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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the fiscal third quarter earnings conference call. (Operator Instructions) Please be advised that today's conference is being recorded. (Operator Instructions) And without further delay, I would like to hand over the conference to Mr. John Cummings, Senior Vice President of Investor Relations. Sir, please go ahead.

John Cummings *salesforce.com, inc. - SVP of IR*

Thanks so much, Ian. Good afternoon, everyone, and thanks for joining us for our fiscal 2020 third quarter results conference call. Our results press release, SEC filings and a replay of today's call can be found on our IR website at salesforce.com/investor. With me on the call today is Marc Benioff, Chairman and Co-CEO; Keith Block, Co-CEO; Mark Hawkins, President and CFO; Bret Taylor, President and Chief Product Officer; and Amy Weaver, President, Legal and Corporate Affairs.

As a reminder, our commentary today will primarily be in non-GAAP terms. Reconciliations between our GAAP and non-GAAP results and guidance can be found in our earnings press release. Some of our comments today may contain forward-looking statements, which are subject to risks, uncertainties and assumptions. Should any of these materialize or should our assumptions prove to be incorrect, actual company results could differ materially from these forward-looking statements. A description of these risks, uncertainties and assumptions and other factors that could affect our financial results are included in our SEC filings, including our most recent report on Form 10-Q.

And with that, let me turn the call over to Marc Benioff.

Marc R. Benioff *salesforce.com, inc. - Co-Founder, Chairman & Co-CEO*

Very good. Thanks, everyone, and good afternoon, and thank you for joining us for our fiscal 2020 third quarter results conference call. I am delighted to be with you. And thanks, John. John is with Keith Block, and they are in Phoenix, and we are here in San Francisco at the top of Salesforce Tower. It's been just 2 weeks since I saw most of you at Dreamforce, and I hope you've all had an amazing time.

I'm thrilled to share that our Q3 results were outstanding. Revenue rose to \$4.5 billion, up 34% in constant currency. We ended the quarter with more than \$25.9 billion in total remaining performance obligation, up 22% versus last year. As we announced a couple of weeks ago, we've raised our full year fiscal year revenue guidance to \$17 billion at the high end of the range. That represents 28% growth for the year. We also initiated fiscal year '21 revenue guidance of \$20.9 billion at the high end of the range for approximately 23% growth for the year. What's more significant and extremely exciting to me is that we are also intending to double the company by fiscal year '24, with a revenue target of \$34 billion to \$35 billion, making us the fastest enterprise software company to reach that milestone. It's really incredible, and it's really exciting for all of our Ohana. And as we continue to deliver record revenue year in and year out, we continue to -- we committed -- we are committed to balancing this growth with incremental operating margin. This growth is driven by the success of our incredible customers. Companies are coming to Salesforce for transformation because every digital transformation starts and ends



with the customer. That's why, for the sixth year in a row, Salesforce is the #1 CRM provider by market share, according to the latest IDC Worldwide Semiannual Software Tracker. We're the leading trusted solution in sales, service, marketing and model-driven application platforms. And at MuleSoft and Tableau, we have the leading solutions in data integration and now analytics, 2 extremely valuable components of every digital transformation and 2 very valuable components of every one of our customers' strategic information technology architecture.

Every company needs an intelligent 360-degree view of their customer, and that's the power of Customer 360, our vision for bringing companies and their customers together. You saw this at Dreamforce with companies like State Farm and ENGIE and Louis Vuitton. Now they can personalize every customer experience. They can predict customer behavior and anticipate their needs. They can build modern mobile apps fast on any device. The magic in Customer 360 is now Customer 360 Truth, which we unveiled at Dreamforce. It connects all the data from across sales, service, marketing, commerce, our entire Customer 360, to build an integrated, single source of truth. We're giving companies a complete view of every customer, making it possible to deliver highly personalized, highly intelligent and highly connected experiences across every customer touch point, and it's built right into the Salesforce platform. This is what our customers have been asking for, and we're making it available to every one of them. No other company can do this. And by bringing all of these data together in sales force, we can apply our powerful analytics solutions, Tableau, Einstein, Datorama and others, that allow anyone inside a company to see and understand their data to make smarter decisions.

We know this data is not just in Salesforce. We know our customers have many platforms. That's why we're open and why we work with all of our strategic partners, IBM, Amazon, Google, Microsoft, Apple, HP, Dell and many others, because it's critical for us to work with these strategic partners to deliver a working, incredible solution for our customers. That's what our customers want. These partnerships continue to deliver incredible innovation and success. We're doing all of this at tremendous scale.

Just look at how Customer 360 fueled our customers' growth during Cyber Week. Commerce Cloud processed more than 30 million orders, up 27% year-over-year, amazing. It also powered more than 614 million retail site visits, up 17% year-over-year, also incredible. Digital sales on Commerce Cloud were up 13%. Marketing Cloud delivered more than 24 billion e-mails during Cyber Week, up 18%, and Service Cloud processed more than 428 million agent interactions during this critical time for our customers. We also saw 9% of digital orders during Cyber Week, driven by our Einstein product recommendations, that is incredible to see the velocity of Einstein. And with the new Einstein Voice Skills, any company can build their custom voice-powered Salesforce apps, giving the employee a personalized CRM guide. At Dreamforce, we showed you an Einstein speaker, demonstrating how Einstein can work on any smart speaker. And now you can ask your speaker, "Hey, Einstein, what's my forecast?" And Einstein will tell you whether or not you're going to make your numbers for the quarter.

At the heart of the Customer 360 is our incredible community of Trailblazers. We now have 1.8 million learners changing their careers and lives on Trailhead and free online learning platform. That's because Salesforce ecosystem will contribute 4.2 million jobs and \$1.2 trillion in new business revenues worldwide from 2019 through 2024. We continue to invest in Trailhead to enable more people to participate in the digital economy.

Before handing off to Keith, I want to take a moment and remember our levied friend and Board Member, Bernard Tyson. We dedicated Dreamforce to Bernard's memories. Bernard did so much for others and for the world. He was one of the greatest CEOs, but he was a very close friend of mine, and it's very sad to see him leave us. We have incredible gratitude for Bernard's incredible contributions to the Salesforce Board as well as to the World Economic Forum to the health care industry and to Kaiser. We will miss him dearly. Now over to Keith.

Keith G. Block *salesforce.com, inc. - Co-CEO & Director*

Thanks, Marc. Hello, everybody. I want to echo Marc's comments on Bernard. He was an incredible CEO, a great community leader and, as Marc said, a close friend of many of us at Salesforce, so we're all going to miss him, and our hearts certainly go out to his family.

Now as you just heard from Marc, we had another great quarter and really an amazing Dreamforce last month, and it was really just a few short weeks ago. You saw that we continue to innovate, harnessing the power of cloud and social and mobile and AI and voice and other amazing technologies to fuel customer growth and success.

During the quarter and at Dreamforce, Marc and I met with hundreds of CEOs, and they clearly understand that the speed of innovation is increasing and that digital transformation is absolutely an imperative. All companies want to become more customer-centric. They want to deliver experiences that exceed expectations, and that's why more and more companies across every industry and geography are making major sustained investments in Salesforce. But they're turning to Salesforce for more than just our technology. They're also coming to us as their trusted adviser. And together, we are absolutely reorienting their businesses around the customer. We're working with them on all 3 pillars of digital transformation: technology, business model and culture. And we're helping them break down silos, liberate their data and remove legacy obstacles. These 3 pillars are absolutely essential to achieving a 360-degree view of each customer, every customer, and that is the holy grail of digital transformation.

As you saw this quarter, we continue to build and expand relationships with leading brands across industries and geographies. We expanded with Nationwide. Now historically, most touch points with Nationwide customers and wealth managers happen on the phone. Now they're expanding with Salesforce to take advantage of the digital channels to provide a more consistent, personalized experience for customers. CarMax, the largest dealer of preowned vehicles in the United States expanded with us in the quarter as well. With Salesforce, reps will have a 360-degree view of the customer, whether they're shopping online or in dealerships, and they ensure a seamless buying experience.

Xcel Energy. Now Xcel powers millions of homes and businesses across the United States. They expanded their use of Salesforce to deliver a unified experience for customers across all channels.

And then there's Corteva, a global agriculture company focused on seed and crop production. They also expanded with us in the quarter to continue to modernize its business and better serve the farming community. As we discussed during our Analyst Day at Dreamforce, the international expansion is one of our key growth levers, and we continue to make investments across the world and see great results. In Q3, we grew 33% in the Americas, 28% in APAC and 42% in EMEA, all in constant currency. And that, of course, is with our recent acquisition of Tableau benefiting year-over-year growth in the Americas and EMEA.

In EMEA, we expanded with ENGIE, a global provider of low-carbon energy and services headquartered in France, to deliver a 360-degree view of customers' energy consumption so they can provide a personalized set of recommendations and define new solutions to reduce carbon footprints.

Siemens, one of the world's great brands, one of the largest industrial manufacturing companies in Europe, also expanded with Salesforce in the quarter, and we've been a strategic partner to Siemens as the 170-year-old company addresses the digital revolution transformation in its industry. We also expanded with British Airways and food services company, Sodexo. And in APAC, there was ANZ Bank, Bunnings and Super Retail Group. They also chose Salesforce in the quarter, and we have wins with Life Solutions Company, Panasonic Corporation and E.ON in Japan.

And finally, in Latin America, we had a win with SURA in Colombia, the leading insurance company.

Speaking the language of our customers, that continues to propel our industry momentum and our success and our customer success. In the quarter, we introduced 2 new industry clouds, very proud of that innovation, Manufacturing Cloud and the Consumer Goods Cloud. We also rolled out new insurance capabilities for our Financial Services Cloud, one of our most successful clouds. We also had a number of strategic wins around the industries in Q3. Ameriprise Financial, which manages more than \$875 billion worth of assets. They expanded with FSC, Financial Services Cloud. We also formed a new relationship with Farm Credit Services of America, which also chose Financial Services Cloud. In health care, Children's Health, one of the largest pediatric providers in the nation, chose Salesforce including Health Cloud to help them reach more patients and provide even better care experiences.

We continue to see significant opportunity in the public sector. In fact, 2 of our largest customers are U.S. government agencies. In the quarter, we expanded our relationship with the United States Department of Veterans Affairs, enabling the agency to provide the highest level of service to 20 million veterans for a variety of programs. And this isn't just a business opportunity. It's a moral obligation to better serve those who have served us. At Dreamforce, we heard incredible and powerful and inspirational stories from our veterans, and these



are people who are transitioning from serving their nation to new careers in the Salesforce ecosystem. I truly believe that all of us should be focusing on hiring veterans.

We also expanded our relationship with the state of Colorado, which is implementing MuleSoft to integrate 7 health and human services agencies to give country -- excuse me, county workers a single view into key aspects of all these agencies to better engage and serve citizens.

Our partners, they continue to help drive our growth as well. We have 20% more partner-certified individuals year-over-year. Our ISV and consulting partners have contributed more than 5,000 listings to the AppExchange, and that is with a 20% increase year-over-year in customer installs.

Turning to integration. MuleSoft has been an incredibly successful acquisition, allowing our customers to unlock and unify data across their enterprises. It's strategic to every conversation we've been having and adoption continues to accelerate. I see a very similar opportunity with Tableau. I spent some time with Adam, who is excellent, and his management team is excellent and their entire team at the Tableau Conference in Dreamforce last month, and I will tell you, I could see the tremendous impact Tableau is having on customers like Nissan and Morgan Stanley and Home Depot and many, many others. We are just beginning this integration process, but we have clear synergies from a distribution, product development and cultural standpoint, and our customers are very, very excited and so are we.

So in closing, I want to thank our customers, our partners, our employees for their trust and continued support. And with that, I'll turn the call over to Mark.

Mark J. Hawkins *salesforce.com, inc. - President & CFO*

Well, thanks, Keith. We delivered another great quarter in Q3 with strong top line revenue growth on both a reported and an organic basis, as well as strong operating cash flow growth. Here are a few highlights.

Total revenue grew 33% in dollars and 34% in constant currency. Total revenue grew 21% in dollars and 22% in constant currency, excluding acquired revenue from Tableau and Salesforce.org. CRPO grew 28% in dollars and 28% in constant currency. CRPO grew 22% in dollars and 22% in constant currency, excluding the impact of acquired CRPO from Tableau and Salesforce.org.

Let me take you through some of the details in the quarter, starting with revenue. Total revenue for the third quarter was \$4.513 billion, including approximately \$327 million from Tableau and \$80 million from salesforce.org. Just as we saw in Q1 and Q2, we continue to experience FX headwinds and revenue in the third quarter of approximately \$29 million year-over-year and approximately \$19 million sequentially.

Looking at the drivers of growth by cloud, we continue to see strong subscription and support revenue growth, with year-over-year growth for Sales Cloud at 15%, Service Cloud growth of 24%, Marketing and cloud -- Commerce Cloud growth of 32%, and platform and other at 73%. Now as a reminder, our acquisition of Tableau added approximately \$308 million to platform and other, while MuleSoft grew 77% year-over-year, contributing approximately \$185 million to platform and other. Lower attrition continued to support our growth in the third quarter, with dollar attrition down modestly year-over-year, remaining below 10% and continuing the downward trend we have seen in the last several quarters.

Turning to operating margins. Q3 non-GAAP operating margin was 19.4%, up 250 basis points year-over-year. Our Q3 non-GAAP operating margin reflects the timing of Dreamforce in Q3 last year versus Q4 this year as well as the variation in the timing of sales and marketing or other investments in the quarter. Q3 GAAP loss per share was \$0.12, and non-GAAP diluted EPS was \$0.75. In Q3, below the line mark-to-market adjustments benefited the GAAP loss per share and the non-GAAP diluted EPS by approximately \$0.01. In addition, business performance in the quarter, including better-than-anticipated results from Tableau as well as better-than-expected shares outstanding, benefited GAAP loss per share and non-GAAP diluted EPS by approximately \$0.08.

Now turning to cash flow. Third quarter operating cash flow was \$298 million, up 108% year-over-year. Operating cash flow in the quarter was driven by: one, the timing of collections due to a number of renewals which occurred earlier than planned; and number two,



cash contributions from Tableau in terms of operating cash.

On a trailing 12-month basis, we were pleased to deliver operating cash flow growth of approximately 30%. CapEx for the quarter was \$170 million, leading to a free cash flow, which is defined as operating cash flow less CapEx, of \$128 million. On a trailing 12-month basis, we were pleased to deliver free cash flow growth of approximately 31%. Our remaining performance obligations ended the third quarter at approximately \$25.9 billion, up 22% versus last year. Current RPO was approximately \$12.8 billion, up 28% year-over-year. On a constant currency basis, CRPO growth was up 28% year-over-year. Tableau and Salesforce.org contributed approximately \$600 million to this amount.

Now turning to guidance as we discussed at our Analyst Day on November 20, we're pleased to be raising our full year FY '20 to \$16.99 billion to \$17 billion for a full year revenue growth of approximately 28%. Excluding top line revenue contributions from Tableau of approximately \$650 million and Salesforce.org of approximately \$220 million, we expect top line growth of approximately 21% year-over-year. This outlook reflects approximately \$160 million in FX headwinds for the full year.

Turning to our outlook for operating margins, we continue to expect non-GAAP operating margins to be approximately 16.6%, down roughly 50 basis points year-over-year. Excluding the impact of acquisitions this year, we continue to expect our FY '20 non-GAAP operating margin improvement year-over-year to be more than 150 basis points. For EPS, we're updating our FY '20 GAAP diluted EPS to \$0.44 to \$0.45 and our non-GAAP diluted EPS to \$2.89 to \$2.90.

For operating cash flow, we are pleased to be raising our FY '20 operating cash flow growth guidance to 22% to 23% year-over-year. For Q4, we expect revenue in the range of \$4.743 billion to \$4.753 billion or 32% growth year-over-year. This guidance assumes approximately \$320 million from Tableau and approximately \$80 million from Salesforce.org. We also expect Q4 GAAP loss per share of \$0.04 to \$0.03 and non-GAAP diluted EPS of \$0.54 to \$0.55. We expect CRPO growth of approximately 21% year-over-year in the fourth quarter. This guidance assumes approximately 5 points of growth of recent acquisitions.

Before I close, I'd like to provide some additional insight into our guidance for FY '21. As you will have seen in our press release, we are also providing revenue guidance for Q1 of FY '21 of \$4.800 billion to \$4.835 billion, up 28% to 29% year-over-year. We are providing this onetime guidance for Q1 of FY '21 given the newly acquired businesses, especially Tableau, which have a more seasonal revenue profile in the first quarter.

To wrap up, we delivered another quarter of strong top line organic and reported revenue growth with continued organic margin progression and strong cash flow growth. I'd like to thank our employees, customers, partners and shareholders for your continued support and to wish you a wonderful holiday season and a happy new year.

And with that, we'll open up the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question is from Brent Bracelin from Piper Jaffray.

Brent Alan Bracelin *Piper Jaffray Companies, Research Division - MD & Senior Research Analyst*

Great. I guess the first one here, you're coming out of hundreds of customer conversations at Dreamforce. I was hoping you could just maybe rank order the top 2 or 3 Salesforce products where the customer appetite seems to be the highest to invest next year. Any color you could provide us on where customers are most excited from a product perspective would be very helpful.

Marc R. Benioff *salesforce.com, inc. - Co-Founder, Chairman & Co-CEO*

Sure. I'm happy to take that. And then I'd love to pass that on to Bret also. So number one, I would say that for me, Dreamforce is an amazing process. It's not the event that is the most impactful for me. I'm sure that is for everybody else, it's the conference that's extremely impactful. For me, it's the process coming up to it. Before Dreamforce, I have the opportunity to get on the road with my team.

And we take the keynote out, and we meet with hundreds of customers. And in my case, I personally have the opportunity to have one-on-one conversations. And in this case, I had conversations with almost 100 customers directly about Salesforce, their experience, what they're using in technology, where they're going with their business over and over again. It's -- this is -- the most important thing I do every single year is this deep work, and I have many of my key executives with me. What I was most focused on this year is, of course, being able to present these incredible strategic changes that we've made to our business, especially MuleSoft, especially Tableau, but also to be able to communicate what our core strategy is in terms of Customer 360.

And what I took away with it was that customers today view us at Salesforce as their trusted digital advisers and also look to us to help them have a clear vision of connecting with their customers. That's what Customer 360 is all about. It's really bifurcated. They're looking for a trusted adviser relationship and many times, as Keith mentioned, at the CEO level, but it's also at other parts of the organization where there's been so much change in the industry, they're looking for companies that they can rely on and bet on.

On the second side, it was really Customer 360 that just was so amazing to me that customers are really implementing Customer 360, but every customer can start at a different place. Sales, service, marketing, you probably notice that one of the things that we focused on is the new Salesforce 360 Truth profile. This is the holy grail for me in computing, the single source of truth. When customers saw this, the comments were, I'll paraphrase it, one large financial service company in New York said to me, "This is, for us, the single, most important thing in our company. We need a single source of truth of our customer information." That all of these apps can come together in a powerful way and deliver that single source of truth, that is what customers were just amazed by. And I have to take my hat off to my engineering team because I didn't think it was really possible. To see it all come together, some of these products are organic, some of them are inorganic, but now that they are integrated and have a clear architecture and that they have the ability for the customer to have extreme value, that was incredible.

And then I have to add that, and I think Keith touched on this, I definitely agree, Tableau far exceeded my expectations from a customer reception. So many of our customers have Tableau. I could not believe it. And in many cases, because Tableau has been a much smaller company than we are, for example, they don't have a direct relationship with Tableau. They don't have an executive relationship. The number of chief executive officers and CIOs who will directly come to me and my management team and ask us to go wall-to-wall with Tableau has far exceeded any expectation that we could have had. That combination of those 3 things: one, our trusted relationship with the customer; two, Customer 360 resolving in the truth profile; and three, Tableau as a huge catalyst for growth, that to me is what I tried to then get on stage and present in the keynote.

But I can tell you that after talking to these hundreds of customers now both before Dreamforce and after, this is a highly differentiated position in the industry. No one else is working on this. Nobody has this vision. No one else has tried to help these customers solve this problem. We are in a very unique position with a highly stratified position of customers globally and by industry.

So that's really my takeaway. I hope I answered it for you. I mean it's been a very powerful several weeks for me. And it's also been an extremely emotional moment because, I'm sure you know, the day before the keynote, I was at my -- one of my very closest friends' memorial. And then I came into that keynote, and I just felt all those customers there, and I went, "Wow, this is just incredible, what was happening," and I really tried to open myself up to really express what I had heard over those preceding few weeks that we are just at an unprecedented moment and -- in Salesforce's ability to execute for our customers' needs.

And Bret, do you want to fill in the details? I'd love for you to talk about how you cracked this code.

Bret Steven Taylor *salesforce.com, inc.* - President & Chief Product Officer

Yes. I think, yes, as Marc said, it's really transitioning from being about clouds to being around this Customer 360, the single source of truth. And it's really about not just selling a product to our customers but really helping them digitally transform their business around their customers. And the single source of truth means that it's easier than ever for our customers to go from being a sales customer to being sales and service or being a service customer to being service and commerce and marketing. And you're seeing this, I think, particularly in the Cyber Monday statistics, which we're really proud of. I also want to highlight, though, really our main differentiator, which is Einstein, our AI capabilities, are coming through stronger than ever. I heard that from every single customer that Marc and I talk to and Keith talk to on that roadshow before Dreamforce. Those 24 billion messages we sent over Cyber Week, those 32 million orders,



they're all being personalized. As Marc mentioned, over 10% of those orders are being driven by Einstein recommendations. We're doing over 10 billion predictions per day to personalize every single one of those e-mail engagements that are personal to the person receiving them. And in the innovation that we highlighted in the keynote, really, Einstein came through really strongly across this Customer 360, I think, in a really differentiated way.

With our Sales Cloud, we introduced Einstein Call Coaching to help telesales teams, through the power of Einstein, automatically coach every sales representative to become like the best sales representative. In marketing, we introduced interactive e-mail. I think bringing one of the most tried and true digital marketing mechanisms really into the next century with some amazing new capabilities, even in our industry's portfolio, that Consumer Goods Cloud that Keith talked about, really proud of that. Einstein Vision is a key part of that. It can enable every consumer goods company in the retail execution to use Einstein Vision to make sure their products are placed in the right place on the shelves with all the retail partners. So I really want to highlight, I think, we have transitioned Einstein from being this vision to every customer adopting it, really being a key differentiated part of this Customer 360 vision.

Marc R. Benioff *salesforce.com, inc. - Co-Founder, Chairman & Co-CEO*

Now Bret, before you end your narrative, I just have to ask you the same question that I got asked, which was before Dreamforce, you are also on the road with me, and you did even -- I think you did even additional 2 or 3 major focus groups. So you've been in front of hundreds of customers as well. What was your biggest surprise talking to them, rolling all of these technology and vision out and demonstration over the last month?

Bret Steven Taylor *salesforce.com, inc. - President & Chief Product Officer*

I think the biggest surprise for me was just how much this Customer 360 single source of truth resonated. In fact, that phrase, single source of truth, came from our customers. They were describing their challenges in their digital transformation as breaking down the silos of their company. Their silos come in the form of technology. Their data is siloed across a number of different systems. There are also organizational silos. So a different department that previously operated with autonomy now need to come together to produce this single, seamless customer experience. It's why I think our strategy is really focused on that singular vision. We want to bring all that data together technically with the power of MuleSoft. We want to enable people to see and understand that data with Tableau, and we want to enable people to personalize every aspect of their customers' experience with the Customer 360. We really feel like all these components are coming together to really match that appetite from our customers.

Marc R. Benioff *salesforce.com, inc. - Co-Founder, Chairman & Co-CEO*

Well, Bret, I haven't seen you work harder than you have in the last month, so I want to thank you for everything that you're doing.

Operator

The next question is from Brent Thill from Jefferies.

Brent John Thill *Jefferies LLC, Research Division - Equity Analyst*

For Mr. Hawkins, the renewals you mentioned came in earlier than planned. Can you just talk to how -- given the anomaly that was and just the impact for that pull forward?

Mark J. Hawkins *salesforce.com, inc. - President & CFO*

Yes, for sure. Thank you, Brent. And basically, what happened is when we have an early renewal from a customer, that's a really good event, as you can imagine, but they were ahead of plan. And you can see that when they happen because our RPO, CRPO in Q3 was even higher. And so it has an effect, it's kind of a timing effect between Q3 and Q4 for CRPO, but we really like what happened. It's a good customer sign when people come in there and they do early renewals, and so that had a bearing on that and -- but we're glad to see it. It shows up in our cash flow, and it shows up in CRPO in 1 quarter and a little bit of timing between the 2 quarters. But yes, that's how it works out there, Brent. And thank you for the question.

Operator

The next question is from Karl Keirstead from Deutsche Bank.



Karl Emil Keirstead *Deutsche Bank AG, Research Division - Director and Senior Equity Research Analyst*

Mark, why don't I just pick up on that question a little bit more? So relative to the 22% organic CRPO performance you put up in 3Q, which was terrific, the 16% guide for 4Q feels a little bit light. So you just touched on perhaps one explanation. Is it possible to quantify how big that impact was and if there are other factors maybe driving your guidance for that 16% number, maybe being a little extra careful, given macro or maybe there was some contract duration changes?

Mark J. Hawkins *salesforce.com, inc. - President & CFO*

Yes, sure. Let me just address a couple of things here, Karl, for sure, glad to do it. I think the first thing I would say is the early renewals impacted the growth rate by, let's say, approximately 1 point or so, and that type of measurement in terms of quantification, number one. Number two, I want to call out that this is the first time we've actually ever guided CRPO for Q4. It's kind of a new event for us, and we're doing it for the first time by adding in Tableau. And so our business composition is also evolving. And so when we look at that and we look at the fact that when you look at what actually happened in Q3 and the guide in Q4, it works out. And just -- you can see kind of the timing issue of it all. We feel like it's a good and reasonable guidance. It's appropriately conservative given that this is the biggest quarter for both new business and renewals. We look forward to putting up the results and talking about the actuals in Q4, but we think that's appropriate.

Operator

The next question is from Sarah Hindlian from Macquarie.

Sarah Emily Hindlian *Macquarie Research - Senior Analyst*

All right, great. I have a question for Marc B. Marc, we've noticed over the past 18 months or so, maybe a little longer, a growing importance of customers' first-party data versus third-party data that maybe in the past that you've been purchasing to augment gaps from platforms that are increasingly being regulated or commoditized. So we believe customers are putting their most valuable data into CRM. And we'd like to know how you're going to help customers realize the value of their own first-party data. Are we going to be able to track this with multi-cloud adoption or Customer 360? And just sort of a little bit of a follow-on, with this data mosaic you've been building between MuleSoft, Einstein, Customer 360 and Tableau, do you feel you have the right data mosaic in place today to help customers realize that value?

Marc R. Benioff *salesforce.com, inc. - Co-Founder, Chairman & Co-CEO*

All right. This is a great question, and I'm going to address part of it, but I'm also going to have Bret, who's right here, address part of it, and also Amy Weaver also speak to it, who's our President and Chief Legal Officer because she's so involved with so many customer conversations exactly like this. So you're right, companies have more customer information than ever before. It's a critical part of their trusted relationship with their customers. Every company is building a one-on-one relationship with their consumer. It has moved from being anonymous to known. This is critical for them to then build a journey that then allows them to take those customers to understand their products or to buy those products or get their service from their products, upgrade those products. That could even include renewing the customer, retaining the customer or even getting the customer back. All of this is going to be driven much more effectively, much more efficiently and in a much more dynamic way by using a Customer 360 platform like Salesforce.

This is why we built Customer 360 Truth. Because at that moment, those customers have to be able to rely on a single source of truth to be able to maximize their relationship with their customers, where -- regardless of where the customer touch point is. This is a phenomenon that has occurred over the last, I would say, 5 years, and Salesforce is really the company that companies are coming to and saying, help us to provide that unique Customer 360.

So Bret, give us your take on exactly where are we in terms of the move from third-party to first-party data, how customers are implementing this platform. I didn't address the Tableau part of our question, I think that's important. And then I think we'll have Amy address the components around we've seen here in California, the California Privacy Act, the GDPR as well because these are all related to the importance of having authenticated and basically data that your customers authorized in this. Go ahead, Bret.



Bret Steven Taylor *salesforce.com, inc. - President & Chief Product Officer*

Yes. I think it's a wonderful question. I really agree with the trend that you mentioned. And I would say Salesforce started as being a system of record for sales. But not every single aspect of CRM has been served equally to help handle all this third-party customer data. And with the Customer 360, we really feel like we can bring it to every aspect of this Customer 360, from sales to service to commerce to marketing. As an example, with Customer 360 Audiences, which we announced at Dreamforce, we're bringing a single source of truth to marketers as well, this customer data platform that so many marketers are clamoring for. We really recognize that every one of our constituents in every department of every company needs a single source of truth to do their jobs. And we really feel like the power is unlocked when that known customer data is accessible across all those different departments. So you create a seamless experience instead of a fragmented experience. And we feel like -- what I'm hearing from our customers is that's really what differentiates Salesforce. We're not just doing this for one department. We're doing this for an entire company, so you can have a single view of all of your known customer data.

And I think one of the interesting things is by bringing these together, it's enabling our customers to navigate all these amazingly complex regulatory landscape that Amy will speak to you about. But the first step to complying with CCPA, with GDPR is really having a map of where customer data live. And we feel privileged to partner with our customers to help them navigate this landscape, and we feel like one of the best ways to comply with the changing landscape of consumer privacy legislation is to be on the Salesforce Customer 360. And we really think that's one of the value propositions of our platform, and I'll pass it over to Amy to speak more about it.

Amy E. Weaver *salesforce.com, inc. - President of Legal & Corporate Affairs, General Counsel and Secretary*

Great. Thanks, Bret. Thanks, Marc. I think it's a really interesting question. We're looking forward to all of this personalization because consumers' expectations about privacy and how their data is used is at an all-time high. But at the same time, consumers have high expectations about personalization. They don't want to see information that's not relevant to them. And they want their experience with companies that they trust to be seamless. And I think key is that we really believe that the personalization and building and maintaining trust are not mutually exclusive. In fact, they're part of the same virtuous cycle. The Customer Success Platform is a good example. It's designed with features to help our customers build trusted and personalized relationships with our customers and consumers. For example, we've built in robust features that help our customers determine how they want their data used. And we'll really going to partner with our customers on their compliance journey as well.

Now Marc briefly mentioned the CCPA, which is the California Consumer Privacy Act, and that's going into effect in January 1. That is really an important step forward in the U.S. privacy landscape. But as I've said before, we really believe that all Americans and not just those in California deserve strong privacy protection. And that is why we are continuing to advocate for a comprehensive schedule privacy law.

Marc R. Benioff *salesforce.com, inc. - Co-Founder, Chairman & Co-CEO*

Yes. And to add to Amy, that's also why I've called for a U.S. national privacy law. We do not want a patchwork of like what we've seen in California. I'm just personally involved. I think it's extremely important what has happened in California. I have worked with the team to get that done as did Amy, but we don't want a patchwork across the United States. We badly need a national privacy law. That's why it's great that we have GDPR. It gives us the ability to help our customers comply. So anyway, thank you, Amy, for your leadership. I really appreciate it.

Operator

The next question is from Keith Weiss from Morgan Stanley.

Keith Weiss *Morgan Stanley, Research Division - Equity Analyst*

Excellent. I wanted to touch a little bit on the European business. EMEA up 42% was a really impressive result given the kind of macro uncertainty, and you guys are closing the quarter in October, which had a lot of Brexit uncertainty. Is it just a better environment than I'm thinking about over in Europe? Or is the sort of the priority from the CIO just over sort of overtaking any uncertainty people have about that spending environment?



Marc R. Benioff *salesforce.com, inc. - Co-Founder, Chairman & Co-CEO*

Well, I think that there's a couple of different ways that you have to look at it. Number one is that for all customers, we really believe that digital transformation is the last thing they would stop investing in. I mean I look at all your own companies, look at our company, digital transformation is number one on everybody's list. And everybody wants a trusted digital adviser. At the beginning and end of every digital transformation is the customer. So that's why we're especially well positioned and why you're seeing these strong results.

On the macro side, I said this also at the Analyst Day, which is we look strongly at the macro environment, and you see what Angel Gurria said at the OECD that global growth is dropping from 4% to 3% this year. That's a 25% reduction year-over-year. Of course, that's going to impact different geographic environments differently. And for us, our job is to manage a full portfolio of countries across the world. We are in the major technology buying centers, whether it is in the United States or in Asia or Japan. We have also implemented a new structure in Europe. We had our own Brexit, if you will. You know that we have hired Jayne-Anne Gadhia to be the Chief Executive Officer of Salesforce U.K. and Ireland. I believe that's a very critical change for us, and we're continuing to invest aggressively in Europe and in the U.K. and Ireland through their own transition and transformation so that we can align with our customers because they all need to invest to be able to take advantage of what's happening in the European environment.

Let me also turn it over to Mark, who's going to have more detail.

Mark J. Hawkins *salesforce.com, inc. - President & CFO*

Yes. No. Thank you, Marc. And I agree with your comment that the digital transformation is mission one, and people are asking more and more from us, Marc, in terms of how we could help them obviously, as described by you and Bret. But the thing I would say is I was really pleased to put up the 42% growth rate in aggregate. But even if you back out...

Marc R. Benioff *salesforce.com, inc. - Co-Founder, Chairman & Co-CEO*

I mean did that surprise you when you look at these numbers? I mean some of them are just incredible.

Mark J. Hawkins *salesforce.com, inc. - President & CFO*

That number, it was a really big number, Marc. So I clicked in it, and I wanted to share with people, even if you back out all the Tableau effect, it's up 31%. And so that's a number that really hit me, that we're hitting strong across the different geos in the world, as you said, in Asia Pac, in Americas and in Europe, with or without Tableau. And then also the cloud, our growth, what I really like is to see the Sales Cloud growing at 15%, is material. For me, it catches my eye that -- when our foundational cloud is growing at that level, I was glad to see that.

Marc R. Benioff *salesforce.com, inc. - Co-Founder, Chairman & Co-CEO*

Incredible growth especially by cloud. I just went through all of the numbers. But let me ask you, what is your biggest surprise, a, of the quarter, but b, from Dreamforce, we've heard that question a couple of times, and I think you should have the ability to chime in on that.

Mark J. Hawkins *salesforce.com, inc. - President & CFO*

Sure. No. I get a chance, as you know, to spend a lot of time with customers in addition to investors. And I think the thing that I like is just the constant focus on digital transformation. They asked for us to do more is probably the biggest thing that surprised me, is that people, when they see products, they want more progress. And Bret, I think your point on single source of truth and when you spoke in a couple of times, people pick up on that. And so I think do more is the thing that really caught my attention. In terms of the quarter, what I like is the balance across clouds and across geos the most.

Operator

Your final question is from Kash Rangan from Bank of America.

Kasthuri Gopalan Rangan *BofA Merrill Lynch, Research Division - MD and Head of Software*

Congratulations yet again on a spectacular Dreamforce, team. One for Benioff and one for Keith. Marc, when you look at Customer 360, the industry has tried to do this, execute this concept going back to the days of Siebel, 20 years back or so. How do we think of 360? Does that allow Salesforce to participate in bigger opportunities to be executed faster? Or does it just allow you to just stay in the game



because it's something that customers sort of expect Salesforce to do? Proactive versus reactive is, I guess, the spectrum that I'm hoping for you to fill in.

And for Keith, congratulations on MuleSoft. I mean it's been accelerating in its growth rate under Salesforce. How would you apply this model to Tableau? And what's the right way to think about how Tableau could end up being as successful or maybe even more successful of an acquisition as MuleSoft was?

Keith G. Block *salesforce.com, inc. - Co-CEO & Director*

So Marc, why don't you take the first part of that?

Marc R. Benioff *salesforce.com, inc. - Co-Founder, Chairman & Co-CEO*

Well, I think you're 100% right, which is that for Customer 360, we've really entered a unique position with our customers. Our customers today, they're looking to us as their provider of that platform. That's really a critical and unique position. You mentioned Siebel. Of course, there's been many companies who've been in the CRM market, maybe in service, maybe in sales. I don't think there's ever been a vendor who has tried to execute this vision before and tie it all together with a single source of truth for their customers. And I'm going to ask Keith to take this next. But you mentioned MuleSoft. You mentioned Tableau. This is critical for our customers to move forward. We needed MuleSoft as the next step to be able to help us bring all of these together. Tableau is critical as our customers want to be able to go wall-to-wall to understand all of this data, and that has really shifted our position with our customers. And I'd love for Keith to talk about his experience as well. Keith?

Keith G. Block *salesforce.com, inc. - Co-CEO & Director*

Yes. Thanks, Marc. So -- and Kash, thanks for the question. I mean a couple of things. Just some commentary on Marc's comment. And of course, I'll try to address the other question. So look, in my entire career, the industry has been yearning for the 360-degree view of the customer. And as time has gone on, companies have recognized the importance of this and the power of it. A few weeks back, I was with the CEO of one of the largest insurance companies in the world, and we were having a conversation about how, over time, that company has grown up in silos. And Bret alluded to this earlier. There are organizational silos, process silos, business model silos, data silos. And those companies grew up with a product out to the market view of the world instead of a customer in view of the world. And so every company has to go through that huge digital transformation.

And to be able to make that journey work, they have to embrace the platform, the notion, the promise of the 360-degree view of the customer. I mean that is an imperative. So people have been talking about this. It hasn't become a reality. That's why we're excited about it because for the very first time in this industry, a company, that's us at Salesforce, has been able to provide a technology to give the customers what they've been looking for, for so long. So it's very, very exciting. And when you think about how these companies grow up with data all over the place and all the inconsistencies and no single source of the truth, they just want truth, like we all want the truth. Our customers expect the truth. Their customers expect the truth. So it is a very, very powerful thing that we're able to provide them with.

As it relates to Tableau, we're super excited about Tableau being part of the Salesforce family. And again, if you think about the evolution of where the technology is going, we -- you think about the systems of record, well, the systems of record are nothing without data. And the systems of engagement are nothing without data. And the systems of intelligence are nothing about (sic) [without] data, and the power of visualization with analytics and intelligence is an incredibly unique opportunity. And we've run a playbook in all of our acquisitions, which have been very, very successful. Certainly, MuleSoft has been the most successful that we've run so far, where customers are looking for that holistic view. They're looking for a solution. They're not looking for piece parts. And if you can bring together the best-of-breed solutions in an integrated way, that is what customers want.

So the playbook that we ran with Mule, we will run the exact same playbook. I would echo both Marc and Bret's comments earlier, the enthusiasm for Tableau alone was great. I mean it was a great company. It's a great company, great management team, great community. But when you combine that with all of the promise of the 360-degree view of the customer and being able to serve that up in an intelligent way, in a visualized way so we can process it and digest it, it's just a very compelling offering. And that's why the combination of Salesforce and Tableau, we think, will be very, very successful.

Marc R. Benioff *salesforce.com, inc. - Co-Founder, Chairman & Co-CEO*

Well, thanks, Keith. I just wanted to thank you so much for that. And I completely agree, and I think that you could see it really from the lines at Dreamforce around the Tableau booths and on Analytics stalls and other part of Dreamforce. I know it surprised many of us and many of you to see the huge activity, it was not a surprise to me because of what was happening in the focus groups before Dreamforce.

While we wrap up the call now, I just want to thank all of you for coming to Dreamforce. Today is Giving Tuesday. We're coming into the holiday season. I want to especially thank all of our Ohana, thank all of you for your support. Thank you for everything that you do for us every single day. I also especially want to thank our .org at this time of the year, who has run over 45,000 nonprofit and higher education customers for free. We have now done over 4.5 million hours of volunteerism into our local communities and given away more than \$310 million in direct grants.

So thank you to all of you. Thank you to our Ohana, and we'll look forward to seeing you on the 19th in the New York City World Tour in New York. Thank you very much.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for your participation, and have a wonderful day.

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