Good afternoon, ladies and gentlemen, and welcome to Salesforce's Fiscal 2022 Fourth Quarter and Full Year Results Conference Call. Just a reminder, today's call is being recorded. [Operator Instructions]

Now I'd like to hand the conference over to your speaker, Mr. Evan Goldstein, Senior Vice President of Investor Relations. Please go ahead, sir.

Thank you, Bob. Hello, everyone, and thanks for joining us for our fiscal 2022 fourth quarter and full year results conference Call. I'm Evan Goldstein, Senior Vice President of Investor Relations. Our 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; Bret Taylor, Vice Chair and Co-CEO; Amy Weaver, Chief Financial Officer; and Gavin Patterson, 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 and 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 impact of COVID-19 pandemic on our business, acquisition, results of operation 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 the forward-looking statements.

A description of these risks, uncertainties and 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.

Well, thanks, Evan. This is probably one of those calls that the most difficult type of call that we can do. And the reason why it is the most difficult call that we can do is all of the grim things that are happening in the world. And of course, all of us are witnesses to tragedies that we cannot believe our eyes. And at the same time, we're here on the call to tell you that Salesforce had perhaps the best quarter it's ever had in its history, and we are trying to measure our response.

And this is actually very personal for me. I'm sure many of you know that my great grandfather actually immigrated from Kyiv from -- growing up, it was Kiev in our household. And -- but my great grandfather, Isaac Benioff, came to the United States from Kiev. And my grandfather was born here in the United States and then came to San Francisco and met my grandmother who was the second generation San Franciscan. And that's why I'm here now. I'm a fourth generation San Franciscan. But looking back and looking at my family now and the Ukraine, my heart is
really breaking for them. And the senseless pain, the suffering, the -- it's just unbelievably difficult to see what is going on in the world.

And while we really don't have employees or do business in the Ukraine or Russia of any consequence, I would say that we do have employees and families like mine. And with loved ones there and deep connections to the region in this part of the world, and our heart is continuing to break. And we've provided ways that we provide humanitarian care.

I just provided some response through World Central Kitchen, which I highly endorse, Jose Andres, and someone who I've worked with for many years. And as we find more ways to provide humanitarian care, we will. This is very important to us and who we are in our core values at Salesforce.

So as I said, this is a difficult moment for us because we are not blind to what's happening in the world, and yet we did have probably, I would say, the best quarter we've ever had in the history of the company. And I'm here on the 61st floor of Salesforce Tower. We've got significant numbers of our employees back here in the office. I was just with them. And I was also just spent a tremendous amount of time surveying the city on how things are coming back to life here kind of in our post-pandemic reality that we're now entering, and it's powerful.

This energy around here is amazing. We're really turning the corner in our battle with the virus. And I believe, in many ways, COVID is behind us. And certainly, I know that Omicron and BA.2 are very serious viruses, but we are in a very different position in the world today, fighting these things than we were a couple of years ago. And I want to thank everyone who has done so much for getting us through the last 2 years.

It really became very clear to us -- a couple of weeks ago, we had our fiscal year kick-off in New York City. We had 5,000 employees attending in person at the Javits Center. It was amazing to be with 5,000 employees again. We had -- so we have 75,000 employees now in the company. 35,000 of our 75,000 employees have started since the pandemic. So we've had quite a bit of growth here at Salesforce.

And I would also say that when we asked -- we're in the room -- and how many of you have not attended a Salesforce kick-off, stand up and be welcomed, I would say 75% of the room stood up. And Bret and I are conducting this kick-off together as a team, and I think we are both in shock. And wouldn't you say that that was…

Bret Taylor: It was amazing.

Marc Benioff: It was, right?

Bret Taylor: Being in person again after so long.

Marc Benioff: Being back at the Javits Center with 5,000 employees, doing a kickoff. And with tens and tens of thousands of employees online. And I'll tell you that we were able to get together safely, thanks to our safety cloud. We were interconnected with a number of COVID tests that were dynamically updating how we were doing and trying to keep the virus at bay. There are still some virus there, but not a lot. And we did our best to have a very safe program, and we've been doing this now. We've had 2 Dreamforces with this program with our safety cloud. We've had the kick-offs, we had all kinds of events and programs all over the world using this technology.

And it's very powerful, Mayor de Blasio came and he was talking about how we had built the contact tracing system for New York, which we did, and the vaccine management system for New York, which we did, and many apps and talking about how we landed a 787 during the height of the pandemic in New York, which we did, and providing millions of pieces of PPE and so forth.
But the emotional part for me, and I don't know, Bret, you were, but when he said everywhere where our employees were sitting was a FEMA Field hospital just a short time ago. And we were sitting in a hospital and having a kick-off. And we realized, wow, we've somehow gotten through this. And was that a moment?

Bret Taylor: Yes. You could feel the impact and just the poignancy of the moment as everyone looked down at their seats and tried to imagine a cot and really capture just as hard and as long as it's been how far we've come.

Marc Benioff: I'll tell you, I added up how many CEOs I've been with in the last 90 days and has been about 46. And as I've talked to all these CEOs all over the world and travelled and so forth, it's been a powerful couple of years and difficult. And I mean, I'm grateful for what all of our Ohana have done and all of our employees have done and also our customers and the first responders and scientists and everybody to get through this because it does feel like -- and I think as evidenced by what we just went through in New York, we're kind of coming to the end of this.

And it's not that this isn't still raging. I just read some horrible articles about what's going on right now in Hong Kong with BA.2. But we are kind of coming to another stage here, and I hope that we're about to get back to a more normal world. And we're doing that, unfortunately, a war and a pandemic, this is not an uncommon story and very sad to see what's going on here.

So with that, I have to tell you, though, that I'm speaking now to our investors and analysts directly and I'm speaking directly about the performance of the company, we had a phenomenal quarter. We capped off, which was just a phenomenal fiscal year '22 with just incredible numbers. And we continue to see just tremendous, tremendous demand from customers across every industry, every geography and every product category.

And I think that like many of the portfolio managers who are on the call and will ask questions later, we're managing a full portfolio. We see that with products and geographies and industries. And across the whole portfolio, I would say there's a remarkable strength. And every company that I speak to and these CEOs that I'm speaking to, they're all going through major digital transformations. And those customers, they all -- are all beginning and ending with the customer. And our job remains to help these companies grow and achieve this transformation.

And that's why we've had such an incredible year, and I'm confident that, that will continue. And you can see that in kind of these incredible numbers, but also our very deep commitment to this kind of very disciplined, very profitable and very cash flow positive, as you can see, the $6 billion number and the $7-plus billion number scheduled for next year and going up in the years to come.

For the fourth quarter, revenue rose to more than $7.3 billion, up 26% year-over-year. That's pretty awesome for a company of our size that we did a 26% growth quarter at $7.3 billion. I don't think there were too many $7.3 billion quarters at 26% growth in the world this year. And for the full fiscal '22, revenue was $26.5 billion, again, up 25% year-over-year. Again, a $26 billion company growing 30% to 25%. And of course, that's why we're coming in on this $32.1 billion year. So we're continuing to be the fastest-growing top 5 enterprise software company in history.

Salesforce is on track to becoming the world's #1 enterprise cloud, software applications company. This operating margin for the quarter was 15%; and for the full year, 18.7%. And we've just continued to deliver this disciplined approach to margin expansion. And you can see that in the forecast for the quarter now at over 20% operating margin with the $32.1 billion year.

So with our unique business model, we continue to grow revenue at scale, drive operating margin expansion, leading to strong cash generation, I mean you can see that in all 3 aspects of this quarter. And we closed fiscal year '22 with really incredible cash flow, reaching a milestone of $6
billion in the year, and that's really up 25% year-over-year. That's really amazing, and I would say, far exceeded our goals.

I'll tell you that based on our strong fiscal year '22 results, we're excited to raise our fiscal year '23 revenue guidance to $32.1 billion, something I've been excited to talk about at the high end of the range, representing 21% growth year-over-year. Amy, I hope that, that is just the beginning of the [revs-in] for the year. And we are committed to delivering a fiscal year '23 operating margin of 20%. And customer success is just continuing to just drive this financial success. And our product innovation is providing customers with the resilience they need to navigate these, I would say, grim and uncertain times. And that's why Salesforce has been ranked by IDC as the number one CRM for 8 years in a row. We have a tremendous focus here, being the number one CRM.

Our entire Customer 360 portfolio, that is the Sales Cloud and the Service Cloud and the Marketing Cloud and the Commerce Cloud and Slack and Tableau and MuleSoft. And by the way, other great clouds, too, that aren't even listed when we talk about these things like our Financial Services Cloud or our Safety Cloud or Sustainability Cloud. Putting them all together for our customers, well, it becomes the single source of truth, virtually, the entire Fortune 500. And all of this customer success is being led by an incredible management team, which I think everyone on the call will agree and I certainly believe never has been stronger or more aligned.

Now I want to talk about a couple of customers real quickly and then wrap this up. You know, Ford -- well, you're going to hear more from Bret and Gavin. We're helping major companies like this around the world transform their business. And you know I love this company, I think it's one of the great companies, very transformational, tremendous new CEO, Jim Farley, he has got a great vision for the world. You've seen that, if you haven't been inside this Lightning 150 truck. It's going to be the electric vehicle for everyone. It's the e-transit van. It's amazing. And I have 2 of these MACH-Es, a yellow one and a white one. And if you haven't tried it, you should go to the Ford dealer because it's just worth it to test drive the car because it drives very different than other electric cars, and I've had probably every single one because I love these things.

And a few weeks ago, I was with Jim Farley, and we launched the Ford Pro business unit. And it - - they're doing a B2B business unit at Ford to complement their B2C unit, not so unlike a lot of our other customers like Home Depot. But I'll tell you that Ford Pro, they're really looking at targeting professionals, targeting productivity. They're really looking at giving the motivation for the professional.

And I'll tell you, I live in a rural area, and I even have a Ford 550 truck, which is configured as a fire truck. That is when things go wrong, I have to be ready for that. And they have telematics, but I am excited to be able to build all these Customer 360 services around this Ford 550 truck because I'm trying to turn that Ford 550 into a Ford 360. That's how I look at this world. And I'll tell you that Jim Farley and I were up Sebastopol, not so far away from here, a few weeks ago, and it was awesome to see their product line, but also how their customers and their partners are all really connecting with this, these new products in incredible new ways.

And when you look at Ford and kind of they're driven towards, well, sustainability, it -- I find it to be very much aligned with what's happening in the world because we all know we're in a climate emergency. We need everyone to get to net 0 as fast as possible. Salesforce now coming into the Fortune 100 this year. We are a net zero company already, fully renewable across our entire value chain. We've achieved 100% renewable energy for our global operations. We're reducing emissions further. We're very sensitive to what we're doing with all of our products with sustainability, and we know we can't stop. There's no finish line on sustainability. It's really one of our very core values now.

And we're operationalizing sustainability in every part of our business. It's an area I'd spend a lot of time on in the last, I would say, 6 months, even looking at new investments. Bret and I just looked at a very cool company together. When you say we were surprised the type of companies
that we're looking at in carbon relationship management that before we were not, it's the new CRM, carbon relationship management, because there's a lot we can do in analytics, in information management, and in helping our customers get the carbon that they need to be successful. And every business can be a platform for addressing climate change.

The first step is for each and one of us to commit to being net zero ourselves. I have a lot of friends who are venture capitalists who are saying they're going to move into the sustainability world. And I said to them, the first thing they need to do in their portfolios, get their portfolios to be net zero. All of our work around sustainability might be the most important rewarding work of our lives. Well, it's one of the things we celebrate.

Salesforce is going to be 23 years old, amazing, on March 8, just a few days from now, a quarter versus century. It's getting there. Just partner is not with us today. He's traveling. So I want to just say happy birthday to Parker, and thank you for starting this great company with me so many years ago, and we look at all the evolutions of the company and the management team and the products and its -- employees and all of our Ohanas, and all of our stakeholders, thank you. When we started this in 1999, I never dreamed we would have become this amazing company and entering the Fortune 100 in 2022. So this is awesome.

And our values have created so much value when we look at $0.5 billion in grants now to our communities, 6.7 million in employee volunteer hours, more than $100 million here to our San Francisco and Oakland public schools who so badly need it, especially right now, running 55,000 nonprofits and NGOs on our product for free and so many other things that we've been able to do here, the children's hospitals here in San Francisco or so many other things around the world. So thank you to all of you for making that happen. And we're also delighted -- and thank you to our trailblazers, especially who believes so much in our products. They've lifted us up. And again, Parker and I are just so very grateful. And now over to you, Bret.

Bret Taylor:

Thank you, Marc. I really appreciate it. As Marc said, we had a phenomenal quarter to finish another phenomenal year of innovation and customer success. And you can see it in our performance. Our operating model and our discipline are generating profitable growth at incredible scale.

I've had the privilege of meeting hundreds of customers over the past few months. And the thing I've come away with after those conversations is that Salesforce is more strategic to their success than ever before.

Every company is going through a digital transformation. And that transformation starts and ends with their customers. That's what drove our incredible performance in every region this quarter, 23% in the Americas, 38% in EMEA and 20% in APAC. We continue to see tremendous demand from our customers across the entire Customer 360 portfolio. Companies like KPMG and Scotiabank are using Sales Cloud to build digitally native sales teams with brand-new products like revenue intelligence and our new Slack integrations. Sales Cloud growth accelerated again this quarter to 17% year-over-year, and it's now a $6 billion revenue business.

Companies like State Farm and U.S. Bank expanded their use of sales -- Service Cloud this quarter, helping it grow at 18% year-over-year to nearly $6.5 billion in revenue. These sales and service businesses are just incredible. Independently, each is larger than any other cloud Software-as-a-Service company, and they're more relevant to more customers than they've ever been in our 23-year history.

Our Marketing Cloud also continued to show strong growth with customers like Humana and Sunrun. Marketing Cloud delivered over 40 billion messages in Cyber Week alone and delivered 4.1 billion messages per day throughout Q4, up 37% year-over-year. Just Eat Takeaway, which Gavin and I recently visited in Amsterdam is a great Marketing Cloud success story from the quarter. Just Eat is a leading online food delivery marketplace. And like all digitally native
companies, they've adopted Slack as their digital headquarters with 11,000 monthly active users. This quarter, they expanded with Marketing Cloud to engage with their customers, their restaurant partners and their delivery carriers.

We also saw Commerce Cloud wins at Ralph Lauren, Bose, Sonos, continuing this trend towards digital commerce that accelerated so rapidly in the pandemic. Together, Marketing and Commerce grew 20% year-over-year in the quarter.

Both Tableau and MuleSoft continue to be the data foundation for our multi-cloud Customer 360 deployments. Tableau had strong wins in the quarter with Southwest Airlines, IBM and Sunrun. MuleSoft was also a part of some of our largest deals in the quarter, including Bose, Deloitte and Ford. Together, our Tableau and MuleSoft data business accelerated to 23.5% year-over-year growth in the quarter.

And I'm happy to say that Slack continues to exceed our expectations in every way as every company in the world builds the digital headquarters for this next generation of work that Marc was just talking about. With key wins at companies like Carvana and Netflix, the number of customers spending $100,000 annually with Slack increased by 46% year-over-year. Marc and I could not be more pleased with how the Slack integration is going, and that remains our top priority as a management team. That's why, as we said at our Investor Day, we don't have any plans for material M&A in the near term. Slack is our focus.

It's been so great to hear Slack come up in almost every one of those hundreds of customer conversations I had this quarter. PayPal is a great example from the quarter. We've had a long relationship with Dan Schulman in the PayPal team. He uses Customer 360 across both their B2B and their B2C businesses. This quarter, PayPal expanded their use of Slack, using new capabilities like Slack Huddles where thousands of real-time audio calls every week, and Slack Chatbots to respond to employee questions, log IT tickets and more.

This digital transformation acceleration is happening in every industry, and you can see it in the momentum of our industry clouds. These are our purpose-built solutions for financial services, health care, consumer goods, energy and 8 other industries.

We saw unprecedented growth across our industry solutions, and our most strategic multi-cloud deals were driven by our industry-specific products. GEICO is a great example. GEICO is the second largest auto insurer in the U.S. with over 25,000 agents, led by an incredible CEO in Todd Combs. Our professional services team is working with GEICO to deliver a digital-first customer experience with our Financial Services Cloud. And it's improving their customer experience and saving the company millions in costs at the same time.

We saw strong growth in all segments, including meaningful acceleration in our largest transformational deals as well as our lower end transactional deals and Slack self-service business. These transactional businesses are the closest thing we have to a real-time economic barometer. And right now, all the indicators are positive. And perhaps most importantly, this quarter, we saw the lowest customer attrition in our company's history, despite all the disruption in the economy. Overall, it was an extraordinary quarter, and we're seeing incredible momentum in the business.

As Marc said, as a leadership team, we've never been more aligned, and we're executing better than we've ever have. I'm enormously proud of our entire team. I'm grateful to the support of our customers, our partners and all of our stakeholders as we continue to deliver incredible growth at scale quarter-over-quarter and year-over-year.

And over to you, Gavin.
Thanks, Bret. I would echo Marc and Bret on just how many remarkable customer success stories we saw in the quarter across all our full portfolio of products, industries and geographies. The dynamics we're seeing in customer engagement are absolutely fantastic.

Just over the past few months, I’ve done more than 75 meetings with C-Suite executives, and the accessibility, that sense of urgency and interest from the highest levels of companies is incredible and shows no signs of slowing down. What's clear is there is a tremendous appetite for digital transformation, and we fully expect that to continue.

In the Americas, we grew relationships withAccenture, Banco C6, Scotiabank, State Farm, the State of Michigan's Department of Health and Human Services, U.S. Bank, Zoom and so many more. In EMEA, we continue to deepen our relationships with Airbus, CloudFactory and AlphaSights. And in APAC, we had significant wins with incredible organizations like Bank of the Philippine Islands, Panasonic Corporation and Hitachi. Health care also stood out, with wins like Humana, IQVIA, Cecelia Health and Teladoc Health. Moderna is another one in that category. Their intent on becoming the first fully digital biotech company, embedding analytics, AI and automation across every step of their value chain. We are a key partner on that journey. With Health Cloud, Moderna will gain a more complete view of its customers. And with Einstein and Tableau CRM, they will be able to analyze data across all departments and use predictive analytics to make better decisions.

And we continue to build our relationship with Sanofi, where the CEO, Paul Hudson, and his team are already using Health Cloud and Service Cloud. In Q4, they added Consumer Goods Cloud Tableau CRM and Salesforce B2B Commerce, which will let them better engage with health care providers, patients and pharmacies around the world. This is another great example of our complete Customer 360 portfolio at work.

We also grew our partnership with Mercedes-Benz in the quarter. They're using Salesforce to transform the way they engage with their customers. And as Mercedes becomes even more sustainable and reimagines their fleet for the electric future, they’re relying on Customer 360 to unite their sales, service and marketing teams around a single shared view of each customer.

Ralph Lauren is another great expansion. And I'm not just saying that because the CEO of Patrice Louvet, was my former boss at P&G. We're helping Ralph Lauren deepen its connection with its customers in both digital and physical setting, particularly as they expand into new regions. In fact, Commerce Cloud is helping grow their North American online sales by over 30% in the December quarter. And throughout the pandemic, Ralph Lauren has relied on Slack to keep their geographically distributed teams working together seamlessly from anywhere.

18 months ago, Australia's state of Victoria Department of Health selected Salesforce to deploy a COVID-19 contact tracing system. In Q4, Victoria tapped Salesforce to provide a technology foundation for managing the state's COVID response efforts. For example, Victoria is using MuleSoft to integrate information from various systems, detecting COVID cases as the virus moves between outbreaks and steady-state living, and has also deployed Marketing Cloud to enhance communications with citizens affected by the pandemic. These are just some of the highlights from an amazing quarter of customer success from anywhere. We are proud to have supported these and so many other companies and are grateful to all our customers for their continued trust.

And as Marc and Bret said, our customers' success drives our financial success. I'm really grateful to be part of this management team, which I think has never been stronger or more aligned or even more committed to generating disciplined profitable growth at scale. Also, I want to thank our team for their outstanding execution for continuing to do such a great job in the midst of a massive global change.

Amy, over to you to share the financial details of our quarter.
Amy Weaver: Thank you, Gavin, and hello to everyone on the line. Fiscal ’22 was a remarkable year for Salesforce. Our focus on disciplined and profitable growth drove record levels of revenue, margin and cash flow.

So let me take you through some of the results for Q4 and full year fiscal ’22, beginning with the top line commentary. Total revenue for the fourth quarter was $7.33 billion, which includes $312 million from Slack. This is up 26% year-over-year or 27% in constant currency. We continue to execute upon the robust demand environment that we highlighted throughout fiscal ’22.

For the full year, total revenue was $26.5 billion, which is up 25% year-over-year or 24% in constant currency. Full year revenue includes $592 million from the 2 quarters of Slack. Our portfolio of relevant products serving a broad set of customers and customer needs continues to drive our business performance.

A few key highlights from the quarter. As you’ve heard from Marc and Bret and Gavin, our core business continues to perform very, very well. Sales Cloud and Service Cloud are both $6 billion businesses. And in Q4, they grew 17% and 18% year-over-year, respectively.

Our progress in the enterprise continues, with our largest deals getting even larger. The number of 7-figure deals signed in Q4 grew 34% year-over-year. And in Q4, the number of 8-figure deals more than doubled.

Our industry products also continued to perform very well. In fact, our largest deal ever, as measured by incremental ARR, was a financial services win that we signed during the quarter, and 8 of our top 10 deals included in industries product.

I also want to provide an update on MuleSoft, which grew 24% year-over-year during Q4. We continue to realize the benefits of the go-to-market organizational changes we implemented last year. We’re happy with the progress. However, we do not anticipate seeing the full benefit of these changes until the back half of fiscal ’23.

Last quarter, during Q3, we drove attrition -- our attrition rate to below 8% for the first time in company history. Now for the second quarter in a row, our attrition is again at an all-time low. Ending Q4 revenue attrition was between 7% to 7.5%.

Our remaining performance obligation representing all future revenue under contract ended Q4 at approximately $43.7 billion, up 21% year-over-year. 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 $22 billion, up 22% year-over-year and 24% in constant currency. The outperformance was driven by new business outperformance and strong renewals.

Slack represents approximately 4.5 points of CRPO growth, slightly ahead of the 4 points provided during last quarter's guidance.

Turning to operating margin. For the full year, non-GAAP operating margin was 18.7%, which represents approximately 100 basis points of improvement year-over-year. As a reminder, this includes 140 basis points of headwind from M&A. I'm very proud that our team drove strong margin expansion while also absorbing our largest acquisition ever.

Q4 GAAP EPS was negative $0.03, and non-GAAP EPS was $0.84. Realized and unrealized gains on our strategic investment portfolio benefited both GAAP and non-GAAP EPS by approximately $0.03. For the full fiscal year, GAAP EPS was $1.48 and non-GAAP EPS was $4.78. Realized and unrealized gains on our strategic investment portfolio benefited GAAP EPS by approximately $0.93 and non-GAAP EPS by approximately $0.98.
Turning to cash flow. I was particularly pleased with how we closed the year, completing a milestone year of cash generation. For the full fiscal year, operating cash flow was $6 billion, up 25% year-over-year. CapEx was $717 million, resulting in free cash flow of $5.3 billion, up 29% year-over-year. Recent M&A represented a 2-point headwind to both our operating and free cash flows. Excluding the impact of M&A, our full year operating cash flow growth rate was 27%, and our free cash flow growth rate was 31%.

Now on to guidance. We are raising our Q1 revenue guidance by $130 million to $7.37 billion to $7.38 billion or approximately 24% growth year-over-year, and that is coming off a historically strong Q1 last year. This guidance assumes a $330 million contribution from Slack. For the full year, we are raising our fiscal ’23 revenue guidance by $300 million to $32 billion to $32.1 billion or approximately 21% growth year-over-year. Our guidance assumes a $1.5 billion contribution from Slack.

In addition, last week, we announced our acquisition of Traction on Demand, a professional services business. Our revenue guidance assumes a $75 million contribution in [fiscal ’23] from Traction on Demand, which we anticipate will close by the end of this fiscal quarter. Please note that the deals remain subject to customary closing conditions.

Foreign currency has continued to be highly, highly volatile. To give you a sense of the impact on our business, our fiscal ’23 revenue guidance reflects a year-over-year headwind of approximately $300 million from FX.

For Q1, we expect to deliver CRPO growth of approximately 21%. This includes roughly 5 points of growth from Slack. We expect Q1 GAAP EPS of negative $0.05 to negative $0.04 and non-GAAP EPS of $0.93 to $0.94. For the full year, we expect GAAP EPS of $0.46 to $0.48 and non-GAAP EPS guidance of $4.62 to $4.64.

As a reminder, please keep in mind that our other income and expense, or OIE guidance incorporates the impact from debt raised for Slack. Please also recall that our OIE and EPS guidance assumes no contribution from mark-to-market accounting.

We are also reiterating our fiscal ’23 non-GAAP operating margin guidance of 20%, representing an expansion of 130 basis points year-over-year. We expect 100 to 125 basis points of headwind from M&A. This disciplined approach will drive another year of strong cash flow generation. We are initiating fiscal ’23 operating cash flow guidance of approximately 21% to 22% year-over-year. We do not expect an OCF headwind from Slack for the full year.

In addition, our guidance currently assumes a 3-point headwind from cash taxes associated with tax law changes requiring the capitalization of certain R&D costs.

As we continue to scale our operations, I am particularly pleased with our CapEx guide for this year. We expect CapEx to be approximately 2% of revenue in fiscal ’23, which is an all-time low for the business. This results in anticipated free cash flow growth of approximately 25% to 26% for the fiscal year.

To close, we believe that our portfolio of differentiated and relevant technology is well positioned in a large and rapidly growing market. Fiscal ’22 was an extraordinary year for the company as we drove record levels of revenue and operating margin and cash flow. This demonstrates that with discipline, we can achieve profitable growth at scale.

I am very thankful for the opportunity over my first year to meet so many members of our shareholder community, both in person and virtually, and I look forward to meeting many more of you over the coming years.
Now Evan, shall we open up the call for questions? And Bo, you can go ahead and open up the line. Thank you.

Operator: [Operator Instructions] We go first this afternoon to Alex Zukin at Wolfe Research.

Alex Zukin: Congratulations on a great quarter and also really heartfelt beginning remarks. Maybe just to start, if you think about the environment that you’re in right now, you had a bigger beat on CRPO, you guided more even better than people, I think, anticipated for Q1. You raised the full year by more. Are you seeing -- or can you comment there were some reports of pull forwards of demand for front office applications? Can you just set the stage and maybe just gives us some context around what you saw in Q4 and kind of as you come out of the pandemic, the strength of pipeline, the demand environment and your ability to execute on that demand?

Marc Benioff: I really appreciate the question, and it's a question that I've heard quite a bit in the last quarter, especially because the numbers that we're putting up are really unprecedented. In many cases, I've never seen numbers in the software industry for 40 years, I've never seen numbers like this, put up like this, at rates like this. And I think because of that, these questions are actually quite reasonable.

But the reality is, over the last 2 years, what we have seen has been incredible demand. And really, that demand is really linked to the digital transformations that our clients are going through. Our customers -- it doesn't really matter by geography or by industry -- are very deeply committed to their digital transformations of their businesses.

I think that if the pandemic put a light on anything for them, it was that their businesses were not going to have a future if they did not go through a digital transformation. And that these digital transformations, as I said in my comments, were going to begin and end with the customer.

I mean I think that the Ralph Lauren story is a great story because it's a digital transformation like we've seen with many retailers, okay? But of course, they have to go through this and not just stop what they've done. There's -- we're just at the beginning with that client and with so many clients. And our product line has not become more narrow, it's become more broad.

And I think our acquisition strategy that has been executed, I believe, really well in the past few years really has expanded our total addressable market so significantly that when you look into these clients, these Chief Information Officers and really the Chief Executive Officers who I primarily work with every day, they see us so strategic to the future of their fundamental businesses, that, that is why our relationships with them have become just paramount for our company. You can't compare it to where we were 10 years ago or 15 years ago or, of course, when we started.

But today, this relationship is that the CEOs are very much the transformational -- digital transformation officers. I'm not telling you anything you don't know. This is the most important thing that they can do every day. And this is really very much to the core of who we have become in our company that we can show up with our products and services and say to a great company -- and we've told the stories this year of the AT&Ts, for example, or the Sonos’s, we were talking about, on this call, so many amazing customers. But without us, they would not have the growth rates that they have had. And it's -- our growth rates are just a reflection on theirs, but by no means in any of these customers, have we completed our work.

In many cases, we're in the 10% or 20% or 30% growth areas where we're just at beginning of what we can do with these customers. So that's what I'm very excited about. And we've really cracked the code on building a relationship, an emotion with them.
And I'd really like Bret to come in because I think, especially with the extension with Slack. Again, Tableau also really transformed. I was with a -- recently, I was actually in the White House with a Fortune 100 CEO and turned to me and said, “I start every day with Slack.” And this is not a customer that we have even a big Salesforce footprint. And I just said to myself, these acquisitions, they've just opened so many doors for us and transformed who we are and the conversation that we can have.

All right, Bret, can you just continue this narrative?

Bret Taylor: Yes. I mean, as Marc said, I think what really characterized this quarter, particularly in Q4, as you know, we have -- it's our largest quarter, a lot of really big transformational deals. We call them multi-cloud deals. That's exactly as Marc characterized it. It's a real trusted digital adviser relationship where we're helping solve the problems most fundamental to the executive teams of our customers. And it's not something that's related to the pandemic. It's related to the systemic digitization of the economy. And that's something that we think is a secular trend and that is absolutely enduring, and we see it in the demand environment.

As Marc said, Slack continues to exceed our expectations that I think is benefiting not only from the trend towards this new way of working that we're all figuring out right here in Salesforce Tower, it's also benefiting being a part of our Customer 360 portfolio. And you heard it in the customer stories, and it's why Slack's Q4 revenue was $312 million, well ahead of our guidance of $285 million.

We're really seeing the synergies both in our value proposition from our product, but also our distribution environment as well. And to answer one of your other questions, we're seeing strong pipeline going into Q1. And we feel that, as I mentioned, across both our transactional business and large deals, pipelines remain very strong, and we don't see any demand pull forward.

Marc Benioff: And this quarter, especially, we were really shocked, that just kept accelerating through the quarter. And I really think we don't talk about create and close and -- but this idea that we're creating and closing these opportunities in the quarter themselves very much the momentum aspect of the total market, I mean how do you see the current rate of growth in the market itself as reflected by our total product and geographic or vertical portfolio.

Bret Taylor: Well, I think the thing that's been the most, I'll say, pleasant surprise was despite inflation, the crisis of the supply chain, the conflict in Europe. Our customers, this is the problems that we solve for our customers are as urgent as ever. And as you mentioned, our Customer 360 portfolio, which since you and Parker started this company 23 years ago, it's not just sales opportunity management anymore. It's really every aspect of the customer experience. And it means that we're starting conversations in every department of every single one of our customers and have the opportunity to expand really --

Marc Benioff: If they don't digitize, they're not going to grow.

Bret Taylor: Exactly.

Marc Benioff: If they don't implement these products, they're not going to grow. I think that I've also had a debate with so many of these CEOs, well, everybody is coming back. No, they're not. Well, everything is going back to the way it was. No, it's not. And I think now, even some of those the CEOs took these really hard positions. They're like, okay, we're going to have a flexible work environment. And Slack is obviously right there in the middle of that motion.

Bret Taylor: And it's in the middle of it for every single one of our customer conversations, which is why it's, I think, 1 of the most exciting acquisitions we've ever done.
Marc Benioff: And it was critical that we did that at that time because it's kind of setting up the future of work combined with the #1 CRM.

Bret Taylor: Absolutely.

Marc Benioff: Okay. All right. Thank you for the question.

Operator: We go next now to Keith Weiss at Morgan Stanley.

Keith Weiss: Congratulations on a really nice end to FY '22, and really given us a lot of confidence on the durability of growth with that FY '23 guide. I had a question for Amy on the margin side of the equation. Bret talked to us about sort of the near-term pause on M&A as you guys focus on integrating Slack. But at some point, Salesforce is going to come back to doing larger M&A as you should. It should be a strategic tool that you guys use on a go-forward basis.

With Slack, you guys have been able to still grow operating margins despite digesting a big acquisition. Is this something you think you could do going forward when you do additional large M&A? Is Salesforce now at the scale and you guys have the efficiency muscle toned enough to be able to do large M&A and still get this 125, 150 basis point margin expansion year after year?

Amy Weaver: Great. Keith, thanks for the question. Good to hear from you. So I appreciate the questions and the focus on operating margin. I'm really proud of what the company has done over last year and looking into this year. As you know, last year, we were able to expand 100 basis points even in the face of what was significantly -- by significant measure, our largest acquisition. And this year, we intend to raise another 130 basis points while continuing to have some headwinds.

In terms of the future, as Bret said, large strategic M&A is just something we are not focused on in the near term. We're really focused on Slack and making Slack as successful as possible for all of our shareholders and for this company.

In terms of what we can do in the future, I certainly think that we have learned a lot about how we integrate companies and what we can do in terms of the op margin pressures on that. And certainly, it would be a goal to learn -- to get us to the point where we would not have to take on any sort of degradation of our margin through M&A.

Operator: We take our next question now from Phil Winslow at Credit Suisse.

Phil Winslow: Congrats on a great end to the year. Bret, you said that Salesforce is becoming more strategic to the C-Suite just for their broadening footprint. So my question is -- and Marc, too, and even Gavin, when you talk to customers, what are they saying to you about, call it, not only the breadth of the CRM portfolio, but also now the depth of the vertical tech stack when choosing Salesforce versus, let's say, point vendors, especially kind of considering the upside we saw in Slack this quarter?

Bret Taylor: Well, I'll start and maybe pass it over to you, Gavin, to talk to some of the conversations you're having with customers. Fundamentally, we talk about our strategy at Customer 360, and that's really the end-to-end customer experience across sales, customer service, digital marketing, digital commerce and the foundations and the platforms you need to power that, in MuleSoft and Tableau and Slack.

And I think when we talk to the C-Suite, I think when we talk about customer wins like Ford and GEICO and Mercedes-Benz and PayPal, they're really trying to solve for that end-to-end digital customer experience. And point solutions don't get them there. Point solutions mean, essentially, their IT department becomes software development shops. What they want is to digitize their
customer experience. They want to do it quickly, and they want to do it fast time to value and high return on investment.

And I think because of the completeness of our portfolio, we're really the only software company that can provide that experience to our customers. And I think that, that's really our differentiation is that we come with the complete Customer 360 portfolio rather than just a point solution. And I think that's led to not only our ability to compete in new accounts, which was a meaningful part of our growth this past year, but also, as Marc mentioned, as we're expanding our relationships with our customers, they know that they can trust us to really truly build a single source of truth and actually achieve the business objectives and the growth formula that you need in this new economy.

Gavin, do you want to provide some color on that?

Gavin Patterson: Well, I'd probably say 2 or 3 points, Bret. I mean, first and foremost, digital transformation has become a CEO priority. I mean this is one of the changes over the last 2 or 3 years. It's no longer delegated into the IT Department. It's a top 3 priority for the CEO, because they realize and we've talked about it already in the call, without a digital strategy, they don't have a strategy at all. So they have to own it. So it is a conversation that we tried is at the top of the house.

I think when it comes to the Customer 360 and building on Bret's comment, what we often find is what they like about our Customer 360 is they'll start maybe with Sales Cloud and then add Service, add Analytics, add Commerce. And so they're building it as they go along. So they might not necessarily buy all of it to start with, but they know we've got a solution for them as they expand and want to get more of a complete view of their customers.

And the example I gave at Sanofi is a great example of this. We started with Health Cloud and Service Cloud and then added Consumer Goods Cloud, Tableau CRM, B2B Commerce and filled out the cloud as they went through the last 12, 18 months.

And then I think the final thing I'd say is industries is -- and the verticalization of our business is a theme that's been growing over the last few years. I mean it started a few years ago now, but -- and nothing we started with financial services, we've added Health Cloud, consumer goods, as I mentioned earlier, retail. The list goes on.

And why do customers and why do CEOs like this? Well, they buy a product that has a lot of the standard functionality that you need within an industry already built in. And what that means is they pay a little bit more for that. It's a little bit more expensive. But in return, they get a product that's got faster time to value, and that is the key thing that CEOs are looking for. How do I get a return quickly? I want to return in months, not years. And that's what many of our industry cloud provide out of the box.

Operator: And ladies and gentlemen, we do have time for one final question this afternoon. We'll take that question now from Tyler Radke at Citi.

Tyler Radke: Marc, I wanted to get your take on the valuation out there in the software market, obviously come in quite a bit since the last call. Just how are you thinking about that as you approach M&A? And obviously, with valuations having come down so much, does that change kind of your philosophy or framework on how you're approaching M&A given higher IRR and kind of the math?

Marc Benioff: Well, we've certainly seen the software industry contract, and I think it's probably best reflected by that ETF I watch it very closely, IGV. And I think that when you look at it overall, kind of that precipitous fall, which we've seen happen over many times in the last 20 or 30 years, it's not unprecedented, but it does happen, and that's where we are right now.
In regards to the change in the M&A environment for us, we continue to look at tactical M&A. But really, since we made a major decision now more than a year ago to acquire Slack, it became our most strategic initiative in the company. And it's going to take us quite a long time to be able to digest this acquisition. We also obviously still have other parts of our portfolio that we have our eye on and that are requiring a lot of our focus and making sure that our entire portfolio is working for our investors.

So I don't really see us doing any kind of strategic acquisition for some time until we can get our hands fully around Slack and say that we've done a great job.

Bret, what is your perspective on that?

Bret Taylor: Yes. And I think you articulate it well, Marc. We -- right now, we -- our focus was on integrating Slack and executing with the portfolio that we have. And I don't see any material M&A in the near term.

Marc Benioff: I think that really, the key point for us on how we're looking at managing our business and providing value back to you, our investors, is we are delivering a portfolio of product. We're not an ETF by any means, but we are a selection of some of the most important products in the software industry. Even our service product, if you look at it as an absolute business, is probably the largest service product in the industry. It has a tremendous growth rate. It has a tremendous leadership position. Analysts rank it and look at it uniquely. We pay a lot of attention to it.

So as we manage our portfolio here at Salesforce, we look at service as a part of that. And we're focused on making sure that that is the most innovative, highest level of customer success it can have. And also, it's transformed many times since we've introduced it, not so unlike our Sales product, not so unlike what we've done with our Commerce product where we've completely written it and now operates as a platform, as a kind of what we call a headless commerce or an API architecture. Slack now is part of our portfolio. Tableau is part of our portfolio. MuleSoft is part of our portfolio.

And many of our -- these exciting new vertical opportunities. We saw a lot of excitement and interest around our sustainability cloud this quarter. A lot of customers realizing they need to go net zero now, and they're going to have to do carbon accounting. They're going to have to do -- their kind of carbon reporting and certification. And we're looking at net zero cloud or safety cloud as well as growth capabilities for us. And each one of these components in our portfolio, Brett and I go through piece by piece to make sure it's working. And of course, the geographies, each geography is an important part of the portfolio.

I'll tell you kind of a part of on the side, one of the areas where I've spent a lot of time in making sure we're highly competitive and successful was Japan, but I haven't been able to go to Japan in a couple of years. So now it's kind of -- the pandemic is kind of coming to a close. I'm looking forward to getting back over there. It's very important to me to get over there. I haven't really been able to work on many parts of the -- our Japanese business, our CEO over there has done a fantastic job, Koide-San. He's amazing. He has a brand-new office. My close friend Yoshiki was at our office. I was very jealous. I haven't even been to our new office, which is on the grounds of the Imperial Palace in Japan, the largest office building there given to an American software company. We're very proud of that fact.

And I don't know, Brad, how do you look at this part of our business today?

Bret Taylor: I think it's a great way to wrap up the call, Marc. I think the strength of the portfolio is really the theme. I think one of the things that stood out to me in the performance is the strength of our core businesses. As you said, our core sales and service business, I think it's appropriate coming up on
our 23rd birthday that Sales Cloud 23 years later continues to grow at 17% and is over $6 billion in --

Marc Benioff: It's kind of amazing. It's -- really, it's unprecedented in the software industry that you'd see something after 2 decades deliver such kind of a growth rate.

Bret Taylor: It is. And I bet there's a few analysts on the call who's been covering you and this company ever since, and I doubt any of them imagining --

Marc Benioff: We've all got the TAM wrong.

Bret Taylor: We all got the --

Marc Benioff: Not just them. I'm right in there. I couldn't -- I can't I believe it. It's doing -- it's $6 billion on its way to -- I don't know, 10. I have no idea what it's going to. It's unbelievable.

Bret Taylor: And I think the strength of our portfolio is the reason why we're committed to this path, why we're not pursuing material M&A in the near term. And I think it really reflects the execution of Gavin's team and really the whole company --

Marc Benioff: And we have such a rich and deep portfolio in so many --

Bret Taylor: Exactly.

Marc Benioff: I agree. Amy, anything you want to say before we wrap this up?

Amy Weaver: No, I think this was terrific. Again, what I was most pleased about, about last year and where we're driving this year is just top performance on top line, bottom line and cash flow and being able to show that we can do all 3 and continue this with a discipline, just sets up -- sets us up for the rest of the year.

Marc Benioff: Gavin, anything you'd like to comment on before we wrap the call up today?

Gavin Patterson: Just to say, look, it was an outstanding year, and we capped it off with an outstanding quarter, but there is no sign of it slowing down as we enter this fiscal. We're very confident to the year ahead. The pipeline is really strong across all geographies, across all products, and that's why we're raising our guidance. So we're entering this year with a very high degree of conviction.

Marc Benioff: Well, I think that, that's well said. And I'll tell you, we spend a lot of time with our investors. I know that I do, and I know we spent a lot -- a lot of them are portfolio managers. They're running a full portfolio, which is how they're trying to get a return on their investment. And the more time I've spent with them, I think they've influenced me and how I run our business here. And I think we're very much at that same perspective, and we want to deliver an outstanding return to our investors as well.

Thank you so much for everything. And our hearts and our thoughts and prayers are with all those right now who are going through these troubled times.

Operator: Thank you, ladies and gentlemen. That will conclude today's Salesforce's Fiscal 2022 Fourth Quarter and Full Year Results Conference Call. Thank you all for joining, and wish you all a great remainder of your day. Goodbye.