of offerings. And we're positioning Salesforce for the future and will continue to drive our margins and also while we're continuing to drive customer growth.

Revenue in the second quarter was \$8.6 billion. It adds up 11% year-over-year and the same in constant currency. And during the quarter, we had great wins with JPMorgan, Bayer, FedEx, Maersk, as well as the Department of Veterans Affairs and so many more you're going to hear about from Brian.

Operating cash flow for Q2 was \$808 million, pretty incredible. That's up 142% year-over-year, really, very strong. And our remaining performance obligation ended the second quarter at \$46.6 billion, that's an increase of 12% year-over-year, really amazing. Current remaining performance obligation, or what we call cRPO, ended at \$24.1 billion. That's up 12% year-over-year and 11% in constant currency.

Now through the second quarter, we have returned, and this is amazing, \$8 billion in share repurchases since we started the buyback program a year ago. So we've bought \$8 billion of stock over the last 12 months, that is really awesome. Amy is going to talk more about that. And I think -- I know you realize we have a lot more to do there.

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Based on our performance and what we saw in the back half of the year, we're raising our fiscal '24 revenue guidance to \$34.7 billion to \$34.8 billion or about 11% projected growth year-over-year.

Last quarter, we raised our fiscal year '24 non-GAAP operating margin guidance to 28%, and we said that we expected to eclipse 30% in the first quarter of fiscal '25. Well, as you've all seen these numbers and now I'm happy to officially share, we are accelerating that target again, raising our fiscal year '24 non-GAAP operating margin, 30%, an improvement of 750 basis points year-over-year. It's kind of amazing, but yes, we are saying that we're going to deliver 30% margin for this year. And that's an incredible goal.

So while we thought we were going to do it next year, we're really going to do it this year. And it's an amazing achievement of our whole team. It certainly has been a lot of work. It's been difficult. In a lot of cases, it has been a struggle. But our teams are incredible. And what they have done has been nothing more of miraculous, I'm down to see, not only to the delivery of the 31-plus percent growth for this quarter, but the 30% for the year. It's just awesome. It's just incredible. And I'm really excited to welcome back to Salesforce so many boomerang employees.

Boomerang employees are employees who were employees but for one reason or another left the company, got recruited away or went off to start their own companies or whatever. Well, a lot of these results have to do with not only our incredible employees that we've had in place, but a lot of folks have really felt the desire to come back and help us. And I just want to say thank you to all of them. It's been incredible to welcome them back.

And the line is long out the door of people who have left Salesforce and want to come back to Salesforce, and we're welcoming all of them with open arms, especially across our sales, engineering, technology organization. Proven winners, incredible leaders who got taken out of Salesforce because they were doing incredible things. To watch them come back because they want to help us and achieve this next level of growth and capability and revenue and margin and in technology and leadership.

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Well, I just want to especially start to thank some of those, including Miguel Milano, who's our new Chief Revenue Officer, has just returned to us from Celonis and of course, Ariel Kelman, our Chief Marketing Officer, who was most recently at Oracle, and Kendall Collins, our Chief Business Officer, and has been my -- now my Chief of Staff and was, of course, had so many, many executive positions at Salesforce.

But this is a long list, and I can't even continue it of how many people are coming back. And what I love about this is that they're hitting the ground running. They make an immediate impact. They know the culture. They understand the products. They're able to execute incredible agility. And so I've got the siren sound out there for all of them to come back and to join us.

Now earlier this month, we welcomed Sabastian Niles to Salesforce as our Chief Legal Officer. He's sitting here at the table right now making funny faces at me, and I wouldn't be happier. And I couldn't be happier to have Sabastian as part of my executive leadership team.

We met Sabastian this year. He did a lot of work with Wachtell, as a lot of you know, we won't go through the details. It's not necessary to go through that right now. The past is the past. But I'll tell you one of the greatest things that happened during this amazing period of Salesforce was meeting Sabastian and now to have him on the leadership team, I couldn't be more excited and I'm thrilled to have him with us. So welcome Sabastian.

Sabastian Niles^ Thank you.

Marc Benioff^ Okay. Thank you. Those were his opening comments. AI, data, CRM, trust, let me tell you, we are at the dawn of an AI revolution. And as I've said, it's a new innovation cycle that is sparking massive tech buying cycle over the coming years. It's also a new tech investment cycle. We've been involved in the earliest rounds of many of the top AI start-ups. Many of you have seen that. We are in there very early.

But I'll tell you, this company has pioneered AI, and not just in predictive, a lot of you have followed up the development and growth of Einstein. But also, you've seen that we've published some of the first papers on prompt engineering, in the beginnings of

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generative AI, and we took our deep learning routes and we really demonstrated the potential for regenerative AI and now to see so many of these companies become so successful.

I just saw OpenAI delivering \$1 billion revenue run rate. It's just awesome to see this growth and especially proud that they're right here in our hometown of San Francisco, which is becoming the number one AI city in the world. Very excited for our city. Now through our \$500 million generative AI fund, we're seeing the development of ethical AI with amazing companies like Anthropic, Cohere, Hugging Face and so many others. And I just heard one of them is in negotiations to sublease<sup>1</sup> our entire Slack building, but I'm not allowed to say who it is. But I couldn't be more excited about that because we're really seeing downtown San Francisco become AI Central.

So every CEO I've met with this year across every industry believes that AI is essential to improving both their top and bottom line, but especially their productivity. AI is just augmenting what we can do every single day, just thinking about myself, I have spent so much time on Bard over the last week, it's incredible. I was just buying some flashlights and I couldn't figure out what flashlight I wanted to buy, and I was on Amazon trying to figure out what's the flashlight.

And so I took a picture of the -- Amazon picture of what was happening on the app, and I gave it to Bard because Bard has this multimodal capability to ingest the photo. And then ingested the photo, and it told me not to buy the flashlight, that it was poor quality and it recommended one that was better for me. And it was incredible to see that I was once again working with a next generation of artificial intelligence.

And that is inspiring me and I think many of our customers and ultimately, all of them believe they can grow their businesses by becoming more connected to their customers than ever before through AI and at the same time, reduce cost, increase productivity, drive efficiency and exceed customer expectations through AI. And I'll tell you, every single management team that we have here at Salesforce, every week, we're using our Einstein AI to do exactly the same thing. We go back, we're trying to augment ourselves using Einstein.

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<sup>1</sup> Corrected from call.



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So what we'll say is, and we've been doing this now and super impressive, we'll say, "Okay, Brian, what do you think our number is?" And we'll say, "Okay, that's very nice, Brian. But Einstein, what do you really think the number is?" And then Einstein will say, I think Brian is sandbagging, and then the meeting continues. The reality is every company will undergo an AI transformation with the customer at the center, because every AI transformation begins and ends with the customer, and that's why Salesforce is really well positioned with the future.

And with this incredible technology, Einstein that we've invested so much in and grown and integrated into our core technology base, we're democratizing generative AI, making it very easy for our customers to implement every job, every business, in every industry. And I will just say that in the last few months, we've injected a new layer of generative AI assistance across all of the Customer 360.

And you can see it with our salespeople who are now using our Sales Cloud GPT, which has been incredible what we've released this quarter to all of our customers and here inside Salesforce. And then when we see that, they all say to themselves, you know what, in this new world, everyone can now be in Einstein.

But democratizing generative AI at scale for the biggest brands in the world requires more than just these large language models and deep learning algorithms, and we all know that. Because a lot of our customers kind of think and they have tried and they go and they pull something off of Hugging Face. This is amazing. An amazing company. We just invested in their new round and grab a model and put some data in it and nothing happens.

And then they don't understand and they call us and say, "Hi, what's happening here? I thought that this AI was so amazing?" And it's like, "Well, it takes a lot to actually get this intelligence to occur." And that's what I think that's the value that Salesforce is bringing is that we're really able to help our customers achieve this kind of technological superiority right out of the box just using our products in a low code, no code way.

It's really just democratization of generative AI at scale. And that is really what we're trying to achieve that at the heart of every one of these AI transformations becomes our

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intelligent, integrated and incredible Salesforce platform, and we're going to show all of that at Dreamforce. Our platform starts and ends now with our Data Cloud, and I just would like to call out the incredible Data Cloud team for what they have delivered. A lot of you have seen the release of the Data Cloud, this incredible Genie technology that we started really showing off last Dreamforce, but what you can see with Data Cloud is that customers must get their data together if they want to achieve success with AI.

This is the critical first step for every single customer. And we're going to see that this AI revolution is really a data revolution. And you're going to see at Dreamforce that we're going to get this data cloud turned on as fast as we can and as easiest as we can for every single one of our customers.

This Data Cloud is incredible, what it's doing for our customers. It not only has AI built in, but it's real time, it's automated, it's integrated with the core platform. It's not some separate data cloud. It's an integrated part of our platform in our metadata, in our core code, like our Sales Cloud, like our Service Cloud and, as you're about to soon see in our new Marketing Cloud and Commerce Cloud and of course, our core application development capabilities all inside our Data Cloud. No CRM platform on the planet is better positioned than Salesforce to use this amazing sales force and business data to fuel AI-powered applications because of this architecture. It's very easy for our customers to set up and just go.

And our data cloud is so deeply integrated as part of this core metadata architecture, it's allowing our customers to quickly action all of their data from any source without the costly integration project necessary with stand-alone data warehouses and data lakes they've been forced to buy and create more islands of information and all of these independent systems and independent teams versus having one integrated data architecture.

We're moving our customers from having islands of data to having a single source of truth for all of their data. This is our greatest dream. With Data Cloud and powerful technologies like Einstein, Flow, Lightning, Tableau, MuleSoft, Slack, our customers, they can easily supercharge every application and customer experience with AI, automation and analytics at scale.

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Data Cloud continues to be our fastest-growing organic product. You're going to see the new version at Dreamforce it's fully integrated with our Sales Cloud and Service Cloud and of course, already our Marketing Cloud and other key things. And this kind of new second version of Data Cloud that's coming will be fully released to the customers.

And as I said, our goal is for every customer just to be able to easily turn it on. Just in the second quarter, Data Cloud ingested, and this is amazing, over 6 trillion records. It ingested 6 trillion records and triggered more than 1 trillion activations to drive customer engagement. And we've always put trust at the center of everything that's going on in our platform, and that has never been important -- more important, I would say, especially now, with not only with Data Cloud, but on this AI revolution.

Because this AI revolution is a trust revolution, everything Einstein does has also delivered with trust and especially ethics at the center, and I especially want to call out the incredible work of our Office of Ethical and Humane Use, pioneering the use of ethics and technology. If you didn't read their incredible article in HBR this quarter. It was awesome.

And they are doing incredible work really saying that it's not just about AI, it's not just about data, but it's also about trust and ethics. And that's why we developed this Einstein trust layer. This is completely unique in the industry. It enables our customers to maintain their data privacy, security, residency and compliance goals.

And I can tell you, we're already at this early stage seen momentum with these amazing Einstein innovations. Companies like Heathrow Airport and PenFed Credit Union really adopted Einstein and took their Salesforce implementations to another level in the quarter. Heathrow is a great example of transformative power of AI, data, CRM and trust and the power of a single source of truth.

They have 70 million passengers who pass through their terminal annually, I'm sure many of you have been one of those passengers. I have as well. Heathrow is operating in a tremendous scale, managing the entire airport experience with the Service Cloud, Marketing Cloud, Commerce Cloud, but now Heathrow, they've added Data Cloud also, giving them a single source of truth for every customer interaction and setting them up to pioneer the AI revolution.

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And with Einstein, Heathrow's service agents now have this AI-assisted generating replies to service inquiries, case deflection, writing case summaries, all the relevant data and business context coming from Data Cloud.

We're doing so much incredible and exciting innovative work in service with Data Cloud and with our Service Cloud, and AI is going to show us a whole new vision for the future of service and what our Service Cloud can do for customers, not only with delivering high-quality customer service, but delivering incredible new levels of productivity. This is saving their agents huge amounts of time and effort. This is the power of Salesforce.

I've never been more excited about the future of our industry, the power and future of our company, the potential to help all of our customers and also especially our team, the quality of our team, especially fueled by all these amazing new boomerangs, and you're going to see it all at Dreamforce. Dreamforce is right around the corner, September 12 through 14 right here in San Francisco.

I'm looking forward to welcoming each and every one of you to Dreamforce. I'm right now at the top of Salesforce Tower in San Francisco. We're going to bring you up here. We'll bring you through Moscone. We'll show you our incredible downtown.

And I'll tell you, this isn't just the largest enterprise tech conference this year, it's going to be the world's largest AI conference and the largest gathering of AI experts. We'll have many of the world's top AI thinkers, including Sam Altman and his amazing OpenAI company, incredible what he's doing; Anthropic CEO, Dario Amodei, who's one of his alumni who left OpenAI to start Anthropic, amazing company.

Stanford's Fei-Fei Li, amazing researcher and visionary leader of AI and presenting some of the -- into some of the 1,500 Dreamforce Conference sessions, it's really awesome what we're going to see here with AI and Dreamforce. And we're going to take everyone's skills to a whole another level. And we'll also share our vision for the future of CRM, the next generation of Data Cloud and Einstein. And we're also going to have the Foo Fighters. They are going to play our Dreamforce Benefit Concert.

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Dave Matthews is going to play my dinner the night before. Hopefully, we're going to see him at the conference, some incredible ways. And we can't wait to get you all here and to show you what's happening at Salesforce, what's happening in AI, what's happening in San Francisco. And it's going to be an amazing event, and we're just a few days away. And now let me turn it over to Brian.

Brian Millham^ Thanks, Marc, particularly for the sandbagging comment. I really appreciate it. Our focus...

Marc Benioff^ It wasn't me. It was Einstein.

Brian Millham^ Sorry. Yes.

Marc Benioff^ So just know, it is what it is, Brian.

Brian Millham^ Got it. Our focus on operational...

Marc Benioff^ That's the AI revolution coming at you, baby. So get ready.

Brian Millham^ Okay. Our focus on operational excellence, high performance and growth initiatives drove another strong quarter. We continued our disciplined approach to cost management and efficiencies, removing complexity from our business to drive top and bottom line improvements. Every customer I met with in the quarter made it clear they are laser-focused on driving greater productivity, quick time to value and business growth.

We see AI CRM as the answer -- they all see AI CRM as the answer to those priorities, and we're making it easier and faster for our customers to unleash the power of trusted generative AI safely and at scale. We're innovating faster than ever with AI plus data plus CRM plus the trust platform. We also have the most complete product portfolio with Customer 360 delivering mission-critical outcomes for our customers.

And you've heard from Marc, Data Cloud is supercharging our product portfolio, servicing real-time customer data in the flow of work around sales, service, marketing and commerce.

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That's why more than 90% of the Fortune 100 rely Salesforce on average more than 5 of our clouds. Amid the ongoing measured buying environment, compression of larger transformational deals continued in the quarter, affecting our professional services growth. Despite that, we exceeded top and bottom line expectations in Q2. This is a reflection of our proven go-to-market strategy and focus on customer success.

Our high-performance culture continues to drive results, and I'm proud of how well the team executed in the quarter. Our growth initiatives across core products, data, AI, services, industries and international are driving our success.

In the quarter, we saw consistent demand in our core business, and we continue to benefit from customers consolidating their technology platforms to reduce complexity, drive efficiency and growth. 6 of our top 10 wins in the quarter included 5 or more clouds. And as you'll hear from Amy, we're deepening our relationships with multi-cloud customers who are running their businesses on Salesforce and realizing tremendous value from having one integrated AI-powered CRM platform.

Schneider Electric has been using Customer 360 for over a decade, enhancing customer engagement, service and efficiency. With Einstein, Schneider has refined demand generation, reduced close times by 30%. Through Salesforce Flow, they've automated order fulfillment. And with Service Cloud, they're handling over 8 million support interactions annually, much of it done on our self-service offering.

In Q2, Schneider selected Marketing Cloud to further personalize the customer experience. In the quarter, we saw add-on products like sales performance management, digital service, self-service and marketing engagement grow 40%. And to help our smaller business customers achieve faster time to value, we introduced a new product called Salesforce Starter in Q2, bringing sales, service and marketing into 1 integrated offering for our small business customers.

As Marc said, Data Cloud is one of our fastest-growing organic innovations ever, and it lets customers unlock the power of their data to supercharge every application and customer experience with AI, automation and analytics. This is driving our strong momentum.

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Data Cloud was in 5 of our top 10 deals in the quarter, and we saw great wins at companies like SiriusXM and KPMG. In the quarter, FedEx made a significant investment in Salesforce by adding Data Cloud. FedEx has long relied on multiple clouds from Salesforce, including sales, service, marketing and Einstein. Now with Data Cloud turned on, every part of Salesforce is deeply integrated to drive growth and deliver more targeted customer engagement and personalized experiences.

We're also seeing strong customer momentum on Einstein generative AI. PenFed is a great example of how AI plus data plus CRM plus trust is driving growth for our customers. PenFed is one of the largest credit unions in the U.S., growing at a rate of the next nine credit unions combined. They're already using Financial Services Cloud, Experience Cloud and MuleSoft, and our Einstein-powered chatbots handling 40,000 customer service sessions per month.

In fact, today, PenFed resolves 20% of their cases on first contact with Einstein-powered chatbots, resulting in a 223% increase in chatbot activity in the past year with incredible ROI. In Q2, PenFed expanded with Data Cloud to unify all the customer data from its nearly 3 million members and increase their use of Einstein to roll out generative AI assistant for every single one of their service agents.

In the quarter, we also had great wins in Tableau, Slack and MuleSoft, with Tableau continuing to be a tailwind to our revenue growth. In Q2, nearly half of our greater than \$1 million deals included MuleSoft.

And as customers bring together data from all sources to fuel efficiency, growth and insights, MuleSoft has become mission-critical for them and was included in half of our top 10 deals. We've seen excellent usage growth in our automation products, including Slack, which now has now launched nearly 18<sup>2</sup> million workflows weekly, 71% increase year-over-year.

Our industry verticals continue to be a growth lever for us. And for the third consecutive quarter, eight of our industry clouds grew at ARR above 50%. We also saw -- we saw strong growth internationally with wins like Hargreaves Lansdown in EMEA, Department

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<sup>2</sup> Corrected from call.

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of Education in Victoria in APAC, Banco Carrefour in LatAm. And I'm excited to reiterate Marc said earlier about Japan now being the second largest software business in the country, just incredible growth.

As we head into the second half of the year, we are leading the way as the number one AI CRM, with a path -- sorry, with the pace of innovation at an all-time high. Our focus on customer success drives our own success, accelerating revenue and profitability. The full power of Salesforce and our incredible community of Trailblazers, experts and partners will be on display at Dreamforce next month. I hope to see you all there. Amy, over to you.

Amy Weaver^ Thank you, Brian. Our Q2 results show that we continue to make great progress in our four, now five, key areas of transformation, delivering another quarter of top and bottom line expansion. As you can see in our results, we're delivering against our transformation, driving profitable growth and shareholder value, and we are well positioned for the future, with the number one AI CRM. Our execution against our profitable growth framework drove our Q2 results.

So let's start with the top line commentary. For the second quarter, revenue was \$8.6 billion, up 11% year-over-year and the same in constant currency. The growth was primarily driven by continued MuleSoft momentum, solid sales and service performance and a modest FX tailwind. This was partially offset by some continued weakness in professional services.

The durability of our business model and our continued multi-cloud expansion strategy reflects the mission-critical nature of our unified platform. This is evidenced by the more than 450 customers who invest more than \$10 million annually and average 7 clouds. And in the last five years, the number of \$10 million-plus customers has tripled, and their average number of clouds has nearly doubled.

From a geographic perspective, the Americas revenue grew 10%. EMEA grew 13% or 11% in constant currency, and APAC grew 20% or 24% in constant currency. We saw strong new business growth internationally, highlighted by Canada, France and India, while the United States continues to be constrained.



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From an industry perspective, manufacturing, automotive and energy saw greater resilience, while high tech and retail and consumer goods were more measured. Q2 revenue attrition ended the quarter at approximately 8%. In Q2, our non-GAAP operating margin rose to 31.6%, up 1,000 basis points or more for the second quarter in a row. The margin improvement was driven by savings from our restructuring actions, strength in revenue and investment timing.

I am very proud of our progress. Our disciplined approach to cost management has allowed us to exceed our 30% non-GAAP margin target three quarters early. Q2 operating cash flow was \$808 million, up 142% year-over-year. Q2 free cash flow was \$628 million, up 379% year-over-year. The upside in cash flow was driven by stronger collections than expected and lower cash outflows tied to the Q2 margin benefits we just discussed.

Now turning to remaining performance obligation, RPO, which represents all future revenue under contract, ended Q2 at \$46.6 billion, up 12% year-over-year. Current remaining performance obligation, or cRPO, ended at \$24.1 billion, up 12% year-over-year and 11% in constant currency. This was ahead of expectations, notably due to the momentum in MuleSoft. As we called out last quarter, cRPO growth did include a 1 point headwind from professional services.

And finally, we continue to deliver on our capital return commitment. In Q2, we returned \$1.9 billion in the form of share repurchases, bringing the total return to more than \$8 billion, representing more than 48 million shares since the program was initiated just last August.

Before turning to guidance, I wanted to briefly touch on the current macro environment. As you heard from Brian, the measured macro environment continues to impact customer decision-making. And we are still seeing elongated sales cycles, additional deal approval layers and deal compression in our subscription and support and professional services businesses. These factors are incorporated in our guidance.

Let's start with fiscal year '24. On revenue, we are raising our guidance to \$34.7 billion to \$34.8 billion, representing 11% growth year-over-year in both nominal and constant currency. The increase is driven by strength in our subscription and support revenue,

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particularly in MuleSoft. We are accelerating our transformation to profitable growth. For fiscal year '24, we are pleased to raise non-GAAP operating margin guidance to 30%, representing a 750 basis point improvement year-over-year.

As Marc highlighted, we're in a new AI era, a new innovation cycle that we will continue to invest into as we have over the last decade. As a result, we expect nonlinear quarterly margins in the back half of this year, driven by investment timing, specifically in AI-focused R&D. We also remain focused on stock-based compensation and expected to improve this year to slightly above 8% as a percent of revenue.

As a result of these updates, we now expect fiscal year '24 GAAP diluted EPS of \$3.50 to \$3.52, including estimated charges for the restructuring of \$1.11. Non-GAAP diluted EPS is now expected to be \$8.04 to \$8.06. We are raising our fiscal year '24 operating cash flow growth guidance to approximately 22% to 23%. This continues to include a 14 to 16-point headwind from restructuring.

As a reminder, we expect to see an increase in our cash taxes in fiscal year '24 as we draw down our remaining net operating losses. We expect an even greater cash tax headwind next fiscal year as we draw down our remaining tax credit carryforward. CapEx for the fiscal year is expected to be slightly below 2.5% of revenue. This results in free cash flow growth of approximately 24% to 25% for the fiscal year.

Now to guidance for Q3. On revenue, we expect \$8.7 billion to \$8.72 billion, growth of approximately 11% or 10% in constant currency. cRPO growth for Q3 is expected to be slightly above 11% year-over-year in nominal and slightly above 10% in constant currency. We continue to expect professional services headwinds of approximately 1 point to cRPO growth.

As a reminder, Q3 is the first full quarter we lapped the measured buying environment that we first began to see in July of last year. While we expect bookings growth to begin to normalize, cRPO will continue to be materially impacted by the cumulative effect of the previous five quarters of measured sales performance.

For Q3, we expect GAAP EPS of \$1.02 to \$1.03. And non-GAAP EPS of \$2.05 to \$2.06. And as we focus on shareholder return and disciplined capital allocation, we continue to

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expect to fully offset our stock-based compensation dilution through our share repurchases in fiscal year '24.

In closing, I want to thank our shareholders for their continued support. As we laid out for you two quarters ago, we have radically accelerated our transformation to profitable growth. We've maintained our disciplined approach to cost management while continuing to make strategic investments, notably in our new data and AI capabilities.

And finally, I hope you're able to attend Dreamforce, whether in person or virtually, to hear the latest on the incredible AI innovation our team is delivering. As Marc said, it's going to be the AI event of the year. Now Mike, let's open up the call for questions.

Michael Spencer^ Thanks, Amy. [Emma], we'll go to move to Q&A portion of our call now. Out of respect for others on the call, we ask everyone to ask only one question. [Emma], please?

+++q-and-a

Operator^ (Operator Instructions) Your first question comes from the line of Kash Rangan with Goldman Sachs.

Kasthuri Rangan^ The team has done a spectacular job doing a soft landing, not to use an overused term with respect to the economy. So that's cost controls, operating discipline, et cetera. So really congratulations on that. And I hope that Dreamforce continues to stay in San Francisco, Marc.

A question for you is we got all this tremendous new product excitement. We've got generative AI capabilities. The spending environment seems to be sort of stabilizing. The economy does have a soft landing. Do you think Salesforce has maximized its customer wallet share? Or do you think there's more share to gain and therefore, there are better days ahead?

Because we've seen the margin story play out very, very impressively. Is there -- is sales -- can Salesforce get back to the days of growth, not hyper growth, but is there enough room in the market, enough customer wallet share? And seemingly there's enough

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product excitement with generative AI. So if you net it all out, can we still do a nice job with margins while still having a shot at growing even faster when economic conditions are no longer a constraint. Congratulations.

Marc Benioff^ Kash, thanks so much, and we're looking forward to seeing you at Dreamforce. We're really excited, and I think you're going to be super excited when you see these new AI products. And when we talk about growth, I think it's going to start with AI. I think that AI is about to really ignite a buying revolution. I think we've already started to see that with our customers and even some of these new companies like OpenAI. And we certainly see that in our customers' base as well.

I think you also know we've definitely seen in the last several quarters a measured buying environment. That's also been true, not just at Salesforce, but I think for the vast majority of our peers that you follow. And I think that you've also called that out a number of times. And I certainly expect that to abate, especially as customers begin to adopt these new AI technologies and understand they need to invest and grow to be able to achieve this kind of next level of productivity.

Now all that said, we've also seen this amazing growth in a number of our core technologies and our products, and I would especially like to call out the incredible success of MuleSoft over the last several quarters because that is a product that has far exceeded our expectations, especially and including several of our geographies as well. So this is not something that is quite permeated everywhere, but there are some isolated areas.

And I really think that Dreamforce is going to become a catalyst for our customers to see this opportunity to grow with us, to see these new products, these new technologies. Data Cloud is just one example of many new areas that Salesforce investments can happen with customers. And I'm sure that as they start to reignite their IT-buying budgets in this kind of post-pandemic hangover that's kind of occurred, I think as we kind of get to this next level, we're going to see it driven by artificial intelligence. Brian, what's your perspective?

Brian Millham^ Yes, Kash, thanks for the question. I think we've outlined in previous calls a growth strategy, it's three-pronged, one around expanding our multi-cloud

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customers, and with new technology like AI and Data Cloud, there's a huge opportunity for us to go back to our customers and expand the number of clouds that they're using, a big growth opportunity to drive more value for our customers and certainly more success for us as well.

International acceleration continues a big opportunity for us, and we think there's plenty of room to run in the international markets. We're going to continue to focus our efforts there and make investments as we see appropriate. Obviously, we'd love to see the economy turn a bit. And then finally, on industries. You heard me say 8 of our industry clouds grew greater than 50% in the quarter. It's remarkable the impact we're having with our industry products. So deeper investments in industries as well will continue to propel the growth of this business.

Marc Benioff^ And I think I would be remiss if I didn't call on Ariel Kelman who's sitting here at the table with us to talk about Dreamforce and to also talk about a number of the incredible new technologies that are appearing. So Ariel, can you give us a little bit of an insight to what you -- what we're going to see in some of these catalysts or amazing next level of growth for Salesforce that are going to occur.

Ariel Kelman^ Yes, we're very excited about next week's Dreamforce conference. Hopefully, all of you can join us. As Marc said, it's going to be the biggest AI event of the year. We have a tremendous lineup of speakers, both some of the most technical companies and the technical speakers of those companies and people to help the broader business community understand what they can do with AI all across our Customer 360 range of products.

We're going to have sessions for salespeople, for marketing people, for customer service people to really teach them and inspire them on how they can use AI to really advance their capabilities with the technology we've built directly in our product in the flow of work so they can take advantage of it immediately.

Marc Benioff^ Ariel, you've been back now for what has it been, a couple of months now, 1 month? How long has it been?

Ariel Kelman^ It has been since the beginning of June, it's about 3 months.

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Marc Benioff^ Three months. So tell us what's been your biggest surprise being back at Salesforce?

Ariel Kelman^ My biggest surprise is that the energy of all the people here is, in some ways, just as inspiring and energizing as it was when I was here 12 years ago that this passion about the mission we're on and the high standards for the technology that we build is really -- has been very, very refreshing from having been in some other companies.

Marc Benioff^ Well, we were sorry to lose you to Amazon and then to Oracle, but we're happy to have you back here. So welcome back. Okay, Michael.

Michael Spencer^ Thanks, Kash. Emma, we'll take the next question please.

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

Keith Weiss^ I echo Kash's congratulations on a solid quarter, particularly on the margin side of the equation, where you guys really outperformed expectations. And my question is around kind of margins on a go-forward basis. You achieved your targets well ahead of plan, 3 quarters ahead of plan, as you guys stated. But there's also a big opportunity ahead.

And Marc, you talked a lot about this transformational opportunity ahead with generative AI. So how should we be thinking about the balance between investing for that generative AI opportunity versus further kind of margin gains on a go-forward basis into the back half of this year and potentially into next year as you guys balance these 2 opportunities and goals.

Marc Benioff^ Well, I really would like to just directly address that, which is what you're really speaking to is this incredible opportunity ahead, and generative AI is really that opportunity, but also many other opportunities, including data. I really think that there are some unbelievable opportunities ahead.

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It's going to be incredible to see what we're going to be able to do. And I think that the question is, exactly as you said it, how much are we going to really unleash the fundamental growth of the company against commitments that we have made to our investors to continue to deliver profitable growth.

I think that at the very fundamental level, starting with our Investor Day last Dreamforce, we told you that we are committed to profitable growth. And now you can see that we were serious. It wasn't a joke. We did a number of things. We curtailed things. We made changes structurally to the company, short-term and long-term issues. And we're still doing things, by the way, to do that.

At the same time, we see this incredible opportunity that's out in the industry, new companies that are emerging as well as, of course, all kinds of unusual public company dislocation. So we're watching all of those things. But number one is going to be our commitment to you.

Nothing is more important than the trust that we have with our investors. Number two is, we are very thirsty to make sure that Salesforce is the #1 AI CRM, and we have done a lot organically to do that in the last 6 months. Of course, there's things out there that we could do to help us with inorganic as well. We're looking at those things. We're looking at everything, but nothing is going to ever trump the trust that we have with all of you.

Amy Weaver^ Keith, I would just add, yes, when we did the restructuring, it was never just for the bottom line. We also made changes so that we were -- we'd have the resources to invest in the areas that we believe are going to drive the highest growth for the company. And we've been very disciplined in our approach to spending this quarter, but we want to lean into these opportunities, especially around AI, around data and around our core.

And as a result, you will see that our increase in guidance to 30% does imply slightly nonlinear progression this year. And in terms of the future, as we look forward, underscore everything Marc said about our commitments. And as I said last time, I really believe 30% annually is a floor, not a ceiling.

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Operator^ Your next question comes from the line of Kirk Materne with Evercore.

Kirk Materne^ I guess, Amy, I've had a lot of questions just on the impact of the pricing actions that you all announced earlier this -- over the summer. How that -- if that had any impact on the quarter? And then how are you thinking about that in terms of the guidance for the back half of this year?

Amy Weaver^ Great. Thanks for the question. So on guidance for this year, I have taken into account the pricing uplift as well as any changes from our new -- or opportunities around AI. I will say that neither has a significant influence on our guidance for this year. I think that those opportunities really take a while to roll through our customer base, particularly on pricing as we look to renewal. Brian, anything else you would like to add to that?

Brian Millham^ No, exactly that. We're going to see the impact of our price increase really hit the customer base over the next one to two to three years. So no big material change in this fiscal year.

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

Karl Keirstead^ Maybe to Marc and/or Amy, with head count down 11% now, and as you talked about, Marc, welcoming back from our employees, do you feel like you've rightsized the head count now at the 70,000 level? Has it sort of bottomed? And if you feel like there's an opportunity for it to stabilize or start growing again, is that a signal, Marc, that you feel like your growth rate here at 11% this year is at or near a bottom?

Marc Benioff^ Well, I think it's such a great question. It's something the management team is talking about every single day because we are continuing to grow and invest in our headcount, especially in AI.

Also, I think I mentioned we are doing so much incredible innovation work on our core, and we've commanded our engineering teams to accelerate their work in moving all of our acquisitions into our core, especially our marketing products and commerce products and Data Cloud, all of which we plan to show you at Dreamforce and to accelerate that work, and that's extremely important to us.



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And also Brian has a number of products and geographies that are growing and we've also commanded him to invest in his growth. So we are continuing to grow our headcount, but we are also facing normalized attrition, of course, with headcount, that's also part of it.

And so as those -- both of those things get rebalanced, you'll continue to see our head count adjust and move forward. I don't know if we can call this as a bottom exactly yet or if it's -- but we're not planning any other major restructuring efforts in the company today like what we saw earlier this year. We hope that, that is one and done and behind us.

Operator^ Your next question comes from the line of Brad Sills with Bank of America Securities.

Bradley Sills^ I wanted to ask another question here on AI. The opportunities here are just so exciting across the stack. With Sales GPT, you've highlighted content automation, call summary, sales assistance, Service GPT, auto replies, summaries and scheduling. Just when you look across the Salesforce stack, where do you see the most opportunity here across sales, service, marketing, commerce and the core based on the activity that you're seeing today from customers with the early release of the product?

Marc Benioff^ Well, thank you so much for that. And let me just say, we're at the beginning of quite a ballgame here, and we're really looking at the evolution of artificial intelligence in a broad way, and you're really going to see it take place over four major zones.

And the first major zone is what's played out in the last decade, which has been predictive. That's been amazing. That's why Salesforce will deliver about 1 trillion transactions on Einstein this week. It's incredible.

These are mostly predictive transactions, but we're moving rapidly into the second zone that we all know is generative AI and these GPT products, which we've now released to our customers. We're very excited about the speed of our engineering organization and

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technology organization, our product organization and their ability to deliver customer value with generative AI.

We have tremendous AI expertise led by an incredible AI research team. And this idea that we're kind of now in a generative zone means that's zone number two. But as you're going to see at Dreamforce, zone number three is opening up with autonomous and with agent-based systems as well. This will be another level of growth and another level of innovation that we haven't really seen unfold yet from a lot of companies, and that's an area that we are excited to do a lot of innovation and growth and help our customers in all those areas.

And then we're eventually going to move into AGI and that will be the fourth area. And I think as we move through these four zones, CRM will become more important to our customers than ever before. Because you're going to be able to get more automation, more intelligence, more productivity, more capabilities, more augmentation of your employees, as I mentioned.

And you're right, we're going to see a wide variety of capabilities exactly like you said, whether it's the call summaries and account overviews and deal insights and insight summaries and in-product assistance or mobile work briefings. I mean, when I look at things like service, when we see the amount of case deflection we can do and productivity enhancements with our service teams not just in replies and answers, but also in summaries and summarization. We've seen how that works with generative and how important that is in knowledge generation and auto-responding conversations.

And then we're going to have the ability for our customers to, with our product, we have an open system. We're not we're not dictating that they have to use any one of these AI systems. We have an ecosystem.

Of course, we have our own models and our own technology that we have given to our customers, but we're also investing in all of these companies, and we plan to be able to offer them as opportunities for those customers as well, and they'll be able to deliver all kinds of things. And you'll see that, whether it's going to end up being contract digitization and cost generation or survey generators or all kinds of campaign assistance.

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And the most recently in our world tour in London, we showed how our Data Cloud did automatic marketing segmentation, that was incredible. And you're going to see a lot more that's going to happen in all of these things. A lot of it, you can see happening in Slack. Slack has become incredible for these AI companies. Every AI company that we've met with is a Slack company. All of them make their agents available for Slack first. We saw that, for example, with Anthropic, where Cloud really appeared first and Cloud 2 first then Slack.

And then Anthropic, as a company, uses Slack internally and they have a -- they take their technology and develop news digest every day and newsletters and they do incredible things with Slack. Because Slack is just a treasure trove of information for artificial intelligence, and you'll see us deliver all kinds of new capabilities in Slack along these lines.

And we're working, as I've mentioned, get Slack to wake up and become more aware and also for Slack to be able to do all of the things that I just mentioned. One of the most exciting things I think you're going to see a Dreamforce is Slack very much as a vision for the front end of all of our core products. We're going to show you an incredible new capability that we call Slack Sales Elevate, which is promoting our core Sales Cloud system running right inside Slack.

That's going to be amazing, and we're going to also see how we're going to release and deliver all of our core services in Salesforce through Slack. This is very important for our company to deliver Slack very much as a tremendous, tremendous easy-to-use interface on the core Salesforce, but also all these AI systems. So all of that is that next generation of artificial intelligence capability, and I'm really excited to show all of that to you at Dreamforce as well as Data Cloud as well.

Operator^ Your next question comes from the line of Brad Zelnick with Deutsche Bank.

Brad Zelnick^ Great. And congrats in particular to Amy and the whole team on overachieving on profitability. My question, Marc, is for you. I wanted to drill down at the Data Cloud because the things we keep hearing from partners suggest that the interest level just keeps building and building. Can you talk about the pipeline and

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scope of these projects and how this generative AI moment is impacting the opportunity? And why Salesforce is well positioned as the partner of choice, especially in the context of trust?

Marc Benioff^ Well, especially as we said on the call as well, which is that we've said this is about AI, this is about data, this is about CRM and this is about trust. Those four things have to come together as 1 thing. And that's what we call Salesforce. That's a modern version of Salesforce, is AI plus data plus CRM plus trust. And I think that is really a moment that we have to like really get clear and show that to customers. We've tried to really book the last six months.

Obviously, we're going through a huge transformation with all of you. But you can see we've also gone through an incredible technology transformation around artificial intelligence to the point where we got these products out was awesome and let our customers really get into it and see what they can and cannot do and what they're excited about and how they want to move these products forward and what we think is going to be the future of AI.

And it's these 4 things together that are going to fundamentally help us. And I think Data Cloud, you're 100% right, is going to be the heart of it. Well, certainly, it's a huge revenue opportunity for us because as you heard from Brian, customers who have Sales Cloud and they've got Service Cloud and they've got Marketing Cloud, and they're using our platform. Maybe they have Commerce Cloud as well, and now they're adding Data Cloud. And as these clouds get stacked with these customers', attrition falls, customers become more successful, they develop a single source of truth.

And our job is to get all of these things running on our core and getting all of these things ignited with artificial intelligence. So I was very excited to recruit back as my Chief of Staff and as my Chief Business Officer, Kendall Collins. So Kendall, can you just give us a little insight on the vision of Dreamforce and what we're going to see for Data Cloud and some of these amazing clouds and why everyone should get excited about what's about to happen over the next couple of weeks when everyone gets here into San Francisco on September 12?

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Kendall Collins^ Yes, Marc, it's great to be back. It's been about 4 months and just amazing to see the energy of Salesforce, a company with the right values and I think the right people and really at the right time for generative. What you said about AI is so compelling because it's not just about one cloud. It's about making every cloud better, seeing that Sales GPT, Marketing GPT, Commerce GPT went live last week. And Dreamforce is going to be exciting.

Marc Benioff^ Well, I'm really excited as well. And I'll tell you, you're sitting next to Sabastian Niles, our new Chief Legal Officer, just joined us from Wachtell. Sabastian, we're happy to have you here live for the first earnings call and welcome to Salesforce. And I know this is going to be your first Dreamforce and give us a vision of what you're excited about for the future.

Sabastian Niles^ I'd say whether it's Dreamforce or sort of looking ahead, what I've been most excited about is how our values, trust, customer success, innovation, equality, sustainability are truly infused within our culture.

And that these values, they're powering our customer journeys, they're powering our commitment to our investors, they're powering our commitment to all stakeholders. And I think certainly, as we look ahead, whether it's in the next several months, the next several years, the next 10 years and beyond, it's these values that are going to underlie how AI evolves.

And how at least for sophisticated enterprises, and I think for all enterprises and even individual human beings, they will choose to partner with the companies and organizations who are putting trust first and are deploying and incorporating trust throughout the technology life cycle, whether that's design of technology, deployment of technology, development, service and monitoring, and I could not be more excited by what I see ahead.

Marc Benioff^ Well, I couldn't be more excited to have you on our new management team and kind of the evolution of our team here at Salesforce. And thank you for all the help that you've given us also in the last six months, especially with all of our investors. Michael?

Operator^ Your question comes from Brent Thill with Jefferies.

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Brent Thill^ Marc, 12% cRPO growth the last two quarters. With AI building into the model, do you believe long term you can reaccelerate this to a 15% to 20% growth business?

Marc Benioff^ Well, I'll tell you that's certainly on my mind every single day. And you're right, I'm a growth CEO. So that's what I like to do. I like to grow. I mean that's been about growing margins for the last six months, so that's a reframe for me. But we've grown this business to these incredible revenue numbers this year, third largest software company in the world.

And as we kind of head into these incredible next levels of capability, I'm very excited about the future. And there's lots and lots of ways to move the top line forward.

But I'll tell you, now I am quite addicted to the bottom line as well. And also, as I said earlier, there's nothing more important than the trust that I have with all of our stakeholders, including our investors.

So I want to make sure that we fulfill our commitments and promises to all of you, just as we have in the last three earnings calls, we've delivered exactly as we've told you we are going to do, and we're going to continue to do that.

At the same time, you know that I am thinking about how are we going to move this ball forward and down the field with these incredible opportunities in front of us. So it's very much has to be a balanced equation to make this right, to make it right for us and to make it right for you, and I'd love to have that conversation in more depth in the next couple of weeks.

As we all come to Dreamforce, I hope you'll seek me out and find me and let's have that conversation one-on-one, just as we have been having in the last 6 months. I want to do what I've been doing for the last couple of quarters, which is to express my sincere gratitude to all of you and our investors have been a critical part. You've had key insights, many of which we did not have ourselves on things that we could do to make us an even stronger company.

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And we've done that, I'm sure you can see that in the numbers. There's never been a software company quite like this at this level. Even now as we start to cross into these incredible numbers, in the mid-\$30 billion numbers, the strength of the company has never been higher, and now we have this incredible opportunity with AI ahead.

Michael Spencer^ Thanks, Brent. And thanks everyone, for joining us today. We look forward to seeing everyone hopefully at Dreamforce in a few weeks.

Operator^ This concludes today's conference call. You may now disconnect.