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Salesforce.com

[Watch the Video] This Ship Is Not Slowing Down

May 25, 2021

Key Takeaway

Our survey of 50+ partners along with our recent checks indicate sustained strong fundamental demand. 80% saw their CRM pipelines improve over the past 3 mos vs. 73% last Q. CRM has underperformed recently due to the WORK deal. The stock works if mgmt. takes a breather on large M&A, focuses on integrating Slack, and delivers margins. CRM is valued attractively at 6.7x '22E rev. vs group at 10.4x (35% discount). Maintain Buy and $300 PT.

Things we liked:

- **Improving CRM Pipelines.** We asked our 55 survey respondents how their pipelines have changed in the last 3 mos. **100% of respondents noted that their pipelines were either flat or had improved vs. 91% last Q and 90% two Qs ago. 80% noted that their pipelines had improved over the past 3 mos. vs. 73% last Q and 76% two Qs ago (Chart 1).**
- **Pandemic Driving Sustained Increase In Digital Transformation Demand.** 54% saw an increase in their pipelines due to the pandemic higher than 41% last Q and 34% two Qs ago. **We believe this is an indicator that the pandemic is driving sustained LT secular demand for digital transformation.**
- **Improvement In Enthusiasm for Slack Among Partners.** 44% expect Slack to be part of their business up from 30% last Q. **While this improvement is encouraging, we believe there is more room for driving enthusiasm higher.**
- **Improvement In Industry Cloud Prospects.** Recall CRM acquired Vlocity in June 2020. CRM now has 12 Industry Clouds. **31% expect Industry Cloud to be greater than 15% of their CRM business up from 16% last Q and 18% two Qs ago.**

Things we are keeping an eye on:

- **Fewer Partners Attaining Their Plans.** The net %, which is the total % above plan minus the total % below plan, was **positive 8% this Q vs. positive 16% last Q**. The delta was still higher than positive 1% two Qs ago. **Despite the sequential decline, we note that the majority of respondents attained their plans.**

F1Q Expectations Reasonable. We are at 19% current RPO growth in line with guidance. The Street expects 23% billings growth. The Street est. translates to 16% organic, cc billings growth vs. 9% in F1Q21 (easy compare). Our F1Q rev. est. growth of 21% is in line with guidance. We est. organic rev. growth of 20% vs. 20% a yr. ago.

CRM To Unlock Value From Slack Over Time. We continue to believe that CRM's stock will recover over time given the strong fundamentals that power the story. **We believe the stock works if CRM takes a breather from large M&A, focuses on integrating Slack once the deal closes (expected at the end of F2Q), and delivers on margins.**

Attractive Valuation With Favorable Risk-Reward. CRM trades at 6.7x '22E revs. vs. comps at 10.4x (35% discount). We believe there is limited downside (~20%) to trough levels (~5x '22E rev.). Our PT implies 32% upside and an 8.7x multiple with the optionality to 58% upside in our bull case (10.5x '22E rev.) if CRM executes to plan.

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COMPANY UPDATE

USA | Software

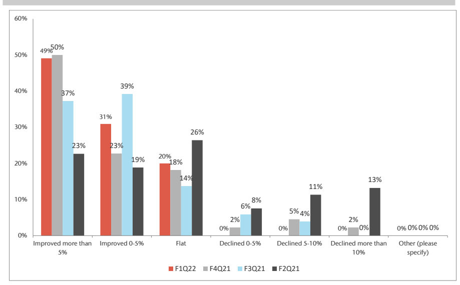
RATING	BUY
PRICE	$226.99^
MARKET CAP	$213.1B
PRICE TARGET (PT)	$300.00
UPSIDE SCENARIO PT	$360.00
DOWNSIDE SCENARIO PT	$175.00

^Prior trading day's closing price unless otherwise noted.

FY Jan

USD	2020A	2021A	2022E	2023E
EPS	3.02	4.93	3.40	4.25
FY P/E	75.2x	46.0x	66.8x	53.4x

Chart 1 - Has your Salesforce pipeline changed in February, March, and April when compared to November, December, and January and by how much?



Source: JefData proprietary salesforce.com Partner Surveys (F1Q22: n=55; F4Q21: n=44; F3Q21: n=51; F2Q21: n=53)

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SALESFORCE.COM (CRM)

Estimates				
USD	2020A	2021A	2022E	2023E
Rev. (MM)	17,098.0	21,252.0	25,700.0	31,185.8
Previous				
EPS				
Q1	0.93	0.70	0.88	1.12
Previous				
Q2	0.66	1.44	0.90	1.13
Previous				
Q3	0.75	1.74	0.78	1.00
Previous				
Q4	0.66	1.04	0.84	1.00
Previous				
FY Jan	3.02	4.93	3.40	4.25
Previous				

Valuation				
	2020A	2021A	2022E	2023E
Jefe	(0.3)	(1.9)	1.5	(0.9)
P/Rev	12.5x	10.0x	8.3x	6.8x
EV/Rev	11.9x	9.6x	7.9x	6.5x
FY P/E	75.2x	46.0x	66.8x	53.4x

Market Data	
52-Week Range:	$284.50 - $167.00
Total Entprs. Value	203.9B
Avg. Daily Value MM (USD)	1,135.07
Insider Ownership	9.1%
Institutional Ownership	90.9%
Float (%)	94.6%

Financial Summary	
Long-Term Debt (MM)	2,673.0
Cash & ST Invest. (MM)	9,283.0

The Long View

Scenarios

Base Case

- About 17% revenue CAGR to company's fiscal 2026 target of $50B, which implies low-to-mid-teens New Sub ACV growth, achievable in our view.
- Sustainable growth driven by continued strong enterprise adoption, steady commercial market segment adoption win rates, larger deals, continued partner ecosystem support, and healthy new business mix of core and new products.
- 125-150 bps of annual non-GAAP operating margin expansion (suppressed near term in F20 due to the Tableau acquisition).
- $300 price target based on our base case DCF scenario, which implies 8.7x EV/2022E Revenue.

Upside Scenario

- Meaningful revenue growth acceleration to near 22% long-term target, driven by strong new business growth, due to stronger-than-expected enterprise penetration, and/or pricing uplifts due to Einstein AI and Lightning UI adoption.
- Annual Non-GAAP operating margin expansion closer to the high end of LT guidance of 300 bps, while maintaining 20-30% top-line growth.
- Revenue synergies and TAM expansion from continued strategic acquisitions.
- $360 price target based on our bull case DCF scenario, which implies 10.5x EV/2022E Revenue.

Downside Scenario

- Top-line growth deceleration to below 17%, due to increased competitive pressures, market saturation in core market segments, or lack of adoption of newer products.
- Non-GAAP operating margin near the low end of LT guidance of 100-300 bps of annual expansion, driven by reinvestment in top-line growth, pushing out cash flows.
- New Subscription ACV decelerates or turns negative over the medium to long term.
- $175 price target based on our bear-case DCF scenario, which implies 5x EV/2022E Revenue.

Investment Thesis / Where We Differ

- We derive New Subscription ACV on an organic, constant currency basis for salesforce.com, which we believe is the best indicator of future subscription revenue growth. We calculate low to mid-teens New Sub ACV growth can sustain over 20% billings growth in the near-to-medium-term, which provides support for our price target.

Catalysts

- Accretive M&A and successful integration of recent acquisitions.
- Incremental additions to Salesforce Platform-as-a-Service (e.g., out-of-the-box AI features).
- CRM will report F1Q22 on May 27, 2021.

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Executive Summary

Salesforce.com's stock has been in the penalty box since the Slack deal (the largest M&A deal in Salesforce.com's history) has driven recent underperformance in the stock. Sentiment is negative on the stock in the near term. Although the stock is up 2% in 2021, it has underperformed the IGV on a 1, 3 and 5 year time horizon (Chart 2). There are some concerns around Slack, but we believe those should be resolved over time as Salesforce closes the deal and integrates Slack into Salesforce.com. We believe that the company needs to take a breather on large M&A, focus on integrating Slack once the deal closes, and deliver on margins to make the stock work. We believe the risk-reward on the valuation front is attractive. The stock currently trades at ~6.7x EV/22E revenues. Based on a trough multiple (~5x '22E rev.) would imply ~23% downside from current levels. Our price target of $300 translates to 8.7x '22E revenue implying 32% upside with the optionality of getting to $360 (58% upside) if all goes perfectly in the bull case.

Fundamental Strength: Our checks (multiple experts for MuleSoft, Tableau, and Salesforce) and our survey of 50+ partners indicate that the fundamental demand environment is strong. Our survey of 50+ partners was positive. We asked respondents how their pipelines have changed in February, March, and April, when compared to the pipelines in November, December, and January. **100% of the respondents noted that their pipelines were either flat or had improved vs. 91% last quarter, 90% two quarters ago, and 68% three quarters ago. 80% noted that their pipelines had improved vs. 73% last quarter, 76% two quarters ago, and 42% three quarters ago. We believe these are clear indications of improvement in demand pipelines over the past three months. See Chart 1.**

Thoughts on the Slack Acquisition: The negative reaction and sentiment is understandable as Slack is more than twice the multiple Salesforce paid for Tableau in 2019 (26x NTM revenues vs. 11x NTM revenues) and also represents Salesforce.com's biggest deal to date ($27.7B vs. $5.3B average across the last 10 deals) (Chart 4). However, the negative investor reaction is not new for Salesforce.com. This has happened twice before, when Salesforce acquired MuleSoft in 2018 and Tableau in 2019. Both times the stock has recovered after being in the penalty box for a quarter or two. **We continue to believe that Salesforce.com's stock will recover over time given the strong fundamentals that power the story. The case studies from the MuleSoft and Tableau acquisitions show this to be true. We also believe Salesforce.com will unlock Slack's value over time just like it did with MuleSoft. We can see the evidence in MuleSoft, which saw its growth accelerate as part of the Salesforce.com portfolio after the acquisition (94% subscription and support growth in 2018 as part of Salesforce vs. 56% as an independent company per industry estimates). Furthermore, we believe there is more value to be unlocked if Salesforce.com makes Slack the center of Customer 360.** We asked two questions this quarter on Slack to gauge partner and customer reaction to the announcement of the deal. This quarter there was a sequential improvement in partner prospects for Slack one year out. This quarter, 44% of respondents believe that Slack will form some component of their Salesforce.com business a year from now up from 30% last quarter. **While this improvement is encouraging, we believe there is more room for driving partner enthusiasm higher for the deal.** For reference, when we first asked for Tableau, 51% of respondents believed that some component of their business would be Tableau a year post the acquisition. For MuleSoft, it was 81% of respondents that believed MuleSoft would be part of their Salesforce business

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when we first asked the question. Execution will be key in the upcoming quarters, and we will track these responses going forward.

Set-up and Valuation: The set-up for the F1Q22 looks attractive given the improving pipelines combined with an easier compare and a reasonable guide. Organic Current RPO was 18% in F1Q21 impacted by the pandemic and expectations for 19% growth seem reasonable. Organic, constant currency billings growth was 9% in F1Q21 and expectations for 16% growth are reasonable against that easy compare. Organic revenue growth of 20% should be attainable versus the 20% that Salesforce put up for fiscal first quarter 2020. Note Salesforce will see some benefit from some MuleSoft contracts that closed in F4Q but have start dates for revenue recognition in F1Q. We also believe Street estimates and guidance for fiscal 2022 implying 21% top line growth (17% organic) look reasonable as well. CRM is trading at 7.6x NTM revenues versus the large peer average at 11.8x, implying a 36% discount to the peer group. This discount has been around 18% historically over the last 6 years and has widened recently given the negative reaction to the Slack deal (Chart 3). Even if one normalizes for Slack, Salesforce would still trade at a 27% discount (~8.5x EV/NTM rev.). **While we can understand the concerns, we believe the stock will shake off these worries over the long term as it has done previously with the Tableau and MuleSoft acquisitions.** We believe the pipeline remains robust and that Salesforce.com is well-positioned to attain its long-term goals. Maintain Buy and our $300 price target.

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Earnings Expectations and Expert Insights

Strong F1Q Guidance Appears Achievable; Expect Solid Start to Fiscal 2022. Salesforce.com will report its fiscal first quarter results on May 27, 2021. We are modeling total revenue of $5.880B (21% y/y growth), slightly below consensus of $5.889B (21% y/y growth) and at the midpoint of guidance for $5.875-5.885B. Our subscription revenue estimate of $5.516B (21% growth) is also slightly below consensus of $5.532B (21% growth). We note that management raised its F1Q guide by $170M last Q due to in part to the earlier than anticipated close date of February 1 for its Acumen acquisition. Mgmt. also noted that MuleSoft will deliver higher sequential revenue in F1Q relative to historical trends due to certain contracts that closed in F4Q but have start dates in F1Q. Given these changes and the strength in the core demonstrated by our survey and channel checks, we believe the F1Q guide appears achievable. We expect Acumen Solutions to deliver $40M in revenues, and we expect Vlocity to contribute $55M in F1Q. We are modeling organic revenues of $5.825B in F1Q, which implies 19.7% growth vs. 19.5% organic revenue growth in F1Q '21. We are modeling unearned revenue growth of 16.5% to $10.619B vs. consensus of $10.573B (16.0% growth). Our calculated billings estimate of $3.892B corresponds to 17% growth, below consensus of $4.088B (23% growth). The Street's billings translates to 16% organic, constant currency growth for F1Q. While this is higher than 9% in F1Q21, it still compares favorably to 22% growth in F1Q20. We are modeling CRPO growth of 19.0% to $17.252B, slightly below consensus of $17.264B (19% growth) and in line with guidance of 19% growth. On an organic basis, we estimate CRPO will grow 19.0% to $17.217B compared to organic CRPO growth of 18% in F1Q21. We estimate 18.6% operating margins in F1Q and believe Salesforce can delver more margins driven by a strong top line performance. Our non-GAAP EPS estimate of $0.88 is in line with consensus and guidance for $0.88-0.89.

F2Q Expectations Seem Reasonable Given Sustained Front Office Digital Transformation Demand. For F2Q, we estimate subscription revenues of $5.732B (18.4% growth) below consensus of $5.785B (19.5% growth). We estimate total revenues of $6.104B (18.5% growth) below consensus of $6.164B (19.7% growth). On an organic basis, we estimate revenues of $6.017B (16.8% growth) vs. 18.3% organic revenue growth in F2Q21. Based on our estimates for total revenue growth of approximately 19% and unearned revenue growth of 16%, we calculate billings growth of 18.0% slightly above consensus of 17.3% growth. Note these estimates are against a tough compare of 33.7% billings growth in F2Q21. **Our estimate translates to 13% organic, constant currency billings growth which versus 18% in F2Q21. We believe the estimates are reasonable given the tough compare.** Our expert calls, which we highlight below, indicate that fundamental demand remains strong in the ecosystem. We estimate CRPO to be $17.614B (16% growth), below consensus of $17.986B (18.3% growth).

F22 Estimates Seem Appropriate. We forecast revenue for fiscal 2022 of $25.700B (21% growth) in line with guidance of $25.650-25.750B. We estimate organic revenue growth of approximately 16.8% in FY22 which seems conservative compared to 18.8% organic revenue growth in FY21 and 20.6% in FY20. We expect Acumen Solutions to contribute $190M in professional services, Slack to contribute $600M, and Vlocity to contribute $97M in revenues in FY22. We note that mgmt. raised its FY22 guide by $200M last Q with $170M of the raise in F1Q. Based on our estimate of 21% growth and our estimate of unearned revenue growth of 16%, we are estimating total billings growth of 19.3% in FY22, slightly below consensus of 20.5% growth. **This seems achievable after 21% billings growth in FY21 and 29% billings growth in FY20.** Our estimate for fiscal 2022 translates to 14%

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organic, constant currency billings growth versus 14% in FY21 and 22% in FY20. We also note that our billings estimate reflects the increasing invoicing (and cash flow) seasonality of the fourth quarter due to greater large enterprise exposure (i.e., billings increasingly weighted in the fourth quarter and cash receipts weighted in the first quarter).

We estimate that operating margin will be flat y/y in FY22 at 17.7% in line with guidance despite 160 bps. of headwind from M&A and investment. We note that management provided a bridge on the last Investor Day showcasing organic margin leverage (about 100-125 basis points) and margin dilution from the Slack deal (about 125-150 basis points). Furthermore, the Wall Street Journal has reported that Salesforce employees will continue to work remotely either part or full time post pandemic. Additionally, Salesforce will begin rationalizing its real estate footprint, which should increase the structural margins from the business over the long term. We project that cash flows from operations should increase 10.2% year-over-year, below consensus at 11.8% and in line with guidance of 10-11%.

Expert Call Takeaways. We hosted 7 expert calls since February: a Salesforce partner, an enterprise customer, a MuleSoft partner, a MuleSoft competitor, a Tableau partner, and two other Business Intelligence and Analytics experts. Below are our key takeaways from these calls:

1. **Strong Start to '21 Driven by Multi-Product Adoption.** We hosted an executive at one of the fastest growing CRM partners who highlighted strong momentum in '21 driven by customers purchasing 5-6 products at a time vs. 1-2 historically. Although core Sales Cloud and Service Cloud remain the primary land opportunities for Salesforce, he is seeing an uptick in adoptions of solutions such as Marketing Cloud, Tableau, MuleSoft, and Revenue Cloud. This trend was corroborated by our call with an executive at a CRM enterprise customer who is working to consolidate apps in his IT ecosystem into Salesforce and was positive on his recent adoptions of apps such as Einstein, Tableau, Marketing Cloud, and Vlocity. **The CRM partner was optimistic that a revival in economic demand plus this elevated level of purchasing will sustain growth in his business for the rest of '21 and into '22. We view this as a positive set-up for top-line growth in F1Q and FY22.**
2. **MuleSoft Thrives Post-Acquisition.** We spoke with an executive from a CRM and MuleSoft partner as well as a MuleSoft Team Lead from the same firm who described the MuleSoft acquisition as a "win-win" for MuleSoft and CRM. MuleSoft now has more capital for product innovation as well as the support of CRM in its go-to-market efforts. For CRM, MuleSoft helps close the 360 degree customer view circle as most legacy migrations into CRM require a data integration tool. The partner expects to grow 60% in '21 and the MuleSoft Lead expects he will double his team of developers from 15 to 30 to keep up with demand. **We believe this demonstrates that the close integration between CRM and MuleSoft products is going to drive further digital transformations in the front, middle, and back office.** We also spoke with a MuleSoft competitor who observed that MuleSoft is not as strong with SMB/Midmarket customers due to its cost. We will be keeping an eye on whether MuleSoft Composer gains traction this Q (see below for details).
3. **Tableau Wins on Visuals; Sees Increasing Momentum in '21.** We hosted a Tableau partner who highlighted that demand for BI and analytics was strong in '20 as

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business leveraged data to pivot during the pandemic, and that momentum for BI and analytics is only increasing in '21 as other business race to catch up and upgrade their digital strategies. The expert was very favorable on a recent decision by Tableau to remove its 100 viewer minimum for first-time license buyers, a key move in lowering cost barriers, and observed that the partner ecosystem has normalized post-acquisition. We also spoke with two other BI experts (a former BI executive and a BI lead at a Global SI) who observed that Tableau is the industry leader when it comes to visualization capabilities. **Ultimately, we believe that Tableau will continue to thrive under CRM and grow in '21.**

MuleSoft Composer Moves MuleSoft Down Market. The acquisition of MuleSoft by Salesforce has in our view been a home run for the company, but success is skewed towards enterprise customers given the solution's cost and complexity. In March, Salesforce released a lightweight version of its MuleSoft Anypoint Platform called MuleSoft Composer which is targeted towards non-developers. In other words, customer organizations that do not have a sophisticated team of developers can leverage MuleSoft Composer for their integration needs. The solution is embedded within Salesforce and requires no code, enabling admins to connect 3rd party applications and data to their Salesforce ecosystems. Pre-built connectors released alongside the March launch include NetSuite, Slack, Workday, Tableau, and Google Sheets. The solution is priced at $27K per year for a starter back and $57K per year for premium. While we cannot directly compare to the custom enterprise pricing of MuleSoft Anypoint, our checks in the field indicate that MuleSoft Composer is a targeted towards making MuleSoft more accessible for customers with smaller IT budgets. **We will be keeping an eye on whether Composer helps Salesforce expand its MuleSoft footprint among mid-market customers in fiscal 2022 and beyond.**

Takeaways from Tableau Live. We attended the recent Tableau Live for Americas Conference to get an update on Tableau's product developments. Our two biggest takeaways were the integration of Einstein Discovery with Tableau, and the release of Tableau Business Science. With the Einstein integration, customers will be able to leverage dynamic, AI-driven predictions within their Tableau dashboards. **We believe this is a positive signal that tighter integration between the Tableau and CRM capabilities is underway.** However, we also believe that it is in the early innings, and that CRM and Tableau have more runway for innovation and integration moving forward. We are also positive on the release of Tableau Business Science, a tool for business users which is complementary to the data science solution. **We believe this functionality will democratize AI-driven analytics and ultimately expand Tableau's potential user base.**

Stock Underperformance Relative to IGV Over 1, 3, and 5 year Horizons; Trading At A Wider Relative Discount To Large Cap Peers. Post the announcement of its largest deal, CRM stock has underperformed the IGV and large cap peers on a 1 year, 3 year, and 5 year basis. CRM is faring incrementally better than the IGV in 2021 YTD, which has been impacted by the recent tech selloff. CRM is up 2% YTD vs. the IGV flat YTD. (Chart 2). We believe the negative sentiment around the stock is due to the price tag and multiple paid for Slack. CRM is trading at 7.6x NTM revenues vs. the large peer average at 11.8x implying a 36% discount to the peer group. Normalizing for Slack on a proforma basis, the stock still trades at ~8.5x still implying a 27% discount. This discount has been around 18% over the last 6 years and has widened recently given the Slack announcement (Chart 3). **While we can**

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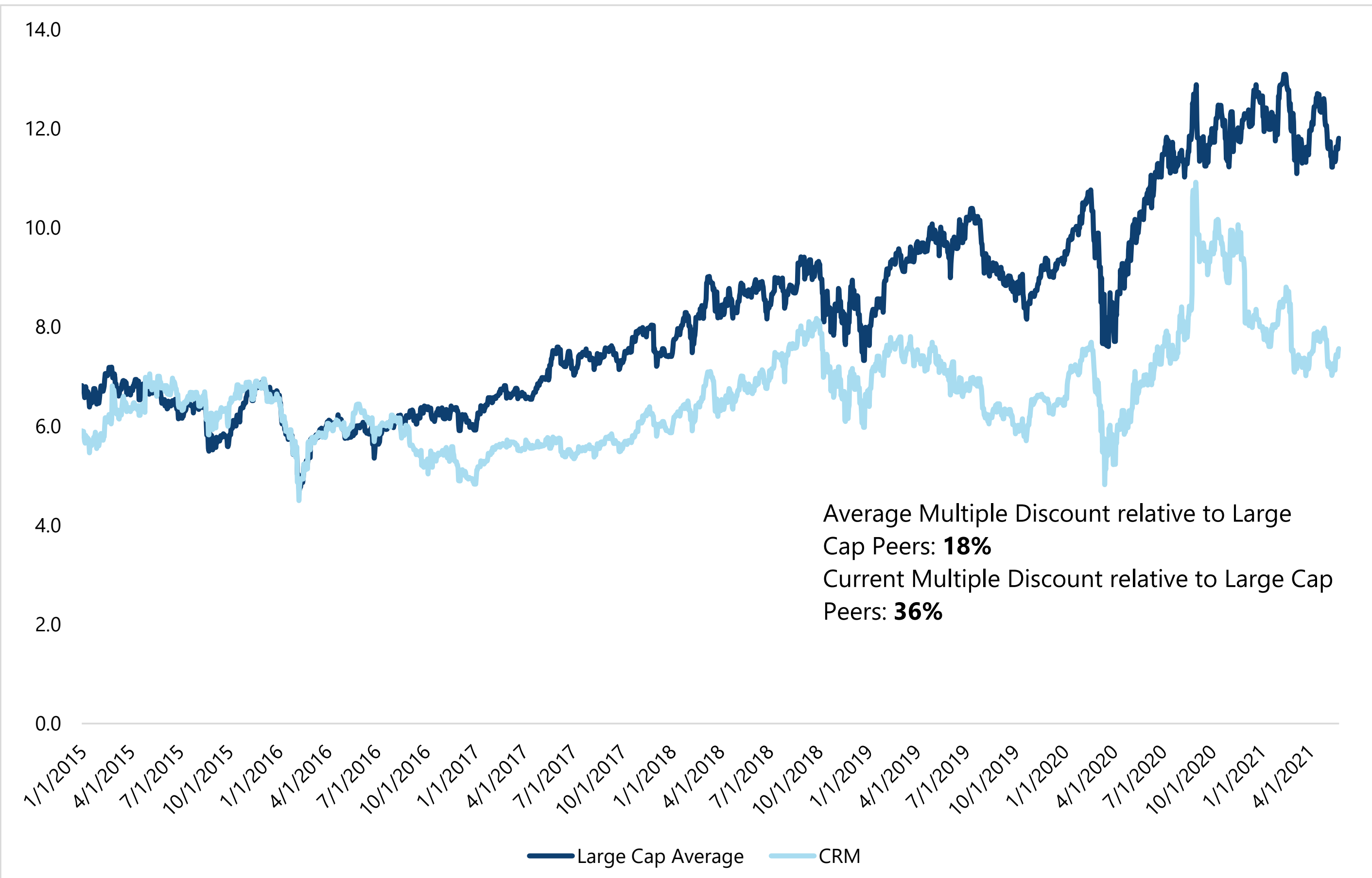
understand the concerns, we believe the stock will shake off these worries over the long term as it has done previously with the Tableau and MuleSoft acquisitions.

Chart 2 - CRM Under Performance vs. IGV

		YTD	1YR	3YR	5YR	10YR
Salesforce	CRM	2%	28%	77%	175%	505%
Adobe	ADBE	1%	31%	106%	406%	1376%
Oracle	ORCL	22%	52%	78%	114%	174%
Microsoft	MSFT	13%	38%	166%	429%	1198%
VMWare	VMW	15%	20%	41%	220%	104%
Workday	WDAY	-2%	40%	81%	206%	NA
Intuit	INTU	16%	54%	127%	327%	815%
Software	IGV	0%	36%	96%	241%	483%
Nasdaq	COMP	6%	48%	89%	196%	457%
	Large Cap Average (Ex- CRM)	11%	39%	100%	284%	734%
	Overperformance (Under) relative to IGV	2%	-8%	-19%	-66%	22%
	Overperformance (Under) relative to ADBE	2%	-3%	-29%	-230%	-871%
	Overperformance (Under) relative to Large Cap Avg.	-8%	-11%	-23%	-108%	-228%

Source: Jefferies, FactSet; Priced intraday on May 25, 2021.

Chart 3 - EV to NTM Revenue Multiples CRM vs. Large Cap Peers



Source: Jefferies, FactSet; Priced intraday on May 25, 2021. Large cap average includes ADBE, INTU, WDAY, ADSK, ORCL, NOW, and MSFT

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Thoughts On Slack Deal

We recently conducted a survey on the collaboration apps space to assess Slack's competitive positioning relative to other vendors. We found that Microsoft Teams is the dominant player in the messaging collaboration space, and Salesforce will have to play catch up with Slack. We found that 66% of our 200+ survey respondents use MSFT Teams for business messaging, while Slack and G-Chat both comprised 13% share. This result did not surprise us given MSFT Teams' impressive 115 million Daily Active Users (as of October 2020) versus Slack's latest disclosed user count of 12 million in October 2019 (MSFT reported 20 million Teams users during that same time period). The majority of survey respondents expect their collaboration budgets to grow 20%+ in 2021, and 20% expect their budgets to grow 40%+. **We believe Salesforce has an opportunity to accelerate the adoption of Slack once it completes the acquisition. See our Collaboration Apps Survey note for more details.**

We do note that this quarter our survey showed a sequential improvement in Slack's prospects. This quarter, 44% of respondents believe that Collaboration Cloud (Slack) will form some component of their Salesforce.com business a year from now, up from 30% last quarter. **While this improvement is encouraging, we believe there is more room for driving partner enthusiasm higher for the deal.** Our other checks in the field have come away net neutral on Slack. While the Salesforce customers and partners we've spoken to believe it is an opportunity for Salesforce to drive engagement and increase the time customers spend in the CRM ecosystem, they are hesitant given limited knowledge around the integration in the partner ecosystem and, of course, the cost. One partner commented that Salesforce has work to do in order to build out the use cases for Slack and evangelize the product to get partner and customer buy-in. **While we are positive on the opportunity for Slack to grow the Salesforce footprint, we believe Salesforce needs to demonstrate the integrated functionality in order to spark customer excitement and partner and investor buy-in.** The stock has still not shaken off negative sentiment around the acquisition.

The negative reaction and sentiment is understandable as Slack is more than twice the multiple Salesforce paid for Tableau in 2019 (26x NTM revenues vs. 11x NTM revenues) and also represents Salesforce.com's biggest deal to date ($27.7B vs. $5.3B average across the last 10 deals) (Chart 4). However, the negative investor reaction is not new for Salesforce.com. This has happened twice before when Salesforce acquired MuleSoft in 2018 and Tableau in 2019. Note that Salesforce.com acquired MuleSoft for $6.4B translating to ~15x NTM revenues and acquired Tableau for $15.7B translating to ~11x NTM revenues. The Salesforce.com stock reaction to the Tableau and MuleSoft deal announcements were negative as well. For MuleSoft, the stock was down 9% post announcement and took a little over a quarter to recover. For Tableau, the stock was down 7% post announcement and the stock was in the penalty box for two quarters after. In Slack's case the stock was down 16% after the announcement and continues to be in the penalty box as Salesforce.com stock has continued to underperform the IGV and peers over certain time horizons.

We believe that Salesforce.com will be able to extract value out of the Slack deal over time as it uses its distribution prowess to increase Slack's enterprise adoption. This strategy has helped Salesforce.com turbocharge MuleSoft's growth post the acquisition. Per IDC data, MuleSoft within Salesforce saw its subscription and support revenue growth accelerate to 94% in 2018 from 74% in 2016 and 56% in 2017 (Chart 6). While the subscription and

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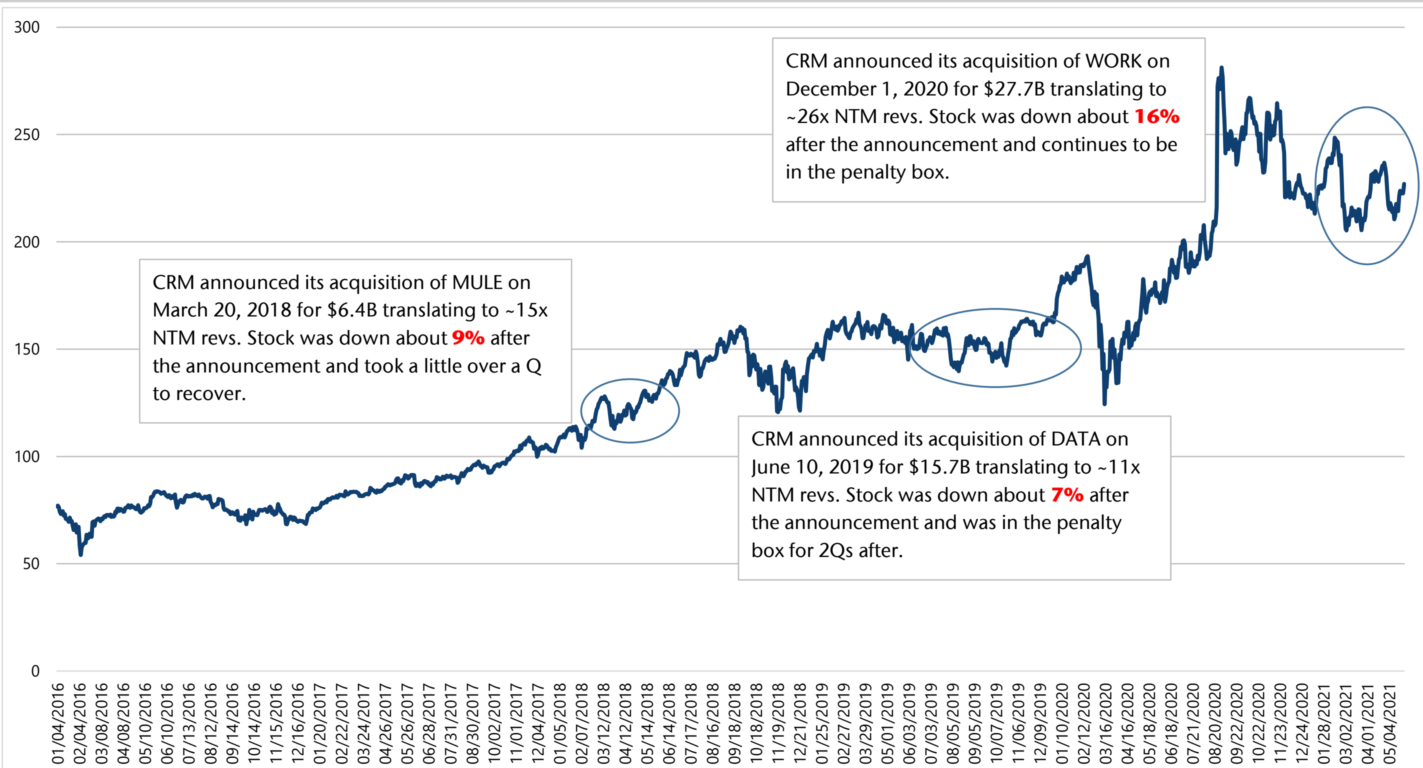
support revenue growth did decelerate to 51% in 2019 and 44% in 2020, there is evidence that Salesforce was able to increase MuleSoft's enterprise adoption. In Slack's case, there is more value to be generated than the distribution play. We believe Salesforce.com can make Slack the center of Customer 360 and unlock greater collaboration for users outside of sales and marketing. We believe that doing this will attract a bigger pool of users who spend a greater amount of time within the Salesforce ecosystem. **We also believe Salesforce.com will unlock Slack's value over time just like it did with MuleSoft. We can see the evidence in MuleSoft, which saw its growth accelerate as part of the Salesforce.com portfolio after the acquisition. Furthermore, we believe there is more value to be unlocked if Salesforce.com makes Slack the center of Customer 360.**

Chart 4 - CRM Stock Price Over Past 5 years



Source: Jefferies, FactSet; Priced intraday on May 25, 2021.

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Chart 5 - CRM M&A Historical List

Target	Description	Completion Date	Enterprise Value (1)	Annualized Revenue (2) Total	Annualized Revenue (2) Recurring	Revenue Multiple Total	Revenue Multiple Recurring
Slack	Collaboration Software	TBA	$27,700.0	$1,075.0	$1,075.0	25.8x	25.8x
Acumen	Small public sector Pro Services firm	2/1/2021	$433.0	$226.0	na	1.9x	na
Vlocity	Vertical CRM Platform	6/1/2020	$1,200.0	$100.0	$100.0	12.0x	12.0x
Evergage	Real time CDP Platform	2/1/2020	$100.0	$12.1	na	8.3x	na
ClickSoftware Technologies	Field management service technologies	10/1/2019	$1,386.0	$191.0	$80.2	7.3x	17.3x
Tableau	Analytics BI Dashboard	8/1/2019	$14,845.0	$1,359.0	$951.30	10.9x	15.6x
Salesforce.org	CRM for Non profit orgs.	6/1/2019	$300.0	$150.0	$150.0	2.0x	2.0x
MapAnything	Map based visualization for field service and sales	5/1/2019	$213.0	$20.0	$20.0	10.7x	10.7x
Datorama	Integration across marketing channels	8/1/2018	$766.0	$60.0	$60.0	12.8x	12.8x
MuleSoft	Integration software	5/2/2018	$6,425.0	$431.0	$258.60	14.9x	24.8x
CloudCraze	Commerce platform	4/1/2018	$190.0	$20.0	$20.0	9.5x	9.5x
Krux	Data management platform	11/1/2016	$741.8	$52.0	$52.0	14.3x	14.3x
BeyondCore	SaaS data analytics platform	9/1/2016	$106.6	$5.0	$5.0	21.3x	21.3x
Quip	Content management	8/26/2016	$412.0	$34.3	$34.3	12.0x	12.0x
Demandware	Enterprise Cloud Commerce solutions	7/11/2016	$2,929.7	$214.5	$214.5	13.7x	13.7x
MetaMind	Deep learning AI platform	4/1/2016	$32.8	na	na	na	na
SteelBrick	Quote to cash platform	2/1/2016	$314.8	$11.0	$11.0	28.6x	28.6x
RelateIQ	Relationship intelligence platform	8/1/2014	$340.2	$35.0	na	9.7x	na
EdgeSpring	BI Platform to build analytic apps	7/12/2013	$133.7	$15.0	na	8.9x	na
ExactTarget	Digital marketing solutions	7/12/2013	$2,584.5	$319.1	$319.1	8.1x	8.1x
GoInstant	Co-browsing technology	9/4/2012	$50.6	$5.0	$5.0	10.1x	10.1x
Buddy Media	Social media marketing platform	8/13/2012	$735.8	$33.8	$33.8	21.8x	21.8x
Rypple	Social performance management apps	2/1/2012	$50.6	$10.0	$10.0	5.1x	5.1x
Model Metrics	Implementer of mobile apps	12/16/2011	$66.7	$10.6	$10.6	6.3x	6.3x
Assistly	SMB Customer Service	9/20/2011	$58.7	$11.7	$11.7	5.0x	5.0x
Radian 6	Social media monitoring	5/1/2011	$336.6	$35.0	$35.0	9.6x	9.6x
Manymoon	Cloud-based project collaboration application	2/1/2011	$13.6	$1.4	$1.4	9.7x	9.7x
Dimdim	Online meeting solutions for business collaboration	1/1/2011	$37.1	$2.0	na	18.6x	na
Heroku	PaaS Cloud Vendor	1/1/2011	$216.7	$8.7	na	24.9x	na
Jigsaw Data Corp.	Crowd sourced data services in the Cloud	5/1/2010	$148.5	$25.0	na	5.9x	na
InStranet	Customer service automation	8/1/2008	$32.3	na	na	na	na
Sendia Corporation	On demand wireless infrastructure apps	4/10/2006	$15.5	na	na	na	na
Average			**$1,966.1**	**$154.2**	**$157.2**	**12.1x**	**13.5x**
Median			**$258.4**	**$33.8**	**$34.7**	**10.1x**	**12.0x**
Average for last 10 deals			**$5,336.8**	**$362.4**	**$336.9**	**10.6x**	**15.1x**
Median for last 10 deals			**$983.0**	**$170.5**	**$125.0**	**10.8x**	**14.2x**

(1) Includes cash holdbacks and contingent consideration

(2) Based on Jefferies estimates; Historical run-rate revenue at time of acquisition

Source: Jefferies, FactSet

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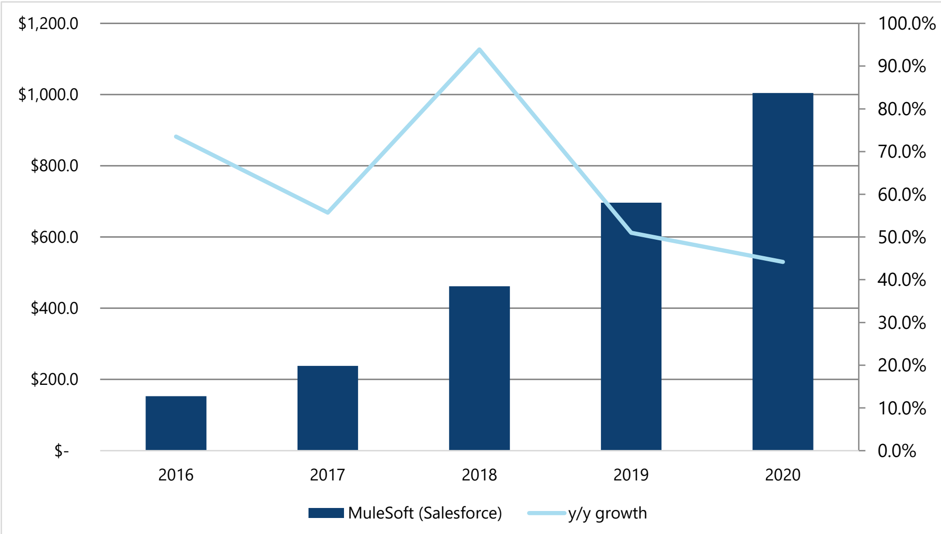
Chart 6 - Salesforce + MuleSoft Revenues 2016-2020, Integration Software



Source: Jefferies, IDC Semiannual Software Tracker, 2020H2 Release, April 2021. Note Integration Software is an IDC defined functional market.

Long-Term Guidance. At its Investor Day in December 2020, management announced a ***fiscal 2026 revenue target of $50 billion ($4 billion contribution from Slack)***, which implies an organic CAGR of 17% from fiscal 2022. We estimate that Salesforce.com will need to grow New Subscription ACV at low-to-mid-teens on an organic, constant-currency basis to achieve this target. Note that over the very long term, subscription revenue growth will mirror Total Subscription ACV growth, which is driven by New Subscription ACV growth. Given the company's very large renewal base, which represents approximately three-quarters of total billings and consistent revenue renewal rates of over 90%, this lower level of new business growth is sufficient to achieve its long-term target (i.e., fiscal 2026) but, over the very long term, revenue growth should trend to new business growth. See our note, "The System of Engagement Powers CRM to $50B+" for more details from the Investor Day.

Over the long term, we would expect the company to deliver 100-300 basis points of annual operating margin expansion and reach "over 35%," as well as operating cash flow growth about in line with revenue growth. We continue to believe that Salesforce.com could realize significantly more margin expansion (even today) and are optimistic that the company will do so as the highly recurring and highly profitable renewal base of its large base of enterprise customers helps create leverage.

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Chart 7 - Earnings Preview Table

Salesforce.com (CRM) *in millions, except per share items*			
F1Q22E (Apr-22)	**Jefferies**	**Consensus**	**Guidance**
Subscription Revenue	5,515.9	5,532.2	
Prof. Services Revenue	364.1	350.7	
Total Revenue	5,880.0	5,888.6	5,875 - 5,885
y/y growth	*20.9%*	*21.0%*	*21%*
Non-GAAP Op. Margin	18.6%	17.8%	
GAAP EPS	0.56	0.51	0.56-0.57
Non-GAAP EPS	0.88	0.88	0.88-0.89
Cash Flow from Ops.	2,081.9	2,294.2	
y/y growth	*12.0%*	*23.4%*	
Unearned Revenue	10,618.9	10,572.7	
y/y growth	*16.5%*	*16.0%*	
Current RPO	17,252.3	17,263.8	
y/y growth	*19.0%*	*19.1%*	+19%
Billings	3,891.9	4,088.4	
y/y growth	*17.4%*	*23.3%*	
F2Q22E (Jul-22)	**Jefferies**	**Consensus**	**Guidance**
Subscription Revenue	5,731.8	5,784.7	
Prof. Services Revenue	372.6	370.1	
Total Revenue	6,104.4	6,163.9	
y/y growth	*18.5%*	*19.7%*	
Non-GAAP Op. Margin	18.3%	18.0%	
GAAP EPS	0.07	(0.02)	
Non-GAAP EPS	0.90	0.87	
Cash Flow from Ops.	481.4	641.3	
y/y growth	*12.2%*	*49.5%*	
Unearned Revenue	10,118.3	9,755.7	
y/y growth	*16.2%*	*12.0%*	
Current RPO	17,614.0	17,986.3	
y/y growth	*15.9%*	*18.3%*	
Billings	5,603.8	5,573.8	
y/y growth	*18.0%*	*17.3%*	
F2022E (Jan-22)*	**Jefferies**	**Consensus**	**Guidance**
Subscription Revenue	24,082.9	24,188.8	
Prof. Services Revenue	1,617.1	1,541.6	
Total Revenue	25,700.0	25,745.0	25,650 - 25,750
y/y growth	*20.9%*	*21.1%*	*21%*
Non-GAAP Op. Margin	17.7%	17.6%	17.7%
GAAP EPS	(0.43)	(0.17)	(0.44) - (0.42)
Non-GAAP EPS	3.40	3.44	3.39 - 3.41
Cash Flow from Ops.	5,293.1	5,369.6	
y/y growth	*10.2%*	*11.8%*	*+10-11%*
Unearned Revenue	14,583.1	14,249.8	
y/y growth	*15.7%*	*13.0%*	
Current RPO	20,821.0	21,411.9	
y/y growth	*15.7%*	*19.0%*	
Billings	27,676.0	27,946.4	
y/y growth	*19.3%*	*20.5%*	
F2023E (Jan-23)*	**Jefferies**	**Consensus**	**Guidance**
Subscription Revenue	29,228.8	28,814.1	
Prof. Services Revenue	1,957.0	1,762.4	
Total Revenue	31,185.8	30,610.8	
y/y growth	*21.3%*	*18.9%*	
Non-GAAP Op. Margin	19.0%	18.6%	
GAAP EPS	0.10	0.37	
Non-GAAP EPS	4.25	4.15	
Cash Flow from Ops.	6,150.9	6,876.5	
y/y growth	*16.2%*	*28.1%*	
Unearned Revenue	16,105.5	16,028.2	
y/y growth	*18.2%*	*12.5%*	
Current RPO	24,443.8	24,891.3	
y/y growth	*17.4%*	*16.3%*	
Billings	32,708.3	32,836.0	
y/y growth	*18.2%*	*17.5%*	

Source: Jefferies estimates, company data, FactSet, Visible Alpha

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F1Q22 Partner Survey

Survey responses from 55 of Salesforce.com's partners during the first week of May were **positive** (positive responses more than offset the negative ones). While our surveyed partners represent a limited sample size, leaving room for inaccuracies, we nevertheless believe that their longstanding relationships with the company help provide some unique perspectives on overall business trends. We identify the results of each question as *Net Positive relative to past responses (5 responses), Net Negative (3 responses)*, or *Net Neutral (22 responses)*. Positive responses include an increase in demand pipelines over the past three months, an increase in the benefit from COVID-19 on pipelines, an increase in the prospects of Industry Cloud one year out, an increase in the prospects of Slack one year out, and an improvement in Salesforce.com's platform reliability. For instance, we asked respondents how their pipelines have changed in February, March, and April when compared to the pipelines in November, December, and January. **100% of respondents noted that their pipelines were either flat or had improved vs. 91% last quarter, 90% two quarters ago and 68% three quarters ago. Of that 100%, 80% noted that their pipelines had improved vs. 73% last quarter, 76% two quarters ago and 42% three quarters ago. Once again, these are indications of improvement in demand pipelines over the past three months.** Key areas of concern include a decrease in partners selling or configuring Einstein for customers this quarter, a modest decrease in adoption of MuleSoft, and fewer partners attaining their plans. **For example, the percentage of partners that exceeded their plans minus the percentage that fell short was 8% net positive, lower than positive 16% last quarter, but still higher than positive 1% two quarters ago, and 32% net negative in the year ago period. Despite the sequential decline, we note that the majority of respondents attained their plans. Furthermore, plans for growth can be aggressive for some partners.** We will monitor these questions in the upcoming quarters. We remain positive on the company's long-term prospects.

We present our survey results and observations below, identifying the results of each survey question as *Net Positive*, *Net Neutral*, or *Net Negative*.

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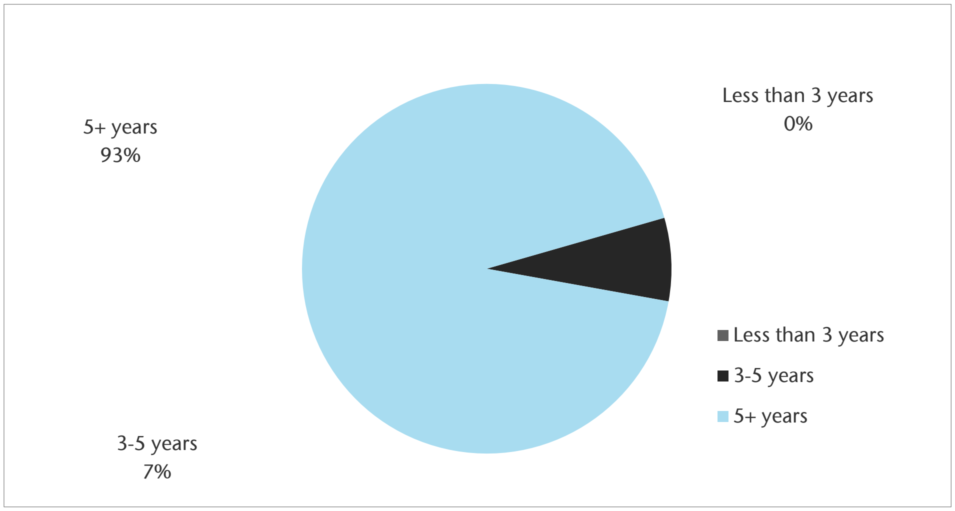
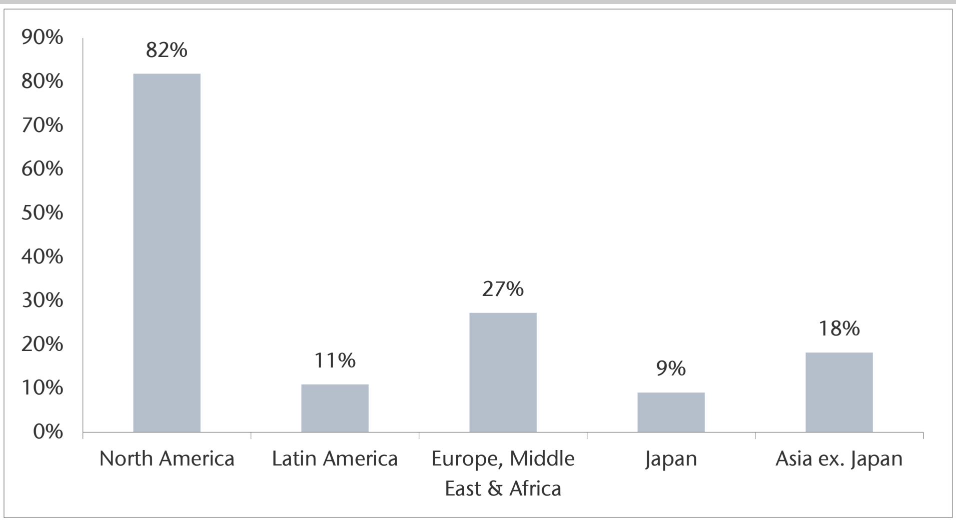
As shown in Chart 8, most of our surveyed respondents have been Salesforce.com partners for more than five years, in line with prior survey rounds. ***(Net Neutral).*** We believe their longstanding relationships with the company help provide a unique perspective on overall business trends. Additionally, 40% of respondents have visibility into business trends outside of North America (some with visibility into multiple territories) (Chart 9).***(Net Neutral)***

Chart 8 - How long have you been working with salesforce.com?



Source: JefData proprietary salesforce.com Partner Survey, May 2021 (n=55)

Chart 9 - For which regions are you responsible? (Respondents can select more than one region.)



Source: JefData proprietary salesforce.com Partner Survey, May 2021 (n=55)

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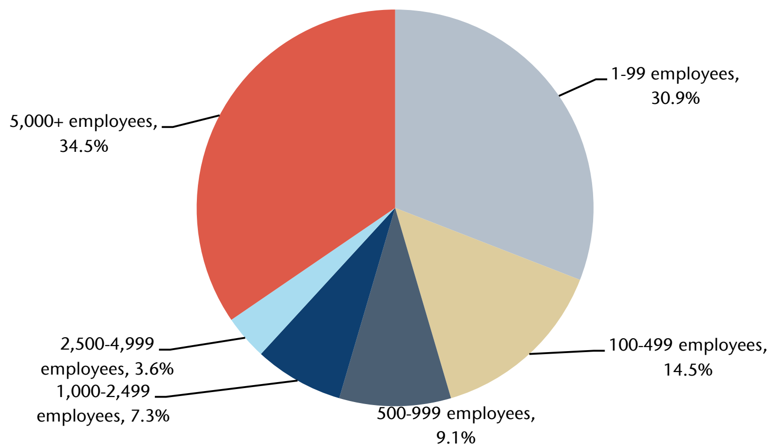
Our survey is taken by partners who work with clients of all sizes, from small and medium-sized businesses all the way to large enterprises. This quarter, approximately 46% of the respondents worked with clients with fewer than 500 employees (small businesses). About 16% worked with clients with 500-2,500 employees (medium-sized businesses). The remaining 38% worked with clients with more than 2,500 employees (large enterprises) (Chart 10). ***(Net Neutral)***

Chart 10 - Which employee size range best identifies the majority of your clients?



Source: JefData proprietary salesforce.com Partner Survey, May 2021 (n=55)

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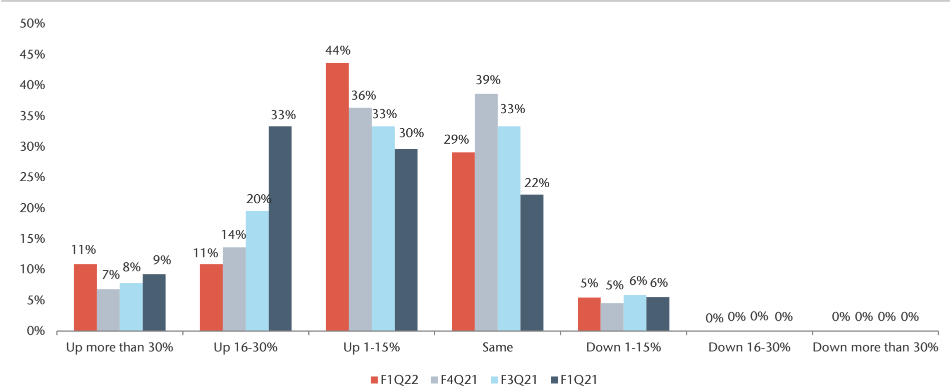
In our view, growth in the number of certified Salesforce.com professionals reflects the growth opportunity within the partner channel and Salesforce.com's level of investment to support that growth. Consistent with industry practices, partners are required to have a minimum number of certified professionals to qualify for different partnership levels.

As of May 2021, there were **1,902** consulting partners listed on the AppExchange website. This is greater than **1,808** three months ago, and greater than **1,701** six months ago. Note that there are two types of partners: Consulting Partners, who help customers with implementations, integration and/or custom development; and AppExchange-specific Partners, who are typically independent software vendors (ISVs) and developers that build applications. It appears that the partner count on the AppExchange website includes both types. We believe that nearly all (or all) of the major partners are registered as both types.

This survey round, 66% of surveyed partners indicated that the number of their certified Salesforce.com professionals was up over the past year, versus 57% last quarter, 61% two quarters ago, and 72% in the year-ago period. 29% observed that the number of certified Salesforce.com professionals has been the same as in previous quarters, lower than 39% last quarter, and 33% two quarters ago, but higher than 22% a year ago (Chart 11). ***(Net Neutral)***

In 2019, Salesforce announced expanded partnerships with other tech giants (Amazon, Apple, Microsoft, and Google). We view the partnerships as evidence that the Salesforce ecosystem is well-established and creates significant barriers to entry for new entrants. In 2020, Snowflake not only announced a partnership with Salesforce that will cover product, marketing and go-to-market strategy but also announced an investment in Snowflake through Salesforce Ventures. We believe this partnership is crucial in establishing Salesforce as the center of the customer's data warehouse. We believe customers could use better integration between their analytics and data platforms, and this partnership with Snowflake positions Salesforce to lead in this integration effort.

Chart 11 - Compared to a year ago, how has the number of certified salesforce.com professionals changed within your organization?



Source: JefData proprietary salesforce.com Partner Surveys (F1Q22: n=55; F4Q21: n=44; F3Q21: n=51; F1Q21: n=54)

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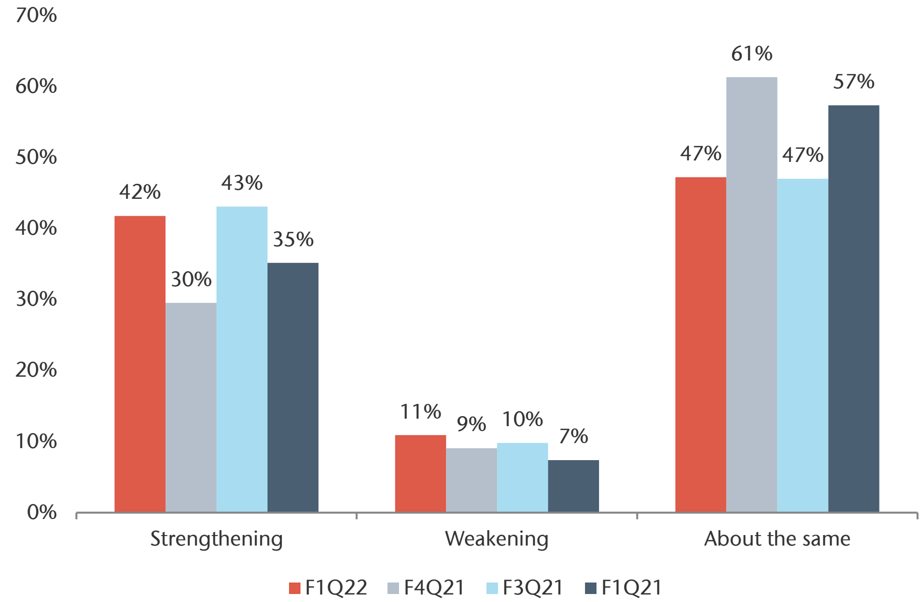
This survey round, 42% of respondents indicated that they believe Salesforce.com's competitive position in the market is strengthening. This is higher than 30% last quarter, and 35% in the year ago quarter, but lower than 43% two quarters ago. The percentage of surveyed partners that indicated they believe Salesforce.com's competitive position is weakening was higher at 11% versus 9% last quarter, 10% two quarters ago, and 7% in the year-ago quarter. Approximately 47% of surveyed partners believe that Salesforce.com's competitive position has remained about the same, slightly lower than historical trends (Chart 12). ***(Net Neutral)***

Chart 12 - Compared to a few months ago, how do you feel Salesforce.com's competitive position has changed in the market?



Source: JefData proprietary salesforce.com Partner Surveys (F1Q22: n=55; F4Q21: n=44; F3Q21: n=51; F1Q21: n=54)

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Through fiscal 2017 and into early fiscal 2018, we had observed a significant uptick in the percentage of surveyed partners that indicated Microsoft is Salesforce.com's biggest competitive threat to 70% or higher, versus 60% or lower in historical survey rounds. Through the remainder of fiscal 2018 and early fiscal 2019, that percentage had moderated back down to about 60%. The percentage hovered in the mid-60s range through fiscal 2020. In fiscal 2021 this percentage moved up to 70% over the past few quarters, but this quarter it has come down substantially to 53%. **This is the lowest level since we began running the survey. We believe the decrease could be a reflection of other vendors like Google and Amazon becoming more relevant competitors given Salesforce.com's presence in the PaaS market.** We will monitor this in upcoming quarters. ***(Net Neutral)***

Despite the decline this quarter, Microsoft still remains Salesforce.com's biggest competitive threat, at least among small and mid-market customers. With Slack, Salesforce will now compete with Microsoft Teams at the enterprise level as well. Previously, there were few alternatives in the CRM market, but Microsoft now finally offers a true SaaS solution that is not as functionally robust as Salesforce.com's, but may be good enough for the SMB segment, which is much more price sensitive than the enterprise market. The list price of Microsoft Dynamics 365 is about 75% of Salesforce.com's CRM offerings, and we believe the actual price differential is often much higher. SMBs are still an important part of Salesforce.com's business, and the company has targeted the lower end with out-of-the-box solutions, such as Salesforce Essentials, but we certainly don't expect Salesforce.com to take a price-cutting strategy for any of its products.

Google was the second-biggest perceived competitive threat, at 16% of respondents. Google increased from 14% last quarter, 12% two quarters ago, and 2% in the year-ago quarter. Amazon was the third-biggest perceived threat. Amazon was at 13% of respondents higher than 9% last quarter, 8% two quarters ago and 6% in the year-ago quarter. About 7% identified Oracle as the greatest threat. **We believe Google and Amazon's increased relevance bodes well for Salesforce.com's positioning in the PaaS market.**

Zendesk offers customer service and ticket software that competes with the Service Cloud. Zendesk also launched Sunshine in 2018, which offers a competing customer relationship management platform built completely on Amazon Web Services. HubSpot, on the other hand, offers a full platform of marketing, sales, and customer service. HubSpot has reported solid results and has been having success within the space with its solution. In this quarter, 2% of respondents identified Zendesk as a competitive threat, higher than 0% last quarter, but lower than 4% in the year-ago quarter. Additionally, 4% of respondents identified HubSpot as a competitive threat, higher than 0% last quarter, but lower than 6% two quarters ago. We will continue to monitor this in future quarters.

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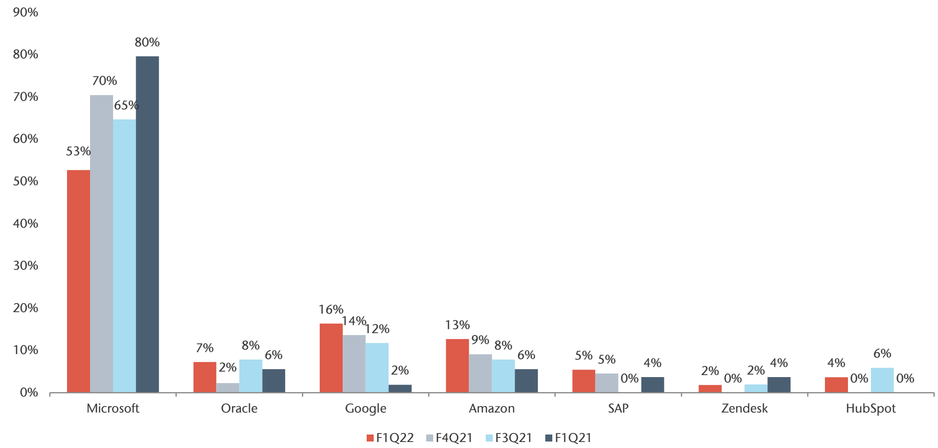
Chart 13 - Which salesforce.com competitor poses the single greatest threat?



Source: JefData proprietary salesforce.com Partner Surveys (F1Q22: n=55; F4Q21: n=44; F3Q21: n=51; F1Q21: n=54)

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Our surveyed partners continue to believe that Sales Cloud and Service Cloud represent the most opportunity for them over the next 12 months (Chart 14). This is no surprise, given that these two core products together represent about 53% of the company's subscription revenue. Salesforce.com has long been the leader in sales force automation with over 30% market share and is also the leader in customer service automation with over 20% market share, according to Gartner estimates.

Marketing Cloud ranked in third place and saw increased relevance among surveyed participants. We believe this might be a reflection of the investments Salesforce has been making in the Marketing Cloud. Salesforce has made the Customer Data Platform (CDP) a "key pillar" of the Marketing Cloud strategy. We have evidence that Salesforce is executing on this strategy with the Evergage acquisition. With its personalization and recommendations features, Evergage will provide complementary technology for the Marketing Cloud.

App Cloud (which includes App Builder a/k/a Force.com, Heroku, and AppExchange) ranked in fourth place. App Cloud moved down in the rankings this time from third to fourth. We believe this might be more a reflection of an improvement in the opportunities for Marketing Cloud rather than any reflection for App Cloud. Salesforce.com has a large ISV and partner community supporting its Platform as a Service, including thousands of third-party apps available on AppExchange. The continued success of App Cloud will depend on an increased commitment to and standardization on the Salesforce Platform amid other PaaS offerings.

Community Cloud (i.e., Communities and Chatter) ranked fifth and remains an area of focus for partners, given interest among CRM users for on-demand interaction with customers, employees, and partners.

Commerce Cloud (formerly Demandware, acquired in July 2016) maintained its ranking in sixth place.

The Integration platform (formerly MuleSoft, acquired in May 2018) ranked in seventh place.

Industry Clouds formed after the acquisition of Vlocity was included for the third time this quarter and came in eighth place. Multiple partners have indicated in their comments (included at the end of the report) that Industry Clouds have been contributors to their growth. We believe this represents an opportunity to drive sustainable long term growth.

Analytics Cloud (including Tableau) ranked in ninth place.

IoT Cloud (a/k/a Salesforce IoT) ranked in tenth place. IoT Explorer, one of the two editions (the other is IoT Scale), was launched in October 2017 and offers a low code interface that can be used by business users to capture and interpret sensor data captured from connected devices.

Collaboration Cloud was added last quarter after the acquisition of Slack and ranked last. We believe it is still the second quarter since the announcement of the acquisition and would expect an improvement over time as Salesforce integrates Slack into its product portfolio and ecosystem. ***(Net Neutral)***

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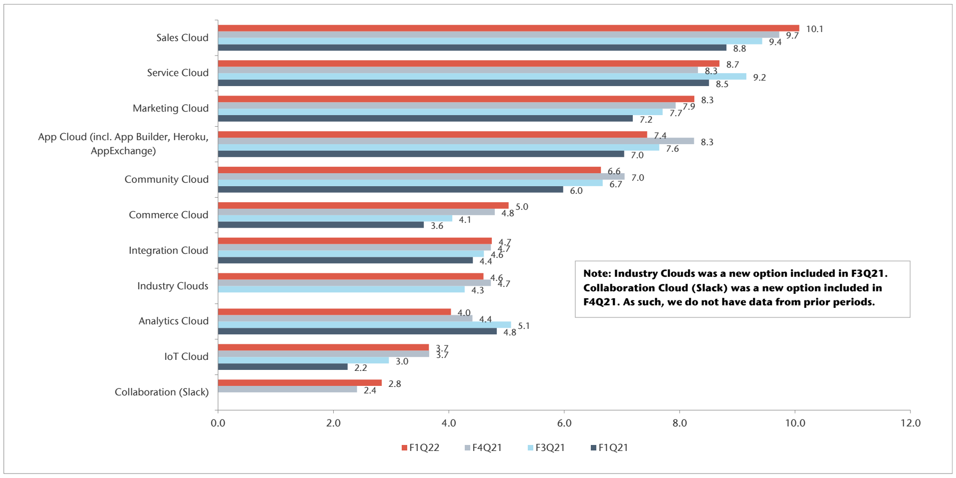
Chart 14 - Rank the following based on where you see the most opportunity in the next twelve months (11 being the most opportunity and 1 being the least)?



Source: JefData proprietary salesforce.com Partner Surveys (F1Q22: n=55; F4Q21: n=44; F3Q21: n=51; F1Q21: n=54)

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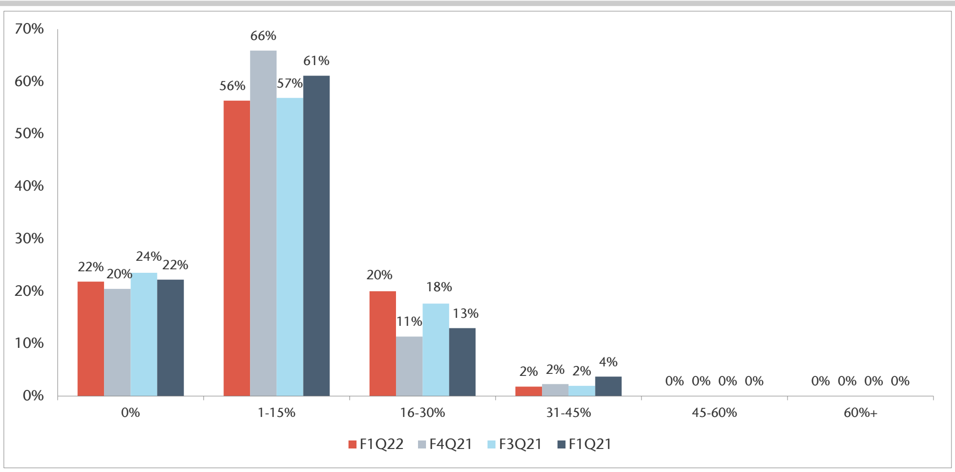
Approximately 78% of surveyed partners indicated that, looking one year out, they expect Marketing Cloud to represent at least some portion (>0%) of their overall CRM business, versus 80% last quarter, 76% two quarters ago, and 78% in the year-ago quarter. This quarter, the percentage that indicated they expect Marketing Cloud to represent over 30% of their overall CRM business was at 2%, compared to 2% last quarter and two quarters ago and 4% in the year-ago period. Furthermore, most of the partners (56%) continue to expect Marketing Cloud to represent 1-15% of their business (Chart 15). ***(Net Neutral)***

We note that Marketing Cloud revenue growth had reaccelerated from about 29% growth in constant currency in fiscal 2017 to about 36% in fiscal 2018 and to about 39% in fiscal 2019 (our estimate). This growth declined a bit to 32% in fiscal 2020 and to 25% in fiscal 2021 based on our estimate. We believe that the addition of audience segmentation functionalities via the acquisition of Krux has been a significant addition to Marketing Cloud. Additionally, the recent availability of Einstein data analytics features that help marketers understand what events and sequences lead to customer buying decisions, and integration with Google Analytics 360, should improve the marketability of Marketing Cloud. Salesforce also acquired Evergage, a CDP vendor in 2020. With its personalization and recommendations features, Evergage will provide complementary technology for the Marketing Cloud. We believe Evergage will enable Salesforce to bring together customer profiles from Salesforce Marketing Cloud (ExactTarget), Sales, and Service Clouds, along with Commerce Cloud (Demandware). We expect Evergage to build on and extend Customer 360 to provide a more complete picture of the customer to organizations.

Chart 15 - Looking out one year, what percentage of your total salesforce.com business do you expect will come from Marketing Cloud?



Source: JefData proprietary salesforce.com Partner Surveys (F1Q22: n=55; F4Q21: n=44; F3Q21: n=51; F1Q21: n=54)

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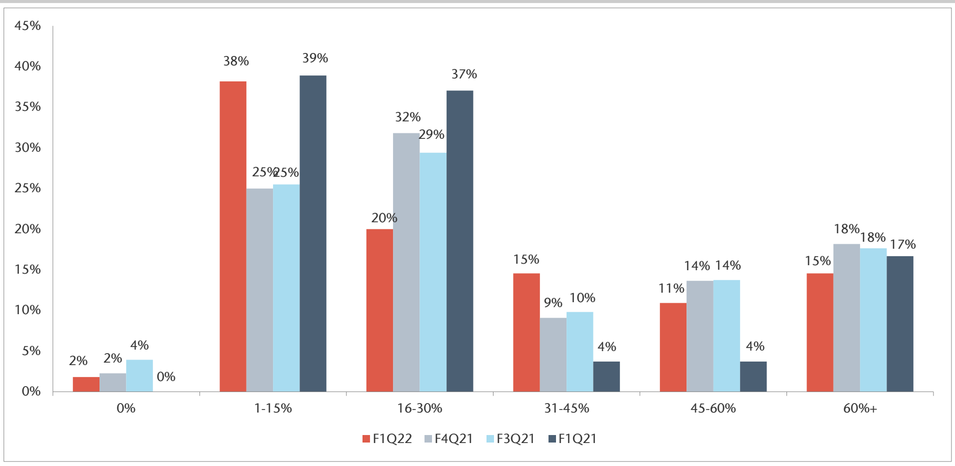
We attempt to gauge the business momentum and potential contribution of Salesforce.com's products outside its "core" standalone Cloud offerings (i.e., Sales Cloud, Service Cloud, and Marketing Cloud). We consider these to include App Cloud (App Builder a/k/a Force.com and Heroku), and Community Cloud. These businesses (primarily App Cloud) represent about 31% of overall subscription revenues in fiscal 2021 and are increasingly important to Salesforce.com's growth sustainability. App Cloud, in particular, enables AppExchange partners to develop apps that integrate with Salesforce.com offerings and sell them on the AppExchange in exchange for a share of revenues.

98% of surveyed partners expect these solutions to be part of their Salesforce.com business over the next year, in line with 98% in the previous period, and above 96% two quarters ago. 41% of respondents expect to see App Cloud offerings to be greater than 30% of their overall salesforce.com business in the next year. This percentage is in line with last quarter and two quarters ago, but higher than 25% in the year-ago period. (Chart 16). ***(Net Neutral)***

Chart 16 - Looking out one year, what percentage of your total salesforce.com business do you expect will come from App Cloud (Force.com, Heroku), Community Cloud, or Analytics Cloud (i.e., outside of Sales Cloud, Service Cloud, and Marketing Cloud)?



Source: JefData proprietary salesforce.com Partner Surveys (F1Q22: n=55; F4Q21: n=44; F3Q21: n=51; F1Q21: n=54)

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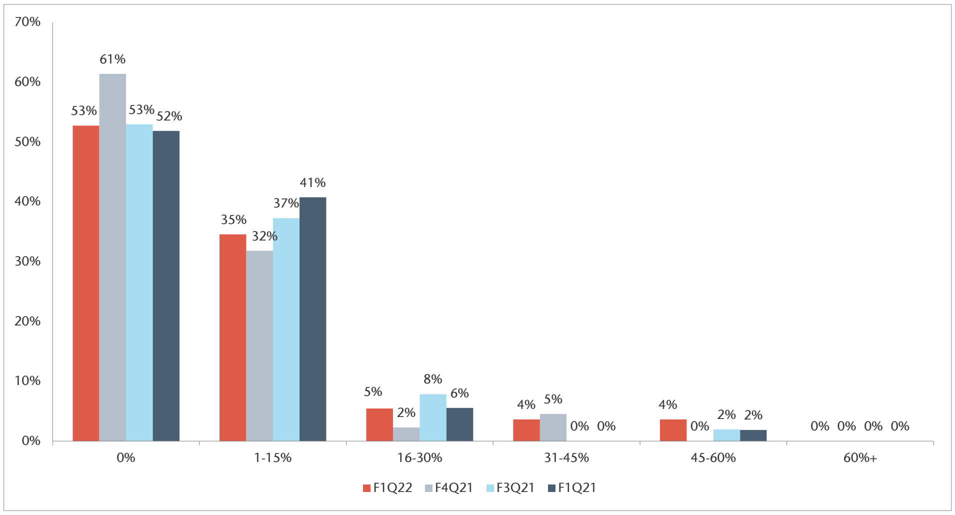
Since Salesforce.com's acquisition of Demandware (renamed Commerce Cloud) in July 2016, we've asked partners how much they expect Commerce Cloud to contribute to their overall Salesforce.com business. Approximately 47% of surveyed partners believe that Commerce Cloud will represent some part of their overall Salesforce.com business. This is higher than 39% last quarter and in line with 47% two quarters ago, but lower than 48% in the year-ago quarter. We will continue to monitor this question. ***(Net Neutral)*** (Chart 17).

Chart 17 - Looking out one year, what percentage of your total salesforce.com business do you expect will come from Commerce Cloud?



Source: JefData proprietary salesforce.com Partner Surveys (F1Q22: n=55; F4Q21: n=44; F3Q21: n=51; F1Q21: n=54)

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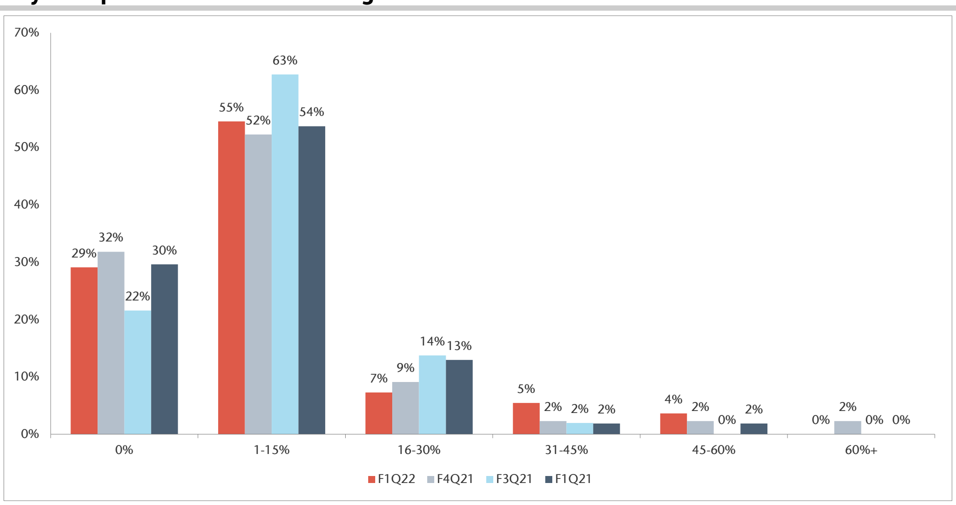
Following Salesforce.com's acquisition of MuleSoft (renamed Integration Platform) in May 2018, we decided to ask partners how much they expect Integration Platform to contribute to their overall Salesforce.com business over the next year. 71% of respondents believe that looking one year out, Integration Platform will account for some portion of their overall Salesforce.com business up from 68% last quarter, and 70% in the year-ago quarter, but lower than 78% two quarters ago. About 55% of respondents believe that the Integration Platform will account for 1-15% of their total Salesforce.com business versus 52% last quarter, 63% two quarters ago, and 54% in the year-ago quarter. 9% believe the Integration Platform will account for more than 30% of their total business higher than 6% last quarter, 2% two quarters ago, and 4% in the year-ago quarter.

We believe that MuleSoft is complementary to all other Salesforce.com offerings, rather than being a separate application, so we also believe it has been easier to leverage Salesforce.com's existing distribution prowess to get the product out in the market. The latest innovation coming out of Salesforce is the release of MuleSoft Composer in March 2021. This is a lightweight version of its MuleSoft Anypoint Platform that is targeted towards non-developers. In other words, customer organizations that do not have a sophisticated team of developers can leverage MuleSoft Composer for their integration needs. The solution is embedded within Salesforce and requires no code, enabling admins to connect 3rd party applications and data to their Salesforce ecosystems. Pre-built connectors released alongside the March launch include NetSuite, Slack, Workday, Tableau, and Google Sheets. The solution is priced at $27K per year for a starter back and $57K per year for premium. While we cannot directly compare to the custom enterprise pricing of MuleSoft Anypoint, our checks in the field indicate that MuleSoft Composer is a targeted towards making MuleSoft more accessible for customers with smaller IT budgets. **We will be keeping an eye on whether Composer helps Salesforce expand its MuleSoft footprint among mid-market customers in fiscal 2022 and beyond. *(Net Neutral)*** (Chart 18).

Chart 18 - Looking out one year, what percentage of your total salesforce.com business do you expect will come from Integration Platform?



Source: JefData proprietary salesforce.com Partner Surveys (F1Q22: n=55; F4Q21: n=44; F3Q21: n=51; F1Q21: n=54)

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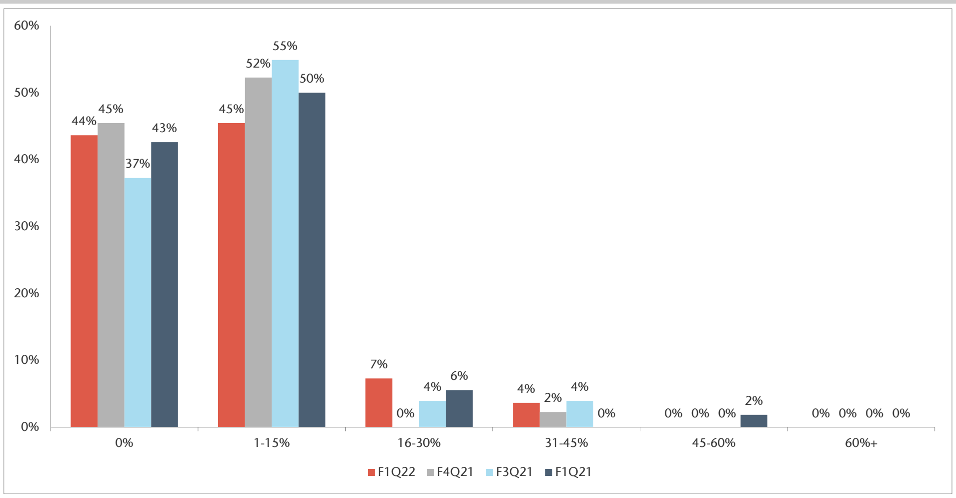
Following Salesforce.com's acquisition of Tableau in August 2019, we decided to ask how much partners expect Tableau to contribute to their overall Salesforce.com business over the next year. 56% of respondents believe that looking one year out, Tableau will account for some portion of their overall Salesforce.com business versus 55% last quarter, 63% two quarters ago, and 57% in the year ago quarter. 45% believe that Tableau will account for 1-15% of their total Salesforce.com business — lower than 52% last quarter, 55% two quarters ago, and 50% a year ago. We note that we are still in the early innings of the cross-sell opportunity associated with Tableau. We will continue to monitor this question in upcoming quarters to see if partner excitement builds further. ***(Net Neutral)*** (Chart 19).

We also attended the recent Tableau Live for Americas Conference to get an update on Tableau's product developments. Our two biggest takeaways were the integration of Einstein Discovery with Tableau, and the release of Tableau Business Science. With the Einstein integration, customers will be able to leverage dynamic, AI-driven predictions within their Tableau dashboards. **We believe this is a positive signal that tighter integration between the Tableau and CRM capabilities is underway.** However, we believe that it is in the early innings, and that CRM and Tableau have more runway for innovation and integration moving forward. We are also positive on the release of Tableau Business Science, a tool for business users which is complementary to the data science solution. **We believe this functionality will democratize AI-driven analytics and ultimately expand Tableau's potential user base.**

Chart 19 - Looking out one year, what percentage of your total salesforce.com business do you expect will come from Tableau?



Source: JefData proprietary salesforce.com Partner Surveys (F1Q22: n=55; F4Q21: n=44; F3Q21: n=51; F1Q21: n=54)

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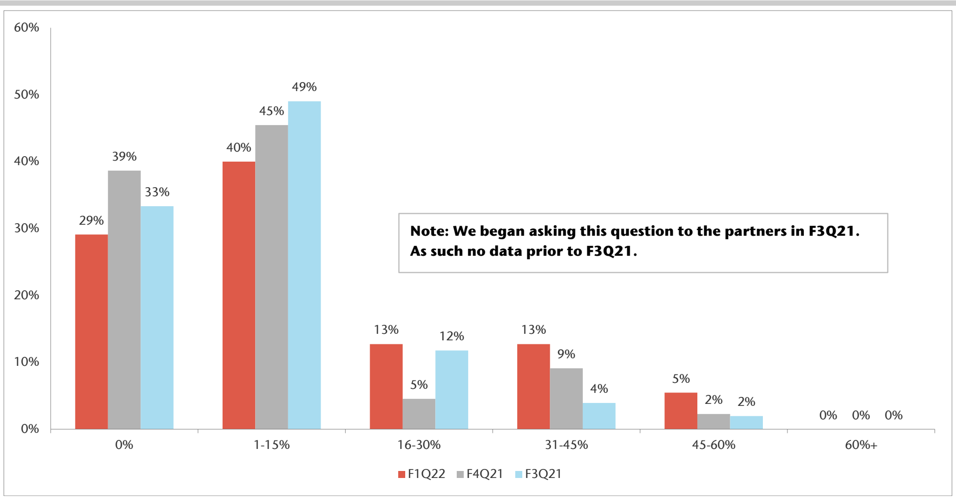
Following Salesforce.com's acquisition of Vlocity in June 2020, we decided to ask a question to gauge the prospects of the Industries Cloud that is now under the leadership of David Schmaier, Vlocity founder and CEO. Salesforce.com also hosted the Salesforce Industries Summit late last year. Importantly, former Vlocity CEO and current Salesforce Industries CEO David Schmaier announced three new Clouds in communications, media, and energy & utilities. Salesforce.com now has 12 industry clouds. Salesforce Industries now also has over 700 pre-built industry-specific processes and workflows within their library. **We believe this incremental vertical functionality can drive sustainable long-term growth for Salesforce.com. Our checks indicate that Industry Clouds can drive 20-30% incremental ASPs.**

This quarter 71% of respondents believe that Industries Cloud will form some component of their Salesforce.com business a year from now higher than 61% last quarter and 67% two quarters ago. The majority of respondents (40%) believe it will be 1-15% of their Salesforce.com business. **More importantly, 31% expect Industry Cloud to represent greater than 15% of their overall Salesforce business higher than 16% last quarter and 18% two quarters ago.** Furthermore, multiple partners echoed their excitement for Industry Clouds in the comments section in the back. Despite it still being early days, we believe these data points indicate that Industries Cloud will be a driver of growth for Salesforce.com. We will continue to monitor in upcoming quarters. See chart 20. **(Net Positive)**

Chart 20 - Looking out one year, what percentage of your total salesforce.com business do you expect will come from Industry Cloud?



Source: JefData proprietary salesforce.com Partner Surveys (F1Q22: n=55; F4Q21: n=44; F3Q21: n=51)

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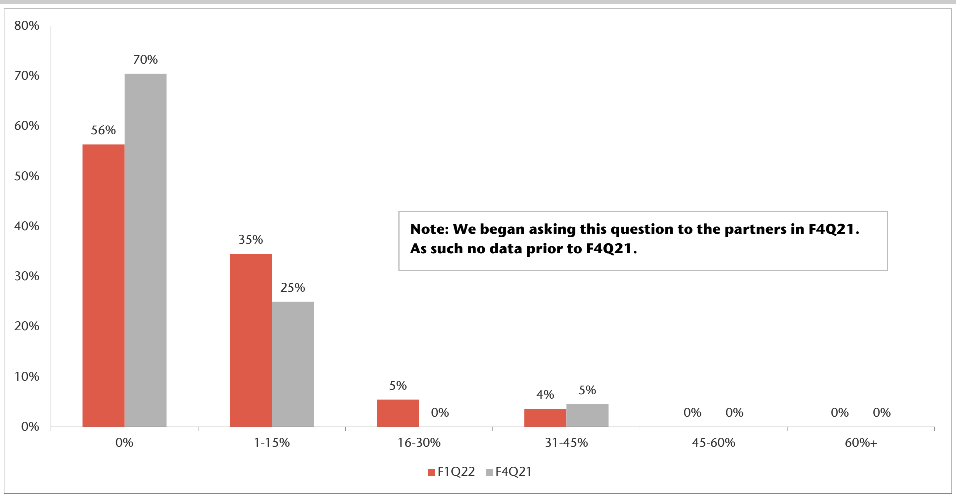
Following Salesforce.com's announced acquisition of Slack in December 2020, we decided to ask a question to gauge the prospects of the Slack for the second time. We note that the acquisition has not closed yet, but we wanted to gauge partner sentiment about the opportunity they see in Slack a year from now. **We believe this acquisition will allow Salesforce to appeal to broader users within the enterprise outside of sales and marketing. It will allow Salesforce to become the center of engagement for the entire organization, but there is still work to be done. Execution will be key here to ensure Salesforce unlocks value. We believe shoring up partner enthusiasm will be key to increasing Enterprise adoption for Slack.**

This quarter, 44% of respondents believe that Collaboration Cloud (Slack) will form some component of their Salesforce.com business a year from now up from 30% last quarter. 35% believe it will be 1-15% of their Salesforce.com business versus 25% last quarter. See Chart 21. **(Net Positive)** While this improvement is encouraging, we believe there is more room for driving partner enthusiasm higher for the deal. For reference, when we first asked the question for Tableau, 51% of respondents believed that some component of their business would be Tableau a year post the acquisition. For MuleSoft, it was 81% of respondents that believed MuleSoft would be part of their Salesforce business when we first asked the question.

We also ran a Collaboration Apps survey that showed that Microsoft Teams dominates the Collaboration Apps space. As such, we believe there is more work to be done here, and we will monitor this question in future quarters.

Chart 21 - Looking out one year, what percentage of your total salesforce.com business do you expect will come from Collaboration (Slack)?



Source: JefData proprietary salesforce.com Partner Surveys (F1Q22: n=55; F4Q21: n=44)

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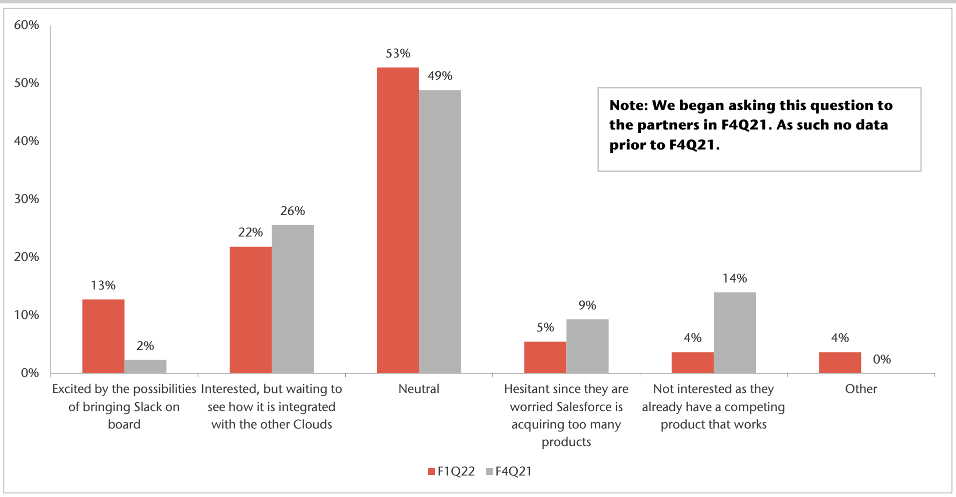
Following up on the previous question, we also asked partners about customer response to the deal. We note that the acquisition has not been completed yet. More than half (53%) of the partners noted that partners were neutral to the announcement of the Slack deal. 13% of partners noted customers were excited by the possibilities of bringing Slack on board to the Salesforce portfolio higher than 2% last quarter. 22% noted that customers are interested, but waiting to see the plans for integration. The remaining 13% noted that customers were either hesitant given the pace of acquisitions or not interested as customers already had a competing product (likely Microsoft Teams). See Chart 22. **Despite the improvement from last quarter, most respondents indicate that customers are still neutral on the deal. We believe the responses here indicate that Salesforce.com has its work cut out in terms of integrating Slack and driving up both partner and customer interest for the product. Given Salesforce.com's track record with MuleSoft and Tableau, we believe Salesforce.com has the resources to increase traction for Slack. We will be monitoring in future quarters to see if sentiment towards Slack improves. (Net Neutral)**

Chart 22 - As you chat with customers post the announcement of the Slack deal, what has their reaction been to the deal?



Source: JefData proprietary salesforce.com Partner Surveys (F1Q22: n=55; F4Q21: n=44)

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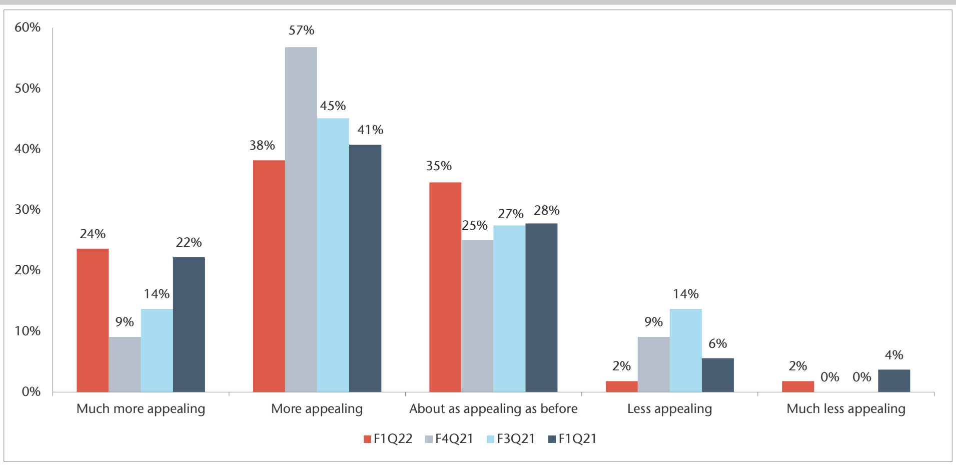
We asked partners if they think the Lightning interface has increased or decreased Salesforce.com's marketability. As a reminder, the Lightning interface and development framework were made generally available for Sales Cloud and Service Cloud in the second quarter of 2016, and at a 15-20% higher list pricing, though we believe for some legacy customers it has been given away practically for free. Custom application building components on App Builder (i.e., Force.com) are also based on the Lightning framework.

Taking into consideration increases in both performance and pricing, approximately 62% of surveyed partners believe that Lightning makes the Salesforce.com platform either more appealing or much more appealing than before, versus 66% last quarter, 59% two quarters ago, and 63% in the year-ago period. Approximately 4% of surveyed partners indicated that they believe Lightning makes the platform less appealing or much less appealing, versus 9% last quarter, 14% two quarters ago, and 10% in the year-ago quarter (Chart 23). ***(Net Neutral)***

We believe that since the Lightning interface has been generally available for more than three years now, partners have had sufficient time to form reason-based opinions about the interface, based on discussions with their customers and their own experiences. Partner feedback remains mixed. Some are enthusiastic about the added functionality that the Lightning interface offers. Meanwhile, others continue to experience difficulties migrating certain customized customer instances over from the Classic interface to Lightning and note fewer customizable features on Lightning overall versus the Classic user experience.

Chart 23 - How has the new Lightning framework impacted the marketability of the salesforce.com platform to customers? Considering both performance and price, the Lightning framework has made salesforce.com …



Source: JefData proprietary salesforce.com Partner Surveys (F1Q22: n=55; F4Q21: n=44; F3Q21: n=51; F1Q21: n=54)

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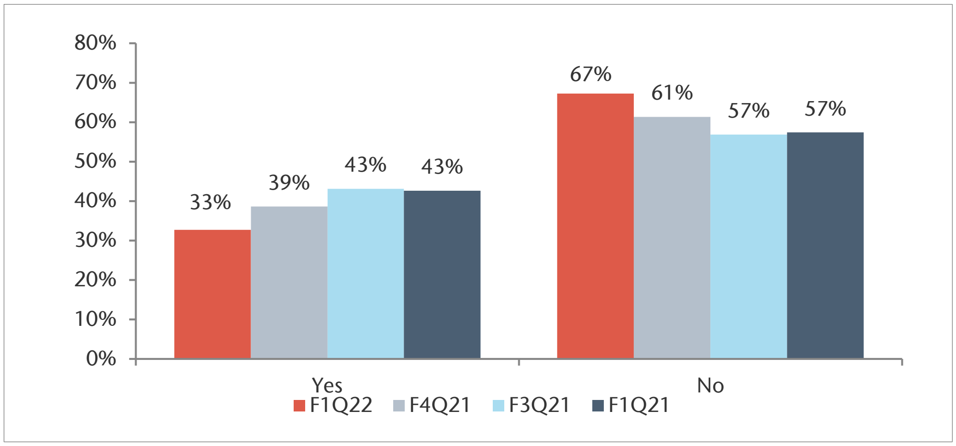
Starting in the fiscal second quarter of 2018 (July ended), we ask partners if they are selling Salesforce Einstein Artificial Intelligence features to their customers or helping their customers configure Einstein features. The percentage answering "Yes" was lower this quarter. In this survey round, approximately 33% answered "Yes", down from 39% last quarter and 43% two quarters ago (Chart 24). For those unfamiliar with Salesforce Einstein, it refers to a "layer" or group of out-of-the-box artificial intelligence features that are available for each of the Clouds. ***(Net Negative)***

Chart 24 - Are you selling Salesforce Einstein features to your customers or helping them set up and configure Einstein features?



Source: JefData proprietary salesforce.com Partner Surveys (F1Q22: n=55; F4Q21: n=44; F3Q21: n=51; F1Q21: n=54)

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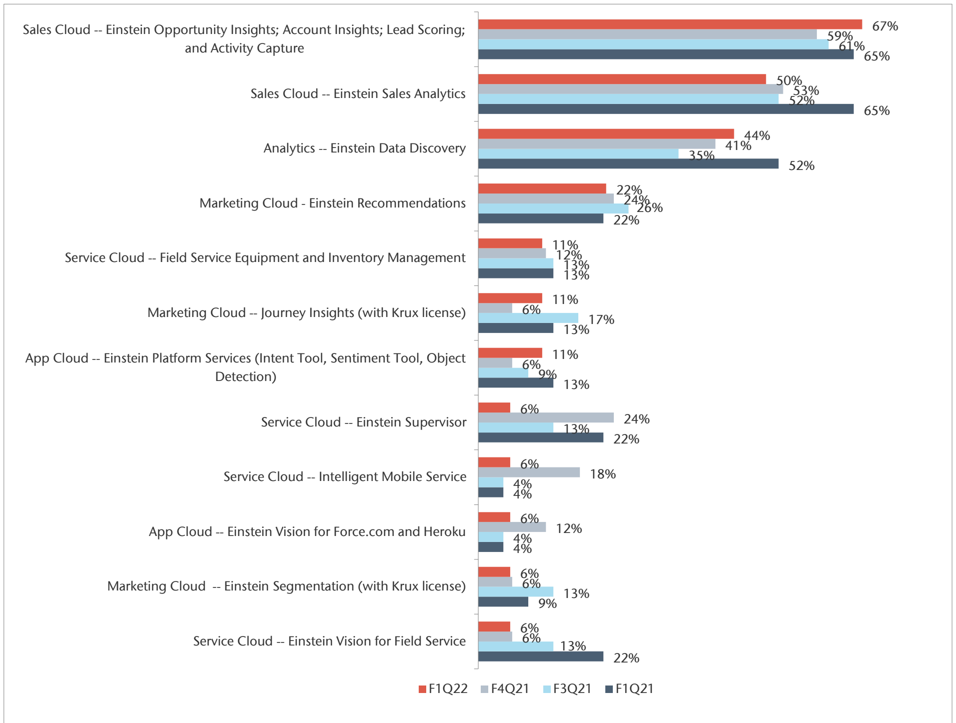
Of those that answered "Yes" to the previous question, approximately 67% are selling or helping customers configure Sales Cloud — Einstein Opportunity Insights, Account Insights, Lead Scoring, and Activity Capture, higher than 59% last quarter, 61% two quarters ago, and 65% in the year-ago quarter. Approximately 50% indicated that they were selling or implementing Sales Cloud — Einstein Sales Analytics, down from 53% last quarter, 52% two quarters ago, and 65% in the year-ago quarter (Chart 25). ***(Net Neutral)***

Chart 25 - If you answered "Yes" to the previous question, please select the following Einstein features your customers are implementing.



Source: JefData proprietary salesforce.com Partner Surveys (F1Q22: n=55; F4Q21: n=44; F3Q21: n=51; F1Q21: n=54)

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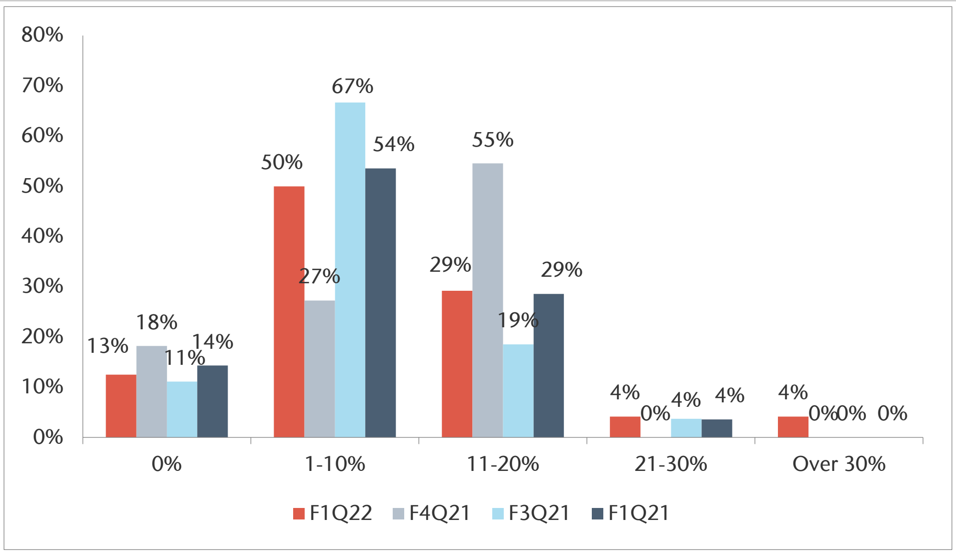
Among those surveyed partners that indicated they are selling or helping customers implement Einstein, approximately 87% indicated a price uplift attributable to Einstein, versus 82% last quarter, 89% two quarters ago, and 86% in the year-ago quarter.

Approximately 50% indicated a price uplift of 1-10% attributable to Einstein, up from 27% last quarter, but lower than 67% two quarters ago, and 54% in the year-ago period. Approximately 29% indicated a price uplift of 11-20% attributable to Einstein, down from 55% last quarter, but up from 19% two quarters ago. (Chart 26). ***(Net Neutral)***

Note that list pricing for Einstein features varies by Cloud, although across the board this artificial intelligence layer comes at a significant price increase relative to the base price. For example, the list price for Sales Cloud Einstein — which includes the Opportunity Insights, Account Insights, Lead Scoring, and Activity Capture features — is $50/user/month, which represents about a 33% uplift versus the Enterprise edition list price of $150/user/month. On the other hand, list pricing for Einstein Data Discovery is based on both data usage and the number of users.

Chart 26 - If you are selling Salesforce Einstein features to your customers, on average what is the incremental cost to the customer for implementing Einstein (including any discounts/promotions)?



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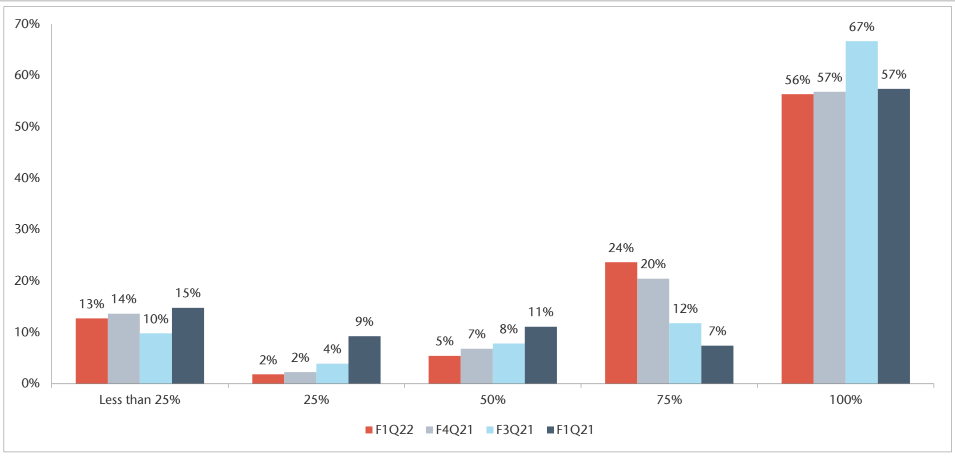
More than half of our surveyed partners indicated that Salesforce.com accounts for the entirety of their overall business. This is consistent with our historical survey data (Chart 27). ***(Net Neutral)***

We note that this does not preclude motivations by some partners to diversify their revenue stream beyond just reliance on Salesforce.com. This is especially so given potentially attractive pricing and revenue sharing models offered by other CRM providers, an increase in relevant SaaS providers (e.g., Workday, Anaplan) that require external consulting or implementation services, or changes in Salesforce.com's partner program that have created disincentives for certain partners.

Chart 27 - What percent of your business is related to salesforce.com?



Source: JefData proprietary salesforce.com Partner Surveys (F1Q22: n=55; F4Q21: n=44; F3Q21: n=51; F1Q21: n=54)

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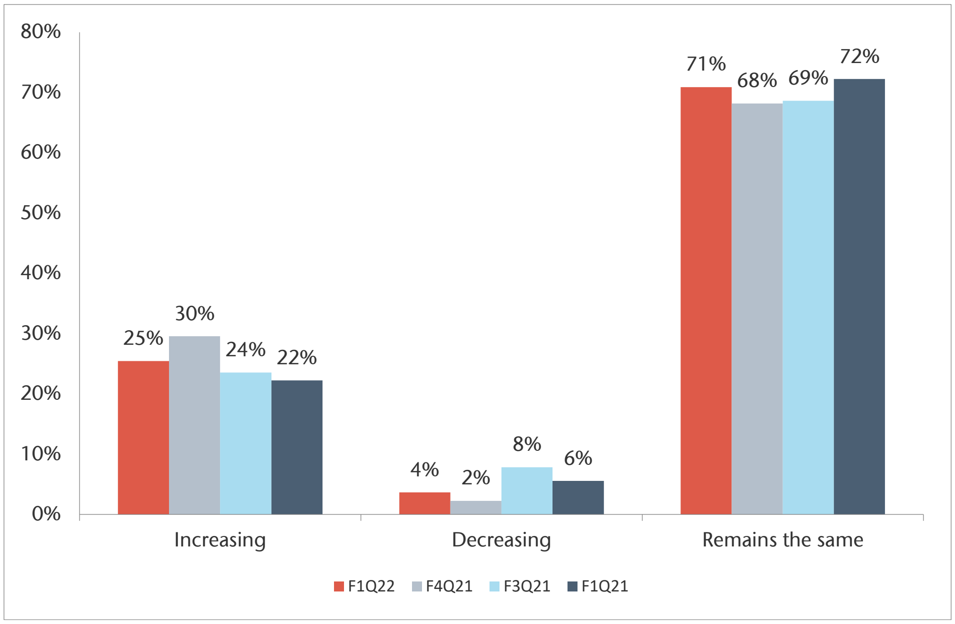
Keeping in mind that more than half of our surveyed partners rely on Salesforce.com as their sole source of income, 25% indicated that Salesforce.com was increasing as a percentage of their overall business, down from 30% last quarter, but up from 24% two quarters ago, and 22% in the year-ago quarter. Meanwhile, the percentage that indicated the Salesforce.com percentage of their business has been decreasing was 4%, higher than 2% last quarter, but lower than 8% two quarters ago, and 6% in the year-ago period. Approximately 71% indicated that the percentage of their overall business attributable to Salesforce.com remains the same (Chart 28). ***(Net Neutral)***

Chart 28 - Is the salesforce.com percentage of your business increasing or decreasing?



Source: JefData proprietary salesforce.com Partner Surveys (F1Q22: n=55; F4Q21: n=44; F3Q21: n=51; F1Q21: n=54)

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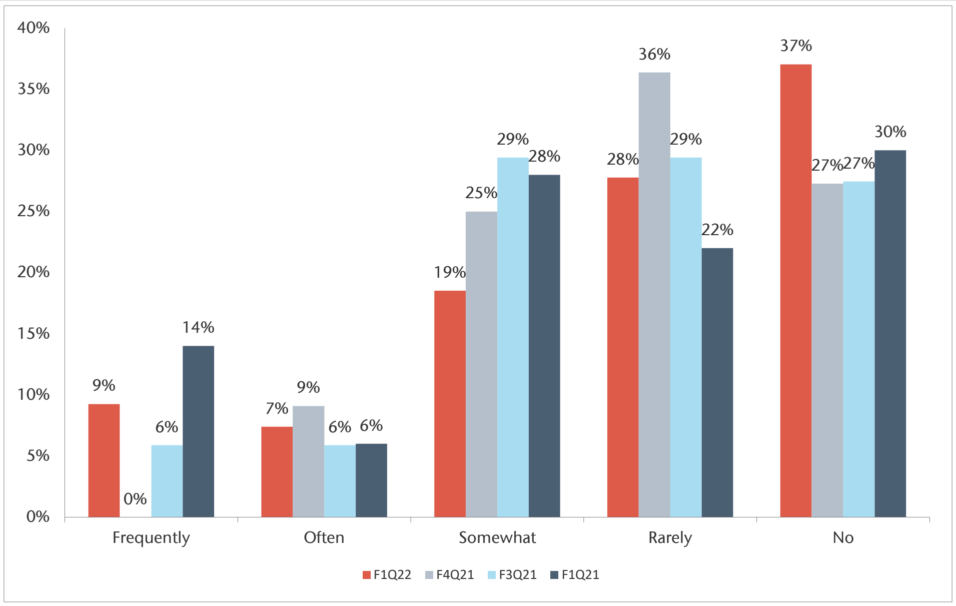
Following Salesforce.com's acquisition of MuleSoft (renamed Integration Platform) in May 2018, we've asked partners whether they have seen increased adoption of the MuleSoft platform by existing Salesforce.com customers since the acquisition. This quarter, 65% of respondents have seen little to no adoption of the MuleSoft platform, higher than 63% last quarter, 56% two quarters ago, and 52% in the year ago period. Of the 35% that have seen some adoption, approximately 19% of surveyed partners have seen modest adoption down from 25% last quarter, 29% two quarters ago, and 28% in the year-ago quarter. Approximately 16% have seen it frequently or often, versus 9% last quarter, 12% two quarters ago, and 20% in the year-ago period. We believe the limited MuleSoft adoption makes sense in the environment since MuleSoft is a higher-priced product with extensive functionality relative to its competitors in the integration software space (Chart 29). ***(Net Negative)***

Chart 29 - Have you seen increased adoption of the MuleSoft integration platform by existing Salesforce.com customers since the acquisition?



Source: JefData proprietary salesforce.com Partner Surveys (F1Q22: n=55; F4Q21: n=44; F3Q21: n=51; F1Q21: n=54)

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Following Salesforce.com's acquisition of Tableau in August 2019, we decided to ask whether partners have seen increased adoption of the Tableau analytics platform by existing Salesforce.com customers since the acquisition. This quarter, 63% of respondents have seen little to no adoption of the Tableau analytics platform, lower than 68% last quarter, 73% two quarters ago, and 70% in the year ago period. About 22% have seen at least some adoption of Tableau down from 33% last quarter and 24% in the year ago period, but higher than 18% two quarters ago. We expect higher adoption as Tableau becomes part of Salesforce.com's powerful go to market motion.

In 2020, Tableau announced over 200 new features at Tableau Conference. Major announcements include bringing Tableau to Slack with built-in mobile notifications, enabling an end-to-end browser environment so users do not need to be on a desktop to access analytics, and enabling collaboration in a Work from Anywhere environment with Collections, a new place where one can group related content. **We believe the end-to-end browser environment access is a major innovation allowing users to access analytics in today's Work from Anywhere (WFA) environment that is here to stay.** The new release democratizes analytics and allows business users to analyze complex datasets. Updates to additional features include Esri ArcGIS support (ability to analyze geospatial data in Tableau); improvements to Ask Data (Tableau's natural language processing functionality); and Tableau Prep Builder (now has native, direct connections to customer Salesforce data). We believe these enhancements will increase the appeal of Tableau in the coming quarters to business users.

We also attended the recent Tableau Live for Americas Conference to get an update on Tableau's product developments. Our two biggest takeaways were the integration of Einstein Discovery with Tableau, and the release of Tableau Business Science. With the Einstein integration, customers will be able to leverage dynamic, AI-driven predictions within their Tableau dashboards. **We believe this is a positive signal that tighter integration between the Tableau and CRM capabilities is underway.** However, we believe that it is in the early innings, and that CRM and Tableau have more runway for innovation and integration moving forward. We are also positive on the release of Tableau Business Science, a tool for business users which is complementary to the data science solution. **We believe this functionality will democratize AI-driven analytics and ultimately expand Tableau's potential user base.**

We will continue to monitor this question in upcoming quarters to see if customer adoption accelerates (Chart 30). ***(Net Neutral)***

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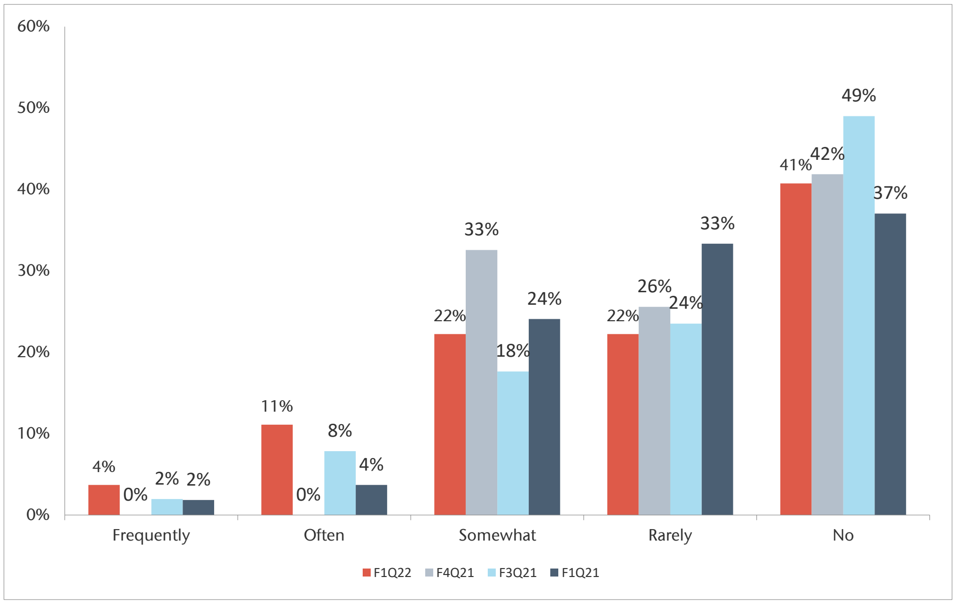
Chart 30 - Have you seen increased adoption of the Tableau Analytics platform by existing Salesforce.com customers since the acquisition?



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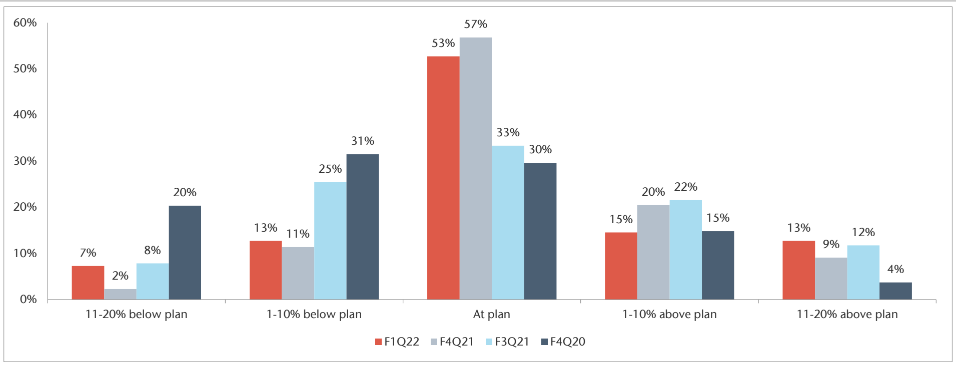
This survey round, 28% of respondents indicated that their Salesforce.com-related business was performing above plan over the past three months (March through May), slightly lower than 29% last quarter and 34% two quarters ago, but higher than 19% in the year-ago period. Meanwhile, the percentage of surveyed partners that indicated performing below plan was 20%, higher than 13% last quarter, but lower than 33% two quarters ago, and 51% in the year-ago period. The remainder (about 53%) indicated that their Salesforce.com related business was performing at plan, versus 57% last quarter, 33% two quarters ago, and 30% a year ago (Chart 31).

The net percentage, which we calculate as the total percentage above plan minus the total percentage below plan, was **positive 8% this quarter**. **This was lower than the positive 16% seen last quarter. The delta was still higher than positive 1% two quarters ago and negative 32% in the year ago period. Despite the sequential decline, we note that the majority of respondents attained their plans. Furthermore, plans for growth can be aggressive for some partners. *(Net Negative)***

Chart 31 - Over the past 3 months, how has your salesforce.com related business performed?



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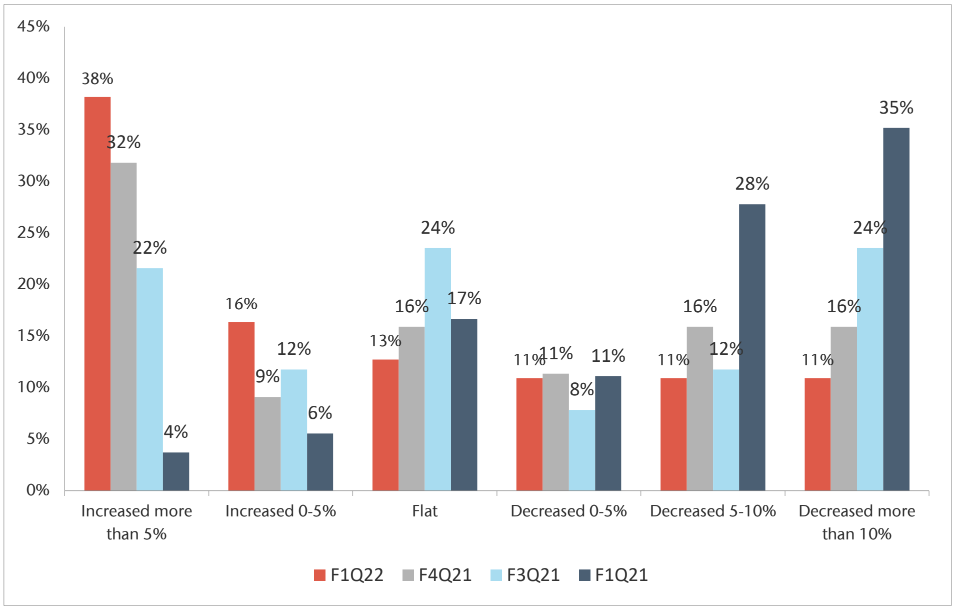
This survey round we asked partners what impact did COVID-19 have on their respective Salesforce.com pipelines. About 33% saw their pipelines decrease as a result of COVID-19 slightly lower than 43% last quarter, and 44% two quarters ago, and materially lower than 74% in the year ago period. More importantly, 54% of the respondents did see an increase in their pipelines higher than 41% last quarter, 34% two quarters ago, and 10% in the year ago period. **We believe that the responses here show that things are improving in terms of demand pipelines for CRM.** (Chart 32). ***(Net Positive)***

Chart 32 - What impact did COVID-19 have on your Salesforce pipeline?



Source: JefData proprietary salesforce.com Partner Surveys (F1Q22: n=55; F4Q21: n=44; F3Q21: n=51; F1Q21: n=54)

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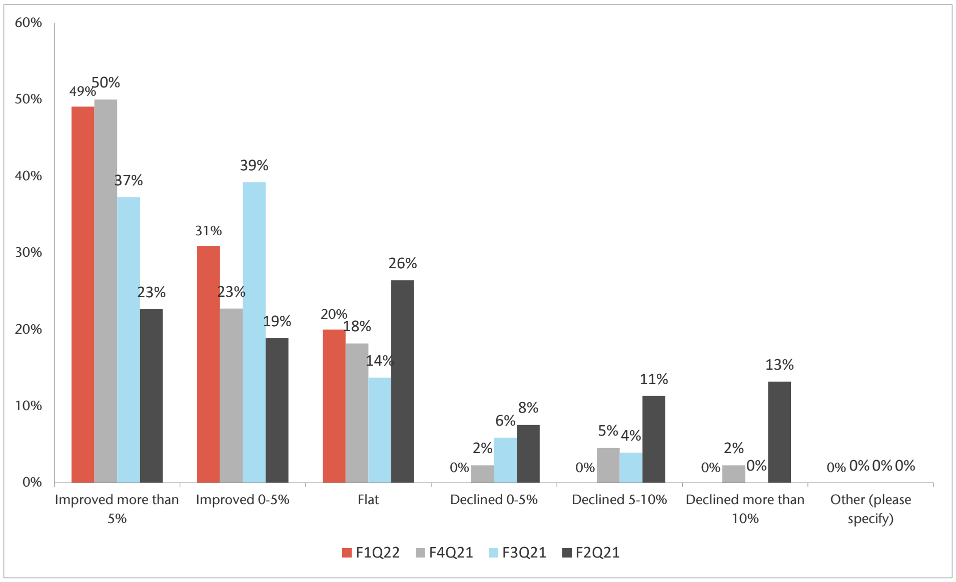
We also asked respondents how their pipelines have changed over the past three months. **100% of respondents noted that their pipelines were either flat or had improved vs. 91% last quarter, 90% two quarters ago, and 68% three quarters ago. Of that 100%, 80% noted that their pipelines had improved vs. 73% last quarter, 76% two quarters ago, and 42% three quarters ago. Once again, these are clear indications of improvement in demand pipelines over the past three months.** On the other side, none of the respondents indicated that their pipelines declined. (Chart 33). ***(Net Positive)***

Chart 33 - Has your Salesforce pipeline changed in February, March, and April when compared to November, December, and January and by how much?



Source: JefData proprietary salesforce.com Partner Surveys (F1Q22: n=55; F4Q21: n=44; F3Q21: n=51; F2Q21: n=53)

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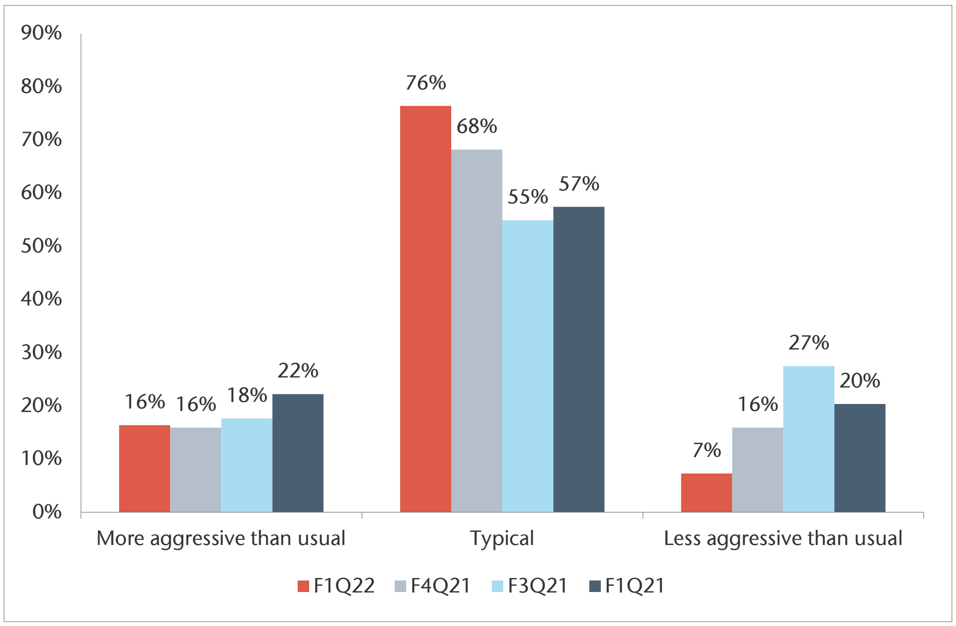
This survey round, approximately 16% of our surveyed partners indicated that they believe Salesforce.com was being more promotionally aggressive than usual, in line with last quarter and down from 18% of respondents two quarters ago and 22% in the year-ago period. 7% indicated Salesforce.com was less promotionally aggressive this past quarter, down from 16% last quarter, 27% two quarters ago, and 20% in the year-ago quarter. 76% of respondents stated Salesforce.com was as aggressive as typical, compared to 68% last quarter, 55% two quarters ago, and 57% a year ago (Chart 34). Historically, Salesforce.com has been the most aggressive with promotions in its January-ending fiscal fourth quarter. ***(Net Neutral)***

Chart 34 - How would you characterize the company's sense of urgency and promotional activity into the end of April compared to the end of other April quarters?



Source: JefData proprietary salesforce.com Partner Surveys (F1Q22: n=55; F4Q21: n=44; F3Q21: n=51; F1Q21: n=54)

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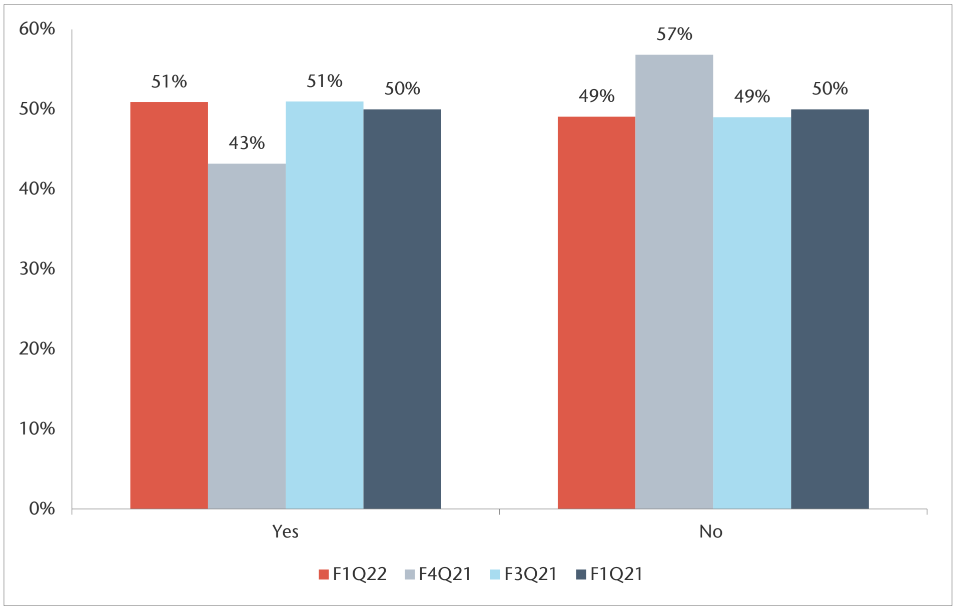
51% of the respondents indicated that they did offer more discounts or promotions to customers, up from 43% last quarter, and 50% in the year ago period, but in line with 51% two quarters ago (Chart 35). ***(Net Neutral)***

Chart 35 - Have you had to offer more discounts/promotions to customers due to COVID-19?



Source: JefData proprietary salesforce.com Partner Surveys (F1Q22: n=55; F4Q21: n=44; F3Q21: n=51; F1Q21: n=54)

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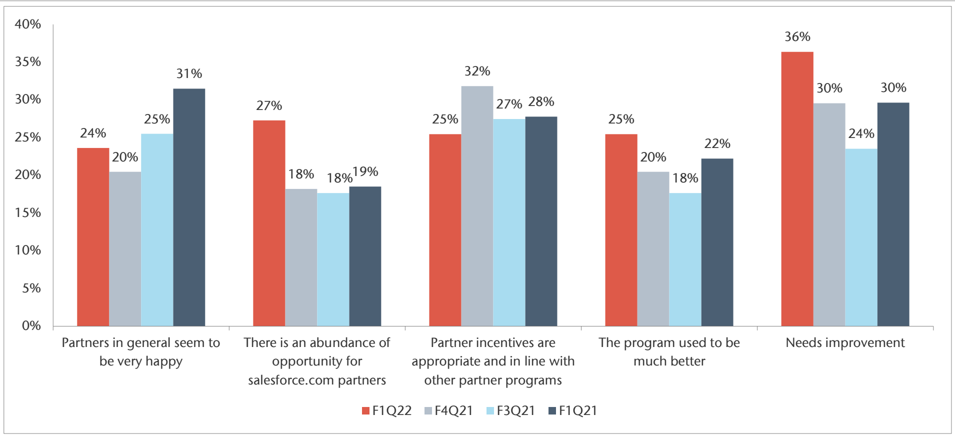
This survey round, 25% indicated that they believe partner incentives are appropriate and in line with other partner programs, down from 32% last quarter, 27% two quarters ago and 28% in the year-ago quarter. Additionally, the percentage of partners who believe that the program used to be much better increased to 25% versus 20% last quarter, 18% two quarters ago, and 22% in the year-ago period. Approximately 36% indicated the partner program needs improvement, up from 30% last quarter, 24% two quarters ago, and 30% in the year-ago period.

Furthermore, there was an increase in respondents that indicated that they believe there is an abundance of opportunity for Salesforce.com partners — to 27% from 18% last quarter. 24% believe partners, in general, seem to be very happy with the partner ecosystem down from 25% two quarters ago, and 31% a year ago, but higher than 20% last quarter. (Chart 36). ***(Net Neutral)***

Chart 36 - How would you characterize the mood of the overall salesforce.com partner ecosystem?



Source: JefData proprietary salesforce.com Partner Surveys (F1Q22: n=55; F4Q21: n=44; F3Q21: n=51; F1Q21: n=54)

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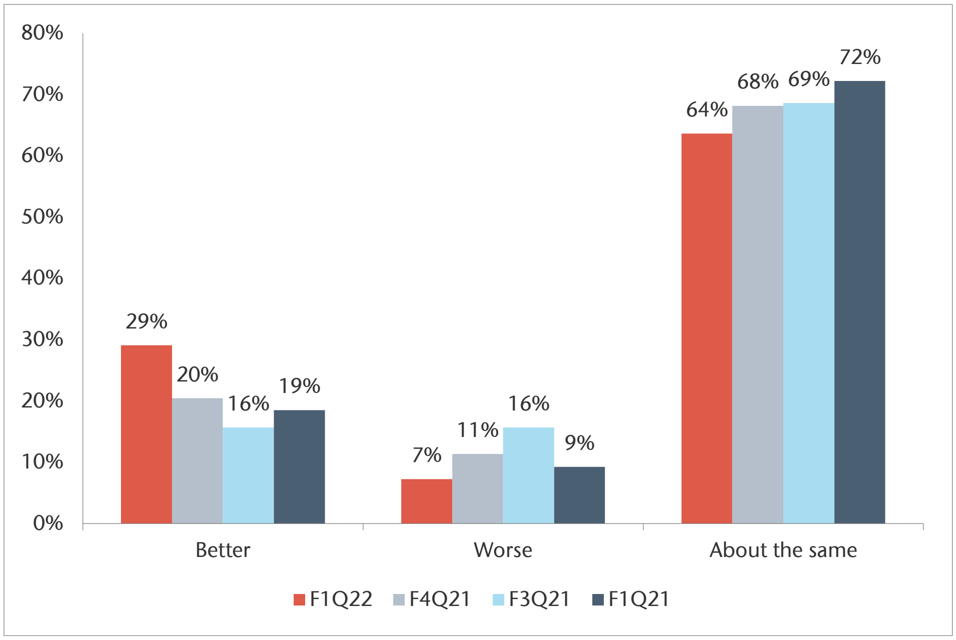
This survey round, approximately 64% of surveyed partners indicated that the reliability or performance of the Salesforce.com platform has remained about the same — below 68% last quarter, 69% two quarters prior, and 72% a year ago. Approximately 29% of respondents indicated that the reliability or performance of the Salesforce.com platform has gotten better in recent months, higher than 20% last quarter, 16% two quarters ago, and 19% in the year-ago period. 7% believe that reliability or performance has worsened, lower than 11% last quarter, 16% two quarters ago, and 9% in the year ago period. (Chart 37). ***(Net Positive)***

Chart 37 - Has reliability or performance of the platform changed in recent months?



Source: JefData proprietary salesforce.com Partner Surveys (F1Q22: n=55; F4Q21: n=44; F3Q21: n=51; F1Q21: n=54)

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Specific comments by surveyed partners

Below are notable responses to the following question that we asked surveyed partners.

Is there anything else you would like to share about salesforce.com or the industry?

- "Salesforce continues to focus on large clients and large partners making it challenging for smaller clients and partners to have success."
- "The Salesforce Professional Services engine is clearly revving up - we are seeing increased competition from their in-house services, and more internal incentives to sell Salesforce Services as opposed to go with partners."
- "With Salesforce building an Implementation teams, it can impact the partner revenue."
- "I am sharing a few observations:

  a) **Slack acquisition seem to be too expensive to me. Not worth the price.**

  b) **Sufficient Salesforce opportunities are there for partners in the market. However there is a shortage of people.**

  c) Sales cloud, Service Cloud, Community Cloud, Marketing cloud all appear to be doing well.

  d) Industry clouds are taking time to pickup. They will do well in future."
- "**Many acquisitions of different "clouds" and the plethora of licenses confuse customers (and consultants) instead of an integrated system like service+cloud.** Industry cloud is a welcomed addition since it is the first organic enhancement in the Salesforce core since many years."
- "Slack is a good acquisition for Salesforce."
- "We've seen an increase in sales activity and customer eagerness since the election, with a dip in January due to the news cycle. **We had a very strong April and are already forecasting a strong May.**"
- "Most clouds are in the 1-15% of the overall business given how many products they have. You should ask about which clouds are growing and which are declining and by what rough percentage."
- "More enterprise deals and customers looking for digital engagement because of COVID-19."
- "Abundance of opportunity for Salesforce.com"
- "I feel the overall Salesforce vision and how everything comes together is lacking/ slipping and becoming more confusing they are behind on integrating all the acquisitions like CPQ / Commerce cloud etc onto the core and a single platform - they need to speed it up and bring it together into one truly integrated product. **Adding things like slack will only add to delays. I feel like they need to hire a thousand (or more) more developers to really accelerate the vision, some roadmap is very slow - i.e. years.** MS is snapping at the heels and leading with Azure and making some headway with its story of a single platform with D365 and Azure and Office etc and just seem to be moving faster."
- "Need more aggressive marketing."
- "Effective, Professional and most important."

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- "Talent is scarce and limiting growth."
- "Salesforce is very emerging and putting a lot of efforts to keep rank 1 in CRM industry Clouds."
- "The company I work for is adversely affected by the creation of the Industries Division since it is attempting to extend the application reach of Salesforce (not just industry vertical credibility). This, I think, may be a bit shortsighted and Salesforce might suffer (though not enough to cause it major issues in the near future or, probably, to make it think twice about the approach) from losing business by always backing its own application products against (under relevant circumstances) more capable ecosystem partner ISVs. Their real and dangerous competitors are the big global players mentioned in question 7 - wiping out small but very capable and focussed ISV partners by steamrolling the Industries Division over them is not ultimately going to help them on that much more strategic battlefield (in my opinion). Industry Division leaders seem to have so far adopted a blinkered Vlocity-centric vision rather than looking to the highly successful partner strategy to embed and build vertical dominance versus Oracle etc. Becoming yet another monolithic vendor will certainly work for Salesforce on various fronts and is not an unreasonable objective, it will, however, be unfortunate for ISVs and will move Salesforce away from one of its historically most successful and disruptive strategies."
- "Demand for talent is crazy."

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Chart 38 - CRM Non GAAP Income Statement

$ millions except for per share items

Fiscal Year Ending January 31	FY2020					FY2021				
	Apr-19A	Jul-19A	Oct-19A	Jan-20A	FY20A	Apr-20A	Jul-20A	Oct-20A	Jan-21A	FY21A
Revenue:										
Subscription and support	3,496.0	3,745.0	4,239.0	4,563.0	16,043.0	4,575.0	4,840.0	5,085.0	5,476.0	19,976.0
q/q change	*3.6%*	*7.1%*	*13.2%*	*7.6%*		*0.3%*	*5.8%*	*5.1%*	*7.7%*	
y/y change	*24.4%*	*22.4%*	*33.8%*	*35.2%*	*29.2%*	*30.9%*	*29.2%*	*20.0%*	*20.0%*	*24.5%*
Professional services	241.0	252.0	274.0	288.0	1,055.0	290.0	311.0	334.0	341.0	1,276.0
q/q change	*5.7%*	*4.6%*	*8.7%*	*5.1%*		*0.7%*	*7.2%*	*7.4%*	*2.1%*	
y/y change	*23.0%*	*14.0%*	*22.3%*	*26.3%*	*21.4%*	*20.3%*	*23.4%*	*21.9%*	*18.4%*	*20.9%*
Total revenue	**3,737.0**	**3,997.0**	**4,513.0**	**4,851.0**	**17,098.0**	**4,865.0**	**5,151.0**	**5,419.0**	**5,817.0**	**21,252.0**
q/q change	*3.7%*	*7.0%*	*12.9%*	*7.5%*		*0.3%*	*5.9%*	*5.2%*	*7.3%*	
y/y change	*24.3%*	*21.8%*	*33.0%*	*34.6%*	*28.7%*	*30.2%*	*28.9%*	*20.1%*	*19.9%*	*24.3%*
Total cost of revenues	810.0	859.0	923.0	999.0	3,591.0	1,043.0	1,082.0	1,160.0	1,250.0	4,535.0
Gross profit, non-GAAP	**2,927.0**	**3,138.0**	**3,590.0**	**3,852.0**	**13,507.0**	**3,822.0**	**4,069.0**	**4,259.0**	**4,567.0**	**16,717.0**
Gross margin	*78.3%*	*78.5%*	*79.5%*	*79.4%*	*79.0%*	*78.6%*	*79.0%*	*78.6%*	*78.5%*	*78.7%*
y/y change	*26.6%*	*24.2%*	*37.7%*	*39.5%*	*32.3%*	*30.6%*	*29.7%*	*18.6%*	*18.6%*	*23.8%*
Operating expenses:										
Research and development	473.0	509.0	605.0	669.0	2,256.0	693.0	714.0	721.0	767.0	2,895.0
% of revenues	*12.7%*	*12.7%*	*13.4%*	*13.8%*	*13.2%*	*14.2%*	*13.9%*	*13.3%*	*13.2%*	*13.6%*
Marketing and sales	1,452.0	1,560.0	1,705.0	2,009.0	6,726.0	2,055.0	1,904.0	2,021.0	2,294.0	8,274.0
% of revenues	*38.9%*	*39.0%*	*37.8%*	*41.4%*	*39.3%*	*42.2%*	*37.0%*	*37.3%*	*39.4%*	*38.9%*
General and administrative	320.0	330.0	406.0	429.0	1,485.0	439.0	411.0	444.0	488.0	1,782.0
% of revenues	*8.6%*	*8.3%*	*9.0%*	*8.8%*	*8.7%*	*9.0%*	*8.0%*	*8.2%*	*8.4%*	*8.4%*
Other charges		166.0			166.0					
Total operating expenses, non-GAAP	2,245.0	2,565.0	2,716.0	3,107.0	10,633.0	3,187.0	3,029.0	3,186.0	3,549.0	12,951.0
Operating income, non-GAAP	**682.0**	**573.0**	**874.0**	**745.0**	**2,874.0**	**635.0**	**1,040.0**	**1,073.0**	**1,018.0**	**3,766.0**
Operating margin, non-GAAP	*18.2%*	*14.3%*	*19.4%*	*15.4%*	*16.8%*	*13.1%*	*20.2%*	*19.8%*	*17.5%*	*17.7%*
y/y change	*33.2%*	*-2.1%*	*52.8%*	*25.0%*	*26.9%*	*-6.9%*	*81.5%*	*22.8%*	*36.6%*	*31.0%*
Other income/(expense), net	272.0	106.0	(1.0)	32.0	409.0	187.0	661.0	1,026.0	232.0	2,106.1
Pretax income, non-GAAP	**954.0**	**679.0**	**873.0**	**777.0**	**3,283.0**	**822.0**	**1,701.0**	**2,099.0**	**1,250.0**	**5,872.1**
Benefit / (Provision) for income taxes	(215.0)	(153.0)	(196.0)	(175.0)	(739.0)	(181.0)	(374.0)	(462.0)	(275.0)	(1,292.0)
Effective tax rate	*22.5%*	*22.5%*	*22.5%*	*22.5%*	*22.5%*	*22.0%*	*22.0%*	*22.0%*	*22.0%*	*22.0%*
Noncontrolling interest										
Net income, non-GAAP	**739.0**	**526.0**	**677.0**	**602.0**	**2,544.0**	**641.0**	**1,327.0**	**1,637.0**	**975.0**	**4,580.1**
Net margin, non-GAAP	*19.8%*	*13.2%*	*15.0%*	*12.4%*	*14.9%*	*13.2%*	*25.8%*	*30.2%*	*16.8%*	*21.6%*
y/y change	*32.7%*	*-4.4%*	*41.9%*	*9.9%*	*19.3%*	*-13.3%*	*152.3%*	*141.8%*	*62.0%*	*80.0%*
Diluted EPS - Non-GAAP	**0.93**	**0.66**	**0.75**	**0.66**	**3.02**	**0.70**	**1.44**	**1.74**	**1.04**	**4.93**
y/y change	*26.2%*	*-6.9%*	*24.1%*	*-5.2%*	*9.8%*	*-24.7%*	*117.5%*	*131.2%*	*57.1%*	*63.4%*
Basic shares outstanding	771.0	776.0	879.0	889.0	828.8	896.0	904.0	911.0	916.0	906.8
Diluted shares outstanding	793.0	795.0	898.0	911.0	842.3	913.0	922.0	939.0	939.0	928.3

Fiscal Year Ending January 31	FY2022E					FY2023E				
	Apr-21E	Jul-21E	Oct-21E	Jan-22E	FY22E	Apr-22E	Jul-22E	Oct-22E	Jan-23E	FY23E
Revenue:										
Subscription and support	5,515.9	5,731.8	6,201.6	6,633.5	24,082.9	6,784.7	7,173.2	7,404.7	7,866.2	29,228.8
q/q change	*0.7%*	*3.9%*	*8.2%*	*7.0%*		*2.3%*	*5.7%*	*3.2%*	*6.2%*	
y/y change	*20.6%*	*18.4%*	*22.0%*	*21.1%*	*20.6%*	*23.0%*	*25.1%*	*19.4%*	*18.6%*	*21.4%*
Professional services	364.1	372.6	425.4	455.1	1,617.1	461.4	487.8	488.7	519.2	1,957.0
q/q change	*6.8%*	*2.3%*	*14.2%*	*7.0%*		*1.4%*	*5.7%*	*0.2%*	*6.2%*	
y/y change	*25.5%*	*19.8%*	*27.4%*	*33.4%*	*26.7%*	*26.7%*	*30.9%*	*14.9%*	*14.1%*	*21.0%*
Total revenue	**5,880.0**	**6,104.4**	**6,627.1**	**7,088.5**	**25,700.0**	**7,246.0**	**7,661.0**	**7,893.4**	**8,385.4**	**31,185.8**
q/q change	*1.1%*	*3.8%*	*8.6%*	*7.0%*		*2.2%*	*5.7%*	*3.0%*	*6.2%*	
y/y change	*20.9%*	*18.5%*	*22.3%*	*21.9%*	*20.9%*	*23.2%*	*25.5%*	*19.1%*	*18.3%*	*21.3%*
Total cost of revenues	1,248.6	1,276.1	1,279.5	1,390.3	5,194.6	1,427.4	1,509.4	1,555.3	1,672.7	6,164.7
Gross profit, non-GAAP	**4,631.4**	**4,828.3**	**5,347.6**	**5,698.2**	**20,505.4**	**5,818.6**	**6,151.7**	**6,338.1**	**6,712.7**	**25,021.1**
Gross margin	*78.8%*	*79.1%*	*80.7%*	*80.4%*	*79.8%*	*80.3%*	*80.3%*	*80.3%*	*80.1%*	*80.2%*
y/y change	*21.2%*	*18.7%*	*25.6%*	*24.8%*	*22.7%*	*25.6%*	*27.4%*	*18.5%*	*17.8%*	*22.0%*
Operating expenses:										
Research and development	787.6	854.7	1,005.3	1,046.3	3,693.9	976.5	1,048.5	1,140.6	1,225.9	4,391.6
% of revenues	*13.4%*	*14.0%*	*15.2%*	*14.8%*	*14.4%*	*13.5%*	*13.7%*	*14.5%*	*14.6%*	*14.1%*
Marketing and sales	2,286.6	2,389.0	2,559.5	2,763.5	9,998.6	2,764.7	2,943.0	3,093.8	3,340.4	12,141.8
% of revenues	*38.9%*	*39.1%*	*38.6%*	*39.0%*	*38.9%*	*38.2%*	*38.4%*	*39.2%*	*39.8%*	*38.9%*
General and administrative	462.8	464.5	655.4	670.6	2,253.3	538.6	586.4	694.6	737.9	2,557.6
% of revenues	*7.9%*	*7.6%*	*9.9%*	*9.5%*	*8.8%*	*7.4%*	*7.7%*	*8.8%*	*8.8%*	*8.2%*
Other charges										
Total operating expenses, non-GAAP	3,537.0	3,708.3	4,220.2	4,480.3	15,945.8	4,279.8	4,577.9	4,929.0	5,304.3	19,091.0
Operating income, non-GAAP	**1,094.4**	**1,120.0**	**1,127.3**	**1,217.9**	**4,559.7**	**1,538.9**	**1,573.7**	**1,409.1**	**1,408.4**	**5,930.1**
Operating margin, non-GAAP	*18.6%*	*18.3%*	*17.0%*	*17.2%*	*17.7%*	*21.2%*	*20.5%*	*17.9%*	*16.8%*	*19.0%*
y/y change	*72.3%*	*7.7%*	*5.1%*	*19.6%*	*21.1%*	*40.6%*	*40.5%*	*25.0%*	*15.6%*	*30.1%*
Other income/(expense), net	(23.9)	(23.9)	(111.4)	(111.4)	(270.5)	(61.4)	(61.4)	(61.4)	(61.4)	(245.5)
Pretax income, non-GAAP	**1,070.5**	**1,096.1**	**1,016.0**	**1,106.5**	**4,289.2**	**1,477.5**	**1,512.3**	**1,347.7**	**1,347.1**	**5,684.6**
Benefit / (Provision) for income taxes	(230.16)	(235.7)	(218.4)	(237.9)	(922.2)	(317.66)	(325.2)	(289.8)	(289.6)	(1,222.2)
Effective tax rate	*21.5%*	*21.5%*	*21.5%*	*21.5%*	*21.5%*	*21.5%*	*21.5%*	*21.5%*	*21.5%*	*21.5%*
Noncontrolling interest	-	-	-	-	-	-	-	-	-	-
Net income, non-GAAP	**840.4**	**860.5**	**797.5**	**868.6**	**3,367.0**	**1,159.8**	**1,187.2**	**1,058.0**	**1,057.5**	**4,462.4**
Net margin, non-GAAP	*14.3%*	*14.1%*	*12.0%*	*12.3%*	*13.1%*	*16.0%*	*15.5%*	*13.4%*	*12.6%*	*14.3%*
y/y change	*31.1%*	*-35.2%*	*-51.3%*	*-10.9%*	*-26.5%*	*38.0%*	*38.0%*	*32.7%*	*21.7%*	*32.5%*
Diluted EPS - Non-GAAP	**0.88**	**0.90**	**0.78**	**0.84**	**3.40**	**1.12**	**1.13**	**1.00**	**1.00**	**4.25**
y/y change	*26.0%*	*-37.8%*	*-55.1%*	*-18.8%*	*-31.1%*	*26.3%*	*26.8%*	*28.3%*	*18.1%*	*25.0%*
Basic shares outstanding	923.0	932.0	986.0	994.0	958.8	1,000.0	1,006.0	1,012.0	1,018.0	1,009.0
Diluted shares outstanding	950.0	961.0	1,019.0	1,030.0	990.0	1,038.0	1,046.0	1,054.0	1,062.0	1,050.0

Source: Jefferies, Company Data

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Chart 39 - CRM Balance Sheet

$ millions	FY2020				FY2021				FY2022E				FY2023E			
Fiscal Year Ending January 31	Apr-19A	Jul-19A	Oct-19A	Jan-20A	Apr-20A	Jul-20A	Oct-20A	Jan-21A	Apr-21E	Jul-21E	Oct-21E	Jan-22E	Apr-22E	Jul-22E	Oct-22E	Jan-23E
Assets																
Current assets:																
Cash and cash equivalents	4,110.0	3,510.0	3,868.0	4,145.0	5,772.0	4,052.0	3,724.0	6,195.0	17,831.6	17,610.8	1,566.2	3,641.2	5,396.8	5,485.5	5,359.6	7,780.5
Short-term marketable securities	2,269.0	2,532.0	2,661.0	3,802.0	4,030.0	5,231.0	5,768.0	5,771.0	5,771.0	5,771.0	5,771.0	5,771.0	5,771.0	5,771.0	5,771.0	5,771.0
Accounts receivable, net	2,153.0	2,332.0	2,573.0	6,174.0	3,076.0	3,445.0	3,316.0	7,786.0	4,704.0	5,087.0	5,007.1	9,845.2	6,843.5	7,235.4	7,191.7	12,112.2
Deferred commissions, short term	786.0	786.0	813.0	926.0	881.0	948.0	1,017.0	1,146.0	1,061.3	1,027.8	984.8	1,114.6	1,039.0	1,015.6	953.2	1,101.8
Deferred income taxes, short term	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses and other current assets	717.0	743.0	1,111.0	916.0	954.0	1,170.0	1,121.0	991.0	1,117.2	1,312.4	1,259.1	921.5	869.5	995.9	1,105.1	964.3
Total current assets	10,035.0	9,903.0	11,026.0	15,963.0	14,713.0	14,846.0	14,946.0	21,889.0	30,485.1	30,809.0	14,588.3	21,293.5	19,919.8	20,503.5	20,380.5	27,729.9
Marketable securities, noncurrent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property and equipment, net	2,243.0	2,283.0	2,365.0	2,375.0	2,518.0	2,528.0	2,564.0	2,459.0	2,493.6	2,527.5	2,585.0	2,591.0	2,592.7	2,588.9	2,633.5	2,621.7
Operating lease right-of use assets	2,854.0	2,904.0	3,150.0	3,040.0	2,983.0	2,985.0	2,962.0	3,204.0	3,204.0	3,204.0	3,204.0	3,204.0	3,204.0	3,204.0	3,204.0	3,204.0
Deferred commissions, noncurrent	1,149.0	1,105.0	1,103.0	1,348.0	1,171.0	1,309.0	1,462.0	1,715.0	1,588.3	1,538.1	1,473.7	1,668.1	1,554.9	1,519.9	1,426.4	1,648.9
Strategic investments	1,548.0	1,614.0	1,760.0	1,963.0	1,902.0	2,555.0	3,927.0	3,909.0	3,909.0	3,909.0	3,909.0	3,909.0	3,909.0	3,909.0	3,909.0	3,909.0
Goodwill	12,854.0	13,199.0	25,022.0	25,134.0	25,266.0	26,301.0	26,313.0	26,318.0	26,568.0	27,068.0	43,068.0	43,318.0	43,318.0	43,318.0	43,318.0	43,318.0
Acquired intangible assets, net	1,794.0	1,725.0	4,987.0	4,724.0	4,488.0	4,676.0	4,398.0	4,114.0	4,114.0	4,114.0	4,114.0	4,114.0	4,114.0	4,114.0	4,114.0	4,114.0
Other assets, net	677.0	603.0	529.0	579.0	582.0	2,580.0	2,564.0	2,693.0	2,693.0	2,693.0	2,693.0	2,693.0	2,693.0	2,693.0	2,693.0	2,693.0
Total Assets	**33,154.0**	**33,336.0**	**49,942.0**	**55,126.0**	**53,623.0**	**57,780.0**	**59,136.0**	**66,301.0**	**75,055.1**	**75,862.6**	**75,635.0**	**82,790.6**	**81,305.5**	**81,850.3**	**81,678.4**	**89,238.4**
Liabilities and Stockholders' Equity																
Current liabilities																
Accounts payable	125.4	190.8	230.2	209.6	172.0	258.6	283.0	254.1	331.4	407.7	340.2	307.9	410.6	515.7	402.5	361.7
Accrued expenses and other current liabilities	2,102.6	2,156.2	2,650.8	3,223.4	2,817.0	3,226.4	3,263.0	4,100.9	3,410.4	3,658.7	3,902.2	5,047.5	5,195.4	5,707.5	6,117.4	6,574.1
Operating lease liabilities, current	675.0	706.0	735.0	750.0	742.0	767.0	765.0	766.0	766.0	766.0	766.0	766.0	766.0	766.0	766.0	766.0
Unearned revenue ("deferred rev" pre-F4Q18)	7,585.0	7,142.0	6,858.0	10,662.0	9,112.0	8,711.0	7,923.0	12,607.0	10,618.9	10,118.3	9,196.0	14,583.1	12,084.8	11,153.4	9,852.0	16,105.5
Convertible senior notes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Term loan	-	-	-	-	-	-	-	-	-	-	-	-	991.0	991.0	1,183.0	1,183.0
Total current liabilities	10,488.0	10,195.0	10,474.0	14,845.0	12,843.0	12,963.0	12,234.0	17,728.0	15,126.7	14,950.7	14,204.4	20,704.4	19,447.8	19,133.6	18,320.8	24,990.4
Convertible senior notes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Senior secured credit facility/Fremont Loan	196.0	195.0	194.0	193.0	192.0	191.0	190.0	190.0	190.0	190.0	190.0	190.0	190.0	190.0	190.0	190.0
Term loan (Demandware)	500.0	299.0	150.0	-	-	-	-	-	-	-	-	-	-	-	-	-
Senior Notes	2,477.0	2,479.0	2,480.0	2,480.0	2,481.0	2,482.0	2,482.0	2,483.0	2,478.0	2,478.0	2,478.0	2,478.0	2,478.0	2,478.0	2,478.0	2,478.0
Noncurrent operating lease liabilities	2,383.0	2,341.0	2,535.0	2,445.0	2,422.0	2,407.0	2,403.0	2,842.0	2,842.0	2,842.0	2,842.0	2,842.0	2,842.0	2,842.0	2,842.0	2,842.0
Long term lease liabilities and other	664.0	661.0	830.0	1,278.0	1,120.0	1,297.0	1,517.0	1,565.0	1,565.0	1,565.0	1,565.0	1,565.0	1,565.0	1,565.0	1,565.0	1,565.0
Deferred revenue, noncurrent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	16,708.0	16,170.0	16,663.0	21,241.0	19,058.0	19,340.0	18,826.0	24,808.0	22,201.7	22,025.7	21,279.4	27,779.4	26,522.8	26,208.6	25,395.8	32,065.4
Salesforce.com stockholders' equity																
Preferred stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Additional paid-in capital	14,383.0	15,024.0	31,243.0	32,116.0	32,739.0	33,922.0	34,727.0	35,601.0	35,601.0	35,601.0	35,601.0	35,601.0	35,601.0	35,601.0	35,601.0	35,601.0
Accumulated other comprehensive loss	(65.0)	(77.0)	(74.0)	(93.0)	(135.0)	(68.0)	(84.0)	(42.0)	(42.0)	(42.0)	(42.0)	(42.0)	(42.0)	(42.0)	(42.0)	(42.0)
Retained earnings	2,127.0	2,218.0	2,109.0	1,861.0	1,960.0	4,585.0	5,666.0	5,933.0	6,465.0	6,527.9	5,950.8	5,480.9	5,555.1	5,597.0	5,588.4	5,580.3
Total stockholders' equity	16,446.0	17,166.0	33,279.0	33,885.0	34,565.0	38,440.0	40,310.0	41,493.0	42,025.0	42,087.9	41,510.8	41,040.9	41,115.1	41,157.0	41,148.4	41,140.3
Total liabilities and stockholders' equity	**33,154.0**	**33,336.0**	**49,942.0**	**55,126.0**	**53,623.0**	**57,780.0**	**59,136.0**	**66,301.0**	**75,055.1**	**75,862.6**	**75,635.0**	**82,790.6**	**81,305.5**	**81,850.3**	**81,678.4**	**89,238.4**

Source: Jefferies, company data

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Chart 40 - CRM Cash Flow Statement

$ millions	FY2020					FY2021				
Fiscal Year Ending January 31	Apr-19A	Jul-19A	Oct-19A	Jan-20A	FY20A	Apr-20A	Jul-20A	Oct-20A	Jan-21A	FY21A
Operating activities:										
Consolidated net income	392.0	91.0	(109.0)	(248.0)	126.0	99.0	2,625.0	1,081.0	267.0	4,072.1
Depreciation and amortization	437.0	457.0	608.0	633.0	2,135.0	658.0	649.0	670.0	869.0	2,846.0
Amortization of debt discount and transaction costs	-	-	-	-	-	-	-	-	-	-
Amortization of deferred commissions	209.0	217.0	221.0	229.0	876.0	247.0	250.0	271.0	290.0	1,058.0
Expenses related to stock-based awards	343.0	388.0	543.0	511.0	1,785.0	504.0	578.0	566.0	542.0	2,190.0
Excess tax benefits from employee stock plans/ other		166.0			166.0					
Gain on sale of investment	(281.0)	(109.0)	(6.0)	(31.0)	(427.0)	(192.0)	(682.0)	(1,036.0)	(260.0)	(2,170.0)
Tax valuation allowance (release)	-	-	-	-	-	-	(2,003.0)	-	-	(2,003.0)
Changes in assets and liabilities:	*865.0*	*(774.0)*	*(959.0)*	*538.0*	*(330.0)*	*543.0*	*(988.0)*	*(1,213.0)*	*466.0*	*(1,192.0)*
Accounts receivable, net	2,774.0	(146.0)	(29.0)	(3,599.0)	(1,000.0)	3,094.0	(349.0)	128.0	(4,429.0)	(1,556.0)
Deferred commissions	(124.0)	(173.0)	(246.0)	(587.0)	(1,130.0)	(25.0)	(455.0)	(493.0)	(672.0)	(1,645.0)
Prepaid expenses and other assets	(97.0)	28.0	(183.0)	133.0	(119.0)	(11.0)	(203.0)	80.0	1.0	(133.0)
Other assets	-	-			-					-
Accounts payable, accrued expenses and other liabilities	(545.0)	293.0	265.0	969.0	982.0	(757.0)	693.0	68.0	1,096.0	1,100.0
Operating Lease Liabilities	(164.0)	(182.0)	(200.0)	(182.0)	(728.0)	(203.0)	(209.0)	(204.0)	(214.0)	(830.0)
Deferred revenue	(979.0)	(594.0)	(566.0)	3,804.0	1,665.0	(1,555.0)	(465.0)	(792.0)	4,684.0	1,872.0
Net cash provided by operating activities	1,965.0	436.0	298.0	1,632.0	4,331.0	1,859.0	429.1	339.0	2,174.0	4,801.1
y/y growth	*34.1%*	*(4.8%)*	*108.4%*	*22.6%*	*27.5%*	*(5.4%)*	*(1.6%)*	*13.7%*	*33.2%*	*10.9%*
Cash flow margin	*52.6%*	*10.9%*	*6.6%*	*33.6%*	*25.3%*	*38.2%*	*8.3%*	*6.3%*	*37.4%*	*22.6%*
Investing activities:										
Business combinations, net of cash acquired	(10.0)	(423.0)	94.0	(30.0)	(369.0)	(103.0)	(1,154.0)	(24.0)	-	(1,281.0)
Land activity and building improvements	-	-	-	-	-	-	-	-	-	-
Strategic investments	35.0	9.0	(208.0)	(170.0)	(334.0)	259.0	(181.0)	(335.0)	239.0	(18.0)
Change in marketable securities	(592.0)	(260.0)	347.0	(1,129.0)	(1,634.0)	(270.0)	(1,144.0)	(552.0)	4.0	(1,962.0)
Capital expenditures	(159.0)	(178.0)	(170.0)	(136.0)	(643.0)	(323.0)	(114.0)	(124.0)	(149.0)	(710.0)
% of revenue	-4.3%	-4.5%	-3.8%	-2.8%	-3.8%	-6.6%	-2.2%	-2.3%	-2.6%	-3.3%
Net cash used in investing activities	(726.0)	(852.0)	63.0	(1,465.0)	(2,980.0)	(437.0)	(2,593.0)	(1,035.0)	94.0	(3,971.0)
Financing activities:										
Proceeds from (repayment of) borrowings on convertible debt	-	-	-	-	-	-	-	-	(20.0)	(20.0)
Proceeds from issuance of warrants	-	-	-	-	-	-	-	-	-	-
Purchase of convertible note hedge	-	-	-	-	-	-	-	-	-	-
Proceeds from the exercise of stock options	219.0	152.0	179.0	290.0	840.0	258.0	466.0	381.0	216.0	1,321.0
Excess tax benefits from employee stock plans	-	-	-	-	-	-	-	-	-	-
Payments on convertible senior notes	-	-	-	-	-	-	-	-	-	-
Principal payments on capital lease obligations	(11.0)	(134.0)	(14.0)	(14.0)	(173.0)	(48.0)	(24.0)	(12.0)	(19.0)	(103.0)
Term loan issuance (repayment)	(1.0)	(201.0)	(150.0)	(151.0)	(503.0)	(1.0)	(1.0)	(1.0)	(1.0)	(4.0)
Net cash provided by financing activities	207.0	(183.0)	15.0	125.0	164.0	209.0	441.0	368.0	176.0	1,194.0
Effect of exchange rate changes	(5.0)	(1.0)	(18.0)	(15.0)	(39.0)	(4.0)	3.0	-	27.0	26.0
Net increase (decrease) in cash and cash equivalents	1,441.0	(600.0)	358.0	277.0	1,476.0	1,627.0	(1,719.9)	(328.0)	2,471.0	2,050.1
Cash and cash equivalents, beginning of period	2,669.0	4,110.0	3,510.0	3,868.0	2,669.0	4,145.0	5,772.0	4,052.1	3,724.1	4,145.0
Cash and cash equivalents, end of period	4,110.0	3,510.0	3,868.0	4,145.0	4,145.0	5,772.0	4,052.1	3,724.1	6,195.1	6,195.1

$ millions	FY2022E					FY2023E				
Fiscal Year Ending January 31	Apr-21E	Jul-21E	Oct-21E	Jan-22E	FY22E	Apr-22E	Jul-22E	Oct-22E	Jan-23E	FY23E
Operating activities:										
Consolidated net income	532.0	62.9	(577.1)	(469.9)	(452.1)	74.2	41.9	(8.6)	(8.1)	99.4
Depreciation and amortization	759.8	747.7	762.5	829.4	3,099.5	844.7	841.5	808.4	939.2	3,433.7
Amortization of debt discount and transaction costs	-	-	-	-	-	-	-	-	-	-
Amortization of deferred commissions	346.7	329.9	320.1	349.5	1,346.2	371.4	353.7	347.4	370.0	1,442.5
Expenses related to stock-based awards	556.2	673.1	825.5	853.8	2,908.6	660.4	810.3	826.3	823.7	3,120.7
Excess tax benefits from employee stock plans/ other										
Gain on sale of investment	-	-	-	-	-	-	-	-	-	-
Tax valuation allowance (release)	-	-	-	-	-	-	-	-	-	-
Changes in assets and liabilities:	*(112.9)*	*(1,332.2)*	*(1,157.8)*	*993.8*	*(1,609.1)*	*291.3*	*(1,459.8)*	*(1,593.6)*	*816.7*	*(1,945.4)*
Accounts receivable, net	3,082.0	(383.0)	79.9	(4,838.1)	(2,059.2)	3,001.7	(391.9)	43.7	(4,920.5)	(2,267.0)
Deferred commissions	(135.3)	(246.0)	(212.7)	(673.8)	(1,267.9)	(182.7)	(295.2)	(191.5)	(741.2)	(1,410.5)
Prepaid expenses and other assets	(126.2)	(195.2)	53.3	337.6	69.5	52.0	(126.4)	(109.1)	140.8	(42.8)
Other assets					-					-
Accounts payable, accrued expenses and other liabilities	(613.2)	324.6	176.0	1,113.0	1,000.4	250.6	617.2	296.7	416.0	1,580.5
Operating Lease Liabilities	(332.0)	(332.0)	(332.0)	(332.0)	(1,328.0)	(332.0)	(332.0)	(332.0)	(332.0)	(1,328.0)
Deferred revenue	(1,988.1)	(500.6)	(922.3)	5,387.0	1,976.1	(2,498.3)	(931.4)	(1,301.4)	6,253.5	1,522.5
Net cash provided by operating activities	2,081.9	481.4	173.2	2,556.6	5,293.1	2,242.0	587.6	379.8	2,941.5	6,150.9
y/y growth	*12.0%*	*12.2%*	*(48.9%)*	*17.6%*	*10.2%*	*7.7%*	*22.1%*	*119.3%*	*15.1%*	*16.2%*
Cash flow margin	*35.4%*	*7.9%*	*2.6%*	*36.1%*	*20.6%*	*30.9%*	*7.7%*	*4.8%*	*35.1%*	*19.7%*
Investing activities:										
Business combinations, net of cash acquired	(250.0)	(500.0)	(16,000.0)	(250.0)	(17,000.0)	(250.0)	(250.0)	(250.0)	(250.0)	(1,000.0)
Land activity and building improvements	-	-	-	-	-	-	-	-	-	-
Strategic investments	-	-	-	-	-	-	-	-	-	-
Change in marketable securities	-	-	-	-	-	-	-	-	-	-
Capital expenditures	(176.4)	(183.1)	(198.8)	(212.7)	(771.0)	(217.4)	(229.8)	(236.8)	(251.6)	(935.6)
% of revenue	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%
Net cash used in investing activities	(426.4)	(683.1)	(16,198.8)	(462.7)	(17,771.0)	(467.4)	(479.8)	(486.8)	(501.6)	(1,935.6)
Financing activities:										
Proceeds from (repayment of) borrowings on convertible debt	-	-	-	-	-	-	-	-	-	-
Proceeds from issuance of warrants	-	-	-	-	-	-	-	-	-	-
Purchase of convertible note hedge	-	-	-	-	-	-	-	-	-	-
Proceeds from the exercise of stock options	-	-	-	-	-	-	-	-	-	-
Excess tax benefits from employee stock plans	-	-	-	-	-	-	-	-	-	-
Payments on convertible senior notes	-	-	-	-	-	-	-	-	-	-
Principal payments on capital lease obligations	(19.0)	(19.0)	(19.0)	(19.0)	(76.0)	(19.0)	(19.0)	(19.0)	(19.0)	(76.0)
Term loan issuance (repayment)	10,000.0	-	-	-	10,000.0	-	-	-	-	-
Net cash provided by financing activities	9,981.0	(19.0)	(19.0)	(19.0)	9,924.0	(19.0)	(19.0)	(19.0)	(19.0)	(76.0)
Effect of exchange rate changes	-	-	-	-	-	-	-	-	-	-
Net increase (decrease) in cash and cash equivalents	11,636.5	(220.7)	(16,044.6)	2,074.9	(2,553.9)	1,755.6	88.7	(126.0)	2,421.0	4,139.3
Cash and cash equivalents, beginning of period	6,195.1	17,831.6	17,610.8	1,566.2	6,195.1	3,641.2	5,396.8	5,485.5	5,359.6	3,641.2
Cash and cash equivalents, end of period	17,831.6	17,610.8	1,566.2	3,641.2	3,641.2	5,396.8	5,485.5	5,359.6	7,780.5	7,780.5

Source: Jefferies, company data

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Chart 41 - CRM DCF Base Case Scenario

	Year 1	Transition	Terminal
Current risk-free rate of return	3.50%	3.50%	3.50%
Historical risk-free rate of return	5.00%	5.00%	5.00%
Beta	1.04		1.00
Market rate of return	11.50%	11.50%	11.50%
Cost of equity	10.26%		10.00%
Growth Rate	As modeled		5.00%

SCENARIO 2:

									FORECAST PERIOD				TRANSITIONARY PERIOD					TERMINAL	
	2014A	2015A	2016A	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Perpetuity
Current risk-free rate of return									3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	
Historical risk-free rate of return									5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	
Beta									1.04	1.04	1.04	1.04	1.03	1.03	1.02	1.01	1.01	1.00	
Market rate of return									11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	
Cost of equity									10.3%	10.3%	10.3%	10.3%	10.2%	10.2%	10.1%	10.1%	10.0%	10.0%	
FCF Growth Rate	NM	NM	NM	NM	NM	NM	NM	(5.8%)	NM	NM	**45.0%**	**42.5%**	36.3%	30.0%	23.8%	17.5%	11.3%	5.0%	
Free cash flow to enterprise including acquisitions ($M)	(2,594)	914	749	(1,503)	2,108	(2,360)	3,043	2,866	(12,346)	4,406	6,388	9,103	12,403	16,124	19,953	23,445	26,083	27,387	547,735
NPV of Free cash flow ($M)									(11,418)	3,695	4,860	6,281	7,776	9,192	10,353	11,079	11,235		235,944
Cumulative NPV of FCF ($M)									(11,418)	(7,723)	(2,863)	3,418	11,193	20,386	30,738	41,818	53,053		288,997

Cumulative NPV of FCF ($M)	288,997
Shares outstanding (M)	939
NPV/Share	307.77
Plus: Net cash/ share - 10% of revenue	7.63
Total NPV/Share	**$300.14**
Current price/share	$222.58
Upside potential	35%

Source: Jefferies, FactSet, Company Data

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Company Description

Salesforce.com

salesforce.com, inc. provides enterprise cloud computing solutions to various businesses and industries worldwide. The company offers social and mobile cloud apps and platform services, including Sales Cloud for sales force automation, which enables companies to grow their sales pipelines, close deals, improve sales productivity, and gain business insights; Service Cloud that enables companies to connect with their customers and address their service and support needs; Marketing Cloud, which enables companies to bring in data from any source and deliver personalized interactions to any customer across any channel through email, mobile, social, Web, marketing automation, and data analytics from a single platform; and Salesforce1 Platform, a cloud platform for developing customer apps. It also provides professional services, including consulting, deployment, training, implementation, integration, and campaign services to its customers to facilitate the adoption of its social and mobile cloud solutions. salesforce.com, inc. was founded in 1999 and is headquartered in San Francisco, California.

Company Valuation/Risks

Salesforce.com

Our $300 PT is based on a DCF (CoE 10%; TGR 5%) analysis and implies 8.7x EV/2022E revenues. Key risks include significant deceleration in New Subscription ACV and margin compression.

Analyst Certification:

I, Brent Thill, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

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Investment Recommendation Record

(Article 3(1)e and Article 7 of MAR)

Recommendation Published	May 25, 2021 , 15:29 ET.
Recommendation Distributed	May 25, 2021 , 16:05 ET.

Company Specific Disclosures

James Heaney owns shares in Salesforce.com Stanislav Velikov or a member of his family owns shares and RSUs in Salesforce.com

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Buy - Describes securities that we expect to provide a total return (price appreciation plus yield) of 15% or more within a 12-month period.

Hold - Describes securities that we expect to provide a total return (price appreciation plus yield) of plus 15% or minus 10% within a 12-month period.

Underperform - Describes securities that we expect to provide a total return (price appreciation plus yield) of minus 10% or less within a 12-month period.

The expected total return (price appreciation plus yield) for Buy rated securities with an average security price consistently below $10 is 20% or more within a 12-month period as these companies are typically more volatile than the overall stock market. For Hold rated securities with an average security price consistently below $10, the expected total return (price appreciation plus yield) is plus or minus 20% within a 12-month period. For Underperform rated securities with an average security price consistently below $10, the expected total return (price appreciation plus yield) is minus 20% or less within a 12-month period.

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NC - Not covered. Jefferies does not cover this company.

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Other Companies Mentioned in This Report

- Salesforce.com (CRM: $226.99, BUY)

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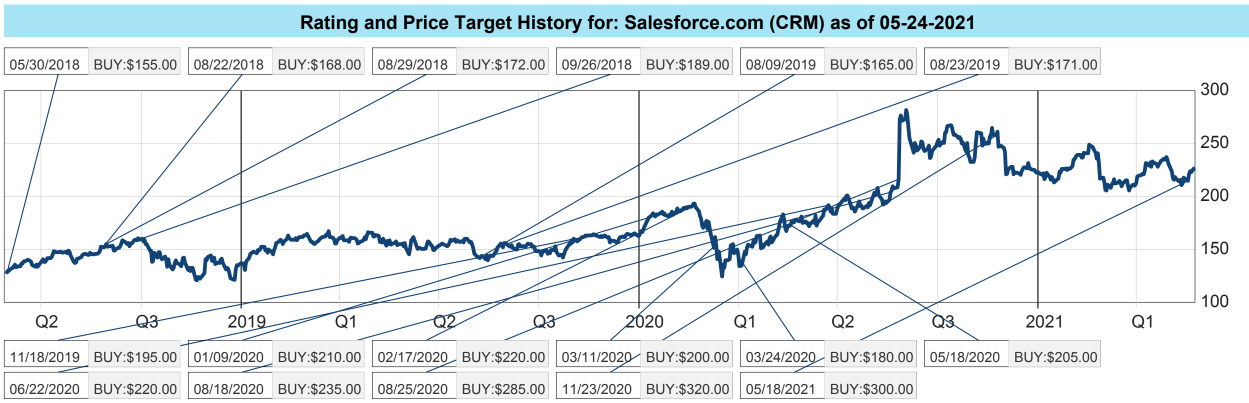

James Heaney owns shares in Salesforce.com Stanislav Velikov or a member of his family owns shares and RSUs in Salesforce.com

Notes: Each box in the Rating and Price Target History chart above represents actions over the past three years in which an analyst initiated on a company, made a change to a rating or price target of a company or discontinued coverage of a company.

Legend:

I: Initiating Coverage

D: Dropped Coverage

B: Buy

H: Hold

UP: Underperform

Distribution of Ratings

Distribution of Ratings						
			IB Serv./Past12 Mos.		JIL Mkt Serv./Past12 Mos.	
	Count	Percent	Count	Percent	Count	Percent
BUY	1736	62.47%	181	10.43%	29	1.67%
HOLD	907	32.64%	21	2.32%	5	0.55%
UNDERPERFORM	136	4.89%	1	0.74%	0	0.00%

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