

salesforce

# Financial Update Q1 FY24

NYSE: CRM  
@Salesforce\_ir



# Safe Harbor



"Safe harbor" statement under the Private Securities Litigation Reform Act of 1995. This press release contains forward-looking statements about the Company's financial and operating results and guidance, which include, but are not limited to, expected GAAP and non-GAAP financial and other operating and non-operating results, including revenue, net income, earnings per share, operating cash flow growth, operating margin, expected revenue growth, expected foreign currency exchange rate impact, expected current remaining performance obligation growth, expected tax rates or provisions, stock-based compensation expenses, amortization of purchased intangibles, shares outstanding, market growth, strategic investments, and expected restructuring expense or charges, and the expected timing of product releases and enhancements. The achievement or success of the matters covered by such forward-looking statements involves risks, uncertainties and assumptions. If any such risks or uncertainties materialize or if any of the assumptions prove incorrect, the Company's results or outcomes could differ materially from those expressed or implied by the forward-looking statements it makes.

The risks and uncertainties referred to above include -- but are not limited to -- risks associated with the impact of, and actions we may take in response to, the COVID-19 pandemic, related public health measures and resulting economic downturn and market volatility; our ability to maintain security levels and service performance that meet the expectations of our customers, and the resources and costs required to avoid unanticipated downtime and prevent, detect and remediate performance degradation and security breaches; the expenses associated with our data centers and third-party infrastructure providers; our ability to secure additional data center capacity; our reliance on third-party hardware, software and platform providers; the effect of evolving domestic and foreign government regulations, including those related to the provision of services on the Internet, those related to accessing the Internet, and those addressing data privacy, cross-border data transfers and import and export controls; current and potential litigation involving us or our industry, including litigation involving acquired entities such as Slack Technologies, Inc., and the resolution or settlement thereof; regulatory developments and regulatory investigations involving us or affecting our industry; our ability to successfully introduce new services and product features, including any efforts to expand our services; the success of our strategy of acquiring or making investments in complementary businesses, joint ventures, services, technologies and intellectual property rights; our ability to complete, on a timely basis or at all, announced transactions; our ability to realize the benefits from acquisitions, strategic partnerships, joint ventures and investments, and successfully integrate acquired businesses and technologies; our ability to compete in the markets in which we participate; the success of our business strategy and our plan to build our business, including our strategy to be a leading provider of enterprise cloud computing applications and platforms; our ability to execute our business plans; our ability to continue to grow unearned revenue and remaining performance obligation; the pace of change and innovation in enterprise cloud computing services; the seasonal nature of our sales cycles; our ability to limit customer attrition and costs related to those efforts; the success of our international expansion strategy; the demands on our personnel and infrastructure resulting from significant growth in our customer base and operations, including as a result of acquisitions; our ability to preserve our workplace culture, including as a result of our decisions regarding our current and future office environments or work-from-home policies; our dependency on the development and maintenance of the infrastructure of the Internet; our real estate and office facilities strategy and related costs and uncertainties; fluctuations in, and our ability to predict, our operating results and cash flows; the variability in our results arising from the accounting for term license revenue products; the performance and fair value of our investments in complementary businesses through our strategic investment portfolio; the impact of future gains or losses from our strategic investment portfolio, including gains or losses from overall market conditions that may affect the publicly traded companies within our strategic investment portfolio; our ability to protect our intellectual property rights; our ability to maintain and enhance our brands; the impact of foreign currency exchange rate and interest rate fluctuations on our results; the valuation of our deferred tax assets and the release of related valuation allowances; the potential availability of additional tax assets in the future; the impact of new accounting pronouncements and tax laws; uncertainties affecting our ability to estimate our tax rate; uncertainties regarding our tax obligations in connection with potential jurisdictional transfers of intellectual property, including the tax rate, the timing of transfers and the value of such transferred intellectual property; uncertainties regarding the effect of general economic, business and market conditions, including inflationary pressures, general economic downturn or recession, market volatility, increasing interest rates and changes in monetary policy; the potential impact of financial institution instability; the impact of geopolitical events, including the recent conflict in Europe; uncertainties regarding the impact of expensing stock options and other equity awards; the sufficiency of our capital resources; our ability to execute our share repurchase program; our ability to comply with our debt covenants and lease obligations; the impact of climate change, natural disasters and actual or threatened public health emergencies the expected benefits of and timing of completion of the restructuring plan and the expected costs and charges of the restructuring plan, including, among other things, the risk that the restructuring costs and charges may be greater than we anticipate, the risk that our restructuring efforts may adversely affect our internal programs and our ability to recruit and retain skilled and motivated personnel, and may be distracting to employees and management, the risk that our restructuring efforts may negatively impact our business operations and reputation with or ability to serve customers, and the risk that our restructuring efforts may not generate their intended benefits to the extent or as quickly as anticipated; and our ability to achieve our aspirations, goals and projections related to our environmental, social and governance initiatives.

Further information on these and other factors that could affect the Company's actual results or outcomes is included in the reports on Forms 10-K, 10-Q and 8-K and in other filings it makes with the Securities and Exchange Commission from time to time. These documents are available on the SEC Filings section of the Financials section of the Company's website at <http://investor.salesforce.com/financials/>. Salesforce, Inc. assumes no obligation and does not intend to update these forward-looking statements, except as required by law.

# Company Overview



## Delivering profitable growth at scale

- Salesforce is the **#1 CRM software provider worldwide** by revenue for 10 consecutive years<sup>1</sup>
- **Consistently delivering durable revenue growth**, nearly tripling from \$10.5 billion in FY18 to \$31.4 billion in FY23
- **Fastest growing** top five enterprise software company with \$31.4 billion in revenue in FY23
- Uniquely positioned to help our customers **drive broad-based digital transformation**

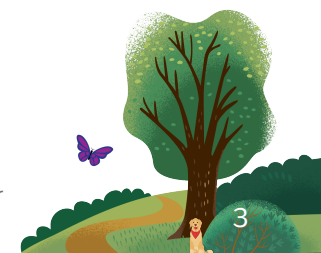
### Leader In Philanthropy



### Leader In Culture



### Leader In Innovation



<sup>1</sup>Source: IDC, Worldwide Semiannual Software Tracker, April 2023. CRM market includes the following IDC-defined functional markets: Sales Force Productivity and Management, Marketing Campaign Management, Customer Service, Contact Center, Advertising, and Digital Commerce Applications.



# Financial Overview

Quarterly Results



# Q1 FY24 Financial Summary

Our framework for profitable growth generated compelling financial results



	GAAP		Non-GAAP <sup>1</sup>	
	Quarterly Results	Change Y/Y	Quarterly Results	Change Y/Y
Total Revenue	\$8,247M	11%	\$8,385M	13%
Current Remaining Performance Obligation	\$24.1B	12%	N/A	12%
Total Remaining Performance Obligation	\$46.7B	11%	N/A	N/A
Operating Margin	5.0%	470 bps	27.6% <sup>1</sup>	1,000 bps
Diluted Earnings Per Share <sup>2</sup>	\$0.20	567%	\$1.69	72%
Operating Cash Flow	\$4,491M	22%	N/A	N/A
Free Cash Flow <sup>1</sup>	N/A	N/A	\$4,248M	21%

<sup>1</sup>The Non-GAAP columns present Non-GAAP financial metrics, including non-GAAP operating margin and free cash flow, and the related non-GAAP growth rates as compared to prior periods. Non-GAAP revenue and non-GAAP current performance obligation ("cRPO") represent constant currency ("CC") results. Refer to slides 7 & 8 for explanations of non-GAAP CC revenue growth and slide 10 for non-GAAP CC cRPO growth. Refer to the Appendix for an explanation of non-GAAP financial measures and a reconciliation of non-GAAP financial measures to the most comparable GAAP measures, when applicable.

<sup>2</sup>Diluted Earnings Per Share is calculated using GAAP revenue.



# Guidance

## Compounding top and bottom-line growth



	Q2 FY24 Guidance <sup>1</sup>	Full Year FY24 Guidance <sup>1</sup>
Revenue	\$8.51 - \$8.53 Billion	\$34.5 - \$34.7 Billion
Y/Y Growth	~10%	~10%
FX Impact	no impact	no impact
GAAP Operating Margin	N/A	~11.4%
Non-GAAP Operating Margin <sup>2</sup>	N/A	~28.0%
GAAP Earnings per Share <sup>2</sup>	\$0.79 - \$0.80	\$2.67 - \$2.69
Non-GAAP Earnings per Share <sup>2</sup>	\$1.89 - \$1.90	\$7.41 - \$7.43
Operating Cash Flow Growth (Y/Y) <sup>3</sup>	N/A	16% - 17%
Current Remaining Performance Obligation Growth (Y/Y)	~10%	N/A
FX Impact <sup>4</sup>	no impact	N/A



<sup>1</sup>This guidance does not reflect any potential future gains or losses on our strategic investment portfolio as it is not possible to forecast future gains and losses, and is based on estimated GAAP tax rates that reflect the Company's currently available information, and excludes forecasted discrete tax items such as excess tax benefits from stock-based compensation. The GAAP tax rates may fluctuate due to discrete tax items and related effects in conjunction with certain provisions in the Tax Cuts and Jobs Act, future acquisitions or other transactions.

<sup>2</sup>Non-GAAP operating margin and non-GAAP earnings per share are non-GAAP financial measures. Refer to the Appendix for an explanation of non-GAAP financial measures. The Company's shares used in computing GAAP earnings per share guidance and Non-GAAP earnings per share guidance excludes any impact to share count from Q2 - Q4 FY24 repurchase activity under our Share Repurchase Program.

<sup>3</sup>Operating Cash Flow Growth guidance includes an estimated 14 - 16% headwind from charges associated with the Company's restructuring plan.

<sup>4</sup>Current Remaining Performance Obligation FX impact is calculated by taking the current period rates compared to the prior period ending rates.

# Q1 FY24 Disaggregation of Revenue

## Subscription and Support Revenue

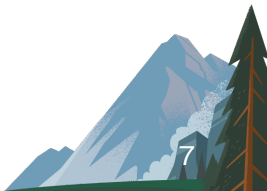
	FY23				FY24
Year-over-Year Growth in Constant Currency <sup>1</sup>	Q1	Q2	Q3	Q4	Q1
Sales	20%	19%	17%	16%	13%
Service	19%	18%	16%	15%	13%
Platform and Other	58%	56%	22%	18%	12%
Marketing and Commerce	24%	22%	18%	16%	10%
Data	15%	13%	16%	20%	20%
<b>Total Subscription &amp; Support Revenue</b>	<b>26%</b>	<b>25%</b>	<b>18%</b>	<b>17%</b>	<b>13%</b>

MuleSoft Total Revenue (CC) <sup>2</sup>	10%	17%	23%	36%	26%
Tableau Total Revenue (CC) <sup>2,3</sup>	18%	10%	9%	7%	12%
Slack Total Revenue <sup>2,3</sup>	-	-	46%	33%	20%

<sup>1</sup>Non-GAAP revenue CC growth rates as compared to the comparable prior period. Refer to the Appendix for an explanation of constant currency calculations and the basis of presentation.

<sup>2</sup>MuleSoft, Tableau, and Slack's contributions to total revenue include professional services revenue and subscription and support revenue.

<sup>3</sup>Tableau's Q1'23 revenue Year-over-Year ("YoY") growth rate is calculated using GAAP revenues. Note historically, Slack has seen minimal exposure to FX.



# Q1 FY24 Revenue by Region



Incremental investments in international markets driving growth



Year-Over-Year Growth in Constant Currency <sup>1</sup>	FY23				FY24
	Q1	Q2	Q3	Q4	Q1
Americas	21%	22%	16%	14%	10%
EMEA	39%	35%	23%	20%	17%
APAC	32%	31%	30%	30%	24%
<b>Total Revenue</b>	<b>26%</b>	<b>26%</b>	<b>19%</b>	<b>17%</b>	<b>13%</b>

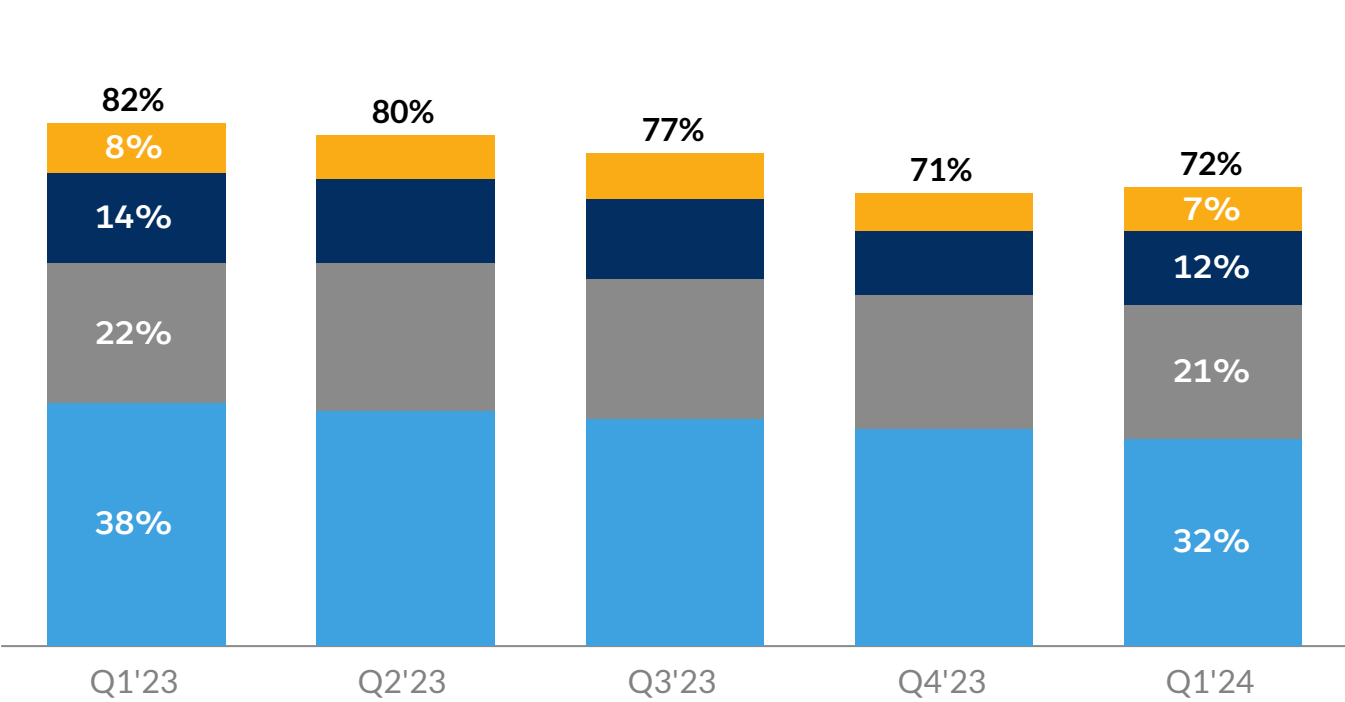
<sup>1</sup>Non-GAAP revenue CC growth rates as compared to the comparable prior period. Refer to the Appendix for an explanation of constant currency calculations and the basis of presentation.





# Q1'24 Non-GAAP Expense Profile

A New Day for Profitable Growth – driving efficiency across the business



Q1 FY24  
Y/Y

1,000 bps

Non-GAAP Operating Margin<sup>1</sup>

470 bps

GAAP Operating Margin

- Non-GAAP Marketing & Sales % of Revenue <sup>1</sup>
- Non-GAAP Cost of Revenues % of Revenue <sup>1</sup>
- Non-GAAP Research & Development % of Revenue <sup>1</sup>
- Non-GAAP General & Administrative % of Revenue <sup>1</sup>

<sup>1</sup>Non-GAAP operating margin is the proportion of non-GAAP income from operations as a percentage of GAAP revenue and is a non-GAAP financial measure. Non-GAAP expense as a percentage of revenue is the proportion of non-GAAP expense categories as a percentage of GAAP revenue and is a non-GAAP financial measure. Refer to the Appendix for an explanation of which items are excluded from our non-GAAP financial measures, and why we believe these measures can be useful, as well as a reconciliation of non-GAAP financial measures to the most comparable GAAP measures, when applicable.



# Q1 FY24 Key Financial Metric Trends



Year-over-Year Growth	FY23				FY24
	Q1	Q2	Q3	Q4	Q1
Current Remaining Performance Obligation (cRPO) GAAP / CC <sup>1</sup>	21% / 24%	15% / 19%	11% / 15%	12% / 13%	12% / 12%
Total Remaining Performance Obligation	20%	15%	10%	11%	11%
Operating Cash Flow	14%	(13)%	(23)%	41%	22%
Free Cash Flow <sup>2</sup>	14%	(24)%	(52)%	42%	21%

<sup>1</sup>To present non-GAAP CC cRPO growth, cRPO balances in local currencies in previous comparable periods are converted using the United States dollar currency exchange rate as of the most recent balance sheet date.

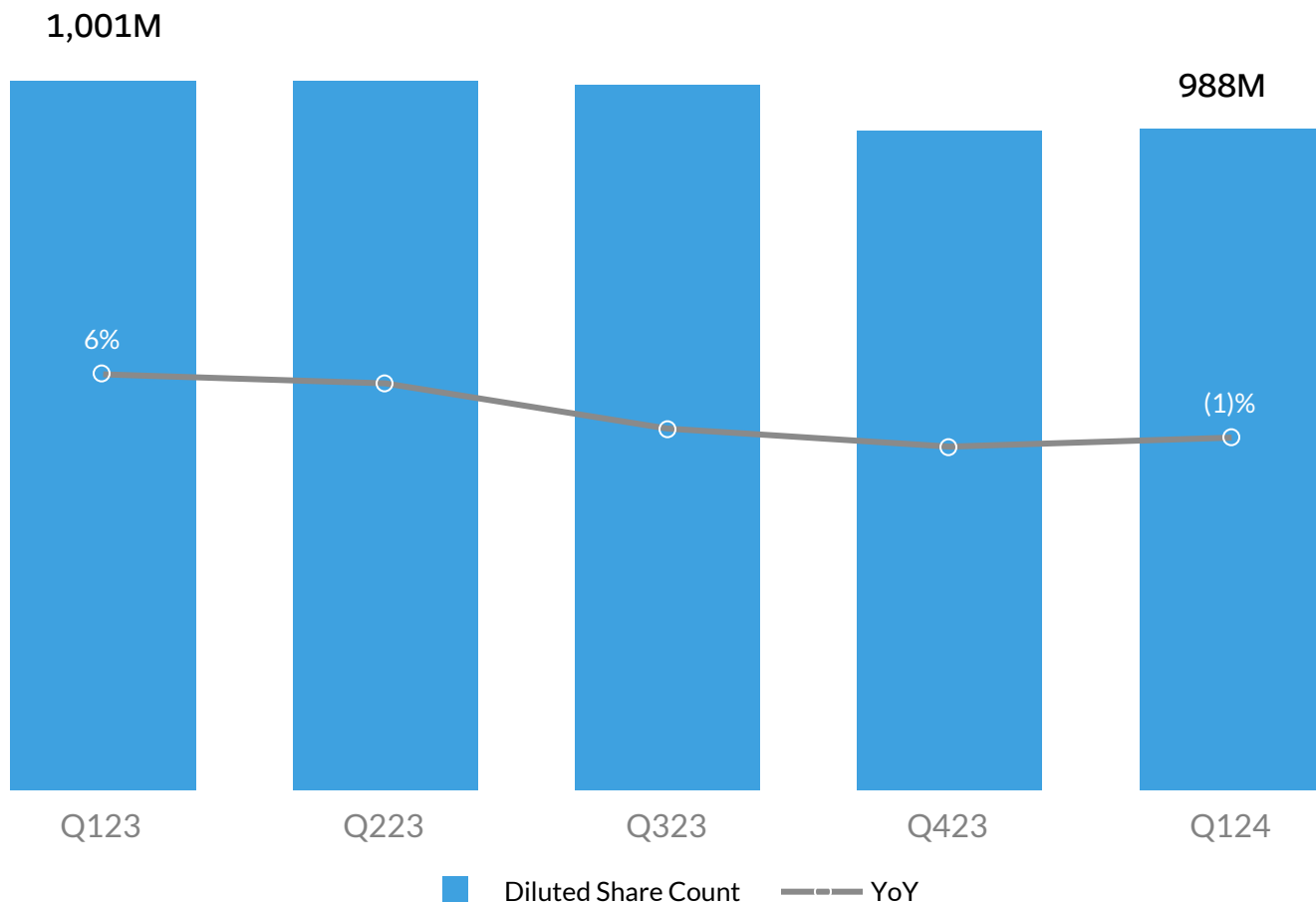
<sup>2</sup>Free cash flow is a non-GAAP financial measure. Refer to the Appendix for an explanation of non-GAAP financial measures, and why we believe these measures can be useful, as well as a table including a reconciliation of free cash flow to the most comparable GAAP financial measure.



# Repurchased \$2.1B of Shares in Q1'24



Committed to offsetting dilution from FY24 Stock-Based Compensation



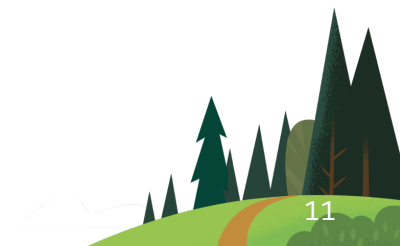
Q1 FY24

**(1)% Y/Y**

Diluted Share Count

**\$6.1B**

Repurchased of the Total  
\$20B Authorized



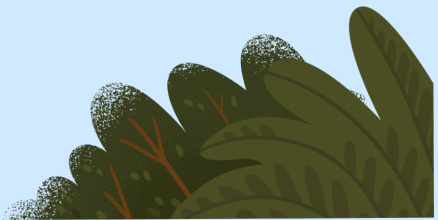


# Thank you





# Appendix



# Non-GAAP Financial Measures



This presentation includes information about non-GAAP earnings per share, non-GAAP income from operations, non-GAAP operating expenses, non-GAAP operating margin, free cash flow, and constant currency revenue and constant currency current remaining performance obligation growth rates (collectively the “non-GAAP financial measures”). These non-GAAP financial measures are measurements of financial performance that are not prepared in accordance with U.S. generally accepted accounting principles and computational methods may differ from those used by other companies. Non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures and should be read only in conjunction with the Company’s consolidated financial statements prepared in accordance with GAAP. Management uses both GAAP and non-GAAP measures when planning, monitoring, and evaluating the Company’s performance.

The primary purpose of using non-GAAP measures is to provide supplemental information that may prove useful to investors and to enable investors to evaluate the Company’s results in the same way management does. Management believes that supplementing GAAP disclosure with non-GAAP disclosure provides investors with a more complete view of the Company’s operational performance and allows for meaningful period-to-period comparisons and analysis of trends in the Company’s business. Further, to the extent that other companies use similar methods in calculating non-GAAP measures, the provision of supplemental non-GAAP information can allow for a comparison of the Company’s relative performance against other companies that also report non-GAAP operating results.

Non-GAAP operating margin is the proportion of non-GAAP income from operations as a percentage of GAAP revenue. Non-GAAP income from operations excludes the impact of the following items: stock-based compensation expense, amortization of acquisition-related intangibles, and charges related to the restructuring plan.

Non-GAAP diluted earnings per share excludes, to the extent applicable, the impact of the following items: stock-based compensation expense, amortization of purchased intangibles, charges related to the restructuring plan, and income tax adjustments. These items are excluded because the decisions that give rise to them are not made to increase revenue in a particular period, but instead for the Company’s long-term benefit over multiple periods.

The Company defines the non-GAAP measure free cash flow as GAAP net cash provided by operating activities, less capital expenditures.

Constant currency information is provided as a framework for assessing how our underlying business performed excluding the effect of foreign currency rate fluctuations. To present constant currency revenue, current and comparative prior period results for entities reporting in currencies other than United States dollars are converted into United States dollars at the weighted average exchange rate for the quarter being compared to for growth rate calculations presented, rather than the actual exchange rates in effect during that period. To present current remaining performance obligation on a constant currency basis, we convert the current remaining performance obligation balances in local currencies in previous comparable periods using the United States dollar currency exchange rate as of the most recent balance sheet date.



# GAAP to Non-GAAP Financial Reconciliation



(in millions) Non-GAAP income from operations <sup>1</sup>	Three Months Ended April 30,			Non-GAAP Operating Margin	Full Year FY24 Guidance
	2021	2022	2023		
GAAP income from operations	\$ 354	\$ 20	\$ 412	GAAP operating margin <sup>2</sup>	~11.4%
Plus:				Plus:	
Amortization of purchased intangibles	288	512	471	Amortization of purchased intangibles <sup>3</sup>	5.4 %
Stock-based compensation expense <sup>4</sup>	564	776	680	Stock-based compensation expense <sup>3</sup>	8.0 %
Restructuring	–	–	711	Restructuring	3.2 %
Non-GAAP income from operations	\$ 1,206	\$ 1,308	\$ 2,274	Non-GAAP operating margin <sup>2</sup>	~28.0%
Revenue	5,963	7,411	8,247		
Non-GAAP operating margin	20.2 %	17.6 %	27.6 %		

(in millions) Computations of free cash flow, a non-GAAP measure	Three Months Ended April 30,		
	2021	2022	2023
GAAP net cash provided by operating activities	\$ 3,228	\$ 3,676	\$ 4,491
(Capital expenditures)	(171)	(179)	(243)
Free cash flow	\$ 3,057	\$ 3,497	\$ 4,248

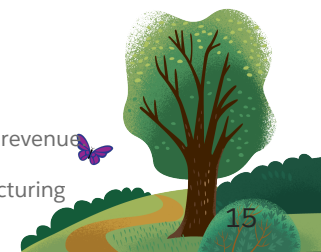
Non-GAAP diluted earnings per share	Three Months Ended April 30,			Q2 FY24 Guidance	Full Year FY24 Guidance
	2021	2022	2023		
GAAP diluted net income per share	\$ 0.50	\$ 0.03	\$ 0.20	\$0.79 - \$0.80	\$2.67 - \$2.69
Plus:					
Amortization of purchased intangibles	0.31	0.51	0.48	0.48	1.89
Stock-based compensation expense <sup>4</sup>	0.60	0.78	0.69	0.74	2.80
Restructuring	–	–	0.72	0.13	1.11
(Income tax effects and adjustments)	(0.20)	(0.34)	(0.40)	(0.25)	(1.06)
Non-GAAP diluted earnings per share	\$ 1.21	\$ 0.98	\$ 1.69	\$1.89 - \$1.90	\$7.41 - \$7.43
Shares used in computing Non-GAAP diluted net income per share (millions)	940	1,001	988	987	991

<sup>1</sup>Used to calculate Non-GAAP Operating Margin by dividing non-GAAP income from operations by GAAP revenue.

<sup>2</sup>GAAP operating margin is the proportion of GAAP income from operations as a percentage of GAAP revenue. Non-GAAP operating margin is the proportion of non-GAAP income from operations as a percentage of GAAP revenue.

<sup>3</sup>The percentages shown above have been calculated based on the midpoint of the low and high ends of the revenue guidance for full year FY24.

<sup>4</sup>Stock-based compensation expense included in the GAAP to non-GAAP reconciliation tables above for the three months ended April 30, 2023 exclude stock-based compensation expense related to the Company's restructuring plan of \$16 million, which is included in the Restructuring line.



# GAAP to Non-GAAP Financial Reconciliation



(in millions)

Period	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24
Revenue	7,411	7,720	7,837	8,384	8,247
GAAP Cost of Revenues	2,045	2,127	2,088	2,100	2,125
Less:					
Amortization of purchased intangibles	275	260	250	250	248
Stock-based compensation expense <sup>1</sup>	112	130	130	127	103
Non-GAAP Cost of Revenues	1,658	1,737	1,708	1,723	1,774
<b>Non-GAAP Cost of Revenues as a % of Revenue<sup>2</sup></b>	<b>22 %</b>	<b>23 %</b>	<b>21 %</b>	<b>21 %</b>	<b>21 %</b>
GAAP Marketing and Sales Expense	3,372	3,424	3,345	3,385	3,154
Less:					
Amortization of purchased intangibles	237	232	224	223	223
Stock-based compensation expense <sup>1</sup>	291	326	287	309	263
Non-GAAP Marketing and Sales Expense	2,844	2,866	2,834	2,853	2,668
<b>Non-GAAP Marketing and Sales as a % of Revenue<sup>2</sup></b>	<b>38 %</b>	<b>37 %</b>	<b>36 %</b>	<b>34 %</b>	<b>32 %</b>
GAAP Research and Development Expense	1,318	1,329	1,280	1,128	1,207
Less:					
Stock-based compensation expense <sup>1</sup>	279	297	287	273	241
Non-GAAP Research and Development Expense	1,039	1,032	993	855	966
<b>Non-GAAP Research and Development Expense as a % of Revenue<sup>2</sup></b>	<b>14 %</b>	<b>13 %</b>	<b>13 %</b>	<b>10 %</b>	<b>12 %</b>
GAAP General and Administrative Expense	656	647	664	586	638
Less:					
Stock-based compensation expense <sup>1</sup>	94	98	96	80	73
Non-GAAP General and Administrative Expense	562	549	568	506	565
<b>Non-GAAP General and Administrative Expense as a % of Revenue<sup>2</sup></b>	<b>8 %</b>	<b>7 %</b>	<b>7 %</b>	<b>6 %</b>	<b>7 %</b>

<sup>1</sup>Stock-based compensation expense included in the GAAP to non-GAAP reconciliation tables above for the three months ended April 30, 2023 and January 31st, 2023 excludes stock-based compensation expense related to the Company's restructuring plan of \$16 million and \$20 million, respectively, which is included in the Restructuring line on slide 15.

<sup>2</sup>Non-GAAP expense categories as a % of revenue are calculated using GAAP revenue.

