



The Asset Kickers



What Does Salesforce Do?

Cloud-based *Software as a Service* (SaaS) company.

Provider of **customer relationship management** (CRM) solutions.

- *Sales Cloud*
- *Service Cloud*
- *Marketing and Commerce Cloud*
- *Platform and Other*



What is CRM?

- CRM is a set of solutions
- That are mission critical to a business
- Improves business relationships
 - Customer retention
 - Customer acquisition
- Collects and tracks all customer data
- No need to buy expensive servers
- The platform is scalable and flexible



Company Breakdown



Sales Cloud

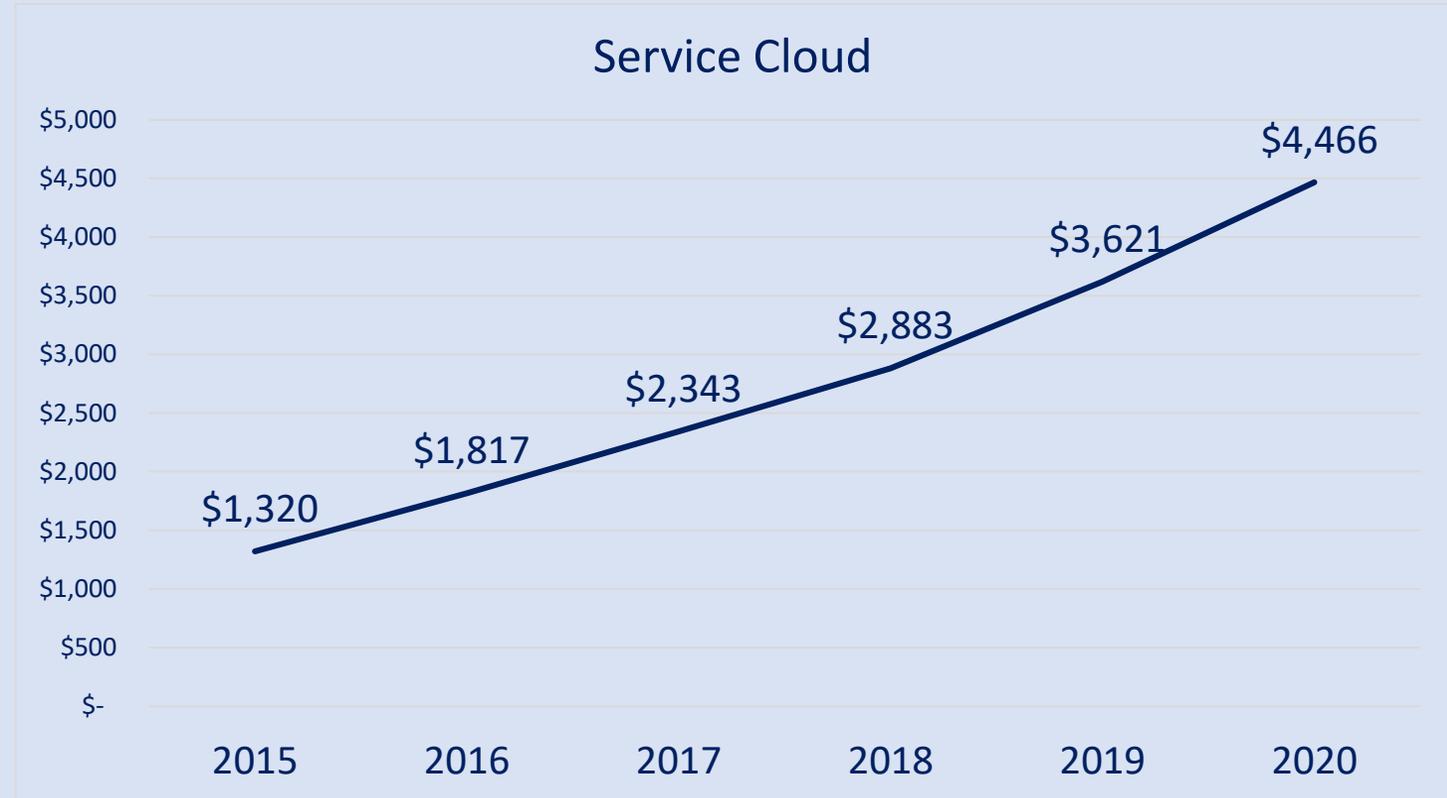
- Allows companies to sell faster and smarter
- Store customer data
- Monitor leads
- Forecast opportunities
- Through data analytics



CAGR	5-year	3-year
Sales Cloud	13.5%	14.3%

Service Cloud

- Enables companies to provide
- A better customer experience
- Through personification
- Customer support
- Across all channels



CAGR	5-year	3-year
Service Cloud	27.6%	24.0%

Marketing and Commerce Cloud

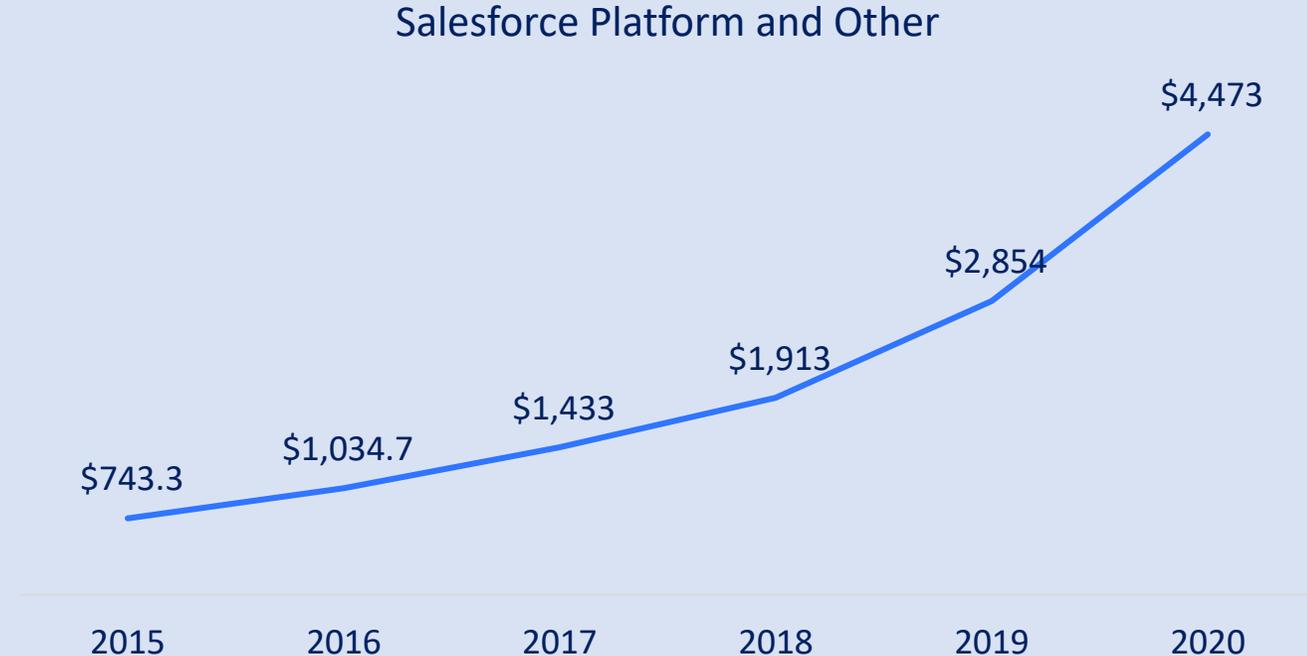
- Enables companies to
- Plan, personalize, improve customer interactions across all channels
- Allows businesses to build and personalize their own ecommerce sites
- Embedded artificial intelligence



CAGR	5-year	3-year
Marketing and Commerce Cloud	37.7%	38.3%

Salesforce Platform and Other

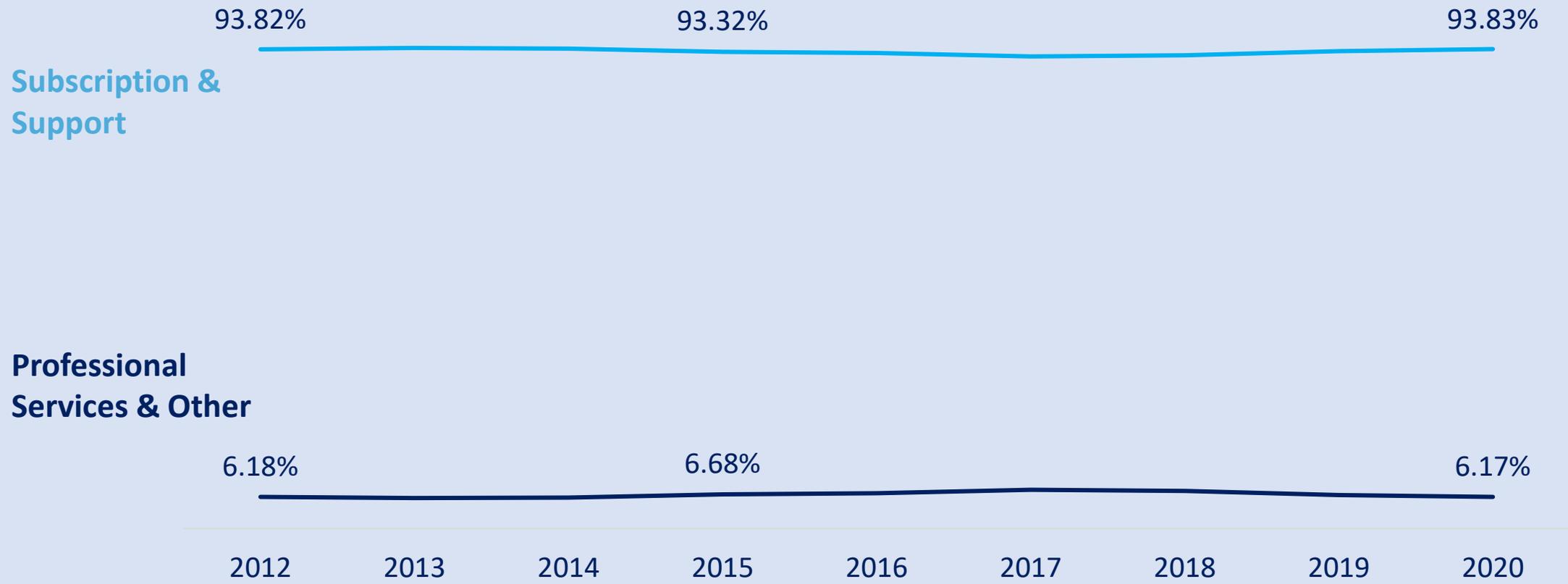
- *Allows users to:*
- Build their own business applications or use third party business applications
- Application Programming Interface (API) and system integration



CAGR	5-year	3-year
Salesforce Platform	43.2%	46.1%



Subscription & Service Revenue as a % of Revenue



CAGR			
	8-year	5-year	3-year
Subscription	28.7%	26.2%	27.4%
Pro Services	28%	24.1%	18.4%

accenture

salesforce

H-E-B

elf
eyes lips face

PANDORA

LVMH

adidas

RALPH LAUREN

Unilever

Columbia

UNDER ARMOUR

L'ORÉAL

VISA MasterCard

LACOSTE

CISCO

intuit

Spotify

Company History

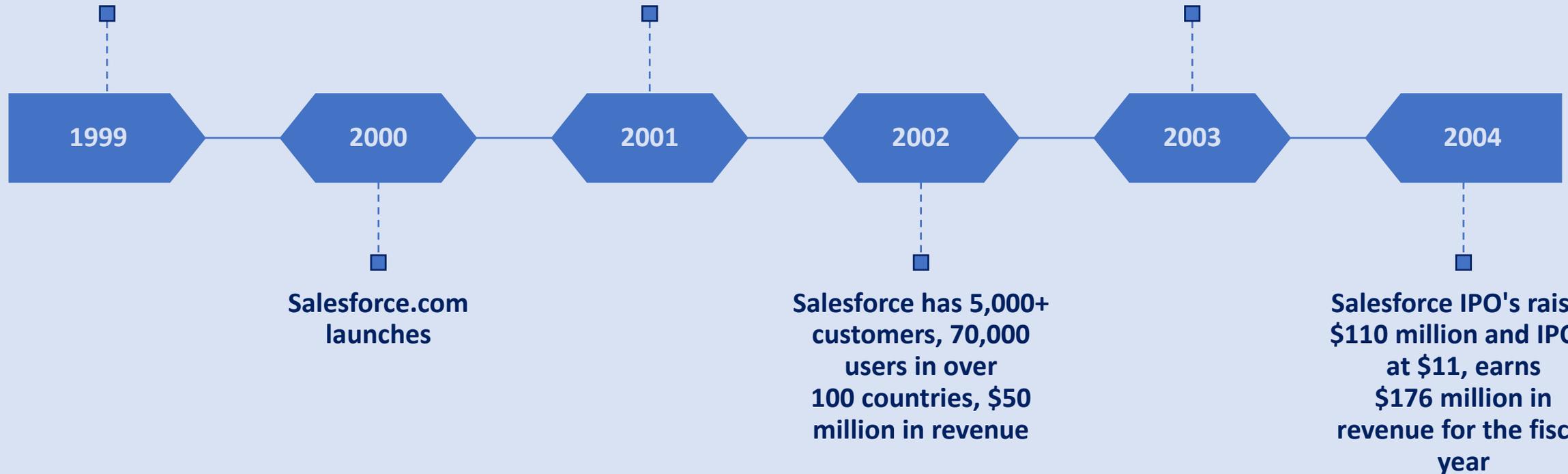


Company History

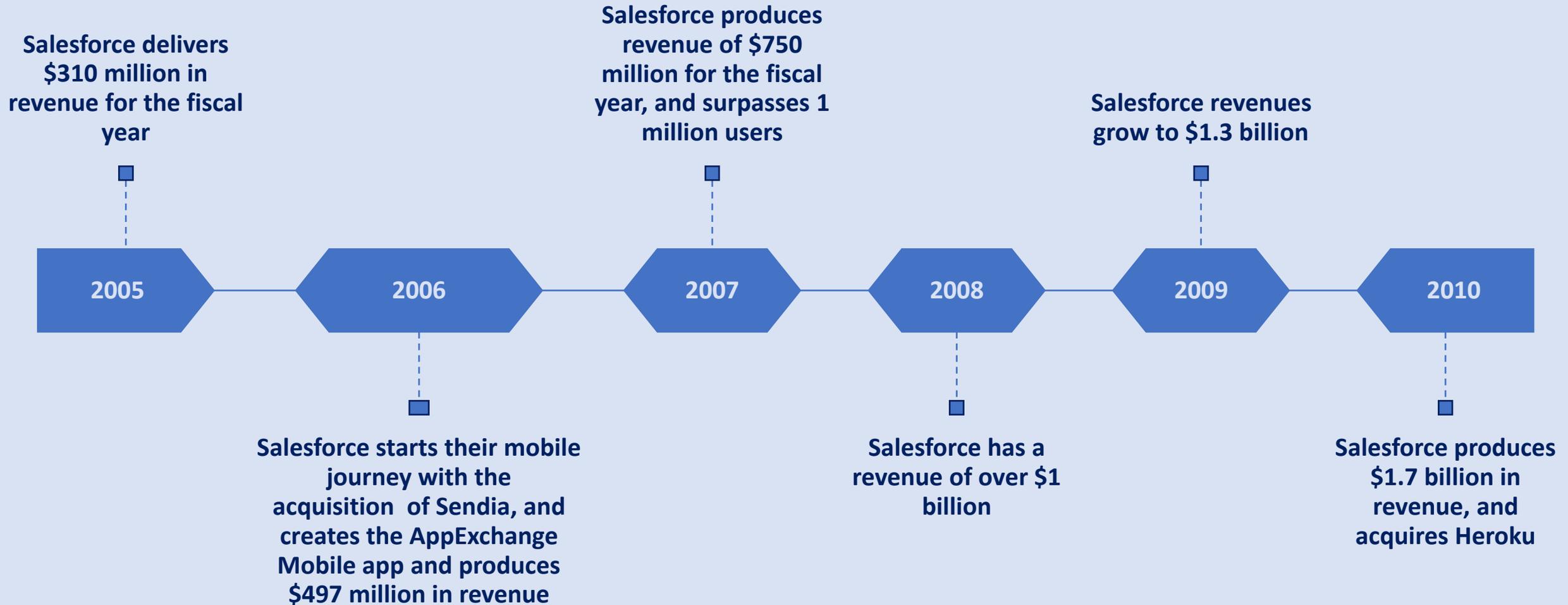
Salesforce starts in an apartment with initial founders Marc Benioff, Parker Harris, Frank Dominguez, and Dave Moellenhoff

The company surpasses 3,000 customers, Benioff is named CEO

sForce 2.0, is launched, almost reaches \$100 million in revenue, and files to go public in December



Company History



Company History

Salesforce has \$2.3 billion in revenue, and acquires Radian6



2011

Salesforce launches Salesforce1 Platform and acquires ExactTarget.



2013

Salesforce enters the Fortune 500



2015

The company surpasses \$3 billion in revenue, also crosses the threshold of having more than 100,000 customers



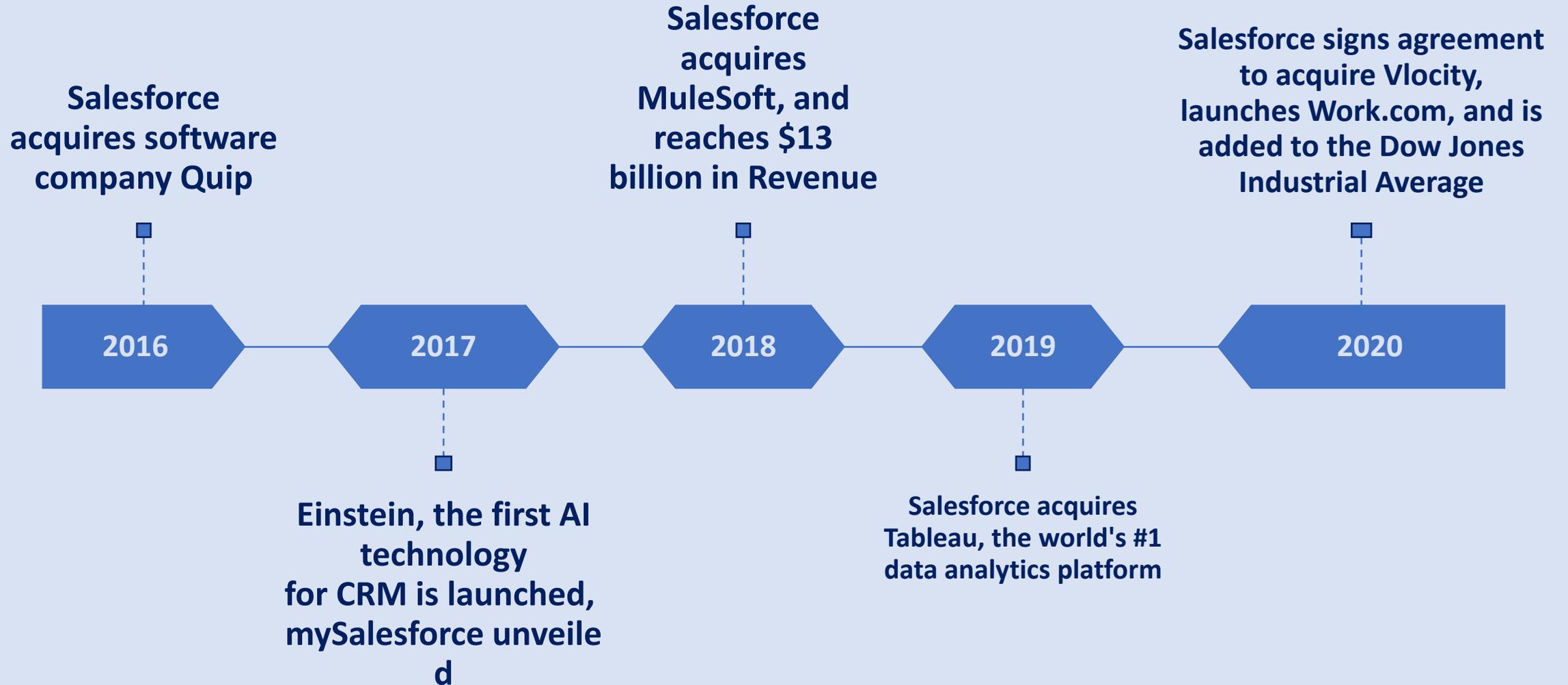
2012

The company has 1.5 million registered developers



2014

Company History



Management





Marc Benioff

- Founder, Chairman and CEO
- 3.8%
- 34M stock or \$8.5B



Parker Harris

- Co-Founder and Chief Technology Officer
- 2.7M stock or \$675M



Craig Conway

- Board of Directors
- 10K Stock or \$2.5M



Bret Taylor

- President and Chief Operating Officer
- 1.5M Stock or \$375M



Mark Hawkins

- President/CFO
- 57K Stock or \$14.5M



Keith Block

- Former CEO
- 850K Stock or \$212M



Susan Wojcicki

- 105K or \$37.5M
- Chief Executive Officer at Youtube



Maynard Webb

- 42K or \$10.5M
- Director of Visa



Colin Powell

- 60K or 15M
- Served as Four Star General

Participant Analysis



Figure 1. Magic Quadrant for the CRM Customer Engagement Center

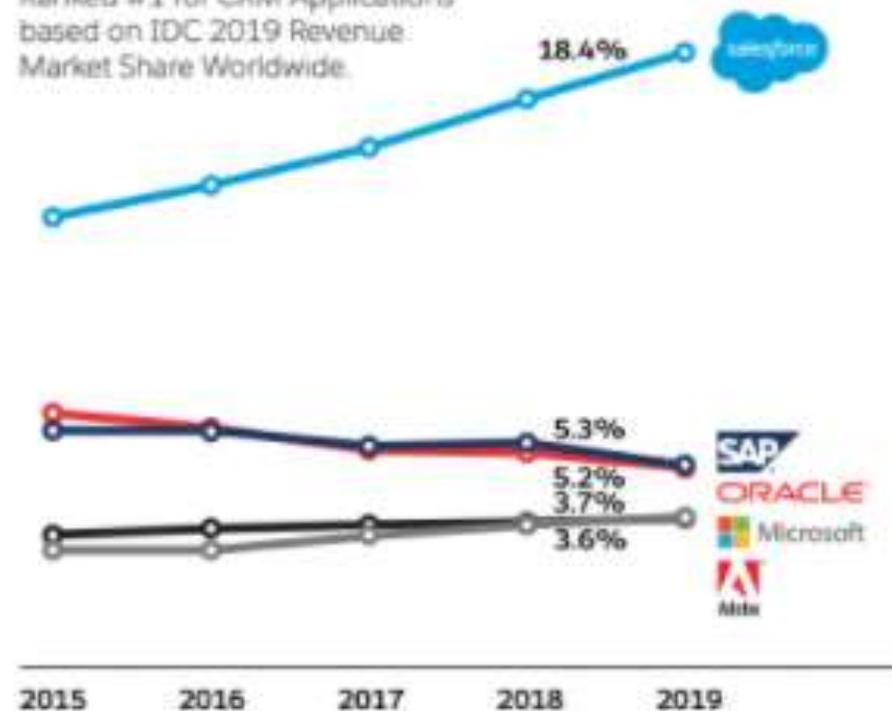


- Very recent graph June 2020
- Not only the leader but also the most dominant

Four reasons why Fortune 500 co. choose CRM

Ranked #1 for CRM.

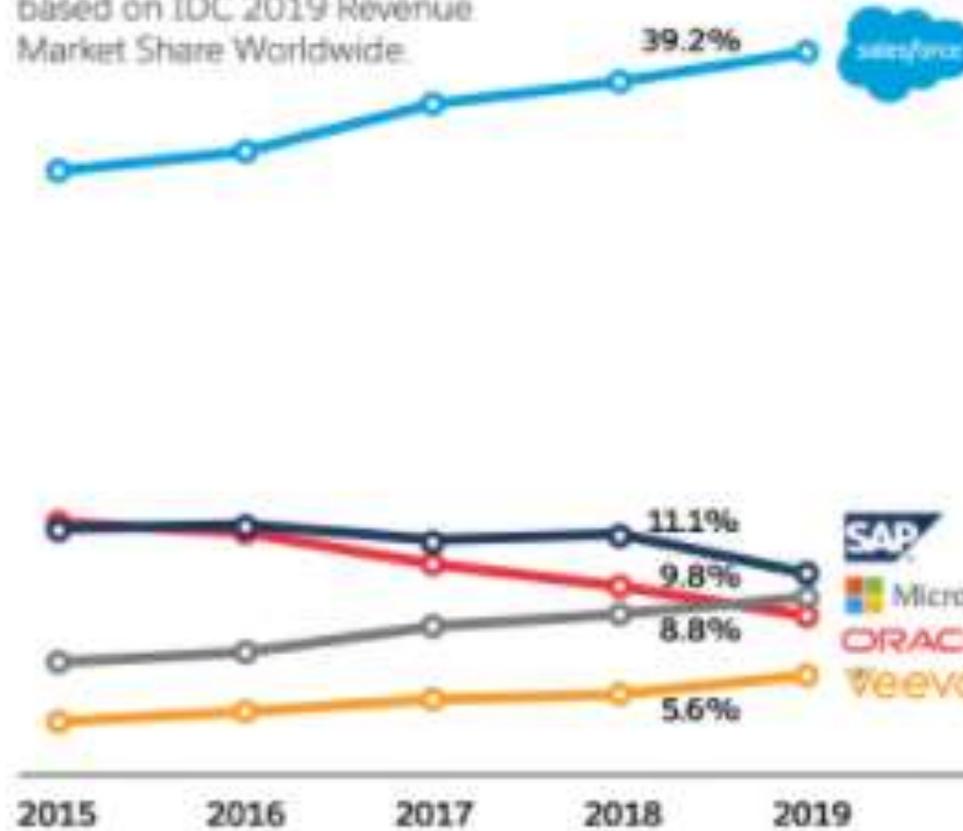
Ranked #1 for CRM Applications
based on IDC 2019 Revenue:
Market Share Worldwide.



Source: IDC, Worldwide Semiannual Software Tracker, April 2020.

Ranked #1 for Sales.

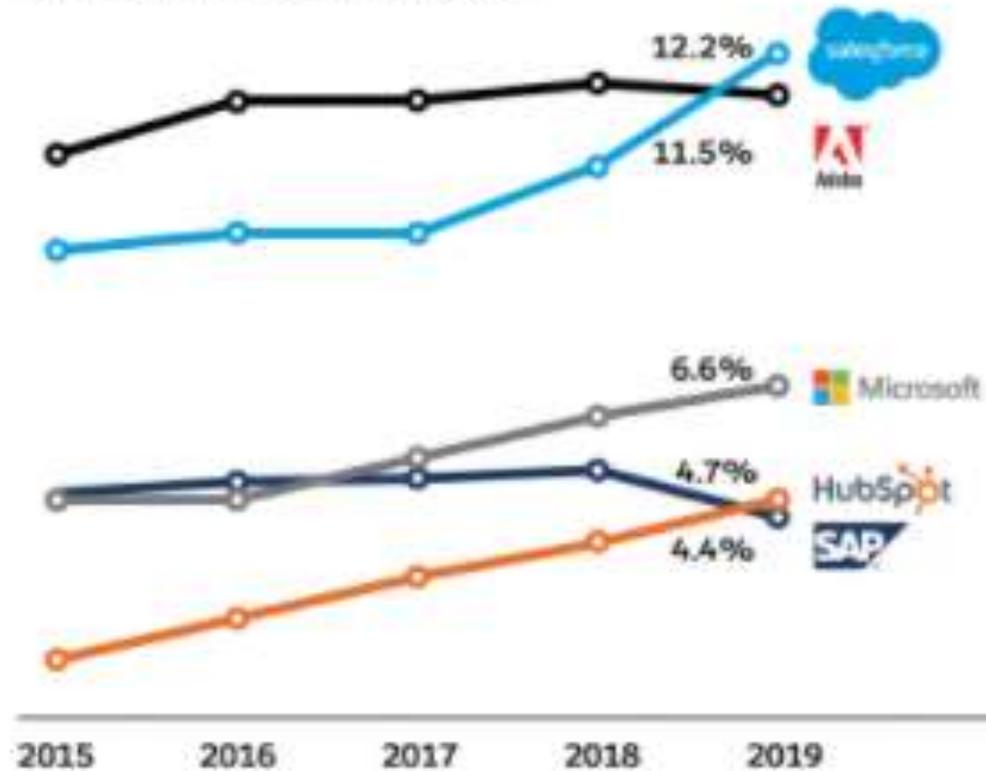
Ranked #1 for Sales Force Productivity
and Management Applications
based on IDC 2019 Revenue
Market Share Worldwide.



Source: IDC, Worldwide Semiannual Software Tracker, April 2020.

Ranked #1 for Marketing.

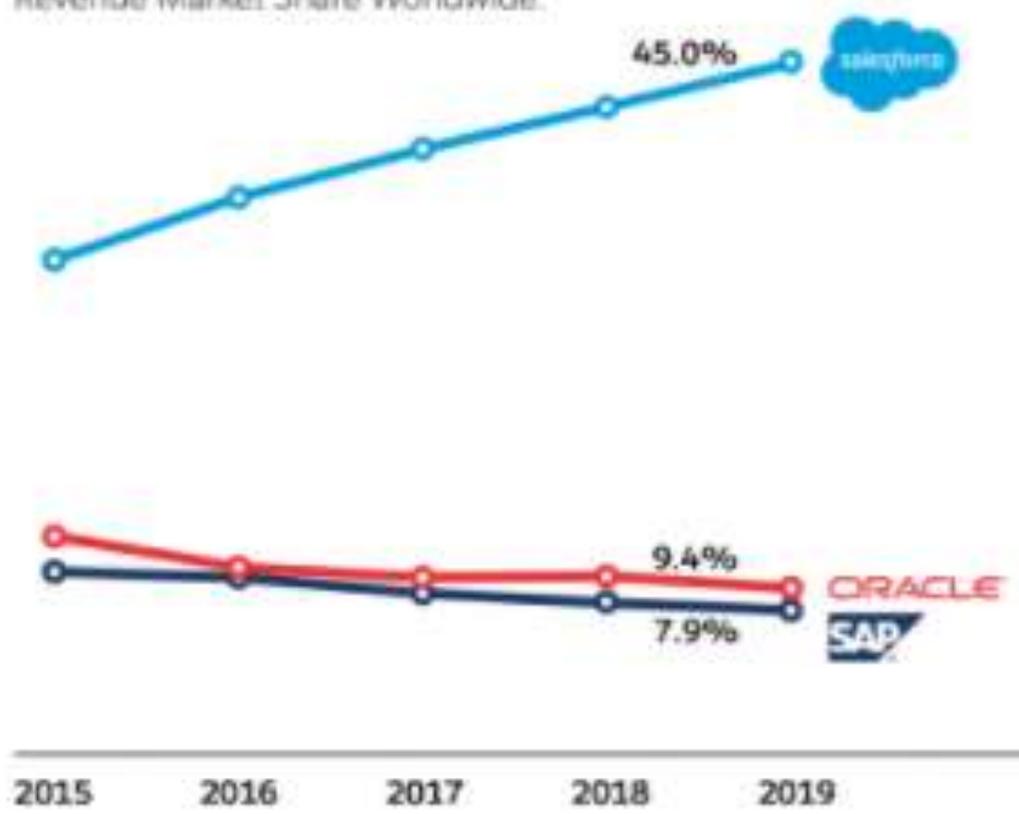
Ranked #1 for Marketing Campaign Management
Applications based on IDC 2019
Revenue Market Share Worldwide.



Source: IDC, Worldwide Semiannual Software Tracker, April 2020.

Ranked #1 for Service.

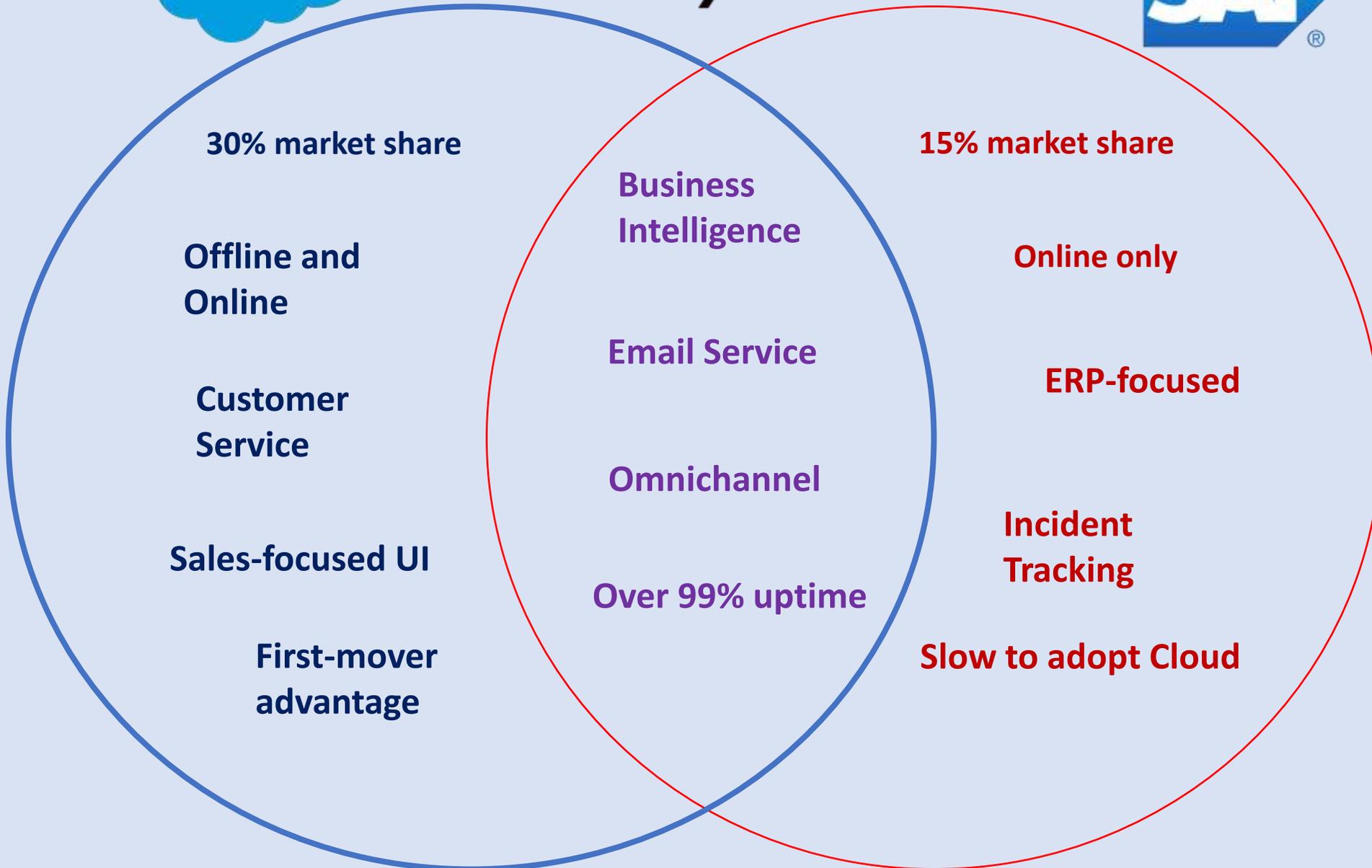
Ranked #1 for Customer Service Applications based on IDC 2019 Revenue Market Share Worldwide.



Source: IDC, Worldwide Semiannual Software Tracker, April 2020.

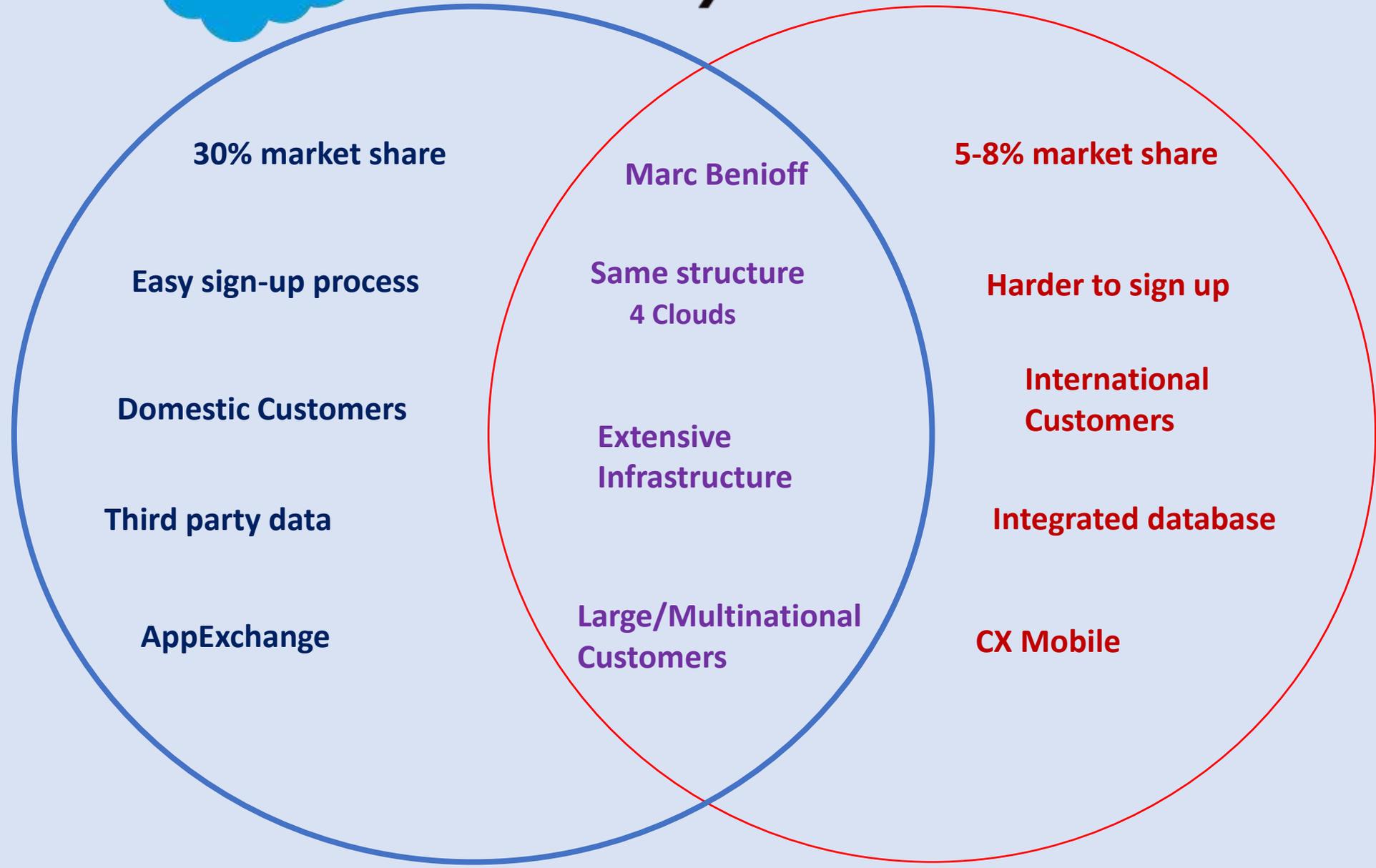


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ORACLE



30% market share

5-8% market share

Easy sign-up process

Harder to sign up

Domestic Customers

International Customers

Third party data

Integrated database

AppExchange

CX Mobile

Marc Benioff

Same structure
4 Clouds

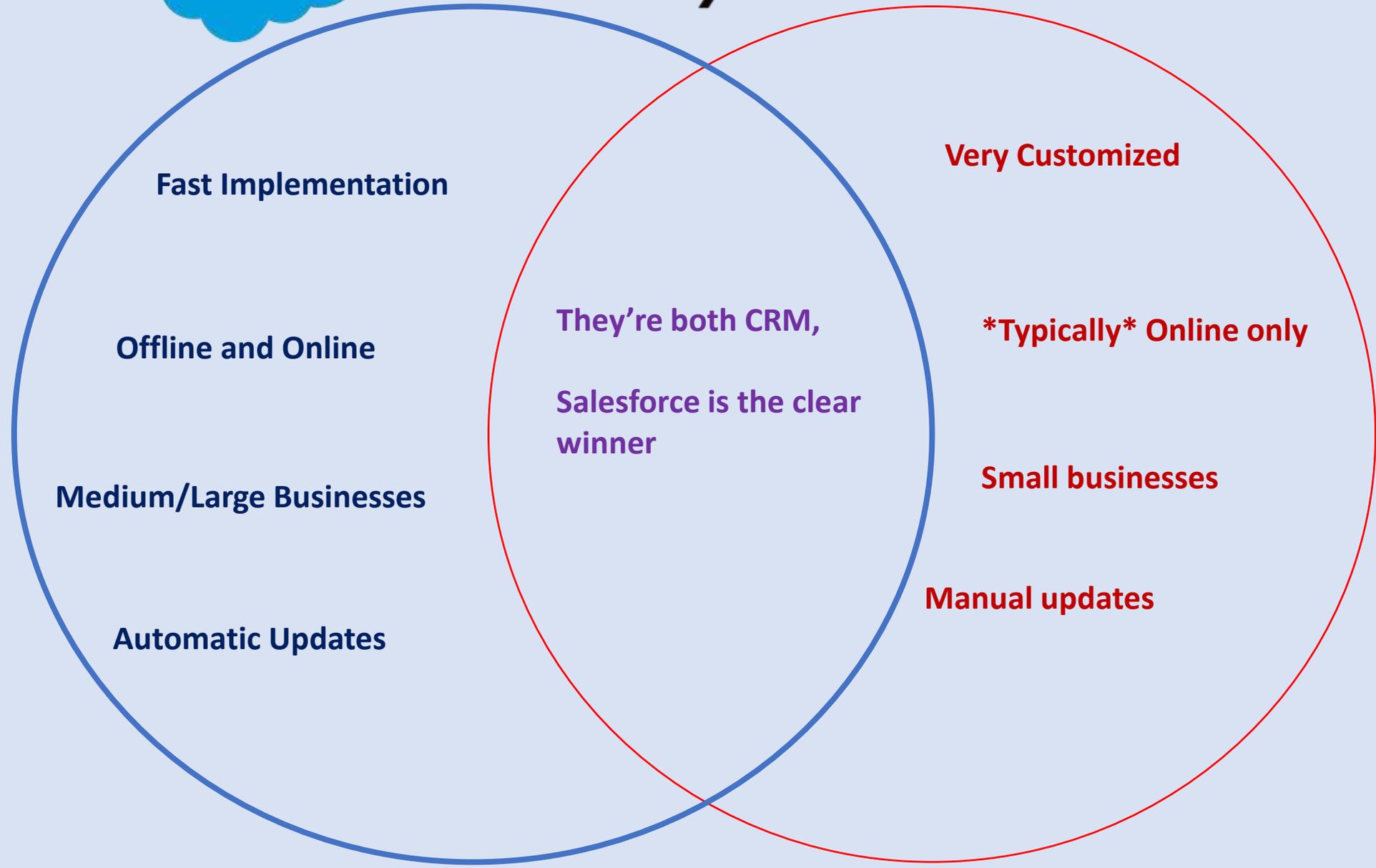
Extensive
Infrastructure

Large/Multinational
Customers



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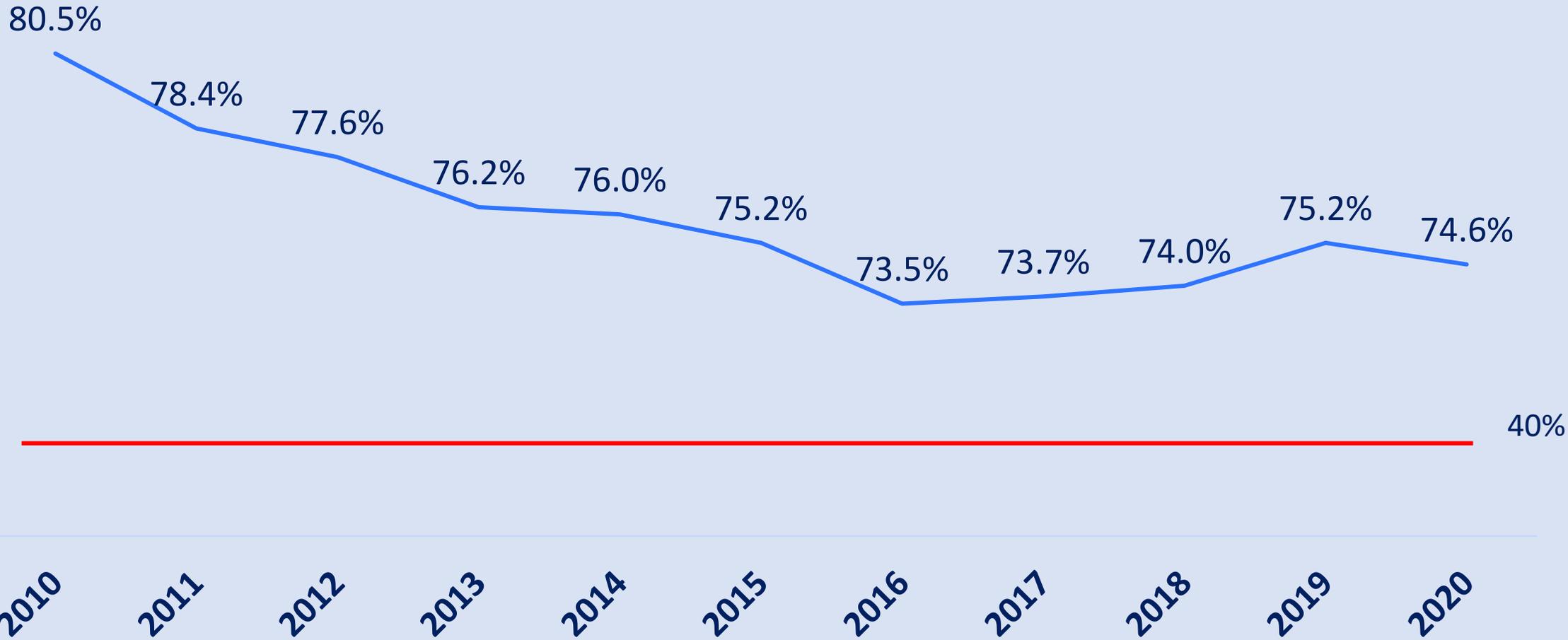
In-House CRM



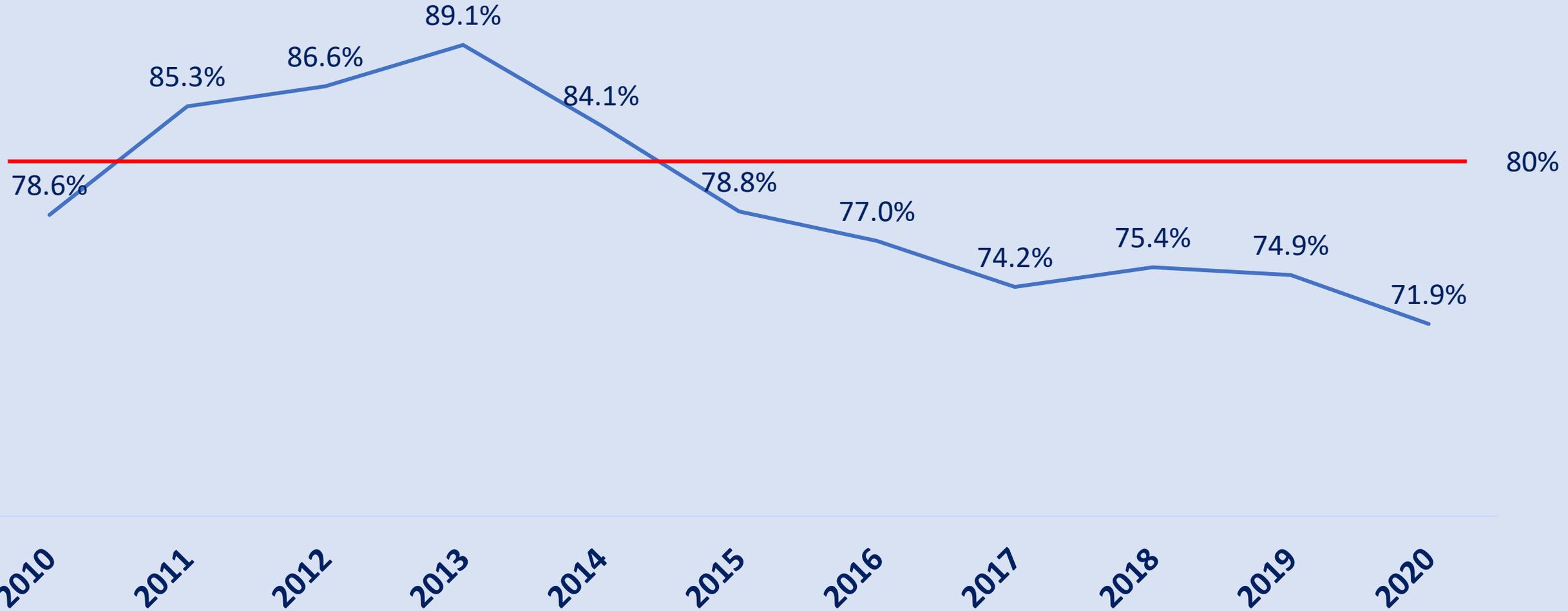
Interpretations of Financial Statements



Gross Margin



SG&A/Gross Profit



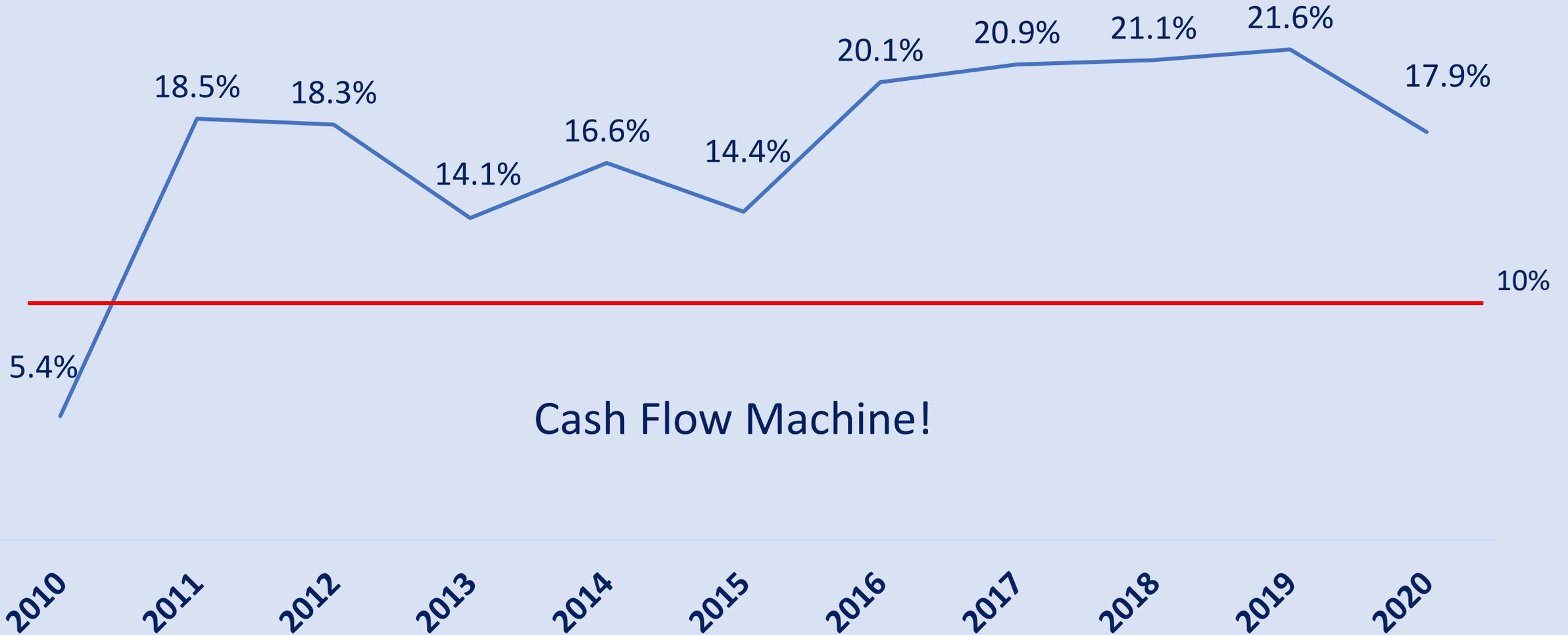
Operating Margin



Net Margin



Free Cash Flow Margin



Revenue

CAGR 27.88%



Net Income



Free Cash Flow

10-year CAGR 44%
5-year CAGR 29.38%



The difference between Net Income and Cash Flow

salesforce.com, inc.
Consolidated Statements of Cash Flows
(in millions)

	Fiscal Year Ended January 31,		
	2020	2019	2018
Operating activities:			
Net income	\$ 126	\$ 1,110	\$ 360
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,135	982	784
Amortization of costs capitalized to obtain revenue contracts, net	876	737	592
Expenses related to employee stock plans	1,785	1,283	997
Loss on settlement of Salesforce.org reseller agreement (Note 7)	166	0	0
Gains on strategic investments, net	(427)	(542)	(19)
Changes in assets and liabilities, net of business combinations:			
Accounts receivable, net	(1,000)	(923)	(719)
Costs capitalized to obtain revenue contracts, net	(1,130)	(981)	(1,156)
Prepaid expenses and other current assets and other assets	(119)	(58)	18
Accounts payable	15	74	(39)
Accrued expenses and other liabilities	967	213	392
Operating lease liabilities	(728)	0	0
Unearned revenue	1,665	1,503	1,528
Net cash provided by operating activities	4,331	3,398	2,738

Amortization
Expense



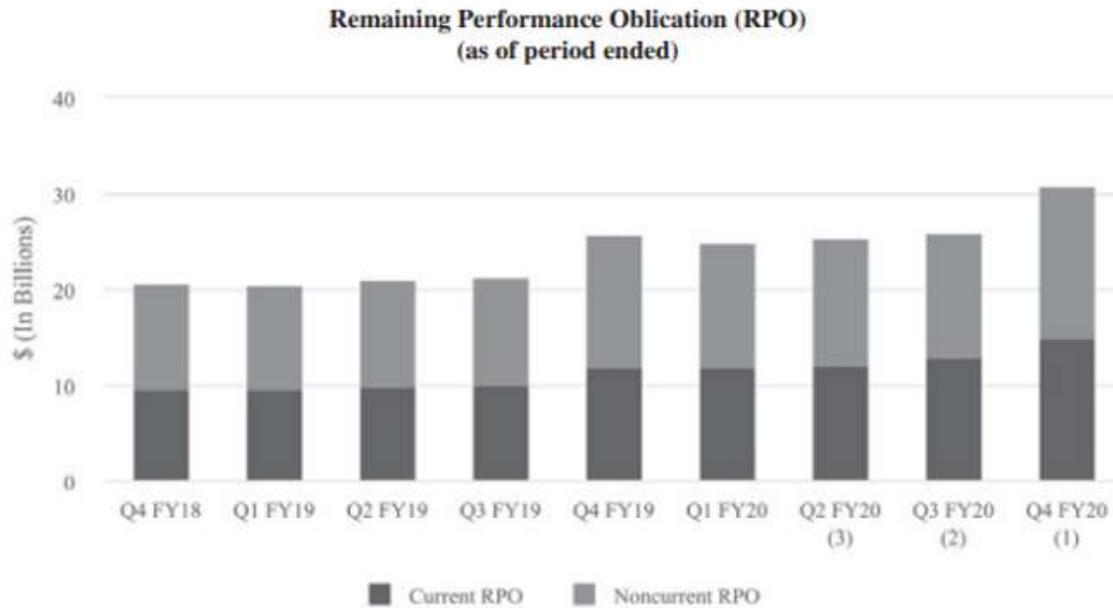
Stock Based
Compensation



Unearned
Revenue

How is it Accounted for?

Remaining performance obligation consisted of the following (in billions):



Deferred revenue as a % of revenue



Guidance

Doubling the company (again) by FY24

2x

Revenue Growth
FY20 - FY24



¹FY20: High end of FY20 revenue guide of \$16.99B to \$17.00B as of November 20, 2019. FY21: High end of FY21 revenue guide of \$20.8B to \$20.9B as of November 20, 2019. FY24: Long range target for FY24 high end of range \$34B to \$35B as of November 20, 2019. Guidance excludes future M&A.

Shares Outstanding

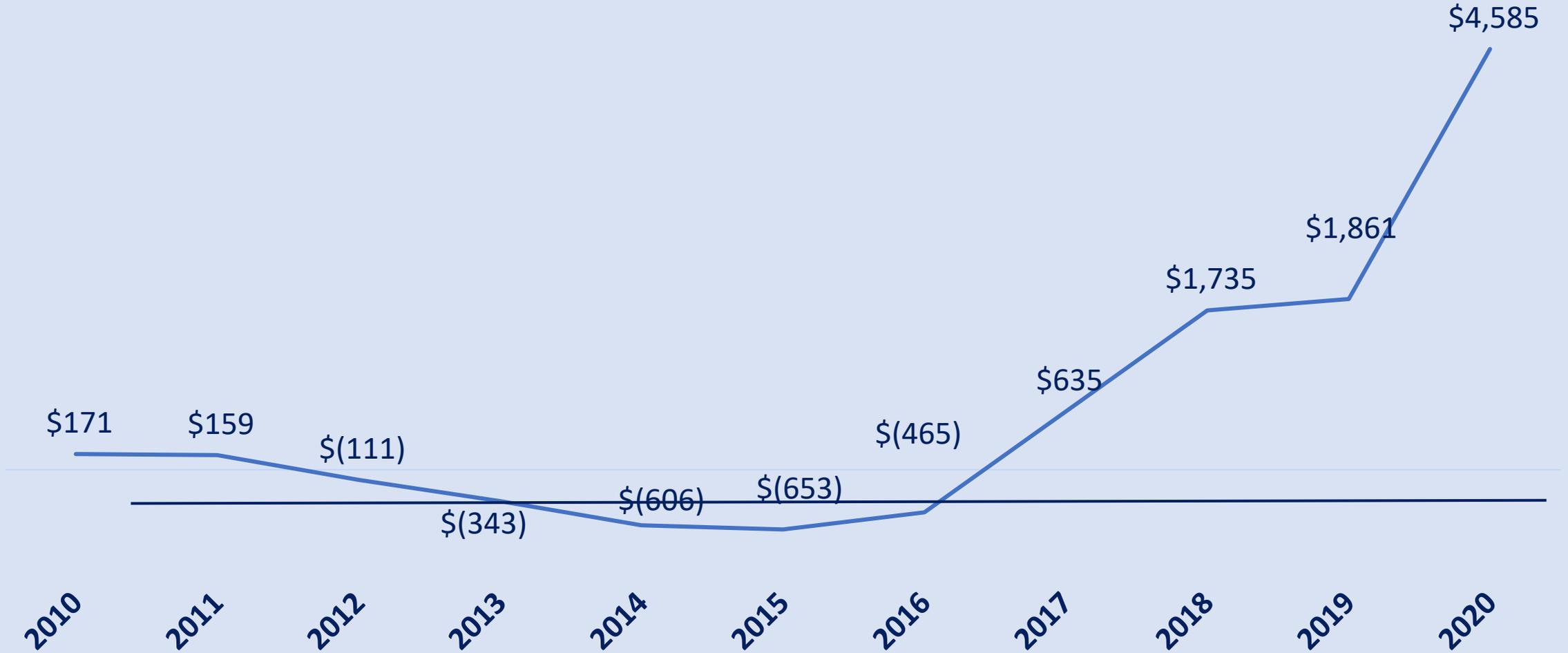


Free Cashflow Per Share

10-Year CAGR 26.27%



Retained Earnings



Return on Equity (FCF)



Return on Capital (FCF)



Obligation Ratio

(+) Long Term Debt: \$2.67 billion

(+) Pension Shortfall: N/A

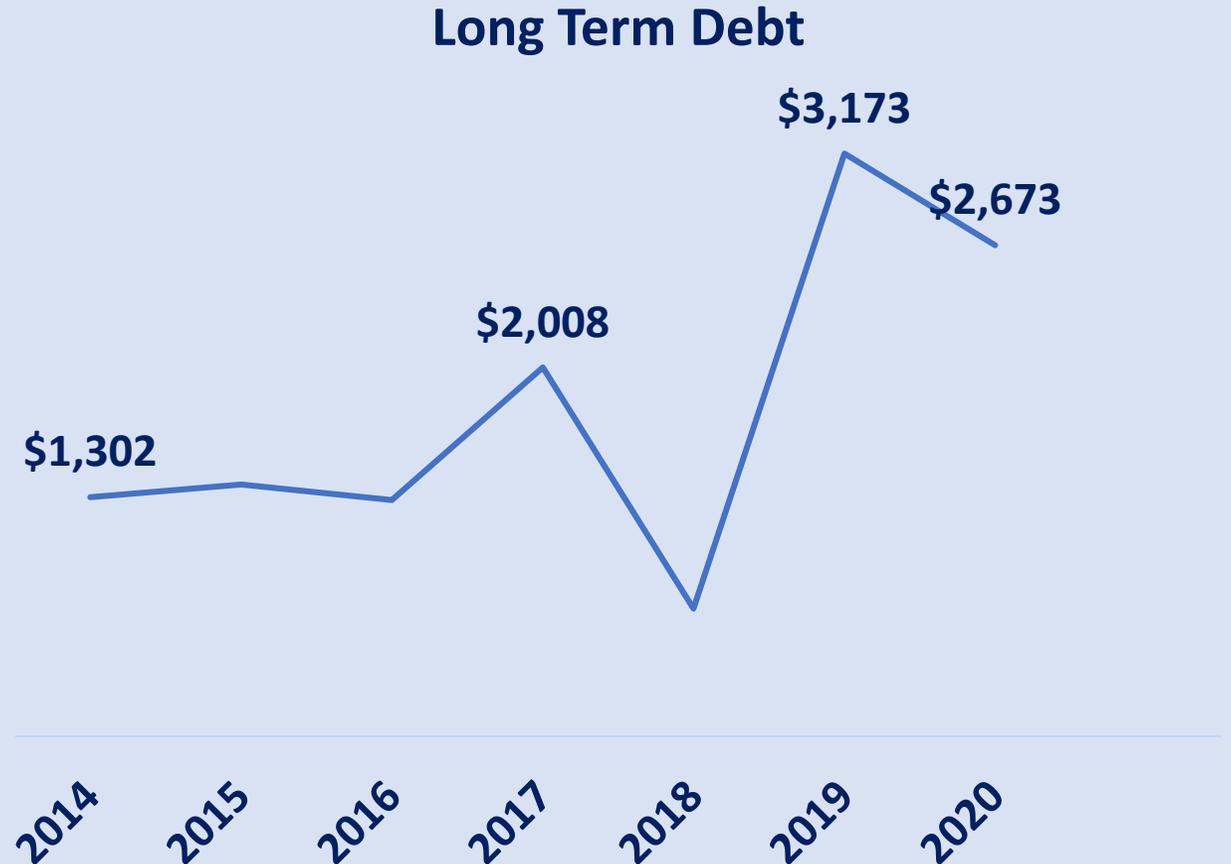
(+) Preferred Stock: N/A

(+) Leases * 7: \$5.45 billion

(-) Cash/Cash Equivalents: \$9.29 billion

(/) Free Cash Flow: \$3.48 billion

= 0 < 5 = PASSES



Moat Analysis



Wide Moat Company

Wide Moat as separate solutions

- Sales Cloud
- Service Cloud
- Marketing and Commerce Cloud
- Platform and Other

Under One Umbrella

- Extra Wide moat

High Switching Costs

- Sticky
- Operational Risk
- Productivity Loss

Mission Critical Solutions

- Solutions that bring business to a company

The More Integrations

- The higher the switching costs

Network Effect

- Expanding audience
- Attracts developers

Customer Example

- Utilizes all four clouds
- What makes Farmers Insurance different from peers?
- Build profiles of customers
- Farmers app
- Improves underwriting



FARMERSSM
INSURANCE

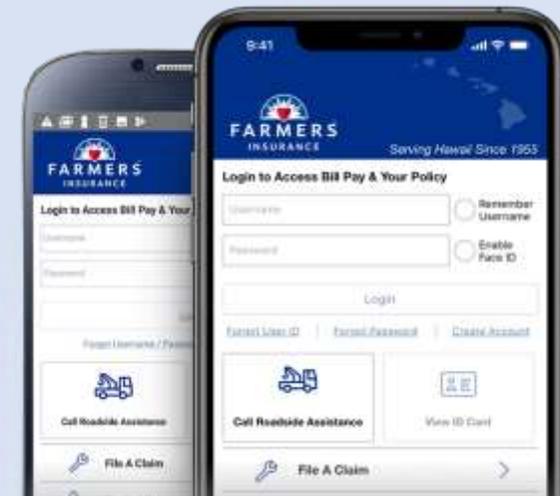


75%

REDUCTION IN LOSS REPORTING TIME

Products Used

- Service Cloud
- Marketing Cloud
- Community Cloud
- Salesforce Platform



Risk Factors



Risk Factors

Cyber security

- Customer data
- Company data
- Mission criticality



International Regulations

- Europe
- Asia Pacific
- Expansion



Niche market competitors

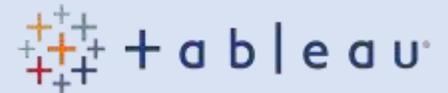
- Veeva
- Zendesk
- Atlassian



Frequent acquisitions

Earnings and Free Cash Flow

- When will they meet?



Acquisitions





Company	Year	Price	What They Do?	Currently?
ExactTarget	2013	\$2.5B	Marketing Software	Salesforce Marketing Cloud
Quip	2016	\$750M	Document Collab, Word-Processing	Salesforce Productivity Segment
Demandware	2016	\$2.8B	E-commerce	Salesforce Commerce Cloud
Krux	2016	\$800M	Marketing/DataScience	Marketing Cloud/Einstein
Mulesoft	2018	\$6.5B	Integration Platform as a Service (iPaaS)	Salesforce Integration Cloud
ClickSoftware	2019	\$1.35B	Field Service Management	Salesforce Service Cloud
Tableau	2019	\$15.7B	Data Analytics	Tableau/ Customer 360 Analytics
Vlocity	2019	\$1.2B	Cloud/Mobile Software	Salesforce Service Cloud

Acquisitions

- **Vlocity (June 2020)** – an independent software vendor (ISV) and industry services provider –acquired for \$1.2B (All-Stock)
- **Tableau (June 2019)** – industry leader in Data Analytics, acquired for \$15.7B (All-Stock)
- **ClickSoftware** (August 2019) – field services company, acquired for \$1.35B
- **MuleSoft** (May 2018) – industry leader in Integration, acquired in 2018 for \$6.5B
- **Demandware** (July 2016) – E-commerce company, acquired for \$2.8B



Growth Opportunities



Track Record of Successful Acquisitions

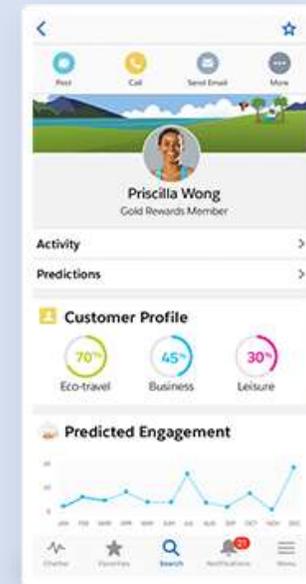
Returns on M&A capital allocation strategy

salesforce



Growth Opportunities

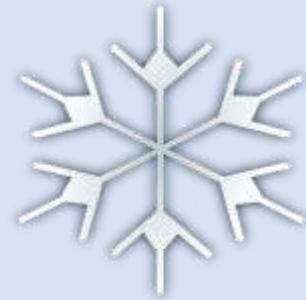
- App store/creator platform
- Recently became leader in Marketing CRM
- Global shift to online/remote work solutions
- Is used by 90% of Fortune 500 companies
- Long history of acquisitions
- Two words, **BIG DATA**



By The Numbers

- Total addressable market will be \$143 billion by 2022
- This is a 2.5x growth in 2 years' time
- Salesforce has 33% of this addressable market
- CRM generated 17 billion in revenue in FY 2020
- Expected to double to 35 billion by 2024
- The last doubling of the company occurred from 2017-2020 (8 Billion – 17 Billion)

Valuation



Bear Case

Current Price	\$231.94
Earning Per Share	\$3.35
Growth Rate in 10 years	25%
Terminal Growth Rate	4%
Years of Terminal Years	10
Discount Rate	10%
Fair Value	\$161.83
Margin of Safety	-43.32%

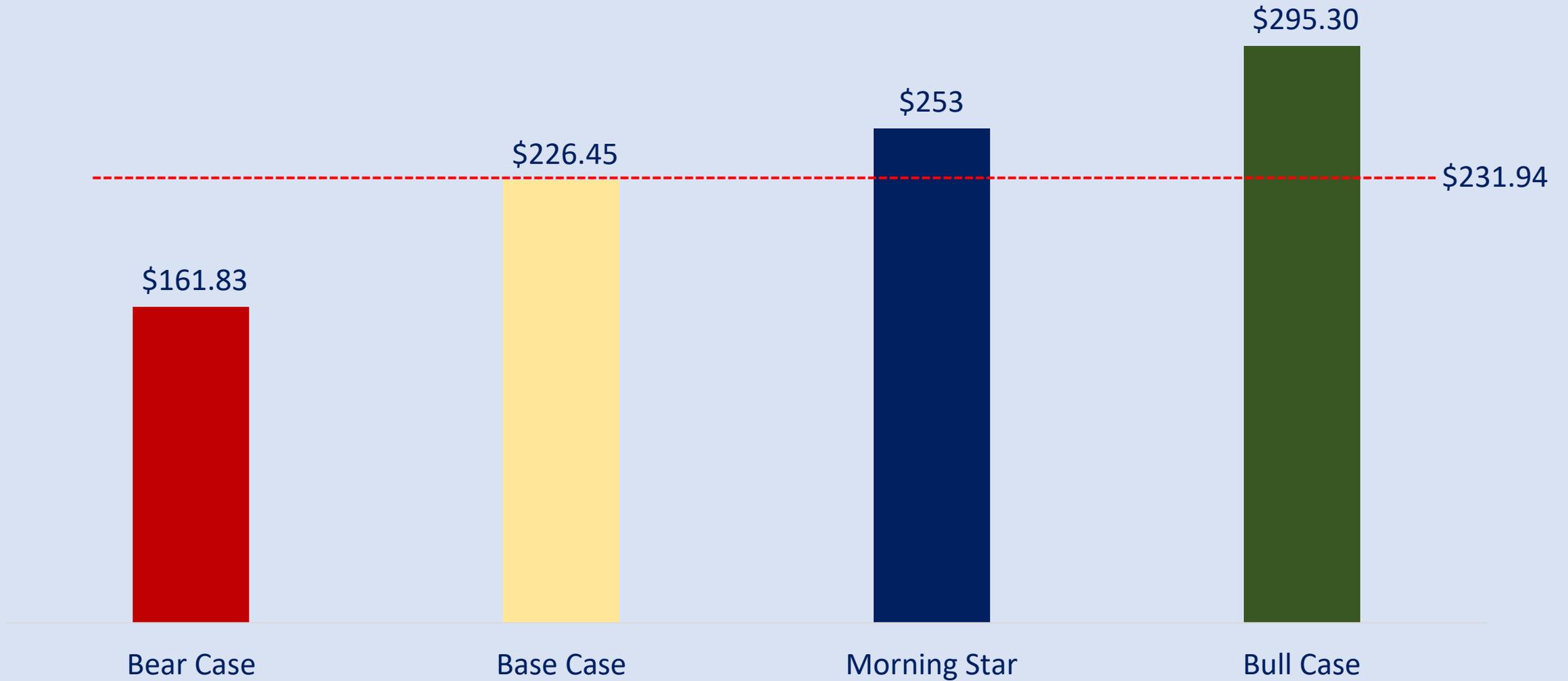


Base Case	
Current Price	\$231.94
Earning Per Share	\$3.35
Growth Rate in 10 years	30%
Terminal Growth Rate	4%
Years of Terminal Years	10
Discount Rate	10%
Fair Value	\$226.45
Margin of Safety	-2.42%

Bull Case	
Current Price	\$231.94
Earning Per Share	\$3.35
Growth Rate in 10 years	34%
Terminal Growth Rate	4%
Years of Terminal Years	10 years
Discount Rate	10%
Fair Value	\$295.30
Margin of Safety	21.50%



Scenarios



5-Year Buffett Discounted Cash Flow

							P/E	Future Price	Price to meet 5-year IRR 15%	
Bear	Current	2021	2022	2023	2024	2025	25x	\$255.58	\$ 127.79	
	EPS	\$3.35	\$4.19	\$5.23	\$6.54	\$8.18	\$10.22	35x	\$357.82	\$ 178.91
	5yr growth estimate	25%	25%	25%	25%	25%	45x	\$460.05	\$ 230.03	

Average: \$179

5-Year Buffett Calculation

							P/E	Future Price	Price to meet 5-year IRR 15%	
Base	Current	2021	2022	2023	2024	2025	25x	\$310.96	\$ 155	
	EPS	\$3.35	\$4.36	\$5.66	\$7.36	\$9.57	\$12.44	35x	\$435.34	\$ 218
	5yr growth estimate	30%	30%	30%	30%	30%	45x	\$559.72	\$ 280	

Average: \$218

5-Year Buffett Calculation

							P/E	Future Price	Price to meet 5-year IRR 15%	
Bull	Current	2021	2022	2023	2024	2025	25x	\$375.54	\$ 188	
	EPS	\$3.35	\$5.82	\$7.79	\$10.44	\$13.99	\$18.75	35x	\$525.75	\$ 263
	5yr growth estimate	34%	34%	34%	34%	34%	45x	\$675.97	\$ 338	

Average: \$263

Conclusion



Conclusion

- High quality
- Not an IOFS company
- Wide moat company
- Growing at an exponential rate

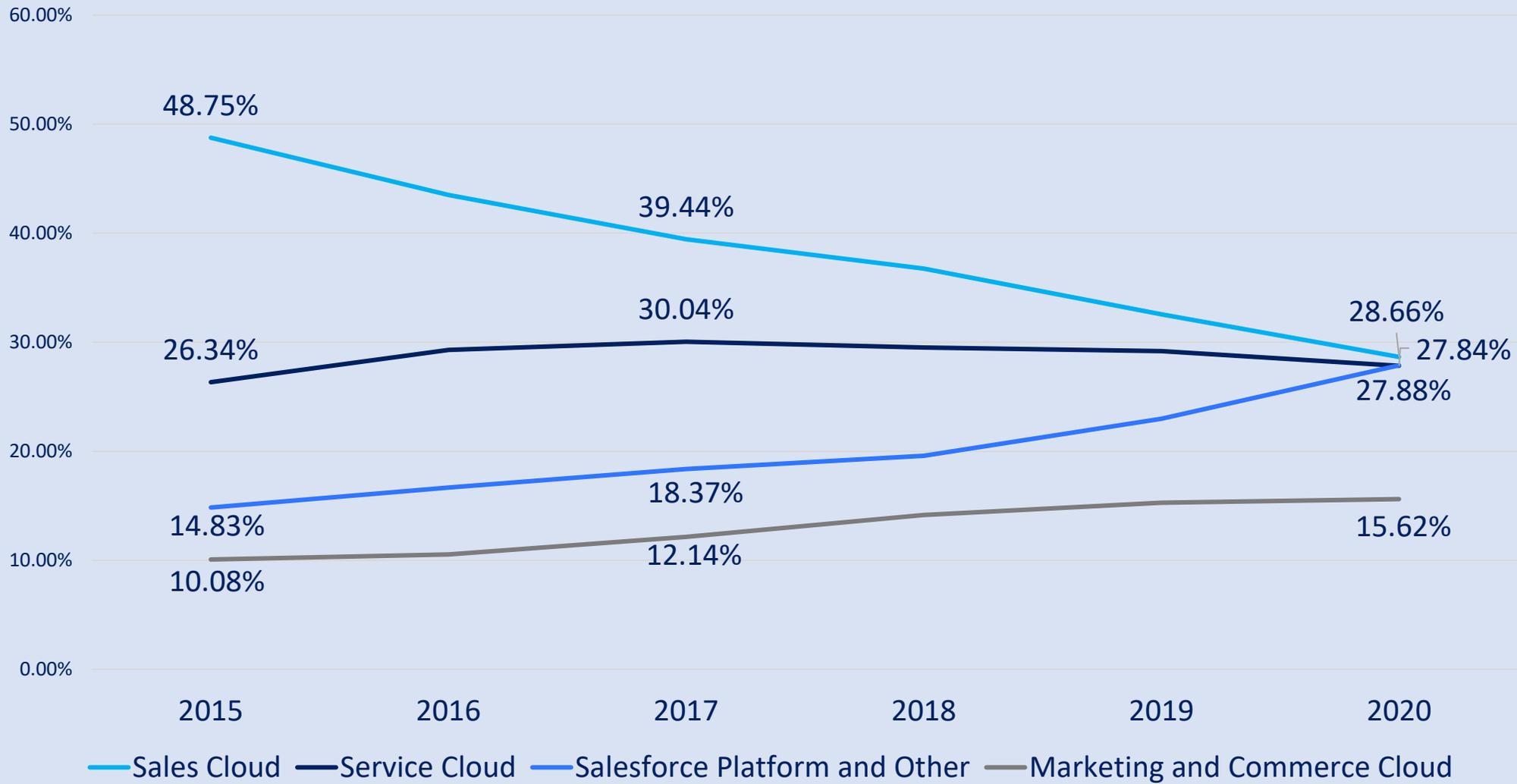
Recommendation

- Percentage of portfolio 3%
- Limit Order at \$240

A dark blue, cloud-like shape with a scalloped border, centered on a light blue background. The word "Appendix" is written in white, bold, sans-serif font inside the cloud.

Appendix

Cloud Services as a percentage of the total



Sales Cloud Pricing



Sell faster and smarter with any of our fully customizable CRM editions.

Essentials

Professional

Enterprise

Unlimited

MOST POPULAR

All-in-one sales and support app*

\$ 25

USD/user/month**
(billed annually)

TRY FOR FREE

Complete CRM for any size team

\$ 75

USD/user/month**
(billed annually)

TRY FOR FREE

Deeply customizable sales CRM for your business

\$ 150

USD/user/month**
(billed annually)

TRY FOR FREE

Unlimited CRM power and support

\$ 300

USD/user/month**
(billed annually)

TRY FOR FREE

Service Cloud Pricing

salesforce

Make customers happier using all the features in the #1 platform for service.

Essentials

Professional

Enterprise

Unlimited

MOST POPULAR

All-in-one sales
and support
app*

\$ 25

USD/user/month**
(billed annually)

TRY FOR FREE

Complete
service CRM for
teams of any
size

\$ 75

USD/user/month**
(billed annually)

TRY FOR FREE

Customizable
CRM for
comprehensive
service

\$ 150

USD/user/month**
(billed annually)

TRY FOR FREE

Unlimited CRM
power

\$ 300

USD/user/month**
(billed annually)

TRY FOR FREE

Small Business Solutions Pricing



Put the power of the world's #1 CRM to work, at a price that works for you.

Essentials

All-in-one sales and support app*

\$ 25

USD/user/month**
(billed annually)

TRY FOR FREE

Sales Professional

Complete sales solution for any size team

\$ 75

USD/user/month**
(billed annually)

TRY FOR FREE

Service Professional

Complete customer service solution for any size team

\$ 75

USD/user/month**
(billed annually)

TRY FOR FREE

Pardot Growth

Suite of marketing automation tools for any size team

\$ 1,250

USD/month** up to 10,000 contacts
(billed annually)

CONTACT US

Moat Analysis

- Wide Moat Company Veeva
- IOFS Company
- 8-year revenue CAGR 43%
- Hit \$1 billion 18 months early
- Expected to grow revenue to \$3 billion by 2025
- Has two segments Vault and CRM 50% of revenue
- Veeva built their CRM platform on top Salesforce

Veeva CRM

