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Q4 2021 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the Salesforce fiscal 2021 fourth quarter results conference call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions]

I would now like to turn the call over to your speaker today, Mr. Evan Goldstein, Senior Vice President of Investor Relations. You may go ahead.

Evan Goldstein

Senior Vice President-Investor Relations, salesforce.com, inc.

Thank you, Michelle. Hello, everyone, and thanks for joining us for our fiscal 2021 fourth quarter and full-year results conference call. I'm Evan Goldstein, Senior Vice President of Investor Relations. Our results press release, SEC filings, and a replay of today's call can be found on our IR website at www.salesforce.com/investor. With me on the call today is: Marc Benioff, Chair and CEO; Amy Weaver, President and CFO; Bret Taylor, President and COO; and Gavin Patterson, President and Chief Revenue Officer.

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 that are subject to risks, uncertainties, and assumptions. In particular, our expectations around the impacts of the COVID-19 pandemic on our business acquisitions, results of operations and financial condition and that of our customers and partners are uncertain and subject to change. 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 or assumptions, and other factors that could affect our financial results is included in our SEC filings, including our most recent report on Form 10-K.

With that, let me hand the call to Marc.

Marc Russell Benioff

Chair & Chief Executive Officer, salesforce.com, inc.

All right, thank you very much, Evan. And thank you everybody for being on the call today. It's great to be here, and I hope everyone's families are safe and healthy. Through the magic of PCR testing made possible by Bisbee Medical here in the Bay Area, through masks, safe distancing, and being outside and a gorgeous San Francisco day, I am here together sitting at the table with Amy Weaver, our Chief Financial Officer, and Bret Taylor, our Chief Operating Officer, Gavin Patterson, our Chief Revenue Officer, Evan, and Mark Hawkins, our CFO Emeritus. So it's great to be here with everybody. And we haven't really done an outside conference call before, but welcome to the new pandemic world that we are in, and we're going to make this work.

So just as a reminder, we are definitely in a new place, and we can see the beginning of a return to our offices. In fact, I was in Salesforce Tower yesterday and held our global all-hands call. We can see a return to restaurants, maybe even to sports arenas and to concerts one day. Who knows? We're getting closer with all the advancements in technology. But the reality is that even with the vaccines, we're not really back to the way it was, and I was the only one on the Ohana floor at Salesforce Tower, and we can all I think agree that this pandemic has forever changed our world and how we are working and living and educating ourselves from anywhere.

Our Salesforce futurist, Peter Schwartz, who many of you know, probably said it recently to me best when he said we're in a new pandemic world. And as this is going to evolve and shift, we don't know exactly, but we're going to kind of make it work. And that's the idea of being outside here doing our earnings call. It's an all-digital, it's work-from-anywhere world where every company and every earnings call we have to be able to work, sell, service, market, collaborate, and analyze our data from anywhere.

And Salesforce was somehow already built for this world before it existed. And that's why, over the last year, Salesforce has become I think significantly more strategic and more relevant to our customers than probably any time before. And today, 22 years after founding the Salesforce, we can see it right here that more and more companies around the globe are turning to Salesforce to deliver success from anywhere. And that's why, even in the midst of a global pandemic, we had such an incredible year, an incredible quarter.

And you can see it in these incredible numbers, and that by delivering success from anywhere, our revenue rose to more than \$5.8 billion, up 20% year over year, truly amazing for a company of our size. And for the full fiscal year 2021, revenue was \$21.25 billion, which was up 24% year over year.

Based on these strong fiscal year 2021 results, we're raising our fiscal year 2022 guidance to \$25.75 billion, which is now at the high end of our range, representing 21% projected growth year over year. There's never been a software company over \$20 billion in revenue that is growing as fast as we are.

And as we shared at our Investor Day last year, our long-term revenue target for the fiscal year 2026 is now \$50 billion, or basically we're going to double the company from where we are right now. That is doubling revenue in five years. And we'll reach that milestone faster than any other enterprise software company. That would make Salesforce the second largest independent software company in the world, amazing. This is all really a testament to our employees and our customers and the technology and really this amazing ecosystem of all of this together and the millions of trailblazers who are working from anywhere and pioneering success from anywhere.

I'm often asked, how is it that we're able to succeed in such a difficult time? And I'll tell you, Salesforce is accelerating at such a rapid speed because we are already in this work-from-anywhere world. We're achieving success from anywhere. For us, success starts with our core values. And for those of you who followed our company for a long time, when these things happen, when the world changes, we always pivot hard back to our core values, and trust is our number one value. There's never been a more important time when trust in government and other institutions – well, we can see it's been eroding and customers are seeking direct customer digital relationships.

And I think that as the world has evolved, especially in the last year, the acceleration of these direct B2B and B2C digital relationships for our customers, it's more important than ever before because we're in a world of all of this mistrust. So that is why this Customer 360 platform is more important than ever, and that's why it's so important. And customer success, well we're helping our customers navigate the pandemic and achieve success from anywhere, you can see that. I'm going to talk to you in a second about some tremendous innovations with our Vaccine Cloud and our contact tracing capability and innovation.

Well you can see it. We're innovating faster than ever before, developing these amazing new products and all these incredible new technologies. And equality, well we're helping and executing philanthropy and working together across all of these communities, especially our schools, hospitals, small businesses, and the most vulnerable populations get through what have been some of these incredibly difficult times. Our values have guided us as we've pivoted to this new pandemic world.

And like every year, we came into it with a business plan. But early on, about a year ago in fact, we knew that business plan was not going to hold together. We devised a whole new business operating model for how we run Salesforce and how we would succeed from anywhere. We called that our pandemic operating model. We sharpened our relevance, increased our levels of participation, enabled our employees, created new types of sales plays. And I shared our model with many COOs that I've talked to over the last several months, and now they're applying it to their own organizations and getting incredible new levels of performance out of it as well.

As we dialed into the model, we immediately saw our team's level of relevance, participation, and enable skyrocket. For example, from Q2 to Q4, our own enterprise sales teams, even though they were at home, used our Sales Cloud to engage in more than 6 million conversations with customers, asking how we could be the most relevant and useful to them in the time of crisis. I don't think we would have survived as a business without our Sales Cloud. It was critical to build those business-to-business relationships that are the essence of Salesforce but that we had to do digitally.

And Sales Cloud enabled us to sell from anywhere. And throughout the year we helped other great companies that you've heard about like AT&T or Insperty or Align or 3M or so many others to do the same. And we all, of course, we all love getting on the airplanes and flying somewhere and being in person with the customer, but it just hasn't been possible.

Now, if you look at the magic of our Marketing Cloud, well we were able to create new digital experiences like Dreamforce, and I hope all of you had the opportunity to experience Dreamforce. But we have the ability to use our Marketing Cloud to have those direct digital relationships at scale. And instead of having 170,000 people take over San Francisco, we had more than 140 million views of just Dreamforce. That's amazing.

We also created hundreds of other leadership events throughout the year for customers, employees, partners, communities, and that generated another 350 million views in the year, customers like Zoom, like Carrefour, Humana, and so many others, also chose the Marketing Cloud to fuel their digital business growth as well. And with Service Cloud, well we managed our own caseload as our business continued to accelerate through the year, as we moved our call centers and contact centers into our employees' homes with 4.8 billion interactions using our Service Cloud in the last quarter. Customers in the year like Gap and Sonos and even Uber Eats to use Service Cloud to power success from their customers from anywhere.

Now, as a customer of Slack, I can tell you we're using Service Cloud with Slack to improve performance. We've seen a 26% improvement in case times and close rates and 19% improvement in same-day resolution. That's an example where our acquisition of Slack has made so much sense. We've seen the combination of products like Service Cloud and Slack together just make it so much better for us as a company or for our customers, and we're looking forward to doing so much more of that.

Slack can be the central nervous system for any company, connecting its people and data across systems, apps, and devices from anywhere. It's really an enabler of success from anywhere. And once our merger is approved, well we're going to build Slack into more of these products that we use today and conceptualize and make our customers even more productive. We're going to create the most open and interoperable ecosystem of apps and workflow in enterprise software.

By achieving success from anywhere at Salesforce, we're delivering success from anywhere to our customers. In many ways, we're becoming the success from anywhere company. Whether it's B2B or B2C, our customers need to accelerate their efforts to go all digital to build direct trusted relationships with their customers. And for so many companies, it's a matter of their survival. With the flexibility, scale, and time to value of Customer 360, our customers are able to quickly adapt to this new world.

And on any given day, our customers are generating 3 billion – 3 billion – Commerce Cloud transactions. That's up 100% from a year ago. That's not a surprise to anybody. We all know. We're shopping from anywhere and creating 4 million sales opportunities working from anywhere, their home, a coffee shop, a mountain top, or delivering an average of 2.9 billion marketing messages from anywhere across any digital channel, logging nearly 5 billion case interactions, servicing from anywhere.

Now, Salesforce Einstein, which is our core artificial intelligence capability, really built into the heart of Customer 360, well that's now delivering more than 93 billion – 93 billion – AI-powered predictions every single day, 93 billion AI-powered predictions every single day across our entire Customer 360, amazing. Customer 360 makes all of our customer interactions smarter than ever before, and it's a great example why Salesforce has been ranked by IDC as the number one CRM for the seventh year in a row.

It's just the fourth quarter, so companies are turning to Salesforce to build trusted relationships with their customers and deliver success from anywhere. Companies like I mentioned, like Align or Telstra or Dixons or Marriott or RBC or SIGNA Sports United across so many industries, across so many geographies, companies. Large companies or small and medium companies, even brands like IQVIA and Deluxe, they turned to MuleSoft,

which is critical to every digital transformation to connect to all of their legacy systems and connect that data from anywhere.

And of course, right now delivering success from anywhere also means managing the pandemic from anywhere. By developing technology like contact tracing, work.com, you've seen salesforce.com is at the forefront of helping organizations and governments beat back the pandemic, or in the case of the state of Victoria in Australia, basically eradicate it. And with Vaccine Cloud, we're helping cities like New York or states like where I am right now in California or other entire countries scale up vaccine operations and get vaccine shots in arms, and I have to tell you I've just never seen a logistics and information technology challenge like this before. And our technology is working incredibly well.

And you've seen some other implementations of technology in this area, well, did not work well for these vaccines. So now we can see that more than 50 federal, state, local, and private health organizations are using Salesforce to manage this incredible response to the pandemic. Cities like Austin and Chicago, New York City, California, New Hampshire, Rhode Island, it really goes on and on. More than 245 million people in fact have used COVID-19 data through our Tableau dashboards. In fact, thousands of organizations are relying on Tableau's COVID-19 data hub, such as Verizon and UNC or UNICEF or Experian. And you can check that out at public.tableau.com or just go to tableau.com and you'll see a whole tab just on their response to COVID-19. It's been incredible what our team at Tableau has done.

The pandemic has shifted us all in this work-from-anywhere world, but it's just the beginning of a whole new era. And that's why we're so excited about what we have done and how we have transformed our own organization and our technology with Hyperforce. Look, we've built an incredible new platform. You heard about it at Dreamforce for the first time. This Hyperforce platform, this is a fundamental new architecture for us. It lets us run on any hyperscaler. Hyperforce allows us to run anywhere, and that allows our customers to choose where they want to manage their data. That's allowed us to open incredible new data centers in India and Germany, and we're planning to support another 10 new additional countries this year and all built on this incredible new architecture. And it's 100% compatible with all our previous implementations. It's another example of how well we're going to be able to help our customers achieve success from anywhere.

Now finally, when we are successful, we have a responsibility to others. It means we can be living examples of stakeholder capitalism in action. And it's why during the pandemic we've accelerated our efforts to serve all stakeholders, including our communities and the planet. We supported front-line workers in 300 hospitals around the world by delivering over 50 million pieces of PPE. We've provided millions of dollars in grants to schools to help with remote learning, to local small businesses to stay afloat, and to organizations focused on racial justice as that turned into a crisis here in our United States. And we've partnered with Gavi, the Vaccine Alliance, on equitable distribution of vaccines across 190 countries.

I'm incredibly proud of our efforts to fight climate change and protect our planet. In fact, we are a net zero operations company today, and we've also reduced our carbon emissions by 40% in the last year. With our Sustainability Cloud, companies across the globe are tracking and reducing their carbon emissions and keeping track of their critical ESGs. We're supporting the global movement to conserve, to restore, and grow 1 trillion trees as the founders of the World Economic Forum 1t.org initiative, and I'm very grateful for everyone who has done so much to help this critical part of climate change with sequestration, all of which shows why when we truly serve all stakeholders, business is the greatest platform for change.

Well, that's where Salesforce is today and where we're going. It's a new business operating model, work from anywhere, direct trusted customer relationships. You can see this incredible product line, all built on this

Hyperforce architecture serving all stakeholders. It's how Salesforce is achieving success from anywhere, and it's how we're enabling our customers to achieve success from anywhere. I'm incredibly proud and grateful for what we've been able to accomplish in fiscal year 2021, and I'm very proud of us even though we're freezing out here in San Francisco, but we're outside and doing it safely. We've all been PCR tested. It's all totally fine.

And now I'm turning it over to our new Chief Financial Officer, Amy Weaver. Amy?

Amy E. Weaver

President & Chief Financial Officer, salesforce.com, inc.

Thanks, Marc. And I agree, it's a little surprising to be doing my first call outdoors. But at least it's brisk. This is great. And so I'm thrilled to be here today in this new role. I really enjoyed the opportunity to meet with and learn from many of our shareholders during the transition period, and I'm looking forward to getting to know more of the investment community during fiscal 2022.

So as Marc described, we closed out our fiscal 2021 with another quarter of outstanding growth at scale and solid bottom line execution. So let me take you through some of the results for Q4 and fiscal 2021. I'll begin with top line commentary.

Total revenue for the fourth quarter was \$5.82 billion, up 20% year over year or 19% in constant currency. For the full fiscal 2021, revenue was \$21.25 billion, up 24% year over year in both dollars and constant currency. This was a well-rounded performance across geographies and service product offerings.

Revenue attrition in Q4 was between 9% and 9.5%, which was slightly favorable versus our Q3 guidance assumptions. Our continued focus on customer success has resulted in attrition rates better than we had assumed each quarter since the onset of the pandemic. However, our Q4 attrition rate is still higher than where we finished a year ago.

Our remaining performance obligation, representing all future revenue under contract, ended Q4 at approximately \$36.1 billion, up 17% year over year. The current remaining performance obligation, or CRPO, which represents all future revenue under contract that is expected to be recognized as revenue in the next 12 months, was approximately \$18 billion, up 20% or 18% in constant currency.

Turning to operating margin, Q4 non-GAAP operating margin was 17.5%. This includes a \$184 million real estate impairment charge. As a reminder, our guidance for Q4 had assumed \$80 million to \$100 million in real estate charges. During the quarter, we identified further opportunities to consolidate and sublease across our global portfolio, including in some of our hub locations.

For the full year, we delivered non-GAAP operating margin of 17.7%, up 90 basis points year over year. The upside from our guidance was largely driven by revenue outperformance and partially offset by the incremental real estate charges that I just referenced.

Q4 GAAP EPS was \$0.28 and non-GAAP EPS was \$1.04. The outperformance in the quarter was primarily due to higher revenue as well as realized and unrealized gains on our strategic investments portfolio. These mark-to-market adjustments benefited GAAP EPS by approximately \$0.21 and non-GAAP EPS by approximately \$0.22.

Turning to cash flow, operating cash flow in the fourth quarter was \$2.2 billion, up 33% year over year. For the full year, we delivered \$4.8 billion of operating cash flow, up 11% over last year. This number was slightly lower than our guidance for the year, which was driven by the growth investments discussed on previous calls as well as by

timing of collections at the end of the quarter. CapEx for the quarter was \$149 million, leading to free cash flow of \$2 billion, up 35% year over year.

Now, turning to guidance for Q1 and fiscal 2022, as a result of our Q4 performance, we are raising our Q1 revenue guidance by \$170 million to \$5.875 billion to \$5.885 billion or approximately 21% growth year over year. This includes a \$40 million contribution from Acumen Solutions due to an earlier acquisition closing date of February 1. Additionally, please note that MuleSoft will contribute to higher sequential revenue than historical norms in Q1 due to certain contracts that closed in Q4 but have start dates beginning in Q1.

We are also raising our fiscal 2022 revenue guidance by \$200 million to \$25.65 billion to \$25.75 billion, or approximately 21% growth year over year. This includes \$190 million from Acumen and, subject to closing, \$600 million from Slack. For Q1, we expect to deliver CRPO growth of approximately 19%.

We expect non-GAAP operating margin for fiscal 2022 of 17.7%, or flat year over year. We're pleased to keep the margins flat despite an expected 160 basis points headwind from Slack and Acumen, continued investments in our core business, and the anticipated gradual increase of travel in the second half of fiscal 2022. I do want to call out that the real estate consolidation mentioned earlier will have a positive impact on the longer-term P&L, but at this point we do not see a material benefit in fiscal 2022.

We expect GAAP diluted EPS for fiscal 2022 of negative \$0.44 to negative \$0.42 and non-GAAP diluted EPS of \$3.39 to \$3.41. We expect recent M&A will be a \$0.63 headwind to non-GAAP diluted EPS. Please recall that our OIE and EPS guidance assume no contribution from mark-to-market accounting, as required by ASU 2016-01.

We expect fiscal 2022 operating cash flow growth of 10% to 11% year over year. Note that this includes the expected dilutive cash flow impact of Slack and Acumen, which we expect to represent a headwind to our year-over-year growth of approximately 9 points. We continue to expect CapEx to be approximately 3% of revenue in fiscal 2022, resulting in a free cash flow growth rate of approximately 10% to 11% for the fiscal year. Excluding the anticipated impact of M&A noted above, this rate would be 21% to 22%.

To close, in a year far different from what we ever could have expected, Salesforce delivered durable top line growth, non-GAAP operating margin expansion, and took important steps on our path to \$50 billion by reimagining our business and setting ourselves up for success from anywhere. I am extremely proud of the way that our employees navigated the challenges of fiscal 2021 with grace, resilience, and with an unwavering commitment to our values and to our customers. Finally, I'd like to thank our employees, our customers, our partners, our community, and especially our shareholders for their continued support.

And with that, Michelle, let's open up the call for questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from Mark Murphy from JPMorgan. Your line is open.

Mark R. Murphy

Analyst, JPMorgan Securities LLC

Q

Thank you. I have to say I love the outdoor conference call. And I swear I heard a seagull or a crow in the background there in Salesforce Park at some point. So, love that innovation. My question is where are you in the demand cycle for Einstein and the AI technologies? You've had such a long head start there with that vision, and you've been embedding it into your clouds. But it seems like right now is the moment that most companies are finally really prioritizing AI as a top initiative. It's really this year. And so I'm wondering if you're sensing any kind of inflection there with companies being recharged and more ambitious goals for Einstein in the data layer.

Marc Russell Benioff

Chair & Chief Executive Officer, salesforce.com, inc.

A

I'm going to let Bret Taylor take this over. But before he does, I just want to say that I'm so excited with how Einstein has been received by our customers and also how we have deeply integrated it into all of our clouds. It's definitely a critical enabling technology that has made everybody just a lot more productive. And I've been surprised, while other companies have divested some aspects of artificial intelligence, we continue to see Einstein become the critical enabling capability and differentiation that we can offer key clouds, especially what we've seen with commerce. So I hope that Bret can further illuminate that.

Bret Steven Taylor

President & Chief Operating Officer, salesforce.com, inc.

A

Yeah, it's a great question. And I definitely view this year and this new pandemic world as an inflection point for the adoption of Einstein. Broadly, I think we're seeing just incredible secular trends towards digital. I hear a lot of CEOs just talk about essentially we did in a year what might have taken a decade before in terms of adoption of digital technology. And when all of your customer and your partner and your employee interactions are digital, artificial intelligence and Einstein can make every single one of those engagements more personal.

To put some numbers on it, I'll just take Service Cloud as an example. Our digital service capability has grown at just unprecedented rates this year, and with the adoption of things like chatbots powered by Einstein, we saw 91% quarter-over-quarter growth in chatbots alone. Our Marketing Cloud, which is just every single one of those interactions is personalized. If you looked at Cyber Week this past quarter, mobile push notifications were up 131% year over year. SMS was up 171% year over year. You're seeing just unprecedented adoption of digital.

And the thing Marc covered in his opening remarks that I think is really important and a big part of our thesis as a company is we're not going back. The people who have experienced all these digital trends, whether it's buy online, curbside pickup, that direct consumer trend in the consumer packaged goods industry. The move to telemedicine, one of the customers Marc mentioned, Humana, one of the things they're doing with our platform is HumanaCare Support, which is this digital interaction between its members, its care teams, its provider communities. All these trends are here to stay.

And when we think about Einstein, we think about our platform broadly. We really think that we're looking over the next five years how can we help every single one of our customers across all these industries gain success from anywhere, and Einstein is a huge part of that vision.

Operator: And your next question will come from Brad Zelnick from Credit Suisse. Your line is open.

Brad Zelnick

Analyst, Credit Suisse Securities (USA) LLC

Q

Excellent, thank you so much and congrats on all the success. My question is for Marc and/or Gavin. How do you think about the potential for acceleration coming out of a recession? Does your current pipeline look like it can support it? And are you properly staffed up to capture the opportunity ahead?

Gavin E. Patterson

President & Chief Revenue Officer, salesforce.com, inc.

A

Sure, thanks for the question. The pipeline is very strong, and we saw that build throughout the year, and coming into Q4 we continued to see it build. And that's in spite of having no face-to-face events during the year. It's all been done digitally. And as Marc said in his opening remarks, Dreamforce to you, where we delivered the whole thing digitally, was a huge success, giving us access to decision-makers and allowing us to strengthen that pipeline.

And let me reassure you, we are building the capability in terms of the sales force. You'll be delighted to hear that we are investing significantly in terms of our direct sales force to take advantage of that demand, and I'm very confident we'll be able to meet it. So I think you're hearing today a message from us all that the business is strong, the pipeline is strong, and we've got confidence going into the year.

Operator: And your next question will come from Arjun Bhatia from William Blair. Your line is open.

Arjun Bhatia

Analyst, William Blair & Co. LLC

Q

Hi, thank you. Marc, this one might be for you or maybe Gavin. But we've touched on how much the world has changed over the past year with the pandemic. I would love to hear how the complexity of your deals with your customers have changed over the past year, particularly as it relates to things like deal cycles, deal size, multi-product adoption, and perhaps customer focus on time to value, and how you are adjusting to address those changes.

Marc Russell Benioff

Chair & Chief Executive Officer, salesforce.com, inc.

A

I'm going to let Gavin take this, but I'm going to take it at the high-order bit. I've been surprised how many sales calls we've been able to make this year. And if I could rewind history over the last 22 years, I would have enforced a much more significant digital discipline for our sales organization. I think that when we look back at all of the time and energy we spent physically getting on airplanes, going, getting in cars, going to people's offices, having a breakfast or a lunch or a dinner, waiting to try to get up and make a C-level sales call, when you look today at the level of access that you have in organizations to conduct B2B sales, it's all the capability. When you're digitally enabled, you can go anywhere just much, much faster.

And that's a key reason why with Dreamforce, not only did we have a very successful Dreamforce from our park, and you probably saw the video of Bret and I, but also we then told each of our sales executives all over the world that they were going to have to do that same presentation but highly customized with highly customized demonstrations for each and every one of our customers, which we then did. And customers warmly received that with large groups of their employees. So it's really an example of you can do a lot more to build pipeline, have direct access, and deliver highly customized selling at a level of velocity that I don't think previously was possible. Gavin, do you want to come in on that as well?

Gavin E. Patterson

President & Chief Revenue Officer, salesforce.com, inc.

A

What I'd say is the digital imperative is now a CEO priority. That's the overriding theme that we've seen over the last nine months. Previously, it might have been delegated down into the business, but it has become so important and so urgent that the CEO wants to take direct control over it. And that has been something we've been able to take advantage of. And coupled with the fact that video allows us to get to decision-makers faster and more frequently, it means that the pipeline has been very strong.

So you had a question about the deal complexity and how is that changing. It's been strong across the board. So we've done big deals, but the run-rate business, the volume side of the business continues to be strong as well. And it's important that both these muscles continue to operate within our business model. So it's a very well-rounded performance in that respect.

And you've rightly identified – time to value is I think probably even more important now for decision-makers. And this is a theme that I know certainly Bret and I have been on calls and is right at the forefront of the CEO and the CEO's decision-making. So the more we can ensure that standard Salesforce solutions are deployed and they're configured in a standard way to ensure that we can get fast deployment I think is really, really important. So we're agile, we're getting the right sort of conversations, and the pipeline is strong across the board.

Operator: Your next question will come from Kirk Materne from Evercore. Your line is open.

Kirk Materne

Analyst, Evercore Group LLC

Q

Thanks very much. I think this one is for Bret. Bret, you all named David Schmaier Chief Product Officer and President this quarter. I was just wondering if you could talk a little bit about sort of what you're thinking in terms of going more vertical from a product sort of development perspective in terms of his appointment.

And maybe, Gavin, how does that match up with how you're thinking about trying to maybe double down on certain verticals where you can go deeper with customers and sort of from an industry perspective because that seems to be one of your strengths is being able to sort of go deep in certain industries? So are you able to talk about that a little bit? Thanks.

Bret Steven Taylor

President & Chief Operating Officer, salesforce.com, inc.

A

It's a great question. I'm so grateful to have David at this company. I was joking with Marc the other day that David Schmaier has forgotten more about CRM than most people know. He's been in this industry for decades and is truly an expert. And our strength as a company is that we are experts in our lines of business. We want to help people sell from anywhere, service from anywhere, market from anywhere, do digital marketing from

anywhere. But we are increasingly experts in industries. And now thanks to both our organic strategy and our acquisition of Vlocity, we're at 12 industries that we serve across so many strategic verticals for our customers.

And you heard our focus, which is really helping our customers in this all-digital work-from-anywhere world find success, find success from anywhere. And so much of that is really industry-specific. Every industry is going through a very accelerated digital transformation. In consumer goods, as Marc said, it's about creating direct trusted customer relationships, which is a completely new digital motion that requires new expertise, new software, and candidly just a new business model. In areas like healthcare, you've seen the impact this year. Retail, obviously Cyber Week has accelerated again by almost a decade's worth of acceleration this year.

And when I think about our ability to really provide success from anywhere, it's really building in those industry-specific processes so they work out of the box. As Gavin and I mentioned, we're doing a lot of calls together, and that time-to-value discussion is the first thing that comes up. And our vertical solutions are a big part of it because it means we essentially are starting all of our customers on third base with the industry-specific processes that are important to them. So I'm really grateful for David's leadership and really grateful for the alignment between our products, strategy, and our distribution and sales strategy that this verticals effort gives us.

Operator: Your next question will come from Tom Roderick from Stifel. Your line is open.

Thomas Michael Roderick

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Wonderful, thank you for taking my question. Marc, I guess I'll direct this to you but probably it's a good opportunity for Gavin to chime in as well from the field. It seems like every year you get to the fourth quarter, and the big deals, the ELAs, the big digital transformation, a lot of those do show up in the fourth quarter. I would imagine over the last several years, the nature of those transformations have changed. Given this has been such a wild and unusual year, would love to hear what you're hearing from the field and what customers are talking about that's different in the way that they're going about their digital transformations. Perhaps it's more MuleSoft, more Tableau, or maybe even talking about messaging and engagement. I know it's an open-ended question, but some more anecdotal evidence from the field on big deals would be great. Thank you.

Marc Russell Benioff

Chair & Chief Executive Officer, salesforce.com, inc.

A

Well I'm going to have Bret and also Gavin come in here and talk about this because they've really had the opportunity to work on so many transactions together. But I think one of the major transformations that's happened this year, and I think you can really see it and you peer into the numbers, is when we actually sell to our customers, we're selling our Customer 360 platform. And we have Sales Cloud, you're right. We have Service Cloud. We have Marketing Cloud. We have Commerce Cloud. We have this amazing Tableau, it's incredible multibillion-dollar analytics cloud. And we have this amazing MuleSoft integration cloud, billion-dollar integration cloud, and our rescaling platform and our services business and our partnerships and the full ecosystem of solutions.

But when customers are coming and working with us and if I'm working with a CEO, a fellow CEO maybe of one of these very large companies, they're not as interested in some discrete cloud. I'm sure you could probably appreciate that they are really interested in deploying our platform. And we have a lot of different words to describe these different parts of our code, but the reality is that they really just want us to make them successful.

And when we look at some of the very large implementations that we've done this year, we're quick to say, well, we fully implemented all these AT&T retail stores with our Sales Cloud. But the reality is that when you talk to Jeff McElfresh, who we featured at Dreamforce, who is the CEO of AT&T Wireless, mostly he just wants to know that he's more productive, more competitive, more innovative, and that he is able to have better customer relationships and that all of his employees are aligned. And that's what we're really starting to sell.

And I think that that's a powerful transformation of our company, and I think it really started when we had the successful really acquisition of Tableau. It started to get customers to be able to look at us just much more strategically. It wasn't that we onboarded this incredibly successful analytics business that we did, but it was really that we all of a sudden have a truly strategic solution for customers that's quite broad and that gives them a platform for success.

And then when you look at the pandemic, it's transformed to the platform for success from anywhere. So yes, we're going to let them sell from anywhere or service from anywhere or market from anywhere, but we're going to let them be successful from anywhere, and that is really our platform. We used to call it, if you remember, the customer success platform. Now we really should just be calling it the success from anywhere platform.

Anyway, I'm going to have Bret and Gavin chime in here because I think that you're touching on probably one of the most powerful transformational moments for Salesforce. And it's also honestly, it's one of the main reasons that we've entered into an agreement to acquire Slack because it's an enablement of success from anywhere.

Gavin E. Patterson

President & Chief Revenue Officer, salesforce.com, inc.

Okay, go ahead.

A

Bret Steven Taylor

President & Chief Operating Officer, salesforce.com, inc.

Yeah, I'll add a couple anecdotes. But all the big customer names that Marc mentioned in his opening are all multi-cloud transformational deals that really are about the entire Customer 360. I mentioned Align before. That's Marketing Cloud, Sales Cloud, and our platform. And so I was actually just having a conversation with their Chief Digital Officer, Sree Kolli, just yesterday, and it's really inspiring because they're...

A

Marc Russell Benioff

Chair & Chief Executive Officer, salesforce.com, inc.

They are an incredible company.

A

Bret Steven Taylor

President & Chief Operating Officer, salesforce.com, inc.

Just an incredible company.

A

Marc Russell Benioff

Chair & Chief Executive Officer, salesforce.com, inc.

We have to mention by the way that one of the cool things about Align is that it's more important than ever because everybody wants to make sure their teeth look good on their Zoom calls. So they're like have a huge upsurge because everyone is like whoa, everyone is looking at my teeth. Anyway, go ahead.

A

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

A

As funny as that is...

Marc Russell Benioff*Chair & Chief Executive Officer, salesforce.com, inc.*

A

And an amazing CEO also, by the way.

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

A

As funny as that is, it's also true. But the hard part is we're in this all-digital world. So how do you engage with patients in all-digital world? So using our core platform in ways you'd expect, but they're also building custom apps like My Invisalign, which is built on Heroku, built on our platform to build this really direct trusted relationship with their patients. And I think it's a really wonderful example because when you think about, as Marc said, what they want, it's not a sales capability. It's not a marketing capability. They need a digital customer experience to find success from anywhere. And I think every single business is going through this in a unique way, and I think that's very representative of our larger engagements.

Gavin E. Patterson*President & Chief Revenue Officer, salesforce.com, inc.*

A

Look, I think most of the points have been hit. But from my perspective, CEOs, C-suite conversations around solutions, fundamentally they're not about products anymore. They're looking for multi-cloud solutions based on a Customer 360, single source of truth, single view of the customer. And to the earlier discussion, increasingly where a lot of the standards, things for the industry are built in so that they can use it out of the box. So I think we're touching on all the key themes.

I think there's one other thing I would mention is that we're getting into more conversations with customers around outcome-based initiatives. So where they want our services businesses to be involved as part of the design. And there's a real focus on what are the outcomes and how we can underpin those. So I think we touched on most of these themes already today, but certainly the complexity of the conversation, the sophistication of the conversation is increasing.

Operator: And your next question will come from Frederick Havemeyer from Macquarie. Your line is open.

Frederick Havemeyer*Analyst, Macquarie Capital (USA), Inc.*

Q

Hey, thank you. Marc, I'd like to ask a bigger-picture question. So your portfolio of cloud has engaged customers, offer workspaces for employees and enable business introspection with Tableau and Einstein. Now with Slack, you can potentially integrate third-party apps and automate API-driven work across this ecosystem. So if we bring all this together, how do you think about the future of work and Salesforce's role in enabling humans to focus on more meaningful and value-add work?

Marc Russell Benioff*Chair & Chief Executive Officer, salesforce.com, inc.*

A

I think this is really where we're going. And I don't know if you watched my presentation from Singapore, but I went to Singapore with Bret, and we did our company kickoff there, and we were in person with customers there

and we were in person with our employees there. And we're really looking at the future of work there. I think that they're really living where the rest of us are going to be, which is why we went there.

The pandemic is very much something that in many ways is behind them. Their businesses and their offices and their hotels are open. They're still wearing masks in meetings, but they have very low virus rates. And when you look at what's happening there and you look at how they've restructured, you look at how often employees are coming into the office versus before, this is what I think the world that we're about to get into. And anyway, Bret, what was your reaction?

Bret Steven Taylor

President & Chief Operating Officer, salesforce.com, inc.

A

I think it's a really wonderful point. I think the future right now, we're at this inflection point where every executive, including Marc, including me, has this once in a lifetime opportunity to really transform the way their companies work. If you had told me a year and a half ago that we would execute this entire year without being in an office, without getting on an airplane, I would have said it was impossible. But we did do it, and we did it without any notice.

And every executive in every company, including ours, coming out of this is really asking the question, what is the company we want to be on the other side of it? What sales meetings are we going to get on an airplane for? Is that contact center that used to be a building but is now something that exists in the cloud, are we going to go back to the building or just embrace the cloud? And I think it's really everywhere and when we were in Singapore and talking to a bunch of companies that had reopened, what stood out to me, Marc, was actually how many of the pandemic behaviors actually remained. And I think that's a really interesting glimpse of the future, and you're seeing it across our customer base.

There's this concept called flexible work that every single sales meeting I'm in, it comes up which is when are employees going back to the office and notably what employees aren't going back to the office. And I think it's a really interesting time for digital technology. But as you said, I think it's a really interesting time to think about what the future of work looks like, and it's part of what drew us to Slack and that company's vision for the future because it's not just a digital translation of the way we used to work. It's truly a vision for a new way to work. And I think there is really just incredible appetite for that from our customer base.

Operator: And your final question for today will come from Terry Tillman from Truist Securities. Your line is open.

Terry Tillman

Analyst, Truist Securities, Inc.

Q

Thanks for taking my question. And I guess, Bret, maybe it's for you. I remember asking at the Analyst Day about CDP and you all's effort there. I think you had said something about how you have some large strategic opportunities you were working on. But I'm kind of curious. What kind of benefits did you see from the CDP product in 4Q and how much it drove Marketing Cloud? And how big could this business be in FY 2022? Thanks.

Bret Steven Taylor

President & Chief Operating Officer, salesforce.com, inc.

A

I'm extremely excited about our customer data platform. Our brand name for that we call Customer 360 Audiences. And I think there are a couple of details I'll add. Marc mentioned Hyperforce. This is really the architecture that's enabling our customer data platform, and notably actually not just in our marketing cloud and not just for marketers, but actually enabling B2C scale across our entire platform.

Because I really do think that – CRM for a long time was for B2B sellers. Back when Marc and Parker started this company 21 years ago, that's what people thought. Now every single company of any scale and every single department wants a single source of truth for their customer data. They want to create segments. They want to integrate all their data from legacy data sources and proprietary data sources. And then they want to activate that across every channel, digital channels, in-person channels. And Customer 360 Audience is generally available. We saw really strong performance in its first few quarters of being available to customers, and we really view it as foundational for our Marketing Cloud in the coming years.

Operator: We will take one more question from Kash Rangan from Goldman Sachs. Your line is open. Kash, your line is open. Okay, that clears – that brings us to the end of our Q&A session. We'll turn the call back over to the presenters for closing remarks.

Evan Goldstein

Senior Vice President-Investor Relations, salesforce.com, inc.

Thank you all for joining us on our Q4 FY 2021 earnings call. If you have any questions, please email us at investor@salesforce.com. And we look forward to seeing you at our Q1 call. Thank you.

Operator: Thank you, everyone. That will conclude today's conference call. You may now disconnect.

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