

Salesforce Announces Strong Second Quarter Fiscal 2024 Results

SAN FRANCISCO, Calif. - August 30, 2023 - Salesforce (NYSE: CRM), the #1 AI CRM, today announced results for its second quarter fiscal 2024 ended July 31, 2023.

- **Second Quarter Revenue of \$8.60 Billion, up 11% Year-Over-Year ("Y/Y"), up 11% in Constant Currency ("CC")**
- **Second Quarter GAAP Operating Margin of 17.2% and Non-GAAP Operating Margin of 31.6%**
- **Current Remaining Performance Obligation of \$24.1 Billion, up 12% Y/Y, 11% CC**
- **Second Quarter GAAP Diluted Earnings per Share ("EPS") of \$1.28 and Non-GAAP Diluted EPS of \$2.12**
- **Returned \$1.9 Billion to Stockholders in the Second Quarter in the Form of Share Repurchases**
- **Initiates Third Quarter FY24 Revenue Guidance of \$8.70 Billion to \$8.72 Billion, up ~11% Y/Y**
- **Raises Full Year FY24 Revenue Guidance to \$34.7 Billion to \$34.8 Billion, up ~11% Y/Y**
- **Raises Full Year FY24 GAAP Operating Margin Guidance to ~13.3% and Non-GAAP Operating Margin Guidance to ~30.0%**
- **Raises Full Year FY24 Operating Cash Flow Growth Guidance to 22% to 23% Y/Y**

"Our transformation drove our strong second quarter results, delivering revenue of \$8.6 billion and record GAAP and non-GAAP operating margins," said Marc Benioff, Chair and CEO of Salesforce. "Based on our performance and what we see in the back half of the year, we're raising our fiscal year '24 revenue, operating margin, and operating cash flow growth guidance. As the #1 AI CRM, with industry-leading clouds, Einstein, Data Cloud, MuleSoft, Slack and Tableau, all integrated on one trusted, unified platform, we're leading our customers into the new AI era."

"We continue to execute against our profitable growth framework, delivering 17.2% GAAP operating margin and 31.6% non-GAAP operating margin — exceeding our target three quarters early," said Amy Weaver, President and CFO of Salesforce. "We are accelerating our transformation and continue to drive strong shareholder value."

Salesforce delivered the following results for its fiscal second quarter:

Revenue: Total second quarter revenue was \$8.60 billion, an increase of 11% Y/Y and 11% CC. Subscription and support revenues were \$8.01 billion, an increase of 12% Y/Y. Professional services and other revenues were \$0.60 billion, an increase of 3% Y/Y.

Operating Margin: Second quarter GAAP operating margin was 17.2%. Second quarter non-GAAP operating margin was 31.6%. Restructuring negatively impacted second quarter GAAP operating margin by (50) bps.

Earnings per Share: Second quarter GAAP diluted EPS was \$1.28, and non-GAAP diluted EPS was \$2.12. Losses on the Company's strategic investments negatively impacted GAAP diluted EPS by \$(0.02) based on a U.S. tax rate of 25% and non-GAAP diluted EPS by \$(0.02) based on a non-GAAP tax rate of 23.5%. Restructuring negatively impacted second quarter GAAP diluted EPS by \$(0.05).

Cash Flow: Cash generated from operations for the second quarter was \$0.81 billion, an increase of 142% Y/Y. Free cash flow was \$0.63 billion, an increase of 379% Y/Y. Restructuring negatively impacted second quarter operating cash flow growth by (16,600) bps.

Remaining Performance Obligation: Remaining performance obligation ended the second quarter at \$46.6 billion, an increase of 12% Y/Y. Current remaining performance obligation ended at \$24.1 billion, an increase of 12% Y/Y, and 11% CC.

Forward Looking Guidance

As of August 30, 2023, the Company is initiating its third quarter GAAP and non-GAAP diluted EPS guidance, current remaining performance obligation growth guidance, and revenue guidance. The Company is raising its full year FY24 revenue guidance, GAAP and non-GAAP diluted EPS guidance, GAAP and non-GAAP operating margin guidance, and operating cash flow growth guidance.

Our guidance assumes no change to the value of the Company's strategic investment portfolio as it is not possible to forecast future gains and losses. In addition, the guidance below 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.

	Q3 FY24 Guidance	Full Year FY24 Guidance
Revenue	\$8.70 - \$8.72 Billion	\$34.7 - \$34.8 Billion
Y/Y Growth	~11%	~11%
FX Impact ⁽¹⁾	\$100M Y/Y FX	no impact
GAAP Operating Margin	N/A	~13.3%
Non-GAAP Operating Margin ⁽²⁾	N/A	~30.0%
GAAP Diluted Earnings per Share ⁽²⁾	\$1.02 - \$1.03	\$3.50 - \$3.52
Non-GAAP Diluted Earnings per Share ⁽²⁾	\$2.05 - \$2.06	\$8.04 - \$8.06
Operating Cash Flow Growth (Y/Y) ⁽³⁾	N/A	22% - 23%
Current Remaining Performance Obligation Growth (Y/Y)	Slightly above 11%	N/A
FX Impact ⁽⁴⁾	~1 pt	N/A

⁽¹⁾ Revenue FX impact is calculated by taking the current period rates compared to the prior period average rates.

⁽²⁾ Non-GAAP operating margin and non-GAAP EPS are non-GAAP financial measures. See below for an explanation of non-GAAP financial measures. The Company's shares used in computing GAAP Diluted EPS guidance and Non-GAAP Diluted EPS guidance excludes any impact to share count from potential Q3 - Q4 FY24 repurchase activity under our share repurchase program.

⁽³⁾ Operating Cash Flow Growth guidance includes an estimated 14% - 16% headwind associated with charges from restructuring.

⁽⁴⁾ Current Remaining Performance Obligation FX impact is calculated by taking the current period rates compared to the prior period ending rates.

The following is a reconciliation of GAAP operating margin guidance to non-GAAP operating margin guidance for the full year:

	Full Year FY24 Guidance
GAAP operating margin ⁽¹⁾	~13.3%
Plus	
Amortization of purchased intangibles ⁽²⁾	5.4%
Stock-based compensation expense ⁽²⁾	8.1%
Restructuring ⁽²⁾⁽³⁾	3.2%
Non-GAAP operating margin ⁽¹⁾	~30.0%

⁽¹⁾ 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.

⁽²⁾ 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.

⁽³⁾ The percentages shown above have been calculated based on the high end of the estimated charges in connection with our restructuring plan announced on January 4, 2023 (the "Restructuring Plan").

The following is a per share reconciliation of GAAP diluted EPS to non-GAAP diluted EPS guidance for the next quarter and the full year:

	Fiscal 2024	
	Q3	FY24
GAAP diluted earnings per share range ⁽¹⁾⁽²⁾	\$1.02 - \$1.03	\$3.50 - \$3.52
Plus		
Amortization of purchased intangibles	\$ 0.47	\$ 1.89
Stock-based compensation expense	\$ 0.71	\$ 2.84
Restructuring ⁽³⁾	\$ 0.10	\$ 1.11
Less		
Income tax effects and adjustments ⁽⁴⁾	\$ (0.25)	\$ (1.30)
Non-GAAP diluted earnings per share ⁽²⁾	\$2.05 - \$2.06	\$8.04 - \$8.06
Shares used in computing basic net income per share (millions) ⁽⁵⁾	978	979
Shares used in computing diluted net income per share (millions) ⁽⁵⁾	987	988

⁽¹⁾ The Company's GAAP tax provision is expected to be approximately 27% for the three months ended October 31, 2023, and approximately 25% for the year ended January 31, 2024. 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.

⁽²⁾ The Company's projected GAAP and Non-GAAP diluted EPS assumes no change to the value of our strategic investment portfolio as it is not possible to forecast future gains and losses. The impact of future gains or losses from the company's strategic investment portfolio could be material.

⁽³⁾ The estimated impact to GAAP diluted EPS has been calculated based on the high end of the estimated charges in connection with the Restructuring Plan.

⁽⁴⁾ The Company's Non-GAAP tax provision uses a long-term projected tax rate of 23.5%, which reflects currently available information and could be subject to change.

⁽⁵⁾ The Company's shares used in computing GAAP EPS guidance and Non-GAAP EPS guidance excludes any impact to share count from Q3 - Q4 FY24 repurchase activity under our share repurchase program.

For additional information regarding non-GAAP financial measures see the reconciliation of results and related explanations below.

Management will provide further commentary around these guidance assumptions on its earnings call.

Product Releases and Enhancements

Three times a year Salesforce delivers new product releases, services, or enhancements to current products and services. These releases are a result of significant research and development investments made over multiple years, designed to help customers drive cost savings, boost efficiency, and build trust.

To view our major product releases and other highlights as part of the Summer 2023 Product Release, visit: www.salesforce.com/products/summer-23-release.

Quarterly Conference Call

Salesforce plans to host a conference call at 2:00 p.m. (PT) / 5:00 p.m. (ET) to discuss its financial results with the investment community. A live webcast and replay details of the event will be available on the Salesforce Investor Relations website at www.salesforce.com/investor.

About Salesforce

Salesforce empowers companies of every size and industry to connect with their customers through the power of AI + data + CRM. For more information about Salesforce (NYSE: CRM), visit: www.salesforce.com.

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"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, expected restructuring expense or charges, and 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: 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; uncertainties regarding AI technologies and its integration into our product offerings; 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, 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 remote work 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, changes in monetary policy and the prospect of a shutdown of the U.S. federal government; the potential impact of financial institution instability; the impact of geopolitical events, including the ongoing armed 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; 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, our restructuring efforts may adversely affect our internal programs and ability to recruit and retain skilled and motivated personnel, our restructuring efforts may be distracting to employees and management, our restructuring efforts may negatively impact our business operations and reputation with or ability to serve customers, and 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, including our ability to comply with emerging corporate responsibility regulations.

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.

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Salesforce, Inc.
Condensed Consolidated Statements of Operations
(in millions, except per share data)
(Unaudited)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Revenues:				
Subscription and support	\$ 8,006	\$ 7,143	\$ 15,648	\$ 13,999
Professional services and other	597	577	1,202	1,132
Total revenues	8,603	7,720	16,850	15,131
Cost of revenues (1)(2):				
Subscription and support	1,515	1,490	3,025	2,930
Professional services and other	598	637	1,213	1,242
Total cost of revenues	2,113	2,127	4,238	4,172
Gross profit	6,490	5,593	12,612	10,959
Operating expenses (1)(2):				
Research and development	1,220	1,329	2,427	2,647
Marketing and sales	3,113	3,424	6,267	6,796
General and administrative	632	647	1,270	1,303
Restructuring (3)	49	0	760	0
Total operating expenses	5,014	5,400	10,724	10,746
Income from operations	1,476	193	1,888	213
Gains (losses) on strategic investments, net	(29)	45	(170)	52
Other income (expense)	45	(57)	100	(113)
Income before provision for income taxes	1,492	181	1,818	152
Provision for income taxes	(225)	(113)	(352)	(56)
Net income	\$ 1,267	\$ 68	\$ 1,466	\$ 96
Basic net income per share	\$ 1.30	\$ 0.07	\$ 1.50	\$ 0.10
Diluted net income per share	\$ 1.28	\$ 0.07	\$ 1.49	\$ 0.10
Shares used in computing basic net income per share	975	997	977	994
Shares used in computing diluted net income per share	986	1,001	987	1,001

(1) Amounts include amortization of intangible assets acquired through business combinations, as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Cost of revenues	\$ 250	\$ 260	\$ 498	\$ 535
Marketing and sales	222	232	445	469

(2) Amounts include stock-based compensation expense, as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Cost of revenues	\$ 112	\$ 130	\$ 215	\$ 242
Research and development	256	297	497	576
Marketing and sales	277	326	540	617
General and administrative	79	98	152	192
Restructuring	0	0	16	0

(3) In January 2023, the Company announced a restructuring plan (the "Restructuring Plan") intended to reduce operating costs, improve operating margins, and continue advancing the Company's ongoing commitment to profitable growth. The Restructuring Plan includes a reduction of the Company's workforce and select real estate exits and office space reductions within certain markets.

Salesforce, Inc.
Condensed Consolidated Statements of Operations
(As a percentage of total revenues)
(Unaudited)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Revenues:				
Subscription and support	93 %	93 %	93 %	93 %
Professional services and other	7	7	7	7
Total revenues	100	100	100	100
Cost of revenues (1)(2):				
Subscription and support	18	20	18	20
Professional services and other	7	8	7	8
Total cost of revenues	25	28	25	28
Gross profit	75	72	75	72
Operating expenses (1)(2):				
Research and development	14	17	14	17
Marketing and sales	36	44	37	45
General and administrative	7	8	8	9
Restructuring	1	0	5	0
Total operating expenses	58	69	64	71
Income from operations	17	3	11	1
Gains (losses) on strategic investments, net	0	0	(1)	1
Other income (expense)	0	(1)	1	(1)
Income before provision for income taxes	17	2	11	1
Provision for income taxes	(2)	(1)	(2)	0
Net income	15 %	1 %	9 %	1 %

(1) Amounts include amortization of intangible assets acquired through business combinations as a percentage of total revenues, as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Cost of revenues	3 %	3 %	3 %	4 %
Marketing and sales	2	3	3	3

(2) Amounts include stock-based compensation expense as a percentage of total revenues, as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Cost of revenues	1 %	2 %	1 %	2 %
Research and development	3	4	3	4
Marketing and sales	3	4	3	4
General and administrative	1	1	1	1
Restructuring	0	0	0	0

Salesforce, Inc.
Condensed Consolidated Balance Sheets
(in millions)

	July 31, 2023	January 31, 2023
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,772	\$ 7,016
Marketable securities	5,625	5,492
Accounts receivable, net	5,400	10,755
Costs capitalized to obtain revenue contracts, net	1,781	1,776
Prepaid expenses and other current assets	1,560	1,356
Total current assets	21,138	26,395
Property and equipment, net	3,876	3,702
Operating lease right-of-use assets, net	2,575	2,890
Noncurrent costs capitalized to obtain revenue contracts, net	2,352	2,697
Strategic investments	4,778	4,672
Goodwill	48,566	48,568
Intangible assets acquired through business combinations, net	6,182	7,125
Deferred tax assets and other assets, net	2,980	2,800
Total assets	\$ 92,447	\$ 98,849
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable, accrued expenses and other liabilities	\$ 5,059	\$ 6,743
Operating lease liabilities, current	510	590
Unearned revenue	14,237	17,376
Debt, current	999	1,182
Total current liabilities	20,805	25,891
Noncurrent debt	8,424	9,419
Noncurrent operating lease liabilities	2,867	2,897
Other noncurrent liabilities	2,269	2,283
Total liabilities	34,365	40,490
Stockholders' equity:		
Common stock	1	1
Treasury stock, at cost	(8,057)	(4,000)
Additional paid-in capital	57,345	55,047
Accumulated other comprehensive loss	(258)	(274)
Retained earnings	9,051	7,585
Total stockholders' equity	58,082	58,359
Total liabilities and stockholders' equity	\$ 92,447	\$ 98,849

Salesforce, Inc.
Condensed Consolidated Statements of Cash Flows
(in millions)
(Unaudited)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Operating activities:				
Net income	\$ 1,267	\$ 68	\$ 1,466	\$ 96
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization (1)	890	907	2,144	1,813
Amortization of costs capitalized to obtain revenue contracts, net	476	408	946	802
Stock-based compensation expense	724	851	1,420	1,627
(Gains) losses on strategic investments, net	29	(45)	170	(52)
Changes in assets and liabilities, net of business combinations:				
Accounts receivable, net	(768)	(790)	5,355	5,015
Costs capitalized to obtain revenue contracts, net	(331)	(505)	(606)	(904)
Prepaid expenses and other current assets and other assets	(52)	113	(343)	(296)
Accounts payable and accrued expenses and other liabilities	(376)	326	(1,779)	(896)
Operating lease liabilities	(167)	(186)	(335)	(388)
Unearned revenue	(884)	(813)	(3,139)	(2,807)
Net cash provided by operating activities	808	334	5,299	4,010
Investing activities:				
Business combinations, net of cash acquired	0	(25)	0	(439)
Purchases of strategic investments	(182)	(208)	(287)	(431)
Sales of strategic investments	13	38	22	83
Purchases of marketable securities	(1,798)	(1,152)	(2,166)	(3,724)
Sales of marketable securities	533	451	802	892
Maturities of marketable securities	462	722	1,247	1,167
Capital expenditures	(180)	(203)	(423)	(382)
Net cash used in investing activities	(1,152)	(377)	(805)	(2,834)
Financing activities:				
Repurchases of common stock	(1,949)	0	(4,003)	0
Proceeds from employee stock plans	362	181	811	455
Principal payments on financing obligations	(282)	(44)	(392)	(116)
Repayments of debt	(181)	(1)	(1,182)	(2)
Net cash provided by (used in) financing activities	(2,050)	136	(4,766)	337
Effect of exchange rate changes	11	(21)	28	(46)
Net increase (decrease) in cash and cash equivalents	(2,383)	72	(244)	1,467
Cash and cash equivalents, beginning of period	9,155	6,859	7,016	5,464
Cash and cash equivalents, end of period	<u>\$ 6,772</u>	<u>\$ 6,931</u>	<u>\$ 6,772</u>	<u>\$ 6,931</u>

(1) Includes amortization of intangible assets acquired through business combinations, depreciation of fixed assets and amortization and impairment of right-of-use assets.

Salesforce, Inc.
Additional Metrics
(Unaudited)

	July 31, 2023	April 30, 2023	January 31, 2023	October 31, 2022	July 31, 2022
Full time equivalent headcount	70,456	72,970	79,390	79,824	78,634

Supplemental Revenue Analysis

Remaining Performance Obligation

Remaining performance obligation ("RPO") represents contracted revenue that has not yet been recognized, which includes unearned revenue and unbilled amounts that will be recognized as revenue in future periods. RPO is influenced by several factors, including seasonality, the timing of renewals, the timing of software license deliveries, average contract terms and foreign currency exchange rates. Remaining performance obligation is also impacted by acquisitions. Unbilled portions of RPO denominated in foreign currencies are revalued each period based on the period end exchange rates. The portion of RPO that is unbilled is not recorded on the consolidated balance sheets.

RPO consisted of the following (in billions):

	Current	Noncurrent	Total
As of July 31, 2023	\$ 24.1	\$ 22.5	\$ 46.6
As of April 30, 2023	24.1	22.6	46.7
As of January 31, 2023	24.6	24.0	48.6
As of October 31, 2022	20.9	19.1	40.0
As of July 31, 2022	21.5	20.1	41.6

Unearned Revenue

Unearned revenue represents amounts that have been invoiced in advance of revenue recognition and is recognized as revenue when transfer of control to customers has occurred or services have been provided. The change in unearned revenue was as follows (in millions):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Unearned revenue, beginning of period	\$ 15,121	\$ 13,636	\$ 17,376	\$ 15,628
Billings and other (1)	7,723	6,884	13,660	12,212
Contribution from contract asset	(4)	23	51	112
Revenue recognized over time	(8,178)	(7,336)	(16,015)	(14,392)
Revenue recognized at a point in time	(425)	(384)	(835)	(739)
Unearned revenue from business combinations	0	2	0	4
Unearned revenue, end of period	<u>\$ 14,237</u>	<u>\$ 12,825</u>	<u>\$ 14,237</u>	<u>\$ 12,825</u>

(1) Other includes, for example, the impact of foreign currency translation.

Disaggregation of Revenue

Subscription and Support Revenue by the Company's service offerings

Subscription and support revenues consisted of the following (in millions):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Sales	\$ 1,895	\$ 1,695	\$ 3,705	\$ 3,327
Service	2,049	1,828	4,013	3,589
Platform and Other	1,638	1,478	3,205	2,897
Marketing and Commerce	1,238	1,121	2,408	2,210
Data (1)	1,186	1,021	2,317	1,976
	<u>\$ 8,006</u>	<u>\$ 7,143</u>	<u>\$ 15,648</u>	<u>\$ 13,999</u>

(1) Data is comprised of revenue from Analytics, which includes Tableau, and Integration, which includes Mulesoft.

Total Revenue by Geographic Locations

Revenues by geographical region consisted of the following (in millions):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Americas	\$ 5,769	\$ 5,261	\$ 11,251	\$ 10,232
Europe	1,974	1,745	3,925	3,483
Asia Pacific	860	714	1,674	1,416
	<u>\$ 8,603</u>	<u>\$ 7,720</u>	<u>\$ 16,850</u>	<u>\$ 15,131</u>

Constant Currency Growth Rates

Subscription and support revenues constant currency growth rates by the Company's service offerings were as follows:

	Three Months Ended July 31, 2023 Compared to Three Months Ended July 31, 2022	Three Months Ended April 30, 2023 Compared to Three Months Ended April 30, 2022	Three Months Ended July 31, 2022 Compared to Three Months Ended July 31, 2021
Sales	12%	13%	19%
Service	12%	13%	18%
Platform and Other	11%	12%	56%
Marketing and Commerce	10%	10%	22%
Data (1)	16%	20%	13%

(1) Data is comprised of revenue from Analytics, which includes Tableau, and Integration, which includes Mulesoft.

Revenue constant currency growth rates by geographical region were as follows:

	Three Months Ended July 31, 2023 Compared to Three Months Ended July 31, 2022	Three Months Ended April 30, 2023 Compared to Three Months Ended April 30, 2022	Three Months Ended July 31, 2022 Compared to Three Months Ended July 31, 2021
Americas	10%	10%	22%
Europe	11%	17%	35%
Asia Pacific	24%	24%	31%
Total growth	11%	13%	26%

Current remaining performance obligation constant currency growth rates were as follows:

	July 31, 2023 Compared to July 31, 2022	April 30, 2023 Compared to April 30, 2022	July 31, 2022 Compared to July 31, 2021
Total growth	11%	12%	19%

Salesforce, Inc.

GAAP Results Reconciled to non-GAAP Results

The following tables reflect selected GAAP results reconciled to non-GAAP results.

(in millions, except per share data)

(Unaudited)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
<u>Non-GAAP income from operations</u>				
GAAP income from operations	\$ 1,476	\$ 193	\$ 1,888	\$ 213
Plus:				
Amortization of purchased intangibles (1)	472	492	943	1,004
Stock-based compensation expense (2)(3)	724	851	1,404	1,627
Restructuring	49	0	760	0
Non-GAAP income from operations	\$ 2,721	\$ 1,536	\$ 4,995	\$ 2,844
<u>Non-GAAP operating margin as a percentage of revenues</u>				
Total revenues	\$ 8,603	\$ 7,720	\$ 16,850	\$ 15,131
GAAP operating margin (4)	17.2 %	2.5 %	11.2 %	1.4 %
Non-GAAP operating margin (4)	31.6 %	19.9 %	29.6 %	18.8 %
<u>Non-GAAP net income</u>				
GAAP net income	\$ 1,267	\$ 68	\$ 1,466	\$ 96
Plus:				
Amortization of purchased intangibles (1)	472	492	943	1,004
Stock-based compensation expense (2)(3)	724	851	1,404	1,627
Restructuring	49	0	760	0
Income tax effects and adjustments	(418)	(221)	(805)	(555)
Non-GAAP net income	\$ 2,094	\$ 1,190	\$ 3,768	\$ 2,172

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Non-GAAP diluted net income per share				
GAAP diluted net income per share	\$ 1.28	\$ 0.07	\$ 1.49	\$ 0.10
Plus:				
Amortization of purchased intangibles	0.48	0.49	0.96	1.00
Stock-based compensation expense	0.73	0.85	1.42	1.63
Restructuring	0.05	0.00	0.77	0.00
Income tax effects and adjustments	(0.42)	(0.22)	(0.82)	(0.56)
Non-GAAP diluted net income per share	<u>\$ 2.12</u>	<u>\$ 1.19</u>	<u>\$ 3.82</u>	<u>\$ 2.17</u>
Shares used in computing Non-GAAP diluted net income per share	986	1,001	987	1,001

(1) Amortization of purchased intangibles was as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Cost of revenues	\$ 250	\$ 260	\$ 498	\$ 535
Marketing and sales	222	232	445	469
	<u>\$ 472</u>	<u>\$ 492</u>	<u>\$ 943</u>	<u>\$ 1,004</u>

(2) Stock-based compensation expense, excluding stock-based compensation expense related to restructuring, was as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Cost of revenues	\$ 112	\$ 130	\$ 215	\$ 242
Research and development	256	297	497	576
Marketing and sales	277	326	540	617
General and administrative	79	98	152	192
	<u>\$ 724</u>	<u>\$ 851</u>	<u>\$ 1,404</u>	<u>\$ 1,627</u>

(3) Stock-based compensation expense included in the GAAP to non-GAAP reconciliation tables above for six months ended July 31, 2023 excludes stock-based compensation expense related to the Restructuring Plan of \$16 million, which is included in the Restructuring line.

(4) GAAP operating margin is the proportion of GAAP income (loss) 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. Non-GAAP income from operations excludes the impact of the amortization of purchased intangibles, stock-based compensation expense and charges related to the Restructuring Plan.

Salesforce, Inc.**Computation of Basic and Diluted GAAP and non-GAAP Net Income Per Share**

(in millions, except per share data)

(Unaudited)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
GAAP Basic Net Income Per Share				
Net income	\$ 1,267	\$ 68	\$ 1,466	\$ 96
Basic net income per share	\$ 1.30	\$ 0.07	\$ 1.50	\$ 0.10
Shares used in computing basic net income per share	975	997	977	994

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Non-GAAP Basic Net Income Per Share				
Non-GAAP net income	\$ 2,094	\$ 1,190	\$ 3,768	\$ 2,172
Non-GAAP basic net income per share	\$ 2.15	\$ 1.19	\$ 3.86	\$ 2.19
Shares used in computing Non-GAAP basic net income per share	975	997	977	994

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
GAAP Diluted Net Income Per Share				
Net income	\$ 1,267	\$ 68	\$ 1,466	\$ 96
Diluted net income per share	\$ 1.28	\$ 0.07	\$ 1.49	\$ 0.10
Shares used in computing diluted net income per share	986	1,001	987	1,001

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Non-GAAP Diluted Net Income Per Share				
Non-GAAP net income	\$ 2,094	\$ 1,190	\$ 3,768	\$ 2,172
Non-GAAP diluted net income per share	\$ 2.12	\$ 1.19	\$ 3.82	\$ 2.17
Shares used in computing Non-GAAP diluted net income per share	986	1,001	987	1,001

Supplemental Cash Flow Information**Computation of Free Cash Flow, a Non-GAAP Measure**

(in millions)

(Unaudited)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
GAAP net cash provided by operating activities	\$ 808	\$ 334	\$ 5,299	\$ 4,010
Capital expenditures	(180)	(203)	(423)	(382)
Free cash flow	\$ 628	\$ 131	\$ 4,876	\$ 3,628

Non-GAAP Financial Measures: This press release includes information about non-GAAP operating margin, non-GAAP earnings per share, non-GAAP tax rates, free cash flow, 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 operating margin for Q1 FY25 reflects our operating priorities, not specific guidance. A reconciliation of non-GAAP operating margin for Q1 FY25 is not available without unreasonable efforts and has been omitted in accordance with SEC rules. Non-GAAP 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.

As described above, the Company excludes or adjusts for the following in its non-GAAP results and guidance:

- **Stock-Based Compensation Expense:** The Company’s compensation strategy includes the use of stock-based compensation expense to attract and retain employees and executives. It is principally aimed at aligning their interests with those of our stockholders and at long-term employee retention, rather than to motivate or reward operational performance for any particular period. Thus, stock-based compensation expense varies for reasons that are generally unrelated to operational decisions and performance in any particular period.
- **Amortization of Purchased Intangibles:** The Company views amortization of acquisition-related intangible assets, such as the amortization of the cost associated with an acquired Company’s research and development efforts, trade names, customer lists and customer relationships, and in some cases, acquired lease intangibles, as items arising from pre-acquisition activities determined at the time of an acquisition. While these intangible assets are continually evaluated for impairment, amortization of the cost of purchased intangibles is a static expense, which is not typically affected by operations during any particular period. Although the Company excludes the amortization of purchased intangibles from these non-GAAP measures, management believes that it is important for investors to understand that such intangible assets were recorded as part of purchase accounting and contribute to revenue generation.
- **Restructuring:** Restructuring charges are costs associated with a formal restructuring plan and may include employee notice period costs and severance payments, lease or contract termination costs, asset impairments, accelerated depreciation and amortization, and other related expenses. The Company excludes these restructuring charges because they are distinct from ongoing operational costs and it does not believe they are reflective of current and expected future business performance and operating results.
- **Gains on Strategic Investments, net:** The Company records all fair value adjustments to its equity securities held within the strategic investment portfolio through the statement of operations. As it is not possible to forecast future gains and losses, the Company assumes no change to the value of its strategic investment portfolio in its GAAP and non-GAAP estimates for future periods, including its guidance. Gains on Strategic Investments, net, are included in its GAAP financial statements.
- **Income Tax Effects and Adjustments:** The Company utilizes a fixed long-term projected non-GAAP tax rate in order to provide better consistency across the interim reporting periods by eliminating the effects of items such as changes in

the tax valuation allowance and tax effects of acquisition-related costs, since each of these can vary in size and frequency. When projecting this long-term rate, the Company evaluated a three-year financial projection that excludes the direct impact of the following non-cash items: stock-based expenses and the amortization of purchased intangibles. The projected rate also considers factors including the Company's expected tax structure, its tax positions in various jurisdictions and key legislation in major jurisdictions where the Company operates. For fiscal 2023, the Company used a projected non-GAAP tax rate 22.0%. For fiscal 2024, the Company uses a projected non-GAAP tax rate of 23.5%, which reflects currently available information, as well as other factors and assumptions. The non-GAAP tax rate could be subject to change for a variety of reasons, including the rapidly evolving global tax environment, significant changes in the Company's geographic earnings mix due to acquisition activity, or other changes to the Company's strategy or business operations. The Company will re-evaluate its long-term rate as appropriate.

The Company presents constant currency information to provide a framework for assessing how the Company's underlying business performed excluding the effect of foreign currency rate fluctuations. To present constant currency revenue growth rates, 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 rather than the actual exchange rates in effect during that period. To present current remaining performance obligation growth rates on a constant currency basis, current remaining performance obligation 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.

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