

Initiating Coverage:

# Salesforce, Inc. (\$CRM)

Full Force in Motion: Salesforce’s Margins Are Just Taking Off

**Key Take-away:** With revenue up \$10.2 billion, up 10% year over year, and its tenth consecutive quarter of margin growth, Salesforce reported a strong Q2 performance. Current remaining performance obligations increased 11% to \$29.4 billion, while the non-GAAP operating margin increased 34.3%. Salesforce demonstrated strong cash flow by increasing their buyback program to \$50 billion and returning \$2.6 billion to shareholders. Salesforce is establishing itself as a leader in the AI-driven CRM era, with AI and agentic enterprises at the core of its strategy.

**Growth in Data Cloud and Customer Expansion:** Salesforce's more recent initiatives have been gaining traction; their Data Cloud and AI ARR have surpassed \$1.2 billion, up 120% year over year. With over 12,500 deals closed and over 6,000 paid, the use of Agentforce, Salesforce's AI-powered CRM agent, has grown significantly. Salesforce also closed 60 deals worth over \$1 million that included AI and data cloud, demonstrating their popularity with big businesses. Salesforce's growing role as a foundational platform for enterprise technology is demonstrated by this and their recent \$6 billion investment in the UK to develop AI hubs and support global expansion.

**Workforce Shifts to AI:** Salesforce has continued to reduce their reliance on human support roles, as they recently slashed 4,000 jobs from its customer support force, replacing them with AI agents. Agentforce has managed over 1.4 million customer requests on Salesforce’s help platform, highlighting its growing role in customer service. CEO Marc Benioff has been very vocal about his desire to make Salesforce an AI-first company, emphasizing that the integration of AI agents will lead to efficiency gains and drive long term growth.

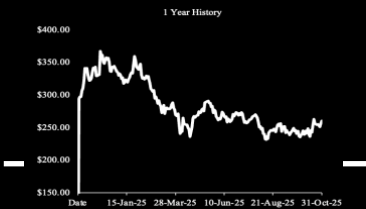
**Valuation:** We initiate coverage with a \$283.00 PT.



Consortium Research Group  
TMT | Enterprise Software  
November 5<sup>th</sup>, 2025

Stock Rating:	Overweight
Price Target:	\$283.00

Price:	\$253.92
Potential Upside:	11.6%
Ticker:	CRM



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## Company Overview

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**Company Description:** Founded in 1999 and headquartered in San Francisco, CA, Salesforce has become the world's leading Customer Relationship Management and Enterprise platform, serving thousands of companies across industries. Salesforce offers a comprehensive portfolio which includes customer service, marketing, commerce, integration, and other cloud solutions. By connecting these services into a unified ecosystem, Salesforce allows companies to organize data, streamline operations, and deliver more personalized customer experience. Salesforce has reshaped how companies interact with customers, making them a key driver of the enterprise technology industry.

**AI and Data Integration:** Salesforce is distinguished by its ability to embed AI directly into its platform through Einstein 1 and Data cloud. This integration allows customers to bring together data from across their business and turn it into helpful insights, which makes Salesforce a daily operating tool rather than just a Customer Relationship Management system. Incorporating AI into its workflows helps automate routine tasks, make faster decisions, and deliver more relevant experiences to customers.

**Operational Discipline:** After a long stretch of growth fueled by large acquisitions, Salesforce has placed greater emphasis on efficiency and profitability. Salesforce has reduced headcount, trimmed non-core spending, and reorganized its operations to focus on its highest return businesses. These changes have led to improved margins, steadier cash flows, and a more focused approach to product development. Salesforce is no longer chasing growth at any cost but are working on a balance between innovation and financial discipline.

## Industry Overview

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**AI Driving Enterprise Software Transformation:** AI is rapidly reshaping the enterprise software market as companies look to automate work, improve productivity, and personalize customer experiences. AI is being integrated more into workflows, rather than being offered as discrete tools. This has placed new demand on companies to embed AI into every aspect of their business, becoming the standard within the industry.

**Platform Consolidation:** Many companies are cutting back on the number of software tools they use and are consolidating onto broader platforms. In 2024, the average company used about 112 SaaS applications, down from 130 in 2023, showing a clear decrease in usage. Large organizations still manage several hundred apps on average, but consolidation is becoming a major priority for companies to improve efficiency, cut down costs, and reduce integration challenges. This industry shift is likely to benefit larger providers, like Salesforce, that can deliver multi-function platforms and reduce the need for numerous applications.

## Peer Comparisons

### Comparable Companies

\$mm

Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
🏠 SERVICENOW, INC. (XNYS:NOW)	\$187,949	\$188,598	113.7x	\$12,058	\$2,155
🏠 ORACLE CORPORATION (XNYS:ORCL)	\$830,464	\$951,425	67.4x	\$59,021	\$25,183
🏠 Sap Se (XNYS:SAP)	\$314,493	\$337,379	45.2x	\$39,048	\$12,114
🏠 ADOBE INC. (XNAS:ADBE)	\$139,503	\$142,629	20.8x	\$23,192	\$9,353
<b>Salesforce, Inc</b>	<b>\$231,412</b>	<b>\$231,548</b>	<b>35.3x</b>	<b>\$39,513</b>	<b>\$13,873</b>

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth	Rate LI
🏠 SERVICENOW, INC. (XNYS:NOW)	87.5x	78.5%	22.1%	13.3%		22.4%
🏠 ORACLE CORPORATION (XNYS:ORCL)	37.8x	69.7%	41.7%	31.6%		8.4%
🏠 Sap Se (XNYS:SAP)	27.9x	73.5%	32.7%	25.9%		9.5%
🏠 ADOBE INC. (XNAS:ADBE)	15.3x	89.1%	41.2%	37.6%		10.8%
<b>Salesforce, Inc</b>	<b>16.7x</b>	<b>77.7%</b>	<b>31.1%</b>	<b>21.2%</b>		<b>8.7%</b>

High	87.52x	89.1%	41.7%	37.6%		22.4%
75th Percentile	37.78x	78.5%	41.2%	31.6%		10.8%
<b>Average</b>	<b>37.02x</b>	<b>77.7%</b>	<b>33.8%</b>	<b>25.9%</b>		<b>12.0%</b>
<b>Median</b>	<b>27.85x</b>	<b>77.7%</b>	<b>32.7%</b>	<b>25.9%</b>		<b>9.5%</b>
25th Percentile	16.69x	73.5%	31.1%	21.2%		8.7%
Low	15.25x	69.7%	22.1%	13.3%		8.4%

### Salesforce, Inc Relative Valuation

Implied Enterprise Value (25th Percentile)	\$	231,548
<b>Implied Enterprise Value (Median)</b>	<b>\$</b>	<b>386,377</b>
Implied Enterprise Value (75th Percentile)	\$	524,140
Implied Share Price (25th Percentile)	\$	243.22
<b>Implied Share Price (Median)</b>	<b>\$</b>	<b>405.85</b>
Implied Share Price (75th Percentile)	\$	550.56

Source: Factset and Yahoo Finance

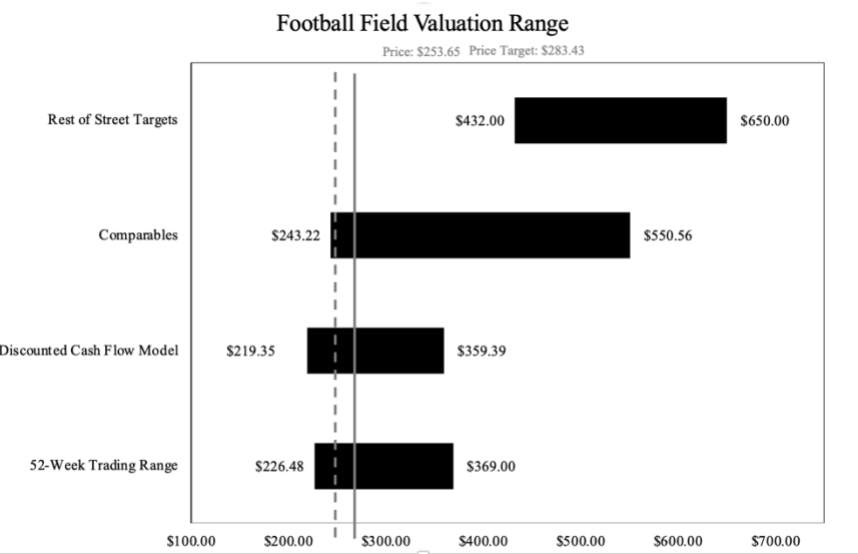
## Investment Theses

**Positive Shift in Operating Model:** Salesforce has rapidly increased margins, with GAAP operating margin increasing from 3.3% in FY23 to 22.8% in Q2 FY25 and non-GAAP operating margins rising from 22.5% in FY23 to 34.3% in Q2 FY25. This major improvement reflects stronger cost discipline and efficiency, driven by restructuring initiatives and the increased integration of AI into workflows across customer service. As AI becomes more embedded into the platform, margins are expected to continue expanding, improving profitability over time.

**Platform Growth and Customer Retention:** Salesforce offers a wide variety of services within their platform, including CRM, marketing tools, and now with their recent acquisition, Informatica, data management. The depth of services encourages customers to adopt multiple products, raising switching costs and strengthening retention. Once Salesforce is embedded across different functions, the cost and complexity make substitutes unfavorable. By broadening customer reliance on its platform, Salesforce secures customer loyalty and creates a competitive moat that supports sustainable revenue growth.

Price Target & Valuation

Our analysis gives (\$CRM) a price target of \$283.00 and an overweight rating.



Potential Downsides to Our Rating

**AI Integration Risk:** If Salesforce fails to effectively integrate AI across their different service clouds, revenue growth could undershoot expectations. Slower customer adoption and limited differentiation compared to their competitors could reduce people’s expectations on AI gains. This would play a major factor in major expansion and revenue growth and limit potential upside.

**Customer Retention Risk:** A lot of Salesforce’s growth comes from expanding relationships within its large customer base. If their customer churn rate decreases due to competitive pressures and lack of innovation, recurring revenue could decrease and reduce growth.

Our Price Target: **\$283.00**

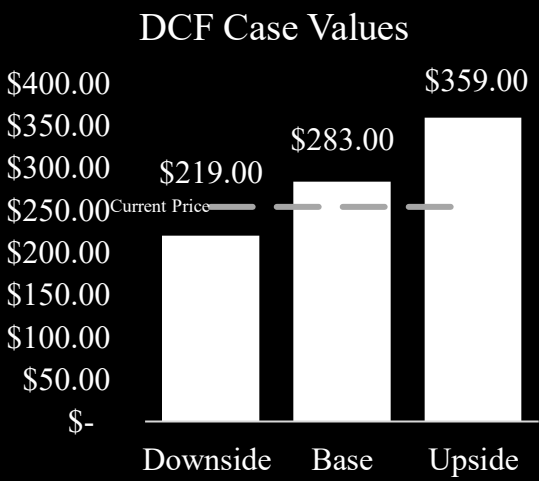
Our base case assumes Salesforce will continue to have steady revenue growth across their various cloud services. We assume that their margin expansion will continue to grow with their use of AI and their increased operating efficiency. These assumptions support a valuation of \$283.00 per share.

Our Upside Case: **\$359.00**

Our upside case is based on the assumption that Salesforce will have major success integrating AI across all their platforms, resulting in an EBIT margin of 32% by 2030. With these assumptions support a valuation of \$359.00.

Our Downside Case: **\$219.00**

Our downside case assumes a slower enterprise software demand, with growth increasing at a much slower rate. This scenario supports a valuation of \$219.00 and highlights the potential risk if macro challenges arise.



## Projections

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Income Statement (\$mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	34,857	37,900	42,640	47,780	53,322	15.2%
EBITDA	11,883	13,600	15,990	18,814	21,995	22.8%
EBIT	5,999	8,300	10,234	12,423	14,930	35.5%
NOPAT	(452)	(507)	(423)	849	5,010	-323.0%
Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	34.1%	35.9%	37.5%	39.4%	41.3%	37.6%
EBIT Margin	17.2%	21.9%	24.0%	26.0%	28.0%	23.4%
Revenue Growth	11.2%	8.7%	12.5%	12.1%	11.6%	11.2%
EBIT Growth	222.9%	38.4%	23.3%	21.4%	20.2%	65.2%
Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	33.1x	23.5x	19.7x	16.7x	14.2x	21.4x
EV/Sales	6.9x	6.4x	5.7x	5.1x	4.5x	5.7x
EV/EBITDA	20.3x	17.8x	15.1x	12.8x	11.0x	15.4x
FCF Yield	3.0%	4.2%	5.1%	6.0%	7.0%	5.1%

## About \$CRM

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Salesforce (\$CRM), founded in 1999 and headquartered in San Francisco, CA, operates as a global leader in customer relationship management (CRM) and enterprise cloud software provider. The company develops and delivers various cloud-based services that help companies manage sales, service, marketing, and integration. Salesforce serves customers worldwide and differentiates itself with a broad ecosystem, industry specific cloud offerings, and the integration of artificial intelligence into business workflows. Its core mission is to help companies strengthen customer relationships, drive digital transformation, and achieve growth through data-driven platforms.

## Disclosures & Ratings

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Consortium Research Group is a not for profit and is not a registered investment advisory corporation. Analysts and leadership are current college students pursuing careers in finance and are not registered investment advisors. This is not investment advice. The group does not hold any professional relationships with any reported equities unless otherwise stated. All information contained in reports is public information.

**Overweight** means the analyst team believes the stock price will materially outperform the coverage industry benchmark (TMT, Healthcare, Industrial, Consumer, FIG, Energy & Sustainability) in the next 6-12 months.

**Equal Weight** means the team expects performance in line with the industry benchmark. **Underweight** means the team expects underperformance relative to the industry benchmark.

Appendix

Salesforce, Inc  
Discounted Cash Flow

Active Case:	2 Base
Current Share Price	\$241.67

DCF Analysis (\$mm)											
	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24	12/31/2025	12/31/26	12/31/27	12/30/28	12/30/29	12/31/30
Stub						0.86	1.86	2.86	3.86	4.86	5.86
Discount Period						0.07	0.64	1.64	2.64	3.64	4.64
Revenue	17,098	21,252	26,492	31,352	34,857	37,900	42,250	46,922	51,908	57,195	62,763
Revenue Growth	0%	24%	25%	18%	11%	9%	11%	11%	11%	10%	10%
Subscription and Suppc	16,043	19,976	24,657	29,021	32,537	35,700	39,984	44,582	49,486	54,682	60,150
Professional Services ar	1,055	1,276	1,835	2,331	2,320	2,200	2,266	2,340	2,422	2,512	2,613
0.00	0	0	0	0	0	0	0	0	0	0	0
EBIT	503	455	548	1,858	5,999	8,300	9,718	11,613	13,756	16,157	18,829
EBIT Margin	3%	2%	2%	6%	17%	22%	23%	25%	27%	28%	30%
Tax Expense	955	962	971	1,009	989	1,740	2,041	2,439	2,889	3,393	3,954
Effective Tax Rate	190%	211%	177%	54%	16%	21%	21%	21%	21%	21%	21%
NOPAT	(452.00)	(507.00)	(423.00)	849.00	5,010.00	6,560.00	7,676.83	9,174.39	10,866.88	12,764.40	14,874.90
D&A	3,011	3,904	4,646	5,454	5,884	5,300	5,704	6,276	6,878	7,507	8,159
Capex	643	710	717	798	736	1,100	1,141	1,243	1,350	1,458	1,569
Changes in NWC	330	1,192	1,658	2,069	2,850	500	423	446	467	486	502
UFCF	1,586	1,495	1,848	3,436	7,308	10,260	11,817	13,761	15,928	18,327	20,963
PV of FCF						10,195	11,146	11,845	12,513	13,139	13,716

Weighted Average Cost of Capital (\$mm)	
Market Risk Premium	4.33%
Beta	1.25
Risk Free Rate	4.39%
Cost of Equity	9.43%
Weighted Average Cost of Debt	3.60%
Tax Rate	21.00%
Cost of Debt	0.14%
Total Equity	\$230,070
Total Debt	\$5
Equity/Total Capitalization	96.00%
Debt/Total Capitalization	5.00%
WACC	9.57%

Terminal Value	
Perpetuity Growth Method	
2034 FCF	\$20,963
Growth	2.50%
Terminal Value	\$296,382
PV of Terminal Value	\$193,928
PV of Projection Period	\$72,554
PV of Terminal Value	\$193,928
Implied TEV	\$266,482
(-) Debt	\$12
(+) Cash	\$7
Implied Equity Value	\$266,477
Basic Shares Outstanding	952
Implied Share Price	\$279.91
Upside/Downside	15.82%

Implied Exit BF EV/EBIT	14.2x
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Terminal Value	
Exit Multiple Method	
2034 EBIT	\$18,829
EV/EBIT Exit Multiple	16.0x
Terminal Value	\$301,264
PV of Terminal Value	\$197,122
PV of Projection Period	\$72,554
PV of Terminal Value	\$197,122
Implied TEV	\$269,676
(-) Debt	\$12
(+) Cash	\$7
Implied Equity Value	\$269,671
Diluted Shares Outstanding	952
Implied Share Price	\$283.27
Upside/Downside	17.2%

Implied PGR	-1.0%
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Blended Share Price	
Perpetuity Growth Method	0%
Exit Multiple Method	100%
Blended Share Price	\$283.27
Upside/Downside	17.21%