



Salesforce

Investor Day

September 26, 2018



Charlie
Kroll
Ellevest

Sylvia
Kawn
Ellevest



THANK YOU

Agenda

An afternoon with Salesforce executives

salesforce



1:00pm-2:15pm

Finance Review
and Q&A



Mark Hawkins
President and CFO



David Havlek
EVP, Deputy CFO



3:30pm-4:15pm

Integration Q&A



Greg Schott
CEO and General Manager, MuleSoft



2:15pm-3:00pm

Product Q&A



Bret Taylor
President, Chief Product Officer



4:15pm-5:15pm

co-CEO Q&A



Keith Block
co-CEO



Marc Benioff
Chairman and co-CEO

Safe Harbor



"Safe harbor" statement under the Private Securities Litigation Reform Act of 1995: This presentation contains forward-looking statements about our financial results, which may include expected GAAP and non-GAAP financial and other operating and non-operating results, including revenue, net income, diluted earnings per share, operating cash flow growth, operating margin improvement, unearned revenue (previously referred to as deferred revenue) growth, expected revenue growth, expected tax rates, stock-based compensation expenses, amortization of purchased intangibles, and shares outstanding. 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 could differ materially from the results expressed or implied by the forward-looking statements we make.

The risks and uncertainties referred to above include -- but are not limited to -- risks associated with the effect of general economic and market conditions; the impact of foreign currency exchange rate and interest rate fluctuations on our results; our business strategy and our plan to build our business, including our strategy to be the leading provider of enterprise cloud computing applications and platforms; the pace of change and innovation in enterprise cloud computing services; the competitive nature of the market in which we participate; our international expansion strategy; our service performance and security, including the resources and costs required to prevent, detect and remediate potential security breaches; the expenses associated with new data centers and third-party infrastructure providers; additional data center capacity; real estate and office facilities space; our operating results and cash flows; new services and product features; our strategy of acquiring or making investments in complementary businesses, joint ventures, services, technologies and intellectual property rights; the performance and fair value of our investments in complementary businesses through our strategic investment portfolio; our ability to realize the benefits from strategic partnerships and investments; our ability to successfully integrate acquired businesses and technologies, including the operations of MuleSoft, Inc.; our ability to continue to grow and maintain unearned revenue and remaining performance obligation; our ability to protect our intellectual property rights; our ability to develop our brands; our reliance on third-party hardware, software and platform providers; our dependency on the development and maintenance of the infrastructure of the Internet; 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 and import and export controls; the valuation of our deferred tax assets; the potential availability of additional tax assets in the future; the impact of new accounting pronouncements and tax laws, including the U.S. Tax Cuts and Jobs Act, and interpretations thereof; uncertainties affecting our ability to estimate our non-GAAP tax rate; the impact of future gains or losses from our strategic investment portfolio; the impact of expensing stock options and other equity awards; the sufficiency of our capital resources; factors related to our outstanding debt, revolving credit facility, term loans and loan associated with 50 Fremont; compliance with our debt covenants and capital lease obligations; current and potential litigation involving us; and the impact of climate change.

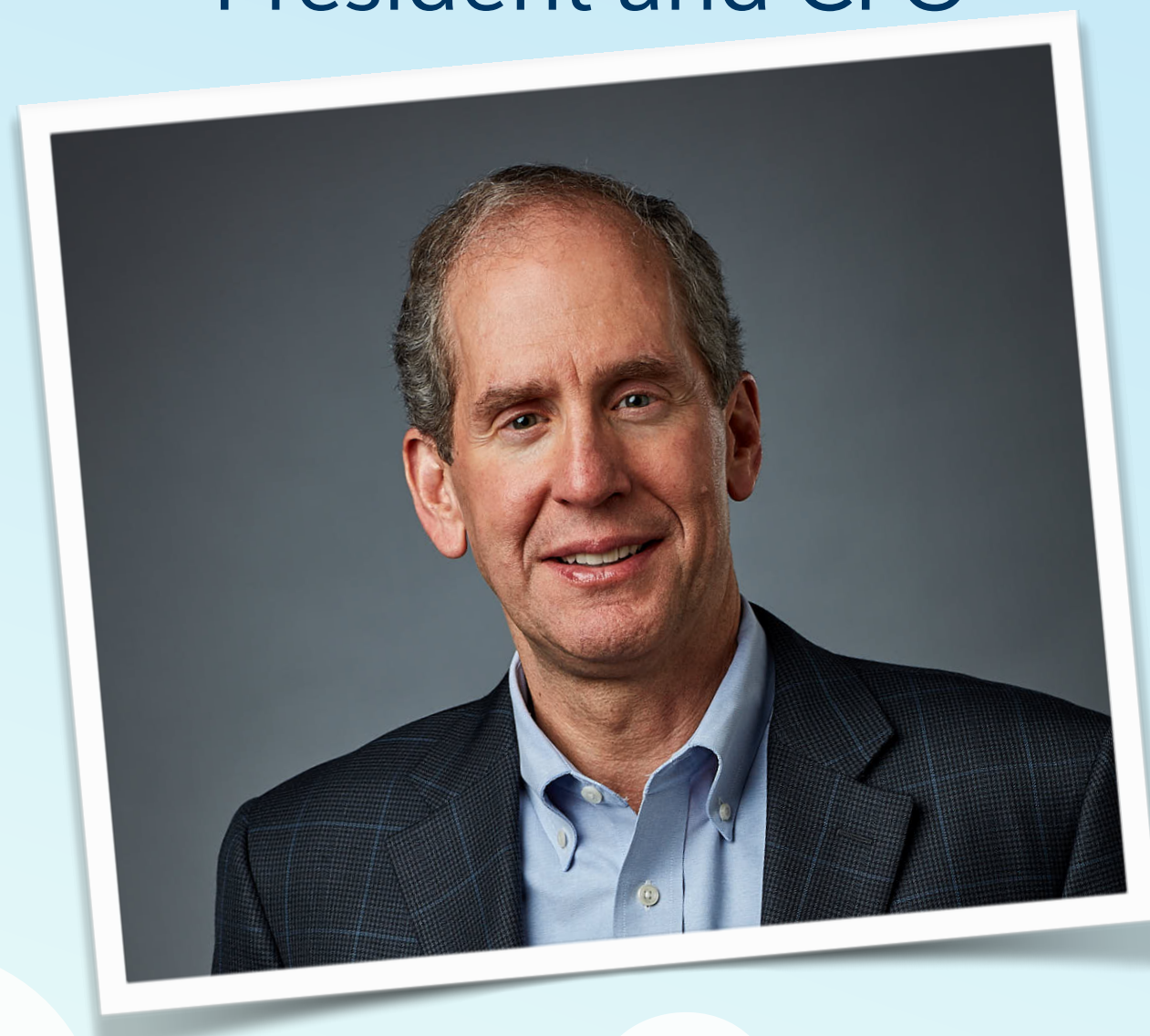
Further information on these and other factors that could affect the company's financial results is included in the reports on Forms 10-K, 10-Q and 8-K and in other filings we make with the Securities and Exchange Commission from time to time. These documents are available on the SEC Filings section of the Investor Information section of the company's website at www.salesforce.com/investor.

Salesforce.com, inc. assumes no obligation and does not intend to update these forward-looking statements, except as required by law.

salesforce

Mark Hawkins

President and CFO



Durable Growth Powered by Competitive Advantage



Durable Growth



Revenue Growth

20%

Projected CAGR
FY19-FY22¹

\$13.175B
FY19 guidance²

\$21B-\$23B

FY22 target

FY21

FY20

FY19



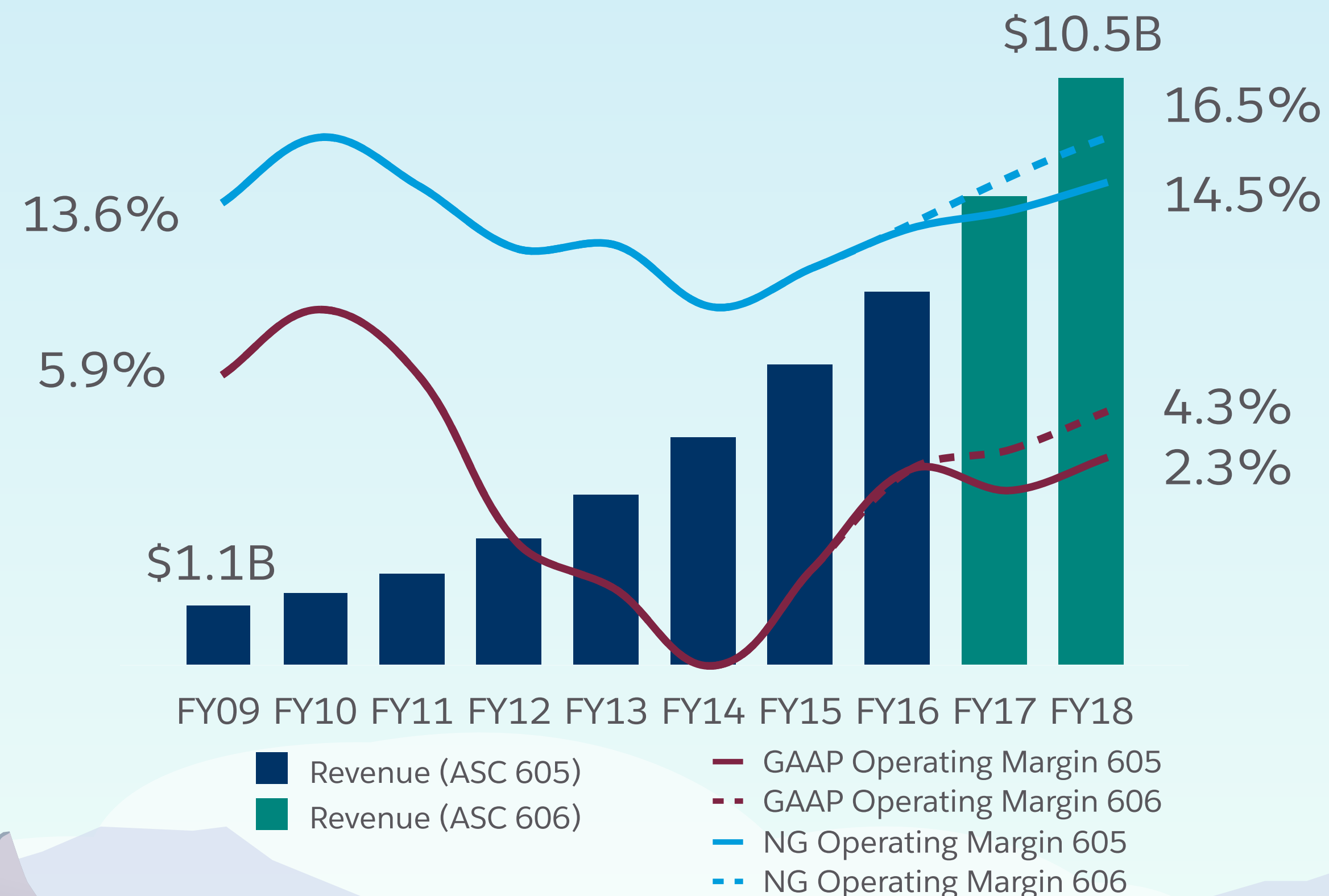
¹Compound annual growth rate based on high end of guide in footnote 2 and high end of projected target of \$21 billion to \$23 billion in FY22.
²High end of Salesforce FY2019 revenue guidance provided on August 29, 2018. Revenue for Salesforce's full fiscal year 2019 is projected to be in the range of \$13.125 billion to \$13.175 billion.

Consistent Execution

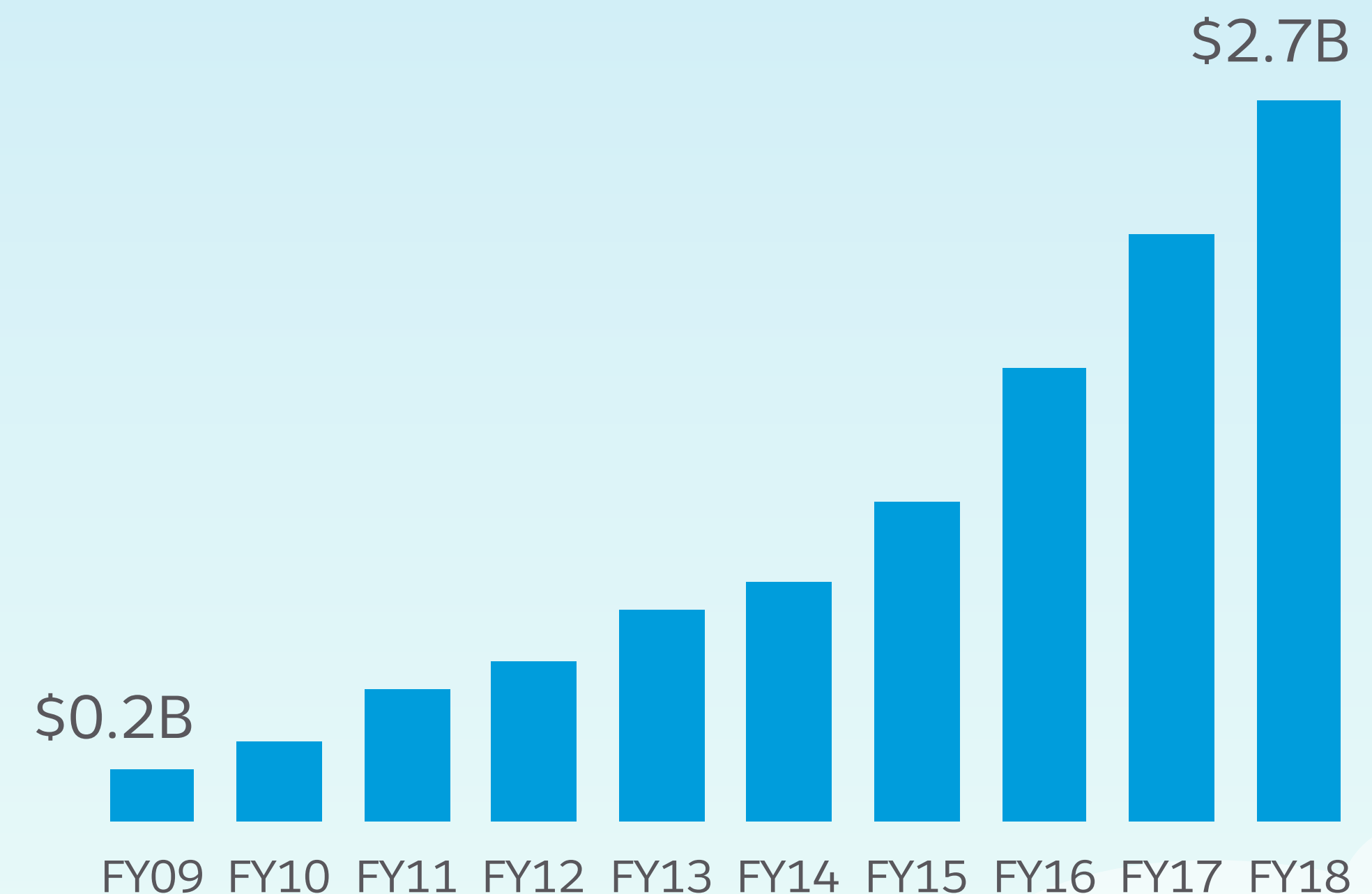
Balancing revenue growth with increasing non-GAAP profitability and cash flow



Total Revenue and Operating Margin



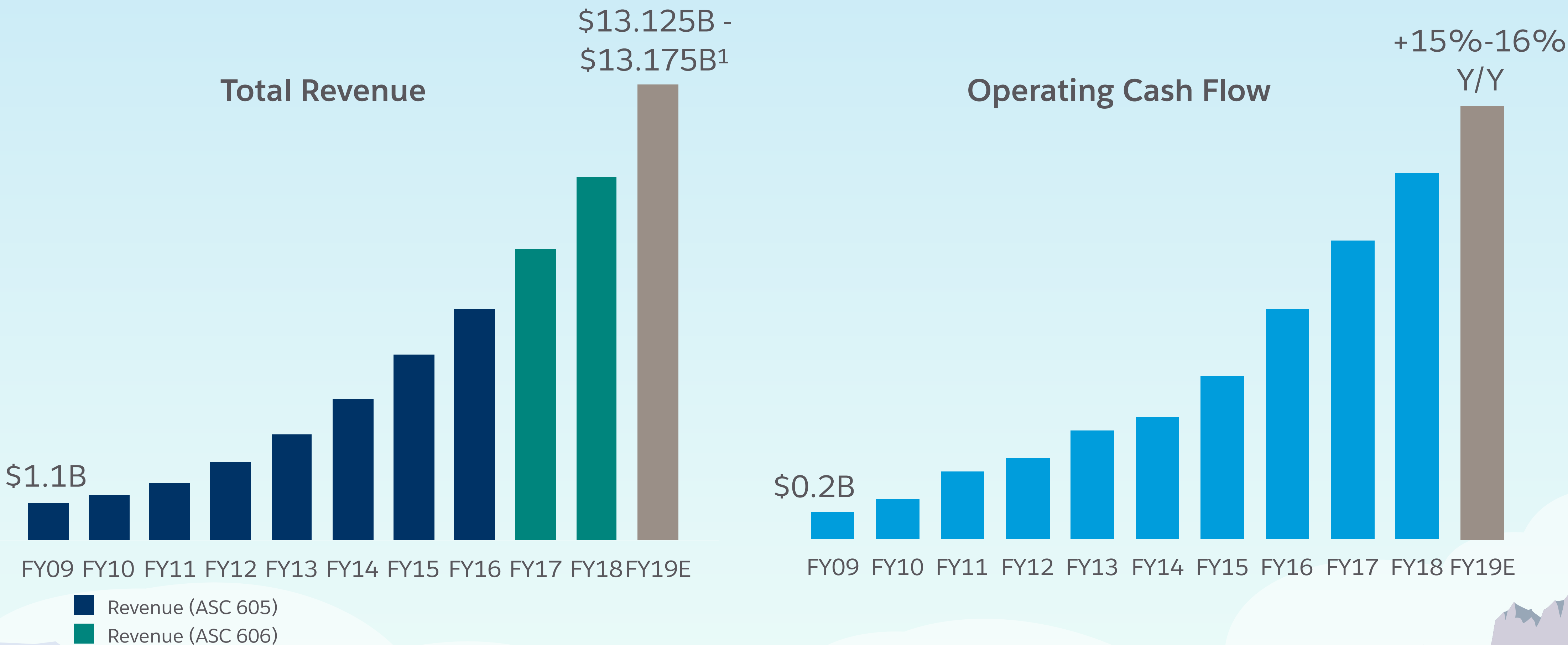
Operating Cash Flow



Note: As of February 1, 2018, Salesforce adopted the requirements of Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers, known as ASC 606. Starting with Q1 FY19, financial results are reported under this new standard. Additionally, select historical data was restated. Refer to the Salesforce Investor Relations website for SEC filings that include additional information about these new accounting standards and adoption.

Consistent Execution

Balancing revenue growth with increasing non-GAAP profitability and cash flow



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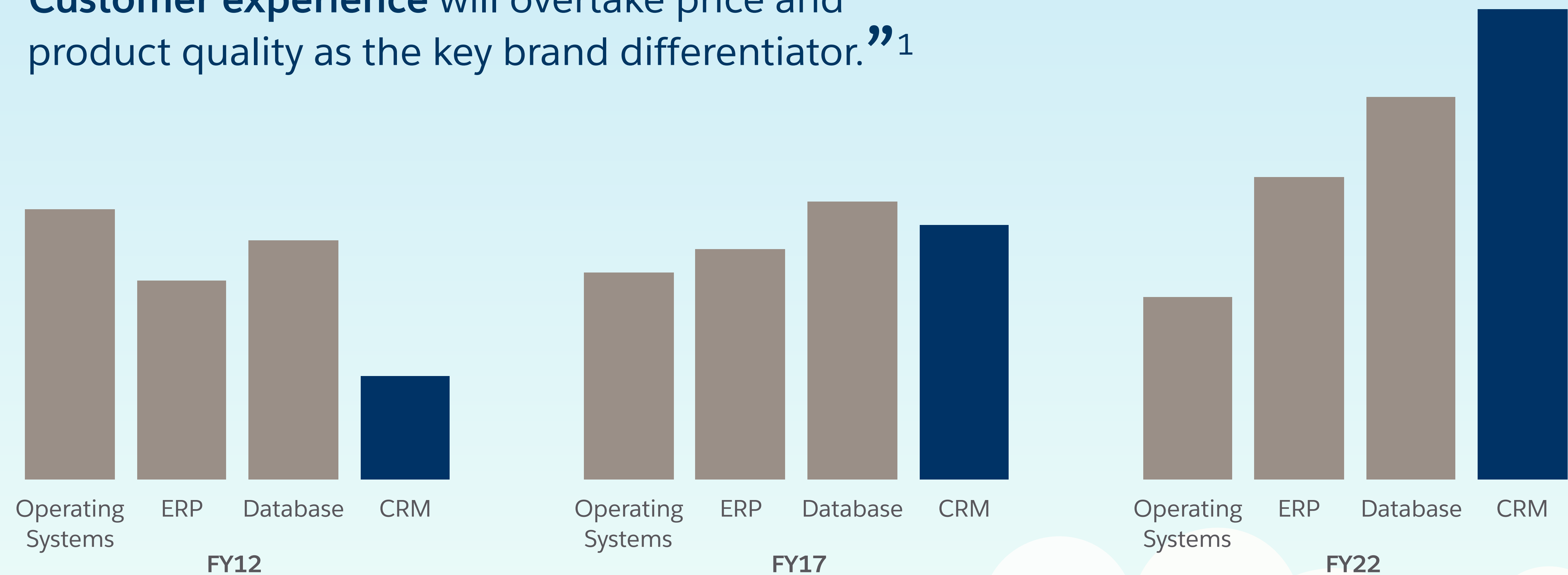
Market Opportunity



Right Market at the Right Time

CRM is the fastest growing segment in enterprise software

“Customer experience will overtake price and product quality as the key brand differentiator.”¹

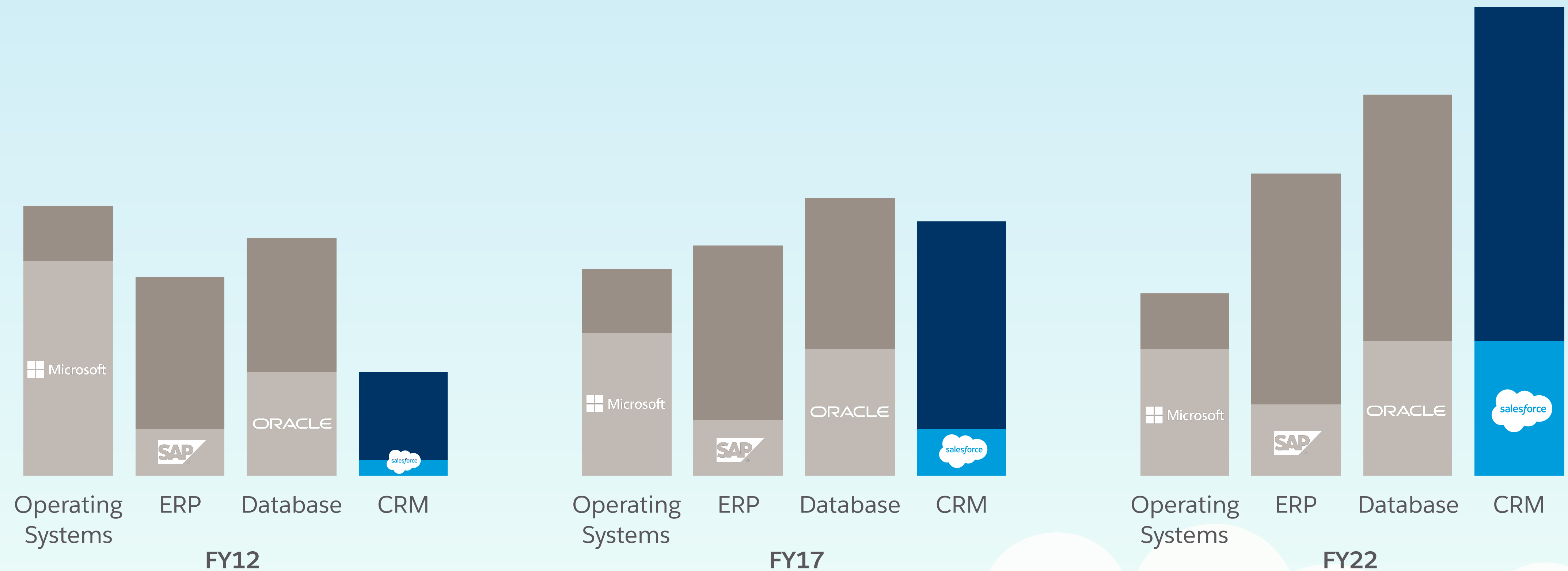


Enterprise Software Addressable Market

Source: Salesforce estimates. Historical data from Cowen, Societe Generale, CLSA and Deutsche Bank research. ¹VisionCritical, “7 habits of customer-obsessed companies.” 12

We Are a Generational Company

Never underestimate what can be done in a decade



Enterprise Software Addressable Market

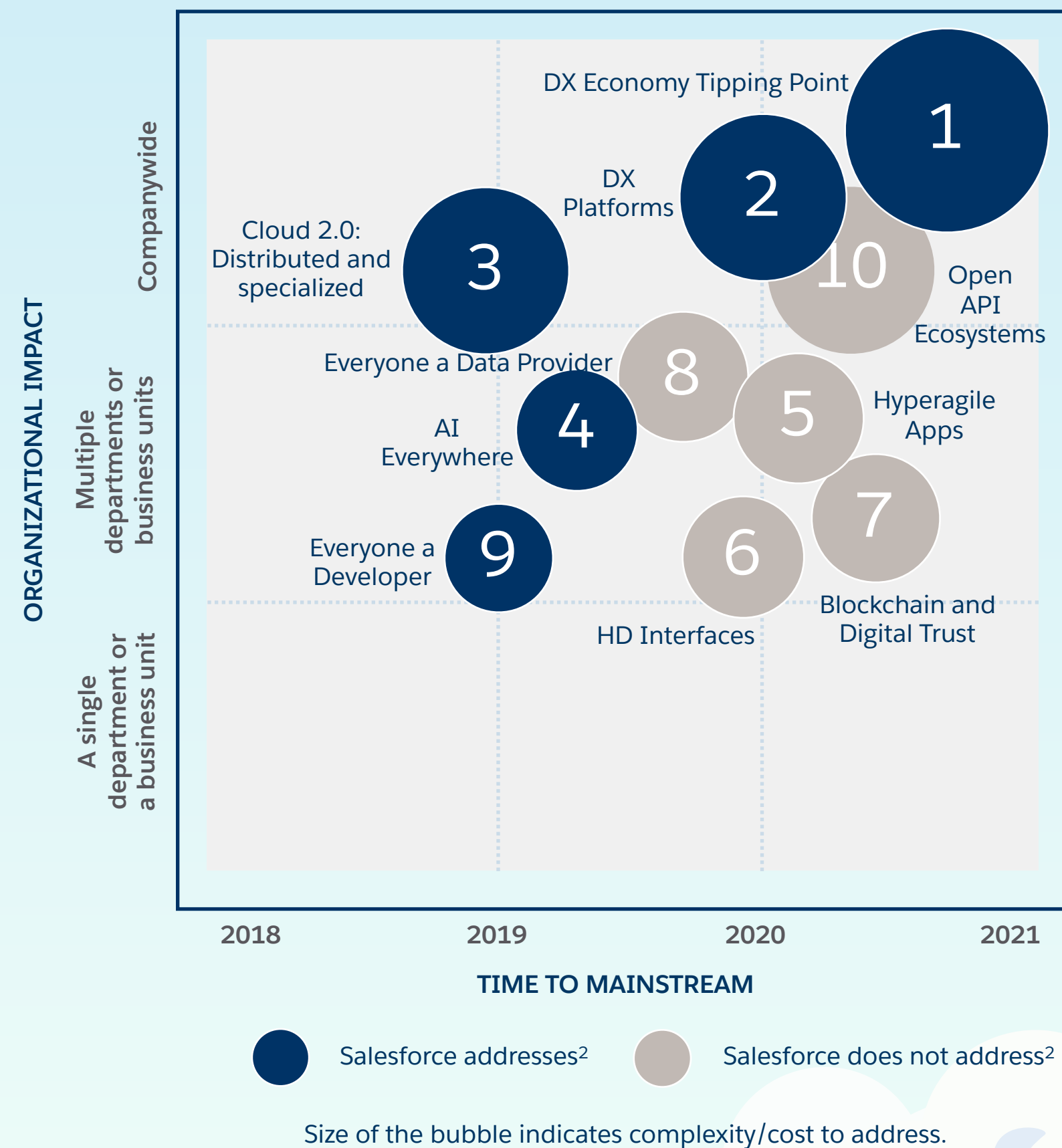
Source: Salesforce estimates. Historical data from Cowen, Societe Generale, CLSA and Deutsche Bank research.

The Digital Transformation Imperative

DX initiatives are a top priority for CIOs



IDC FutureScape:
Worldwide IT Industry 2018 Top 10 Predictions¹



By 2020

60%

of enterprises will have fully articulated an organization-wide digital transformation platform strategy¹



By 2020

90%

of enterprises will use multiple cloud services and platforms¹

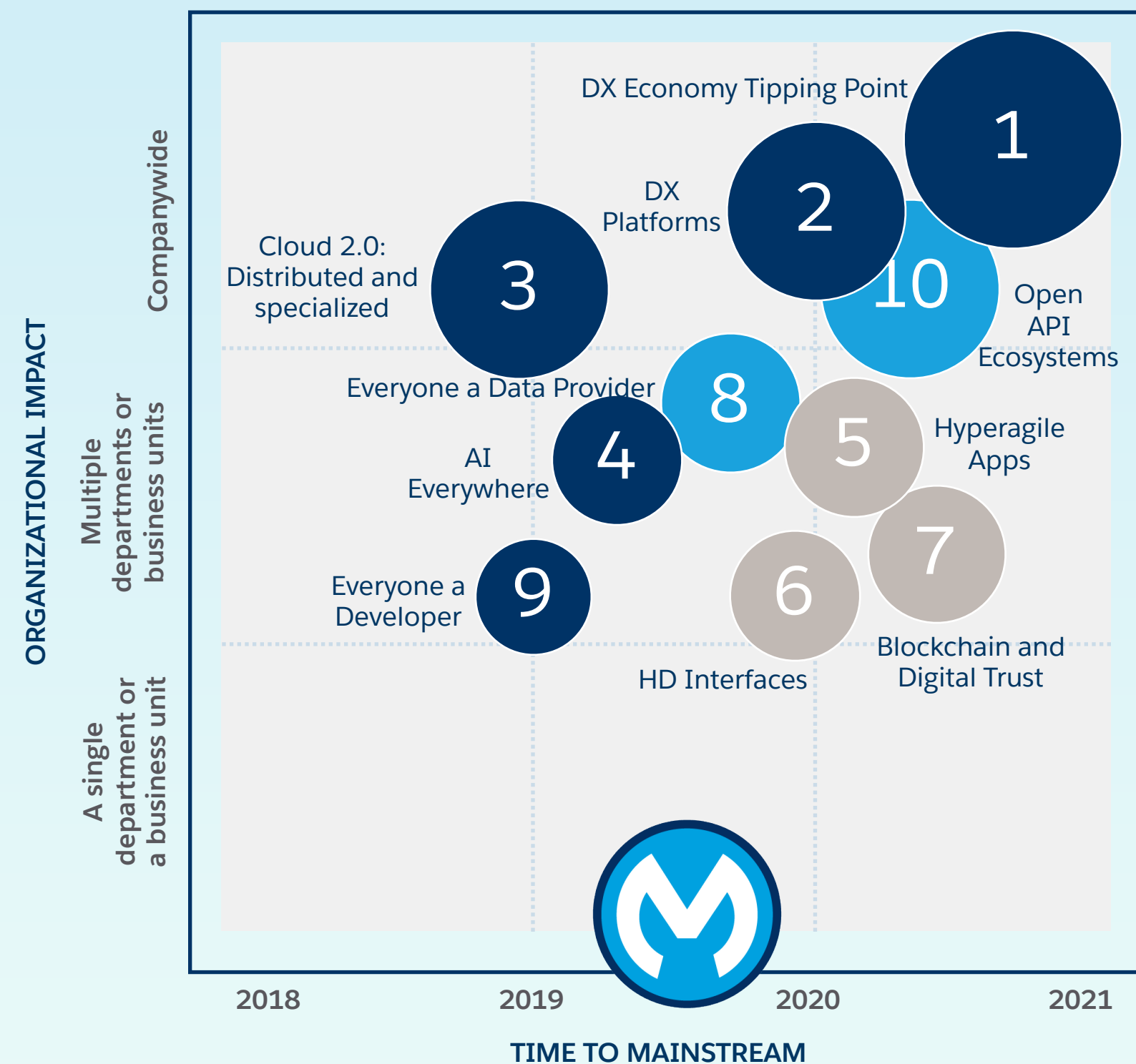
¹IDC FutureScape: Worldwide IT Industry 2018 Predictions, October 2017. ²Designation made by Salesforce.

The Digital Transformation Imperative

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Competitive Advantage



Our Values Drive Our Competitive Advantage

salesforce

A differentiated company since our inception

TRUST

Communicate openly and deliver the highest level of service

CUSTOMER SUCCESS

Focus on customer success to drive mutual growth

INNOVATION

Deliver new technology that empowers Trailblazers to innovate

EQUALITY

Respect and value a diversity of people



Ultimate Competitive Advantage: The Customer

salesforce

The customer is at the center of everything we do



“The only sustainable source of competitive advantage, *the only defensible position*, is to concentrate on knowledge of and engagement with customers.”

–Forrester¹

¹ Forrester, Competitive Strategy In The Age Of The Customer, October 2013.

Technology Advantage

Driven by strong organic and inorganic innovation

salesforce



Product Advantage

Most complete portfolio in the industry



Product Advantage

Unmatched depth of functionality



	Sales	Service	Marketing	eCommerce	Communities	Collaboration	Cloud Platform	Integration	Industries
	Inbox	Field Service	Social Studio	B2B & B2C	Self Service	Slides & Sheets	Heroku	Connectivity	Government
	CPQ	Self Service	DMP	Order Management	PRM	Social Chat	IoT	API Design & Mgmt	Mfg
PRM	Engagement	Journeys	AI-Powered Commerce	Portal	Custom Workflows	Analytics	Dev Exchange	Fin Serv	
High Velocity Sales	Bots	Digital Advertising							
Sales Intelligence	Service Intelligence	Audience Builder							
							Einstein	Monitoring & Security	Transportation & Hospitality
							AppExchange		Consumer Goods

Success in Core Markets

Momentum across all segments of CRM

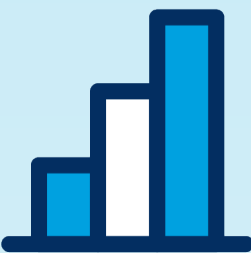
					
	Sales	Service	Marketing	Commerce	Platform & Other
Market Share <i>CY17</i>	32% ¹	19% ¹	10% ¹	5% ¹	8% ²
Market Rank <i>CY17</i>	#1 ¹	#1 ¹	#2 ¹	#3 ¹	n/a
Market Growth <i>CY18 - CY22 CAGR</i>	11% ³	12% ³	13% ³	15% ³	7% ⁴
Revenue Growth <i>Fiscal Q219 Y/Y</i>	13% ⁵	27% ⁵	37% ⁵		32% ⁵



Calculations performed by Salesforce and graphics created by Salesforce based on Gartner research. ¹Source: Sales, Service, Marketing, and Commerce per Gartner, Market Share: Enterprise Application Software, Worldwide, 2017, 5.30.18. ²Platform & Other defined from two Gartner reports: (1) Collaboration Services per Gartner, Market Share: Enterprise Application Software, Worldwide, 2017, 5.30.18; (2) Portal and Digital Engagement Technologies, Application Platform as a Service (aPaaS), Application Platform Software, Mobile App Development Platforms, Other AD, Business Process Management Suites, Testing, Identity Governance and Administration, Web Access Management (WAM) per Gartner, Market Share: Enterprise Infrastructure Software, Worldwide, 2017, 5.31.18. ³Source: Gartner, Forecast: Enterprise Application Software, Worldwide, 2016-2022, 2Q18 Update, 29 Jun 2018. ⁴Platform & Other defined from two Gartner reports based on the markets in footnote 2: Gartner, Forecast: Enterprise Application Software, Worldwide, 2016-2022, 2Q18 Update, 29 Jun 2018, Gartner, Forecast: Enterprise Infrastructure Software, Worldwide, 2016-2022, 2Q18 Update, 16 Jul 2018. ⁵Revenue growth based on Salesforce's quarterly cloud financial results. Marketing & Commerce Cloud revenue reported together. Platform & Other revenue growth excludes the impact MuleSoft.

Large and Growing Addressable Markets

More products, more opportunities



Total TAM



Sales



\$16B, 11%¹



Service



\$26B, 12%¹



Marketing



\$17B, 13%¹



Commerce



\$11B, 15%¹



Platform & Other



\$35B, 7%²



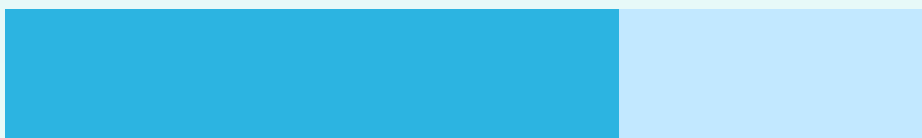
Analytics



\$23B, 8%¹



Integration



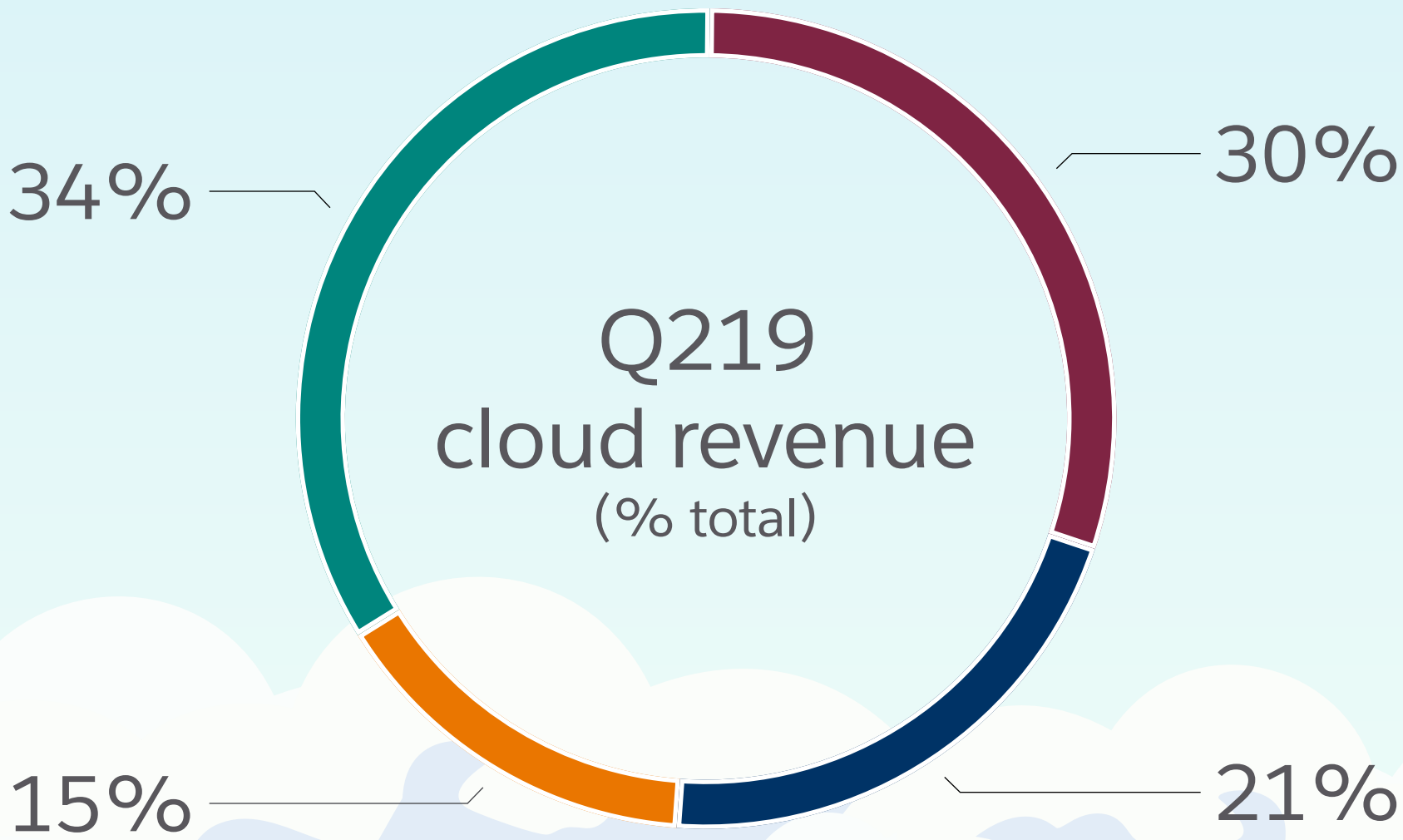
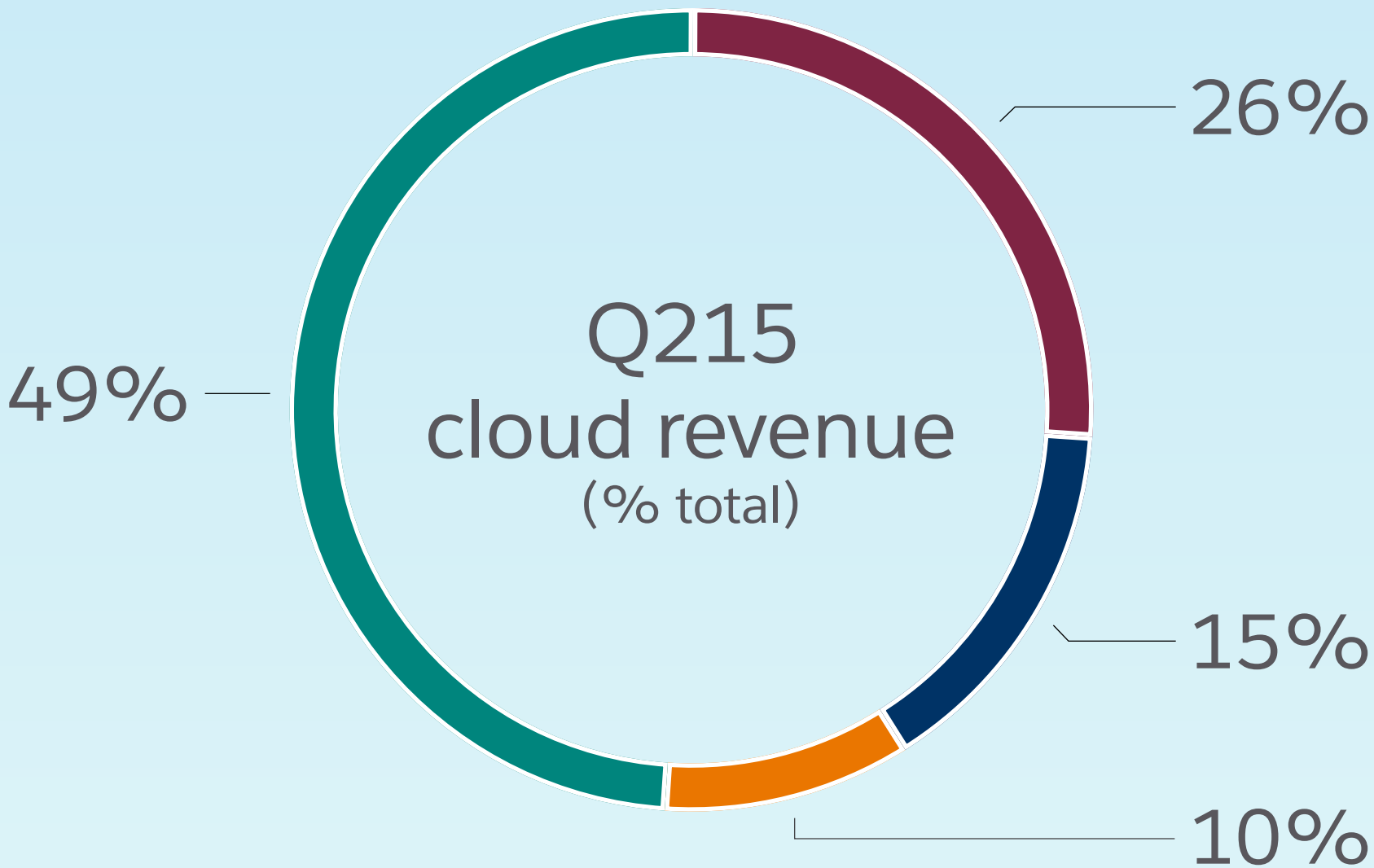
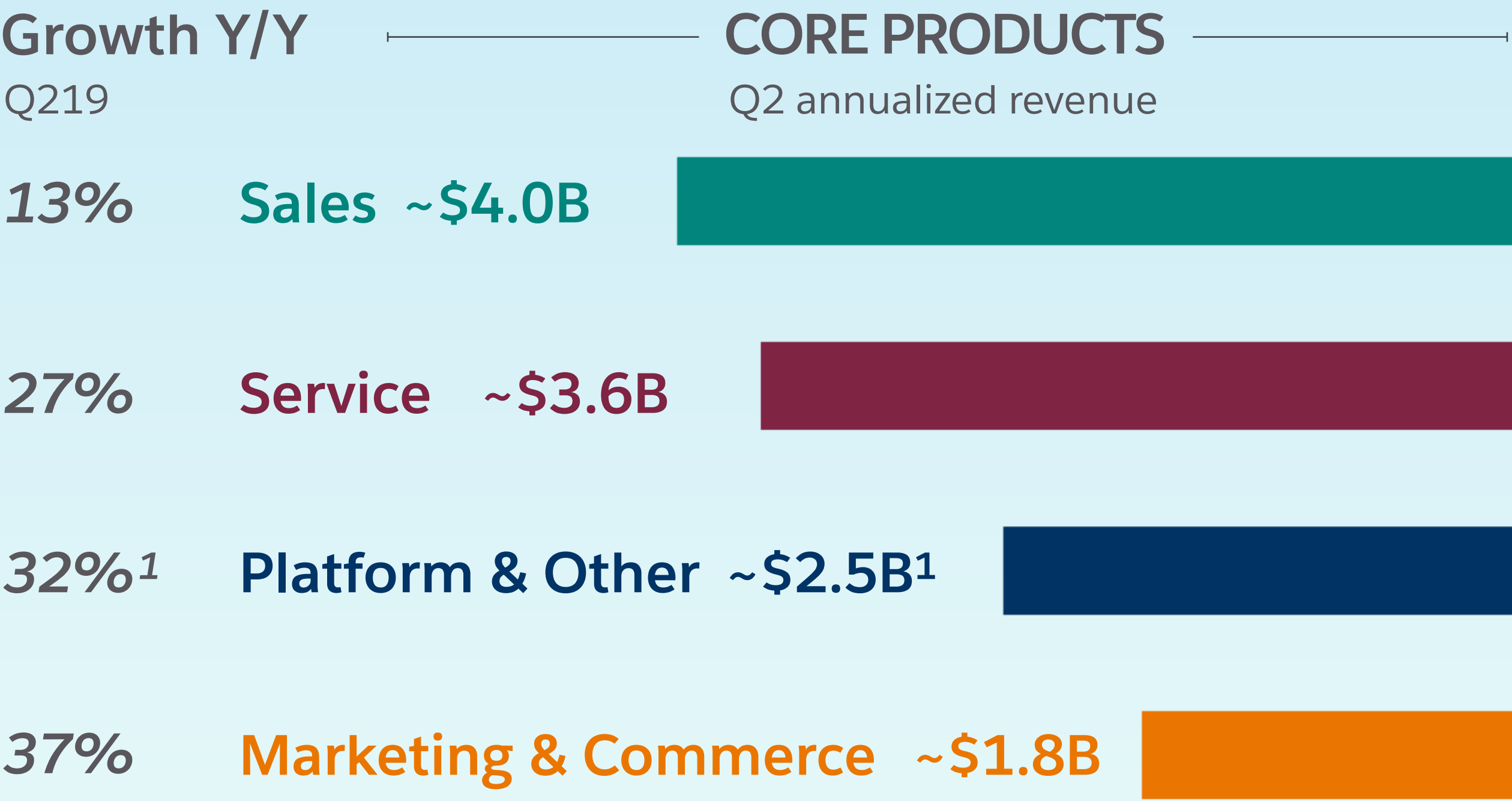
\$12B, 10%³

\$140B

Calculations performed by Salesforce and graphics created by Salesforce based on Gartner research. ¹Source: Gartner, Forecast: Enterprise Application Software, Worldwide, 2016-2022, 2Q18 Update, 29 Jun 2018. Analytics market defined as Modern BI Platforms, Traditional BI Platforms, Analytic Applications, Data Science Platforms. ²Platform & Other defined from two Gartner reports: (1) Collaboration Services per Gartner, Forecast: Enterprise Application Software, Worldwide, 2016-2022, 2Q18 Update, 29 Jun 2018; (2) Portal and Digital Engagement Technologies, Application Platform as a Service (aPaaS), Application Platform Software, Mobile App Development Platforms, Other AD, Business Process Management Suites, Testing, Identity Governance and Administration, Web Access Management (WAM) per Gartner, Forecast: Enterprise Infrastructure Software, Worldwide, 2016-2022, 2Q18 Update, 16 Jul 2018. ³Source: Gartner, Forecast: Enterprise Infrastructure Software, Worldwide, 2016-2022, 2Q18 Update, 16 Jul 2018. Integration market defined as Full Life Cycle API Management, Integration Platform as a Service (iPaaS), Application Integration Suite, Data Integration Tools.

Cloud Leadership Advantage

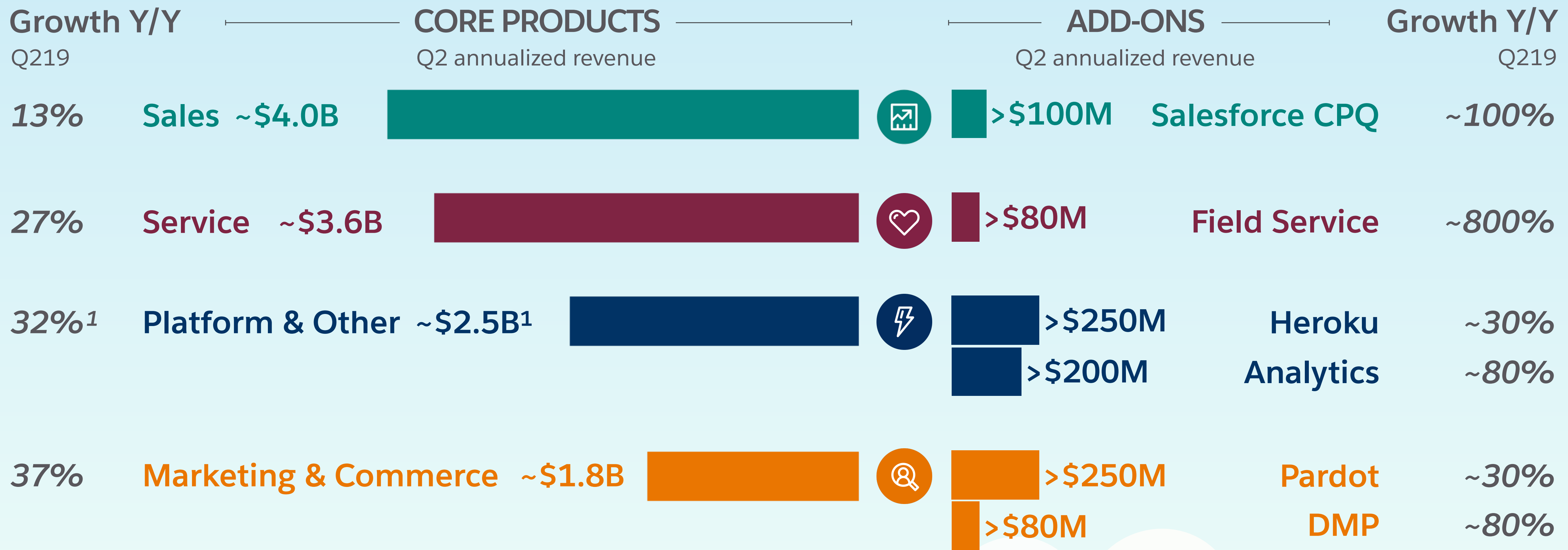
Growth and scale across clouds



¹ Platform & Other revenue and growth rate exclude MuleSoft.

Cloud Leadership Advantage

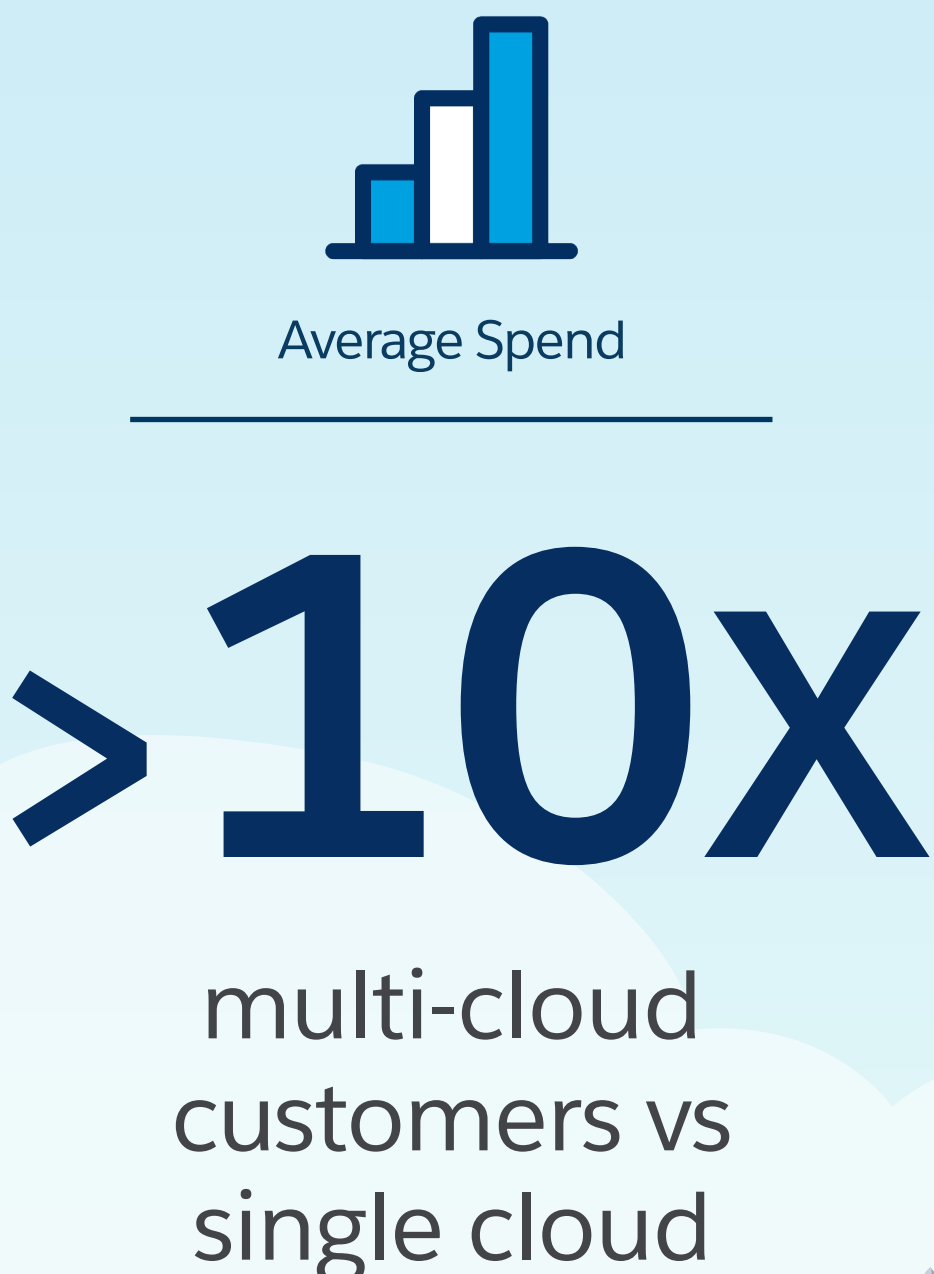
Product add-ons enhance core growth



¹ Platform & Other revenue and growth rate exclude MuleSoft.

Multi-Cloud Advantage

Customers want a 360 degree view of their customers



Note: Data is as of Q2 FY19. N = ~150,000 customers. Data excludes counts from recent acquisitions, including Demandware and MuleSoft.

Integration Advantage

MuleSoft elevates our digital transformation capability



ORACLE

Microsoft

SAP

IBM

Integration

Google

aws

NETSUITE

workday

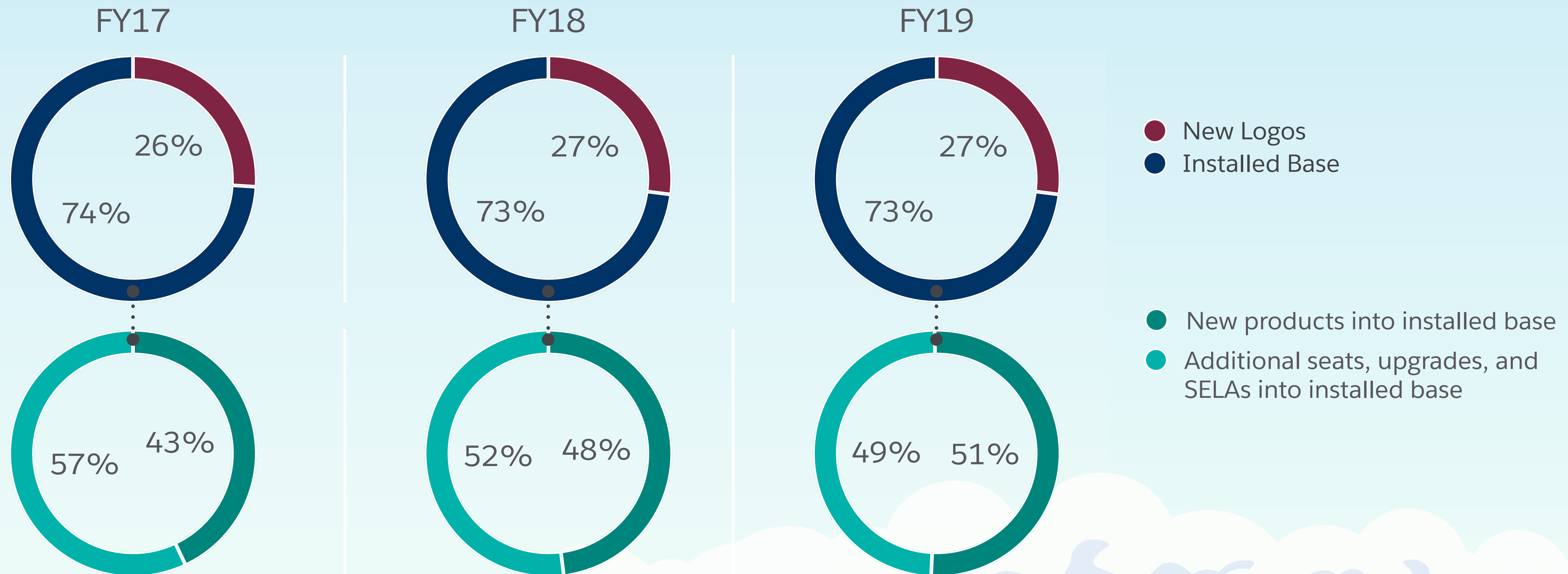
PostgreSQL

Customer Success Advantage

Land and expand drives durable growth



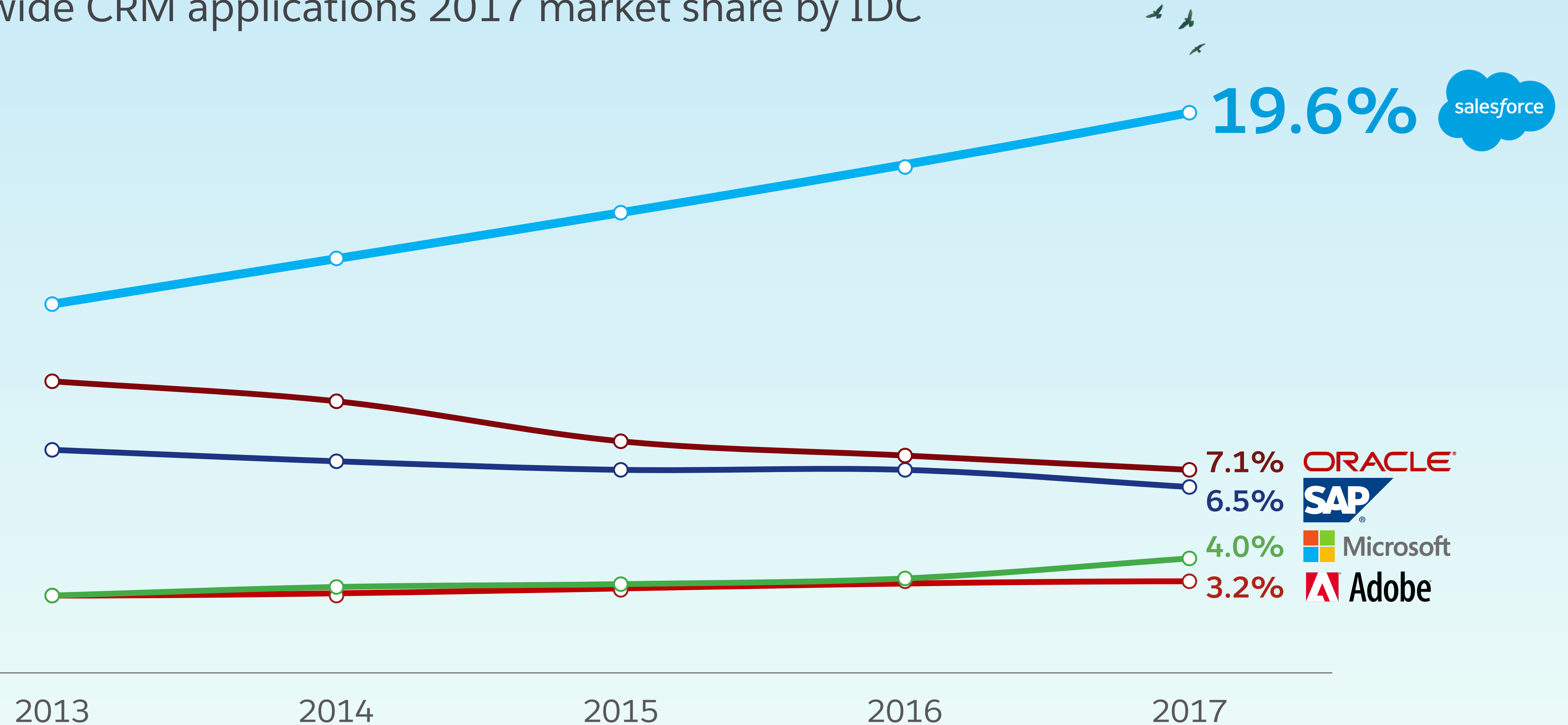
Incremental Revenue



Note: Proportions based on sales during the trailing twelve months ended July 31 (fiscal Q2) as of the fiscal years noted. Data excludes amounts from recent acquisitions, including Demandware and MuleSoft.

Salesforce #1 in CRM

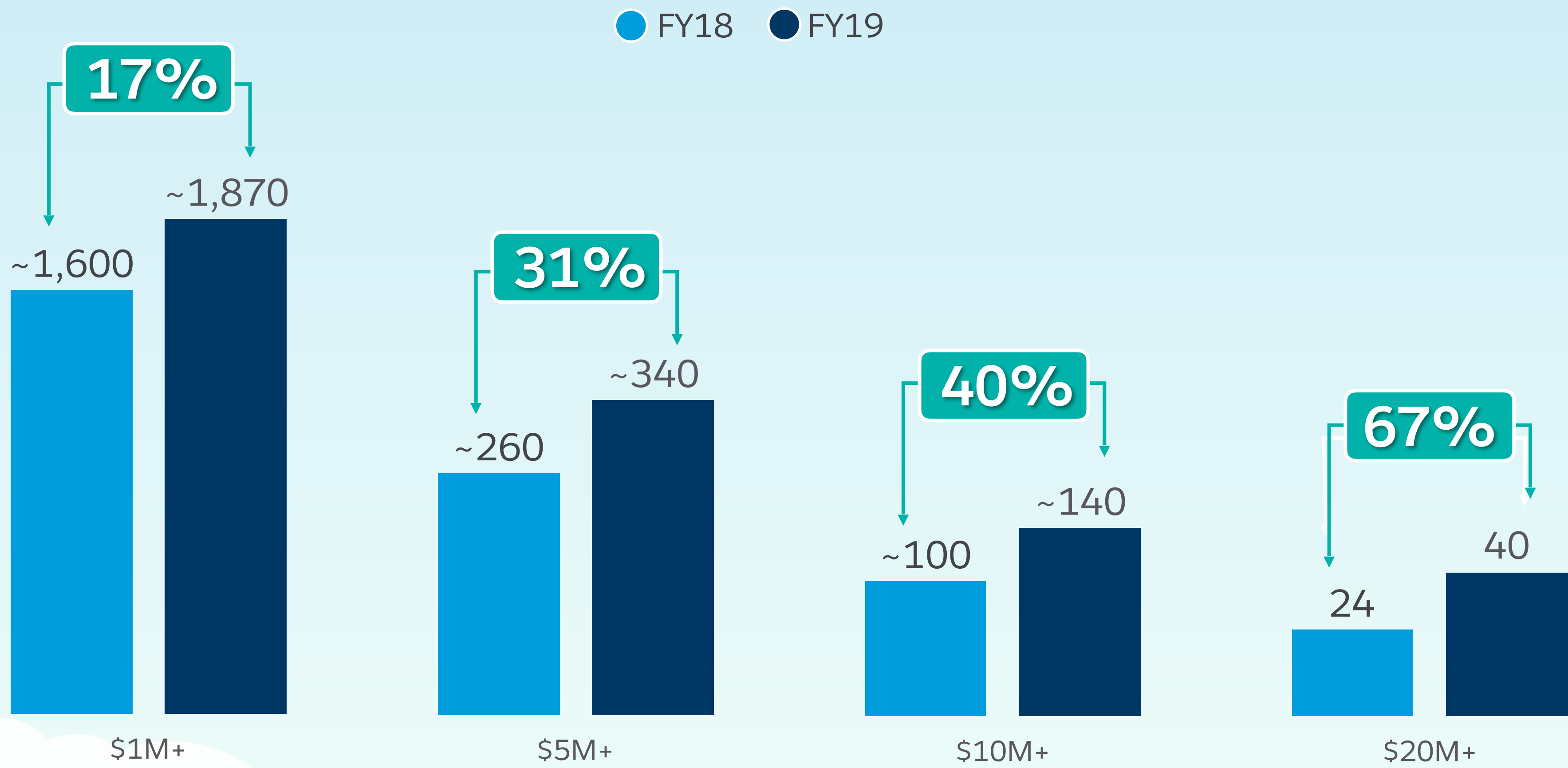
Worldwide CRM applications 2017 market share by IDC



Our Strategic Value Continues to Grow

Rapidly expanding footprint in large customers

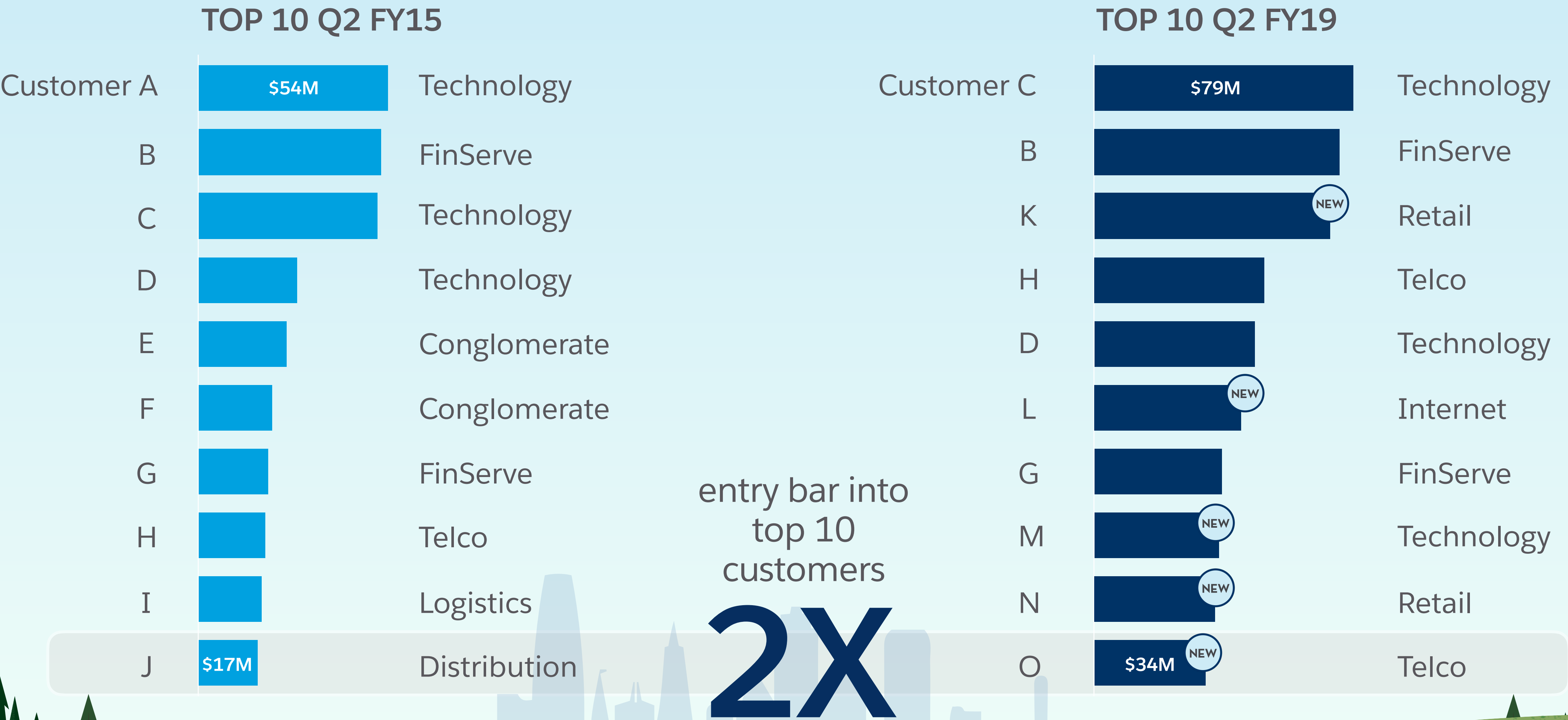
Customer Count by Annual Revenue



Note: Customer count as of Q2 for the fiscal years noted. Data excludes counts from recent acquisitions, including Demandware and MuleSoft.

A View from the Top

Growing relationships with top customers across diverse industries



Note: Represents annualized revenue as of Q2 for the fiscal years noted.

Accelerating Traction in Verticals

Speaking the language of the customer

Fortune 1000 <i>Industry</i>	Customer Count: \$10M+ Annual Spend		Customer Count: Growth
	<i>FY15</i>	<i>FY19</i>	<i>FY15 - FY19</i>
 Financial Services	3	21	7x
 Media & Comms	6	10	1.7x
 High Tech	5	10	2x
 Retail & CG	2	8	4x
 Healthcare & Life Sciences	4	8	2x
 Manufacturing	2	7	3.5x
 Others	2	5	2.5x
Total	24	69	3x

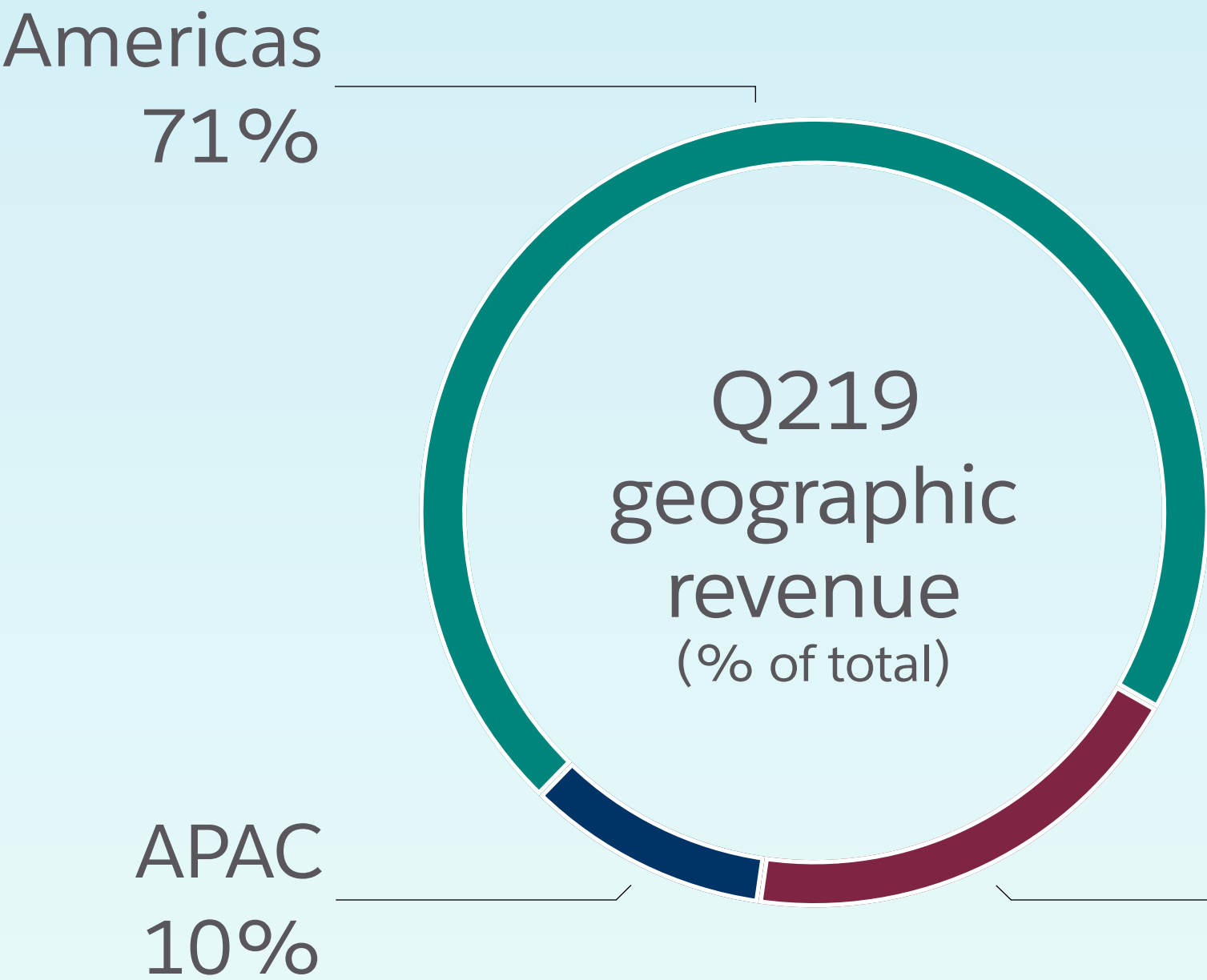


30% annual CAGR

Note: customer counts as of Q2 for the fiscal years noted. Data excludes counts from recent acquisitions, including Demandware and MuleSoft.
¹Compared to average customer spend for \$1M+ Fortune 1000 customers.

Digital Transformation Need is Global

The language of the customer is universal



Headcount
CAGR¹
FY15 - FY19

Revenue
Growth²
Y/Y

Americas

EMEA

APAC

18%

28%

31%

25%

32%

28%

Global Datacenter Footprint



¹Headcount as of Q2 for the fiscal years noted. ²Non-GAAP revenue CC growth rates as compared to the comparable prior period. We present CC information for revenue to provide a framework for assessing how our underlying business performed excluding the effects of foreign currency rate fluctuations. To present CC 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. Refer to the appendix for additional discussion on constant currency information.

Culture is a Competitive Advantage

Creates customer and employee advocacy

salesforce

#1 BEST WORKPLACES FOR
GIVING BACK
- FORTUNE MAGAZINE

BEST WORKPLACES FOR
WOMEN
- FAIRYGODBOSS

BEST PLACES TO WORK FOR
LGBTQ EQUALITY
- HUMAN RIGHTS CAMPAIGN

“CHANGE THE WORLD” LIST
- FORTUNE MAGAZINE

#1 ON THE FORTUNE “THE
FUTURE 50” LIST
- FORTUNE MAGAZINE



1% Time



1% Equity



1% Product

BEST WORKPLACES FOR
DIVERSITY
- FORTUNE MAGAZINE

WORLD'S MOST ETHICAL
COMPANIES HONOREE
ETHISPHERE 2018

3.2M+ Volunteer hours¹

\$230M+ Grants¹

37k+ Nonprofits and Education¹

#2 ON THE MOST SUSTAINABLE
COMPANIES LIST
- BARRON'S 2018

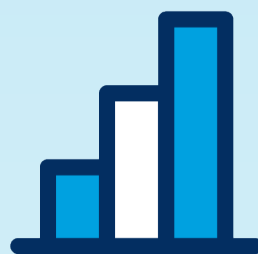
¹Volunteer Hours and Grants are cumulative through Q2 FY19.
Grants are made from Salesforce Foundation.

Scale Advantage

Unmatched team of focused CRM professionals



33,000



Hiring Growth

21%

total headcount
five year CAGR
FY14-FY19¹

800

FY05 FY06 FY07 FY08 FY09 FY10 FY11 FY12 FY13 FY14 FY15 FY16 FY17 FY18 Q219

Total Company Headcount

¹ Headcount growth as of Q2 for the fiscal years noted.

The Trailblazer Advantage

Customers and our ecosystem as evangelists

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Autodesk is a Trailblazer

salesforce



Autodesk depends on Trailhead to deliver sales onboarding and enablement.

“Trailhead helps us reach more people, faster, and gives us a deeper understanding of Salesforce capabilities.”

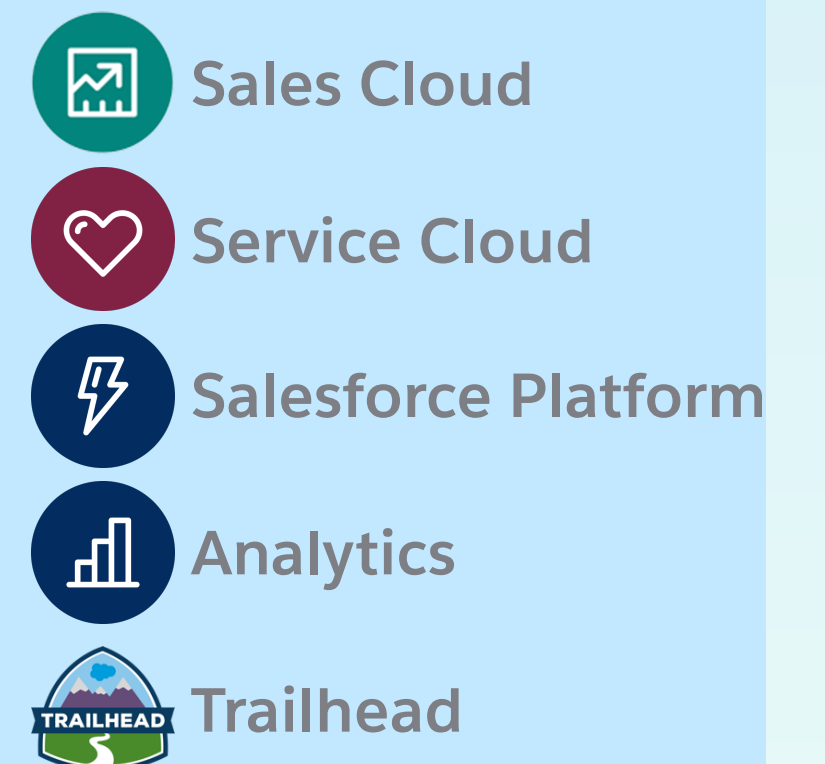
Damian O’Farrill, Product Manager AI, Sales Automation and Analytics, Autodesk.

Challenge

- Distributed workforce made group training difficult to deliver.
- Adoption was slow as many team members were new to Salesforce.
- The global team needed to migrate to Lightning in less than 60 days.
- The Automation and Analytics team was bogged down with requests for reports.
- Keeping users up-to-date on Salesforce enhancements was time consuming and untimely.

Solution

- Trailhead made learning flexible and on-demand for employees to consume on their own time.
- “Salesforce User Basics” Trailhead content ramped users quickly.
- Custom Lightning learning journeys were created with trailmixes.
- Trailhead reporting content taught users how to create their own custom reports.
- Trailhead’s seasonal release content helps users understand the latest functionality



700+ badges earned
350+ hours of learning

Ecosystem Advantage

Extends our reach and value

salesforce

Consulting Partners



accenture

APPIRIO wipro

Infosys

TATA
TATA CONSULTANCY SERVICES

Cognizant

IBM
bluewolf

Deloitte.

Capgemini

pwc

WPP

publicis
WORLDWIDE

Independent Software Vendors

ncino

APTTUS

IQVIA

DocuSign

MailChimp

conga

Veeva

Vlocity

FINANCIALFORCE



¹ Growth rates based on FY19 H1 compared to FY18 H1.

² AppExchange Solutions as of 9/13/2018.

Partnerships Enhance Value Proposition

Strategic relationships complement technology and product breadth and depth

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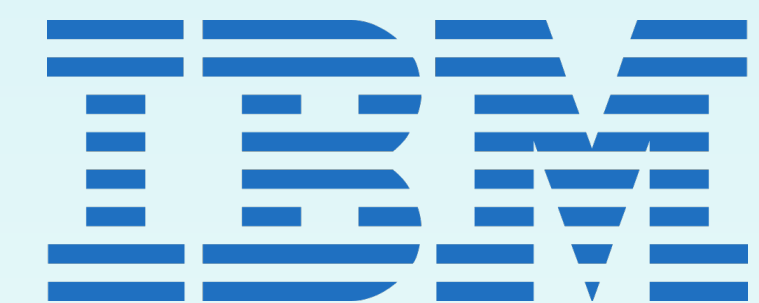
Redefining the mobile experience with new iOS apps including Salesforce Mobile, Mytrailhead app, Industry Apps and more



Google Ads, Marketing & Web Analytics, G-Suite Productivity integrations And Preferred Public Cloud Provider



Empower CIOs to simplify how data and events are shared across AWS and Salesforce services And Preferred Public Cloud Provider



Global System Integrator & AI partner for non-CRM data

Increasing Competitive Advantage

Drives durable growth

salesforce



Continue to Make History

On track to be the fastest growing to \$20B

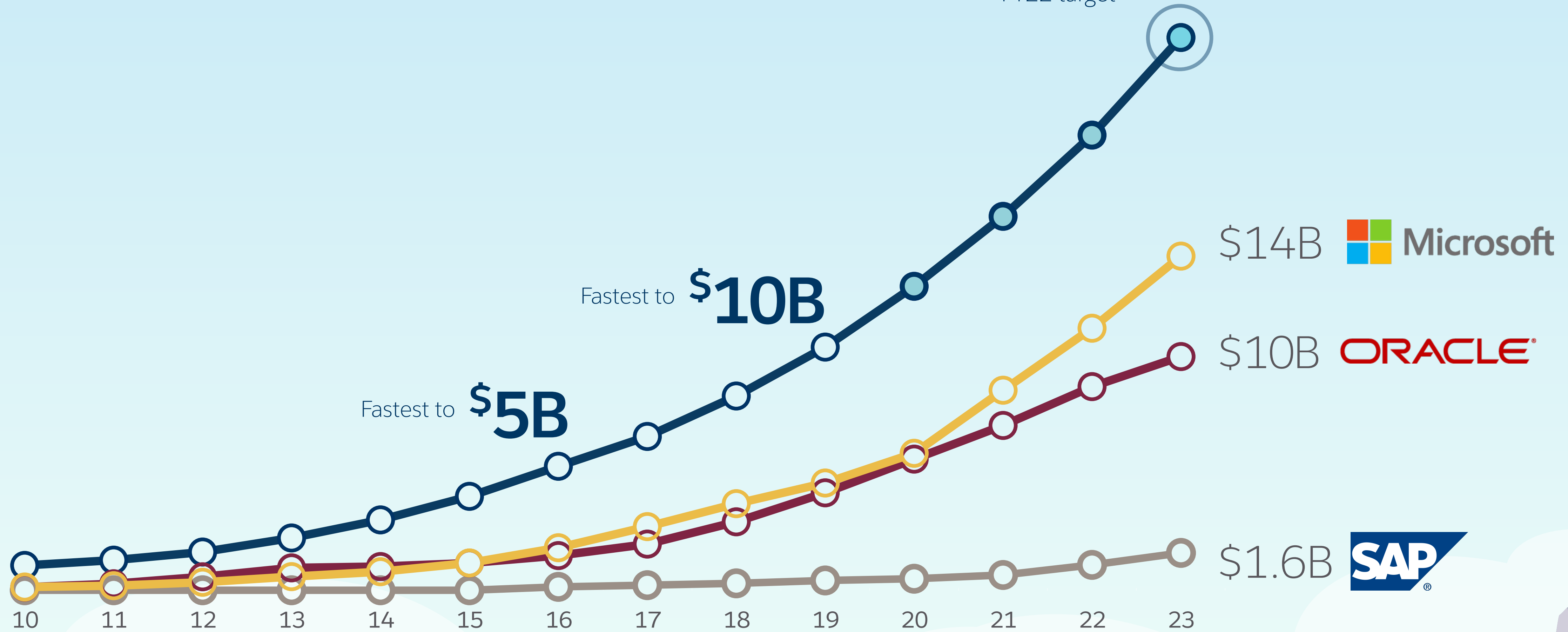
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\$21B-\$23B

FY22 target

Fastest to \$10B

Fastest to \$5B



Years Since Company Founded

Note: Salesforce revenue of \$5.4B in FY15 and \$10.5B in FY19. Source for Microsoft, Oracle, and SAP revenues: FactSet.



David Havlek

EVP, Deputy CFO



Measuring Our Success



New Accounting Standards



ASC 606

Unearned Revenue (UR)

Remaining Performance
Obligation (RPO)

Current Remaining
Performance Obligation (cRPO)

Contract Asset

ASC 340-40

Capitalized Commissions

ASU 2016-01

Marked-to-Market Accounting
of Strategic Investments



The Year of Accounting!



New Accounting Standards



ASC 606

NEW

Unearned Revenue (UR)

Remaining Performance
Obligation (RPO)

Current Remaining
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Contract Asset

ASC 340-40

NEW

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ASU 2016-01

NEW

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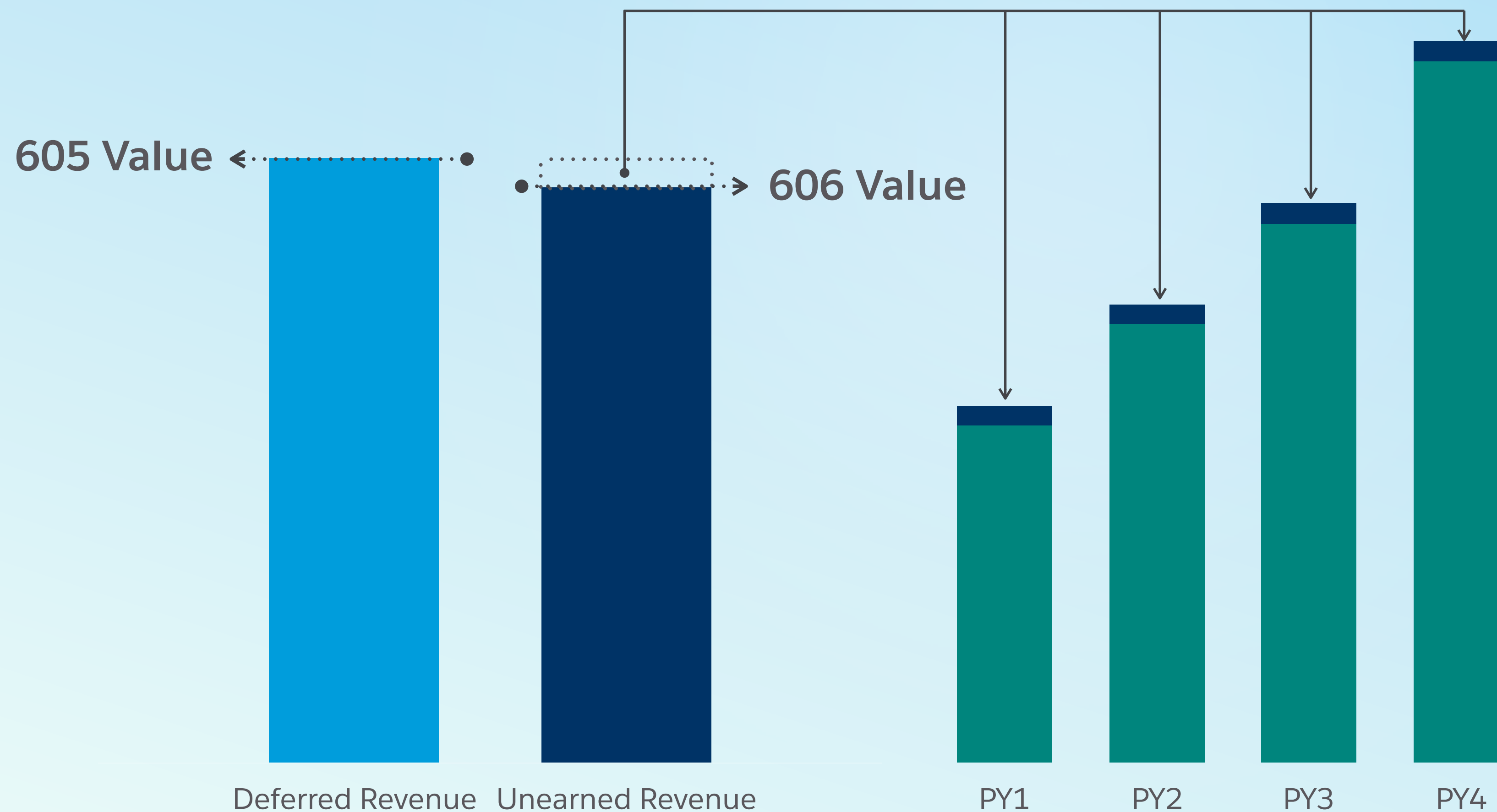
The Year of Accounting!



ASC 606^{NEW}



Unearned Revenue is the new Deferred Revenue

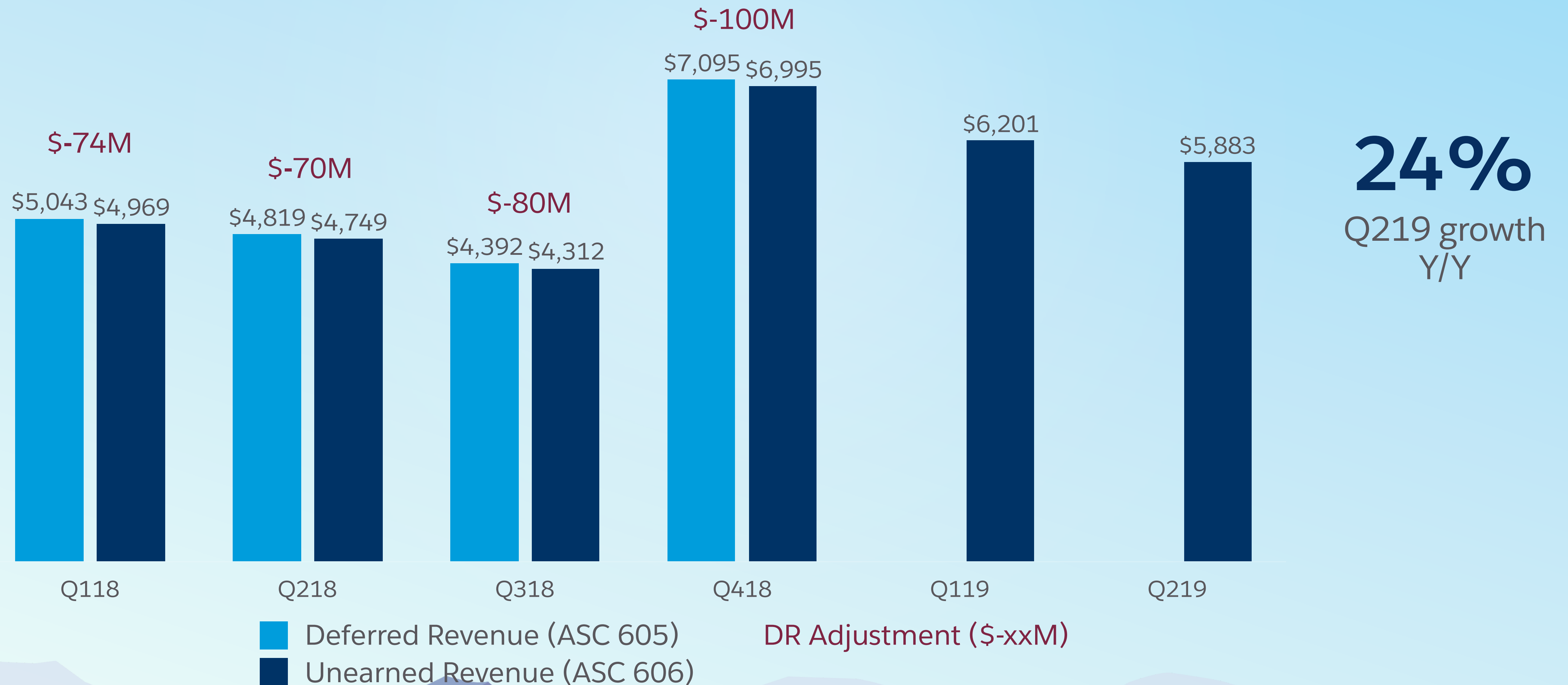


Difference between
UR and DR is
cumulative pull-
forward of revenue
to prior years

ASC 606^{NEW}



Revenue pull-forward results in an immaterial difference between UR and DR

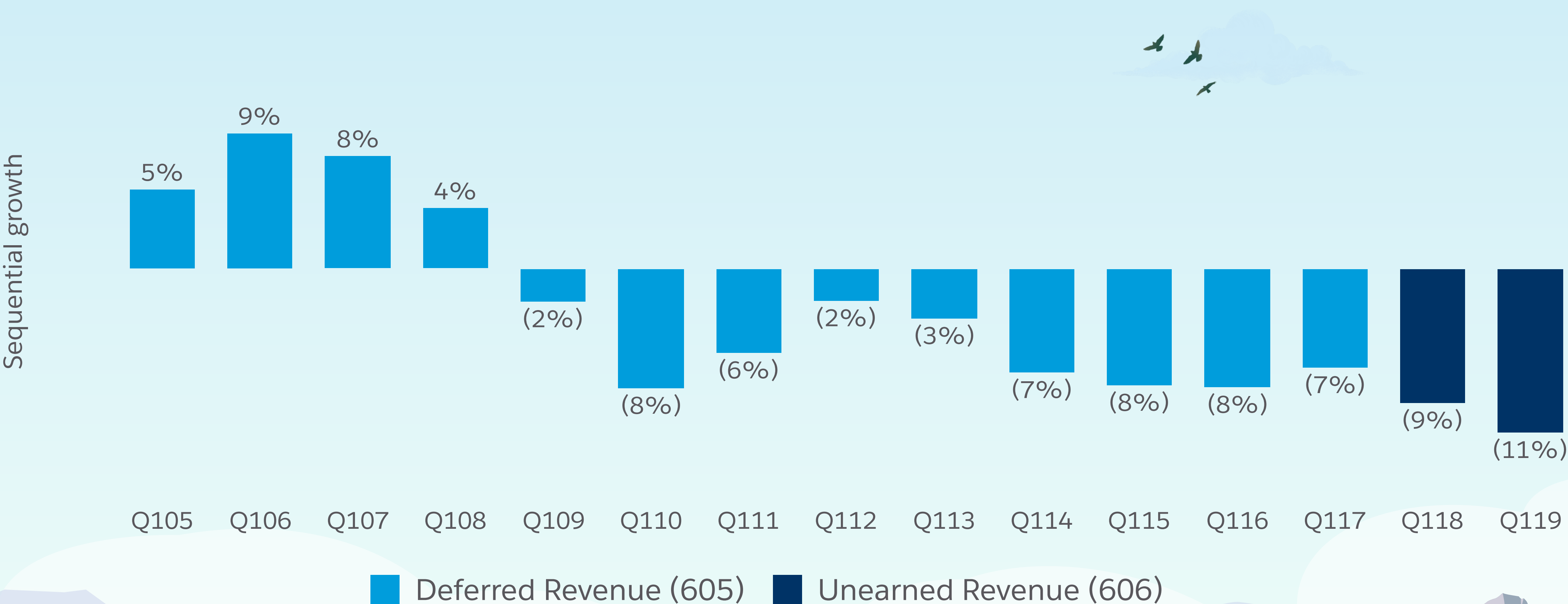


DR/UR Seasonality Continues to Deepen



Seasonal invoicing, more linear amortization

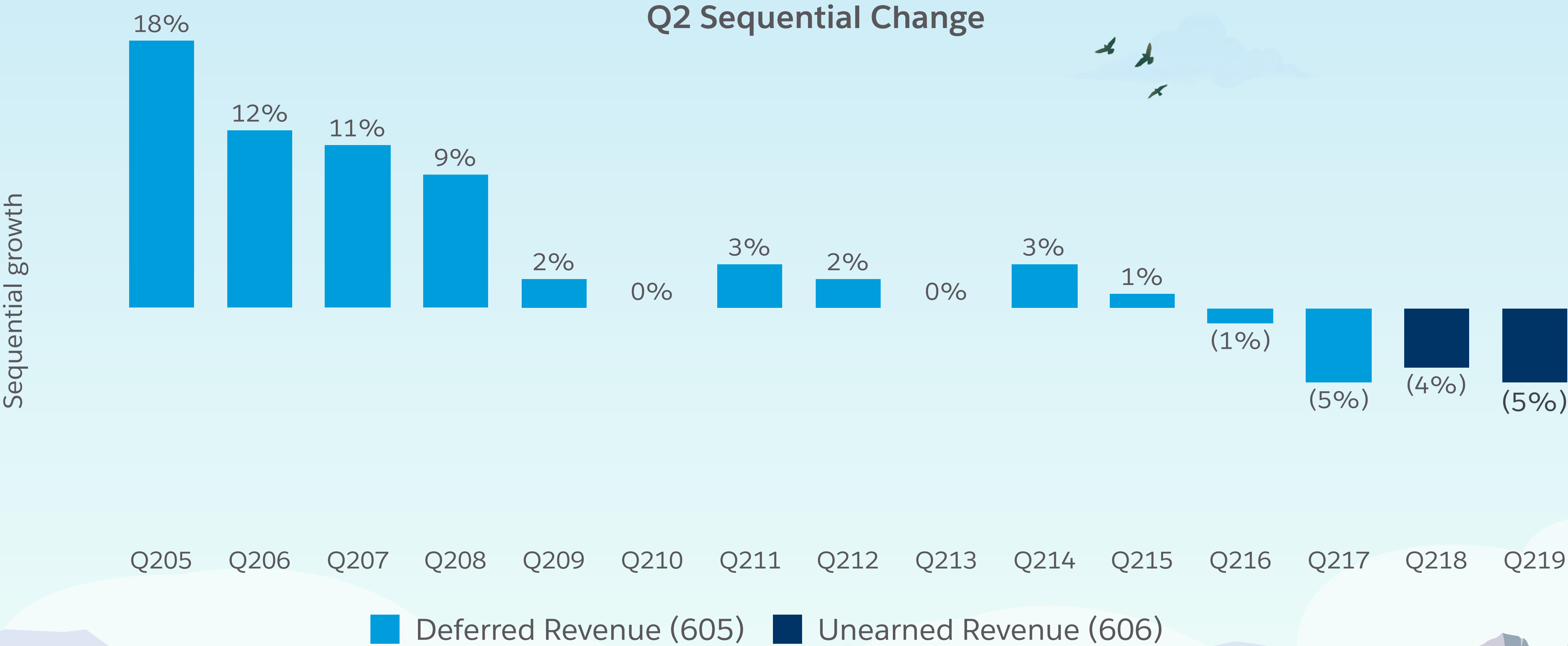
Q1 Sequential Change



DR/UR Seasonality Continues to Deepen

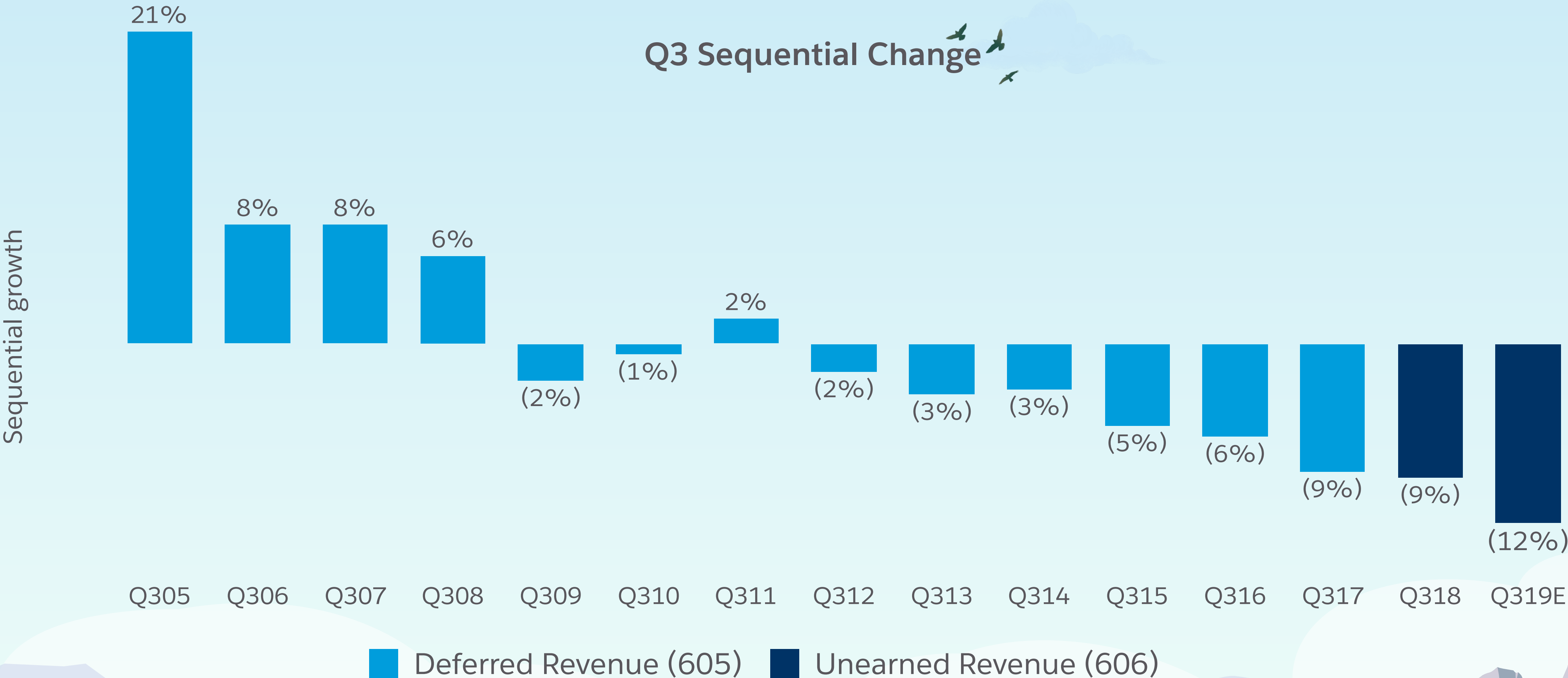


Seasonal invoicing, more linear amortization



DR/UR Seasonality Continues to Deepen

Seasonal invoicing, more linear amortization



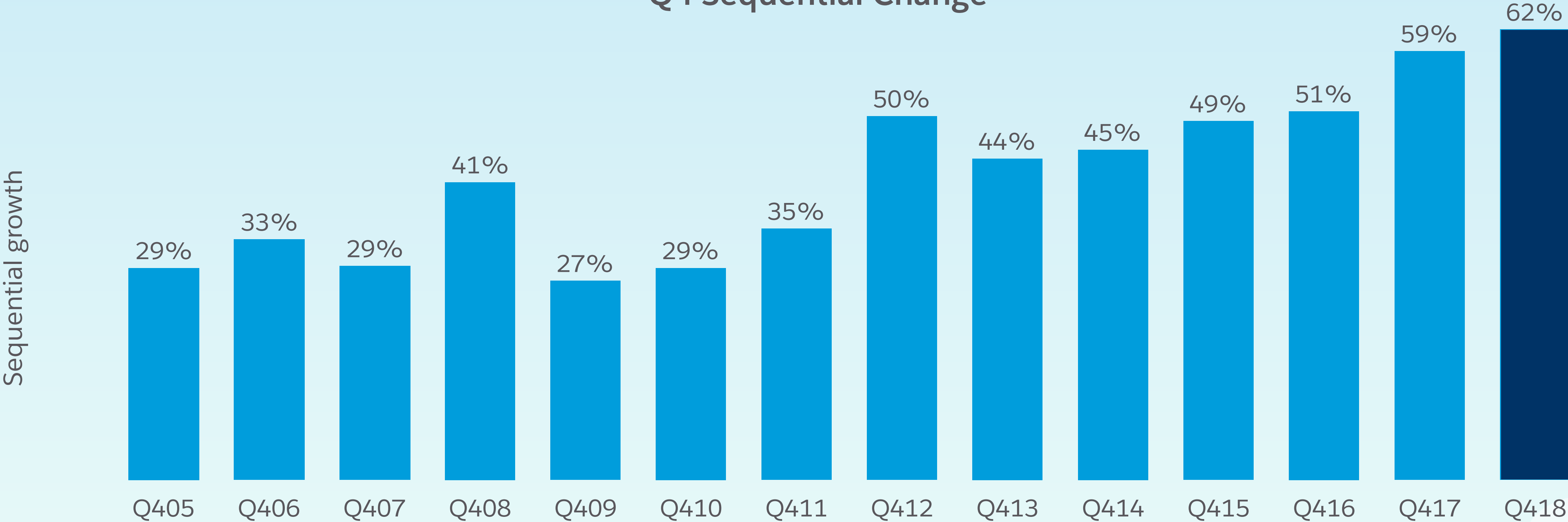
¹Based on Q3 Unearned Revenue guidance provided August 29, 2018.

DR/UR Seasonality Continues to Deepen

Seasonal invoicing, more linear amortization



Q4 Sequential Change



■ Deferred Revenue (605) ■ Unearned Revenue (606)



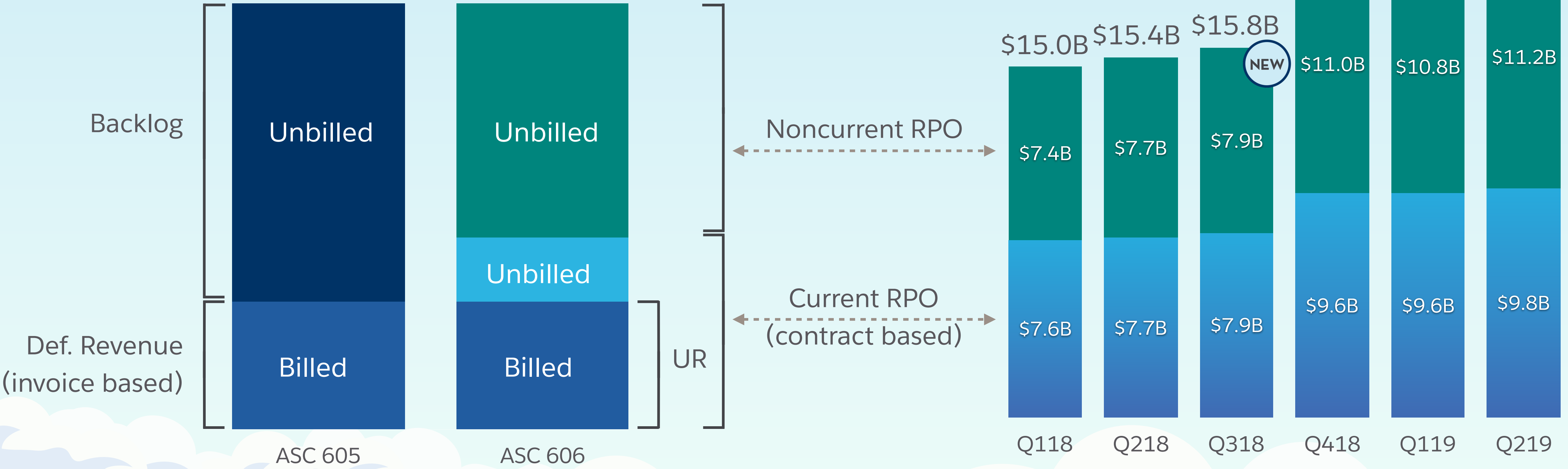
Remaining Performance Obligation^{NEW}



Current RPO provides incremental insight to future revenue

Financial Disclosure Example

Remaining Performance Obligation



UR, RPO and cRPO in Action

A deal example



\$ millions	Year 1		Year 2		Year 3		Year 4
	H1	H2	H1	H2	H1	H2	H1
UR							
RPO							
cRPO							
Revenue							

Deal Terms

Value: \$60 million

Term: 3 years

Inv. Frequency: Annual

Timing: Signed last day of Q2



UR, RPO and cRPO in Action

A deal example



\$ millions	Year 1		Year 2		Year 3		Year 4
	H1	H2	H1	H2	H1	H2	H1
UR	20	10	20	10	20	10	0
RPO							
cRPO							
Revenue							

Deal Terms

Value: \$60 million

Term: 3 years

Inv. Frequency: Annual

Timing: Signed last day of Q2



UR, RPO and cRPO in Action

A deal example



\$ millions	Year 1		Year 2		Year 3		Year 4
	H1	H2	H1	H2	H1	H2	H1
UR	20	10	20	10	20	10	0
RPO	60	50	40	30	20	10	0
cRPO							
Revenue							

Deal Terms

Value: \$60 million

Term: 3 years

Inv. Frequency: Annual

Timing: Signed last day of Q2



UR, RPO and cRPO in Action

A deal example

\$ millions	Year 1		Year 2		Year 3		Year 4
	H1	H2	H1	H2	H1	H2	H1
UR	20	10	20	10	20	10	0
RPO	60	50	40	30	20	10	0
cRPO	20	20	20	20	20	10	0
Revenue							

Deal Terms

Value: \$60 million

Term: 3 years

Inv. Frequency: Annual

Timing: Signed last day of Q2

UR, RPO and cRPO in Action

A deal example

\$ millions	Year 1		Year 2		Year 3		Year 4
	H1	H2	H1	H2	H1	H2	H1
UR	20	10	20	10	20	10	0
RPO	60	50	40	30	20	10	0
cRPO	20	20	20	20	20	10	0
Revenue	0	10	10	10	10	10	10

Deal Terms

Value: \$60 million

Term: 3 years

Inv. Frequency: Annual

Timing: Signed last day of Q2

UR, RPO and cRPO in Action

cRPO is more consistent than UR and RPO

\$ millions	Year 1		Year 2		Year 3		Year 4
	H1	H2	H1	H2	H1	H2	H1
UR	20	10	20	10	20	10	0
RPO	60	50	40	30	20	10	0
cRPO	20	20	20	20	20	10	0
Revenue	0	10	10	10	10	10	10

Early Renewal Terms
Value: \$80 million
Term: 4 years
Inv. Frequency: Annual
Timing: Signed last day of Q2

	H1	H2	
UR	20	10	...
RPO	80	70	...
cRPO	20	20	...
FY Revenue	10	10	...

UR, RPO and cRPO in Action

cRPO is more consistent than UR and RPO

\$ millions	Year 1		Year 2		Year 3		Year 4
	H1	H2	H1	H2	H1	H2	H1
UR	20	10	20	10	20	10	0
RPO	60	50	40	30	20	10	0
cRPO	20	20	20	20	20	10	0
Revenue	0	10	10	10	10	10	10

Early Renewal Terms

Value: \$80 million

Term: 4 years

Inv. Frequency: Annual

Timing: Signed last day of Q4

	H2	H1	H2	
UR	20	10	20	...
RPO	80	70	60	...
cRPO	20	20	20	...
FY Revenue	10	10	10	...

UR, RPO and cRPO in Action

cRPO is more consistent than UR and RPO

\$ millions	Year 1		Year 2		Year 3		Year 4
	H1	H2	H1	H2	H1	H2	H1
UR	20	10	20	10	20	10	0
RPO	60	50	40	30	20	10	0
cRPO	20	20	20	20	20	10	0
Revenue	0	10	10	10	10	10	10

Early Renewal Terms

Value: \$80 million

Term: 4 years

Inv. Frequency: Annual

Timing: Signed last day of Q4

	H2	H1	H2	
UR	20	10	20	...
RPO	80	70	60	...
cRPO	20	20	20	...
FY Revenue	10	10	10	...

UR, RPO and cRPO in Action

cRPO is more consistent than UR and RPO

\$ millions	Year 1		Year 2		Year 3		Year 4
	H1	H2	H1	H2	H1	H2	H1
UR	20	10	20	10	20	10	0
RPO	60	50	40	30	20	10	0
cRPO	20	20	20	20	20	10	0
Revenue	0	10	10	10	10	10	10

Early Renewal Terms

Value: \$80 million

Term: 4 years

Inv. Frequency: Annual

Timing: Signed last day of Q4

	H2	H1	H2	
UR	20	10	20	...
RPO	80	70	60	...
cRPO	20	20	20	...
FY Revenue	10	10	10	...

UR, RPO and cRPO in Action

cRPO is more consistent than UR and RPO

\$ millions	Year 1		Year 2		Year 3		Year 4
	H1	H2	H1	H2	H1	H2	H1
UR	20	10	20	10	20	10	0
RPO	60	50	40	30	20	10	0
cRPO	20	20	20	20	20	10	0
Revenue	0	10	10	10	10	10	10

Early Renewal Terms

Value: \$80 million

Term: 4 years

Inv. Frequency: Annual

Timing: Signed last day of Q4

	H2	H1	H2	
UR	20	10	20	...
RPO	80	70	60	...
cRPO	20	20	20	...
FY Revenue	10	10	10	...

UR, RPO and cRPO in Action

cRPO is more consistent than UR and RPO

\$ millions	Year 1		Year 2		Year 3		Year 4
	H1	H2	H1	H2	H1	H2	H1
UR	20	10	20	10	20	10	0
RPO	60	50	40	30	20	10	0
cRPO	20	20	20	20	20	10	0
Revenue	0	10	10	10	10	10	10

Early Renewal Terms

Value: \$80 million

Term: 4 years

Inv. Frequency: Annual

Timing: Signed last day of Q4

	H2	H1	H2	
UR	20	10	20	...
RPO	80	70	60	...
cRPO	20	20	20	...
FY Revenue	10	10	10	...

Components of Growth



Contract timing, duration and terms impact growth component measures

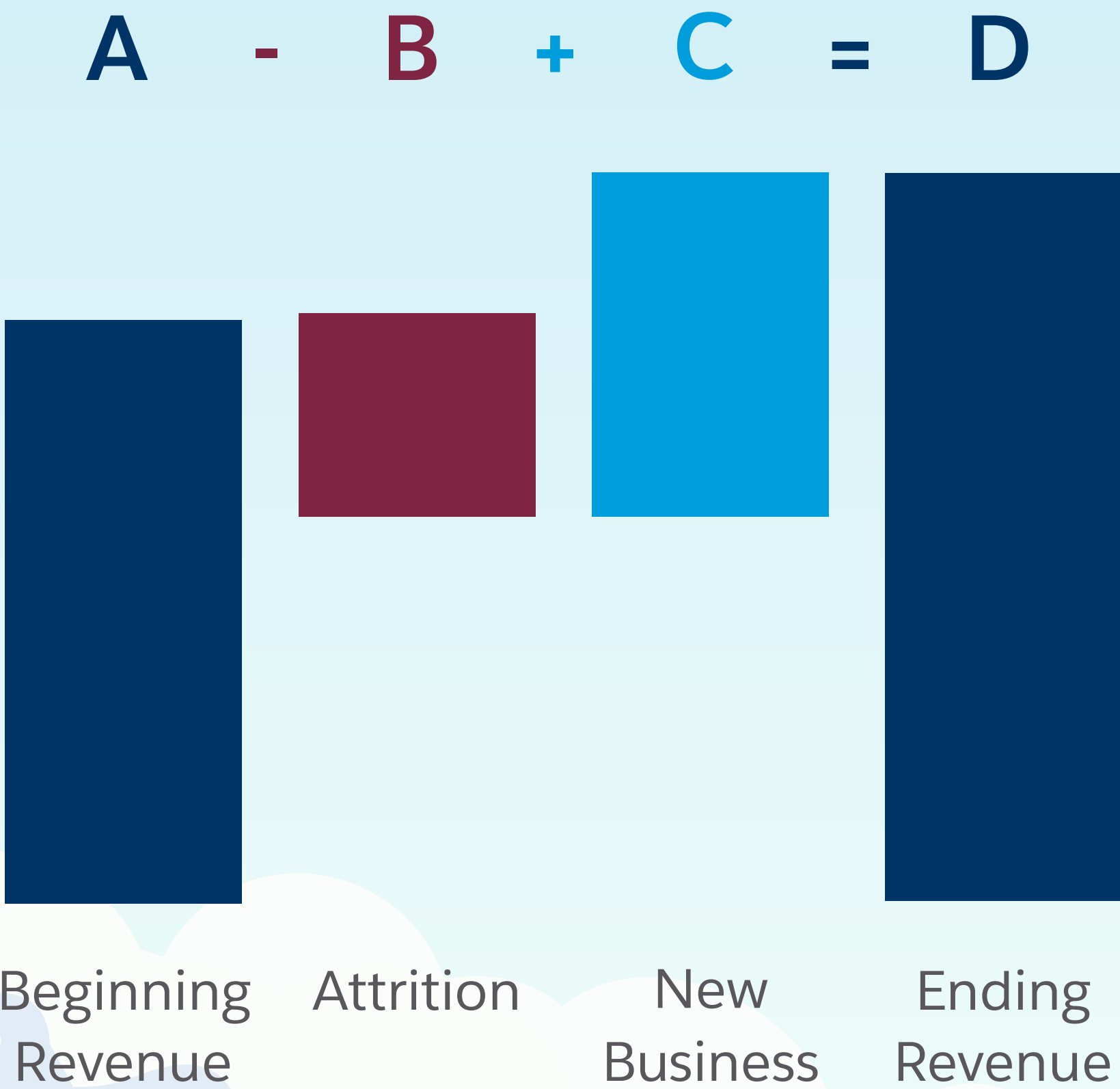
	Past	Today
Revenue	Known	Known
Contracted & Billed	DR	UR ^{NEW}
Contracted & Unbilled	ST LT	cRPO RPO
Renewals	?	?
New Business	?	?
	ASC 605	ASC 606

Timing

Duration

Terms

SaaS Model
A Simple Formula

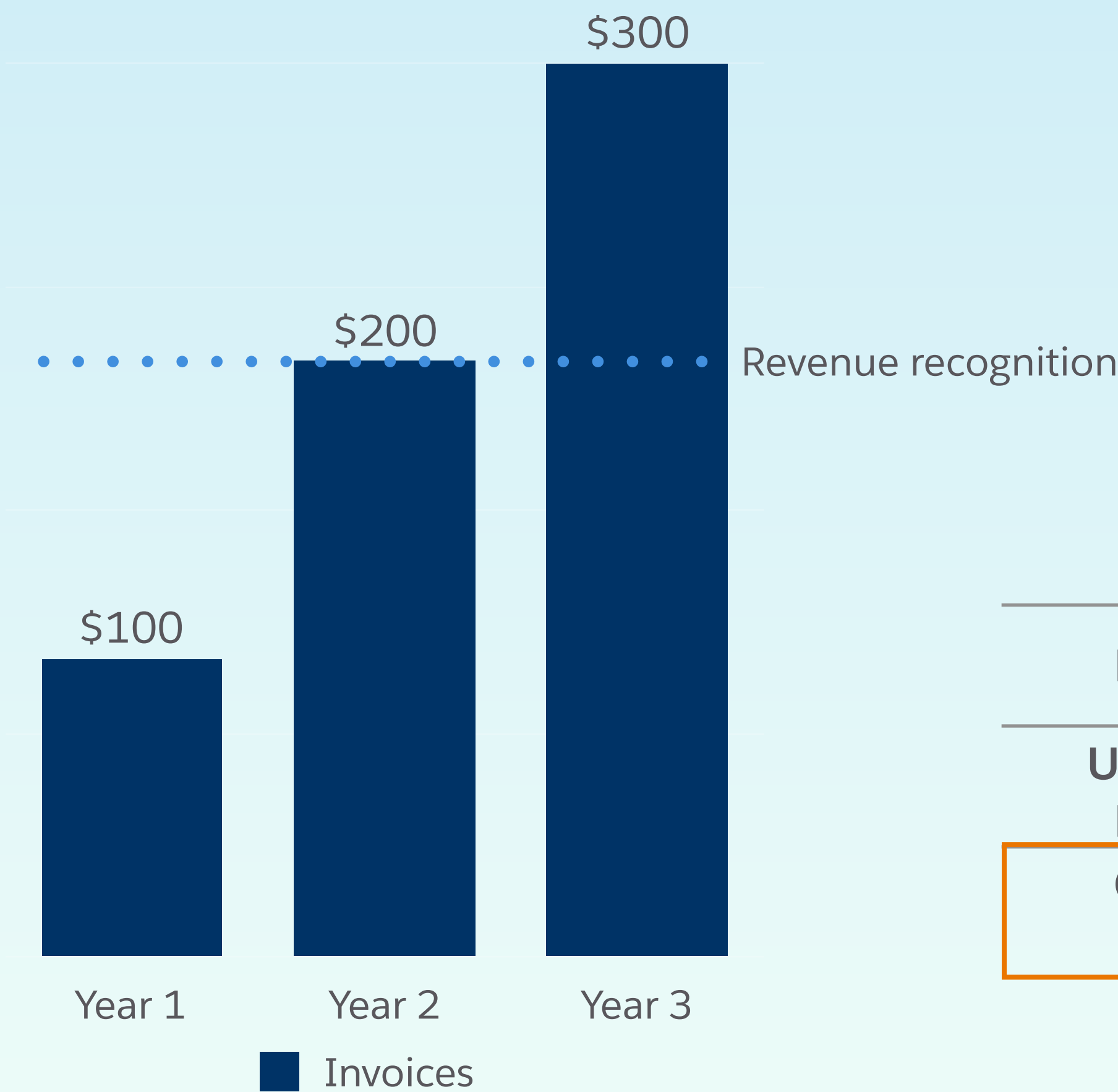


Contract Asset: Revenue Ahead of Invoicing



Provides insights to cash flow results

Illustrative Example



Deal Terms:

Value: \$600

Term: 3 years

Inv. Terms: Annually on day 1 of Q1

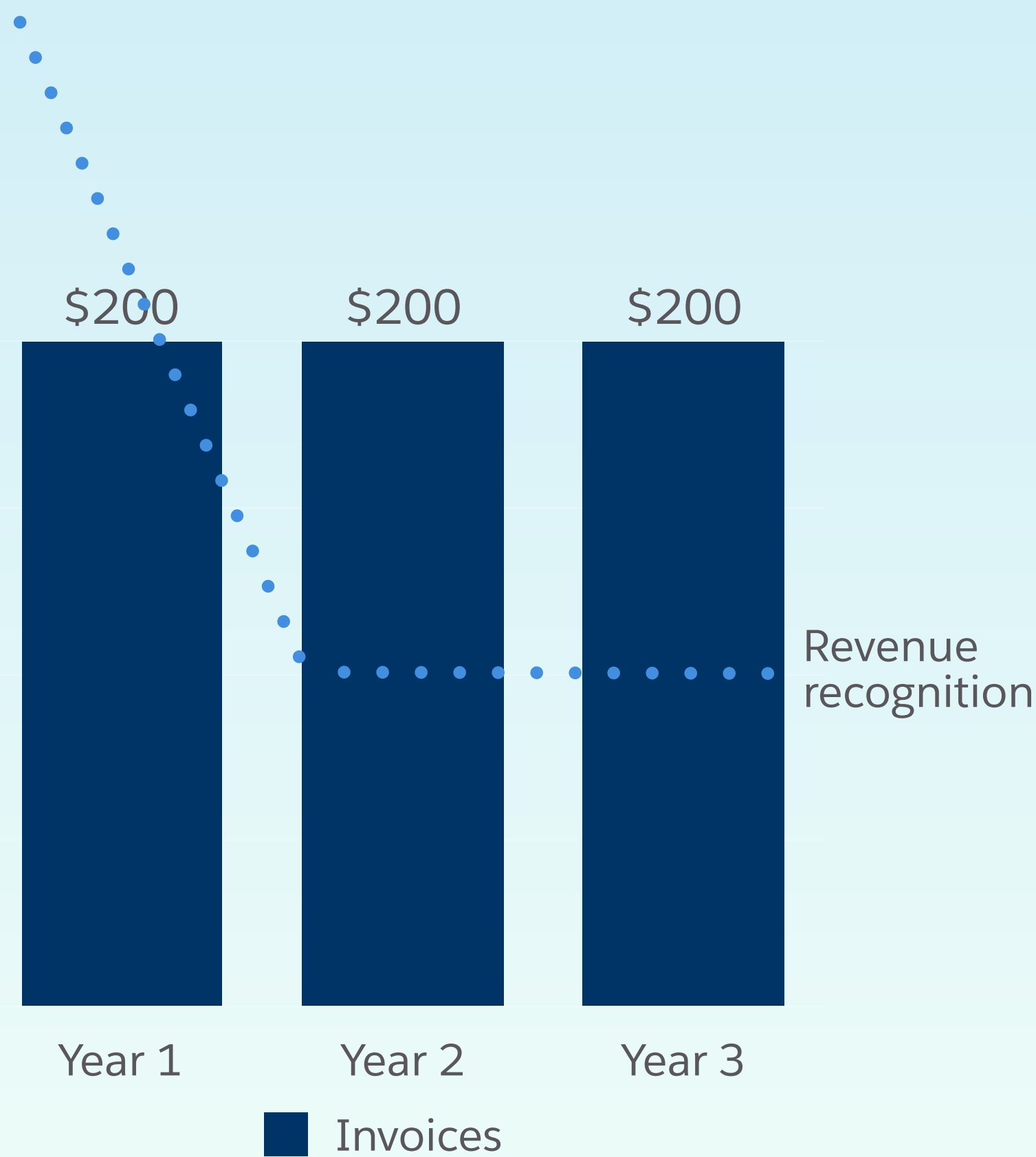
	Invoice \$100				Invoice \$200				Invoice \$300			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	50	50	50	50	50	50	50	50	50	50	50	50
Unearned Revenue	50	0	0	0	50	0	0	0	150	100	50	0
Contract Asset	0	0	50	100	0	0	50	100	0	0	0	0

Contract Asset: MuleSoft Term License



Provides insights to cash flow results

Illustrative Example



Deal Terms:

Value: \$600, 50% license, 50% maintenance

Term: 3 years

Inv. Terms: Annually on day 1 of Q1

	Invoice \$200				Invoice \$200				Invoice \$200			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	325	25	25	25	25	25	25	25	25	25	25	25
Unearned Revenue	0	0	0	0	0	0	0	0	75	50	25	0
Contract Asset	125	150	175	200	25	50	75	100	0	0	0	0

Implications of Other New Standards



ASC 340-40

NEW

Capitalized Commissions

4 years

new business
commissions
amortization period

2 years

renewals
commissions
amortization period

New capitalized items:

Non-quota employees tied to new contracts

Commissions paid on renewals

Payroll taxes and fringe benefits

Partner success fees in emerging markets

ASU 2016-01

NEW

Marked-to-Market Accounting
of Strategic Investments

\$0.43

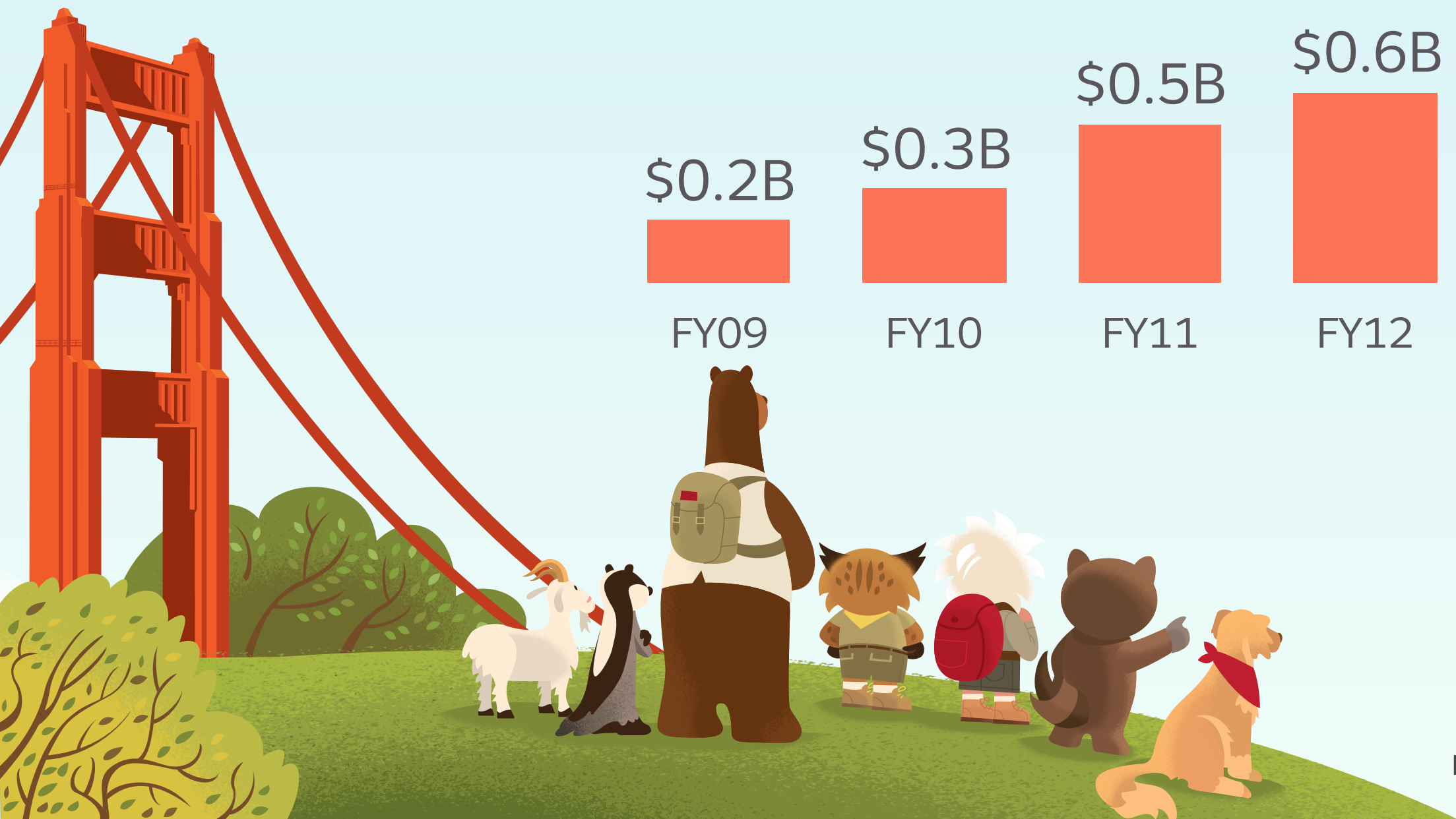
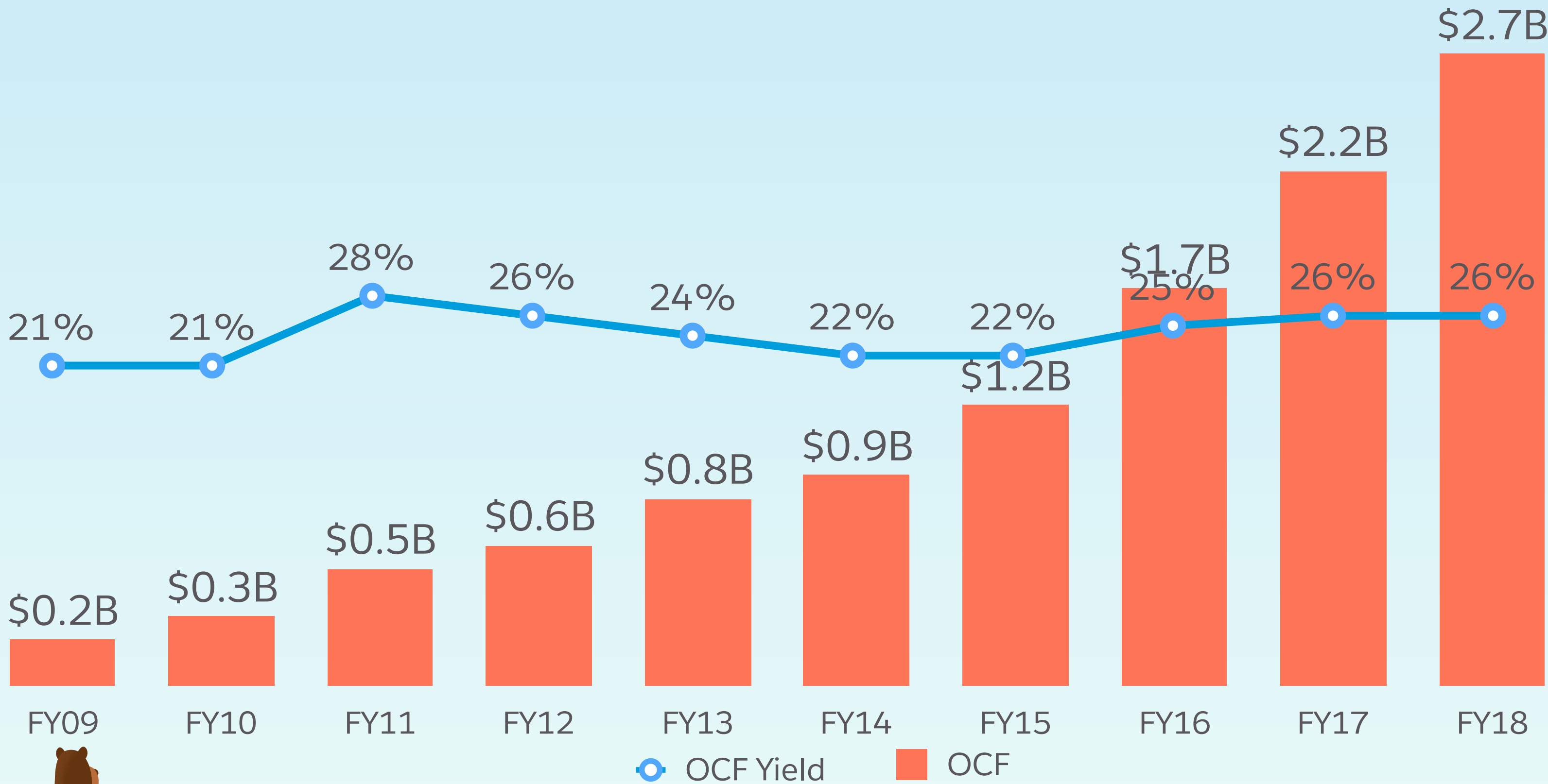
benefit to GAAP
EPS in 1H19

\$0.36

benefit to non-GAAP
EPS in 1H19

Strong Operating Cash Flow

New accounting standards have no impact on cash flow

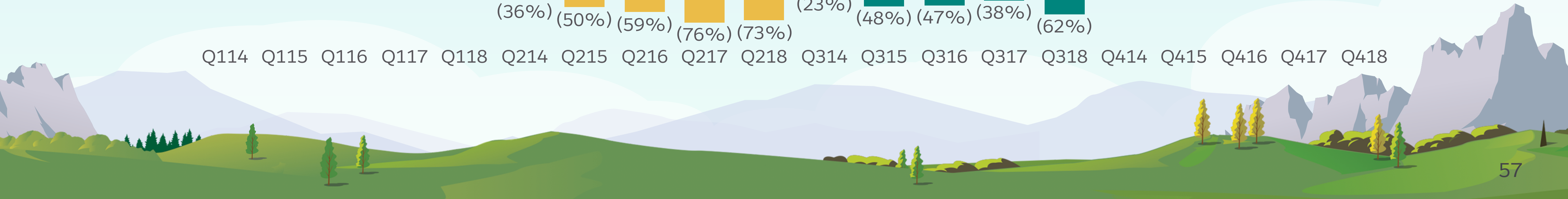
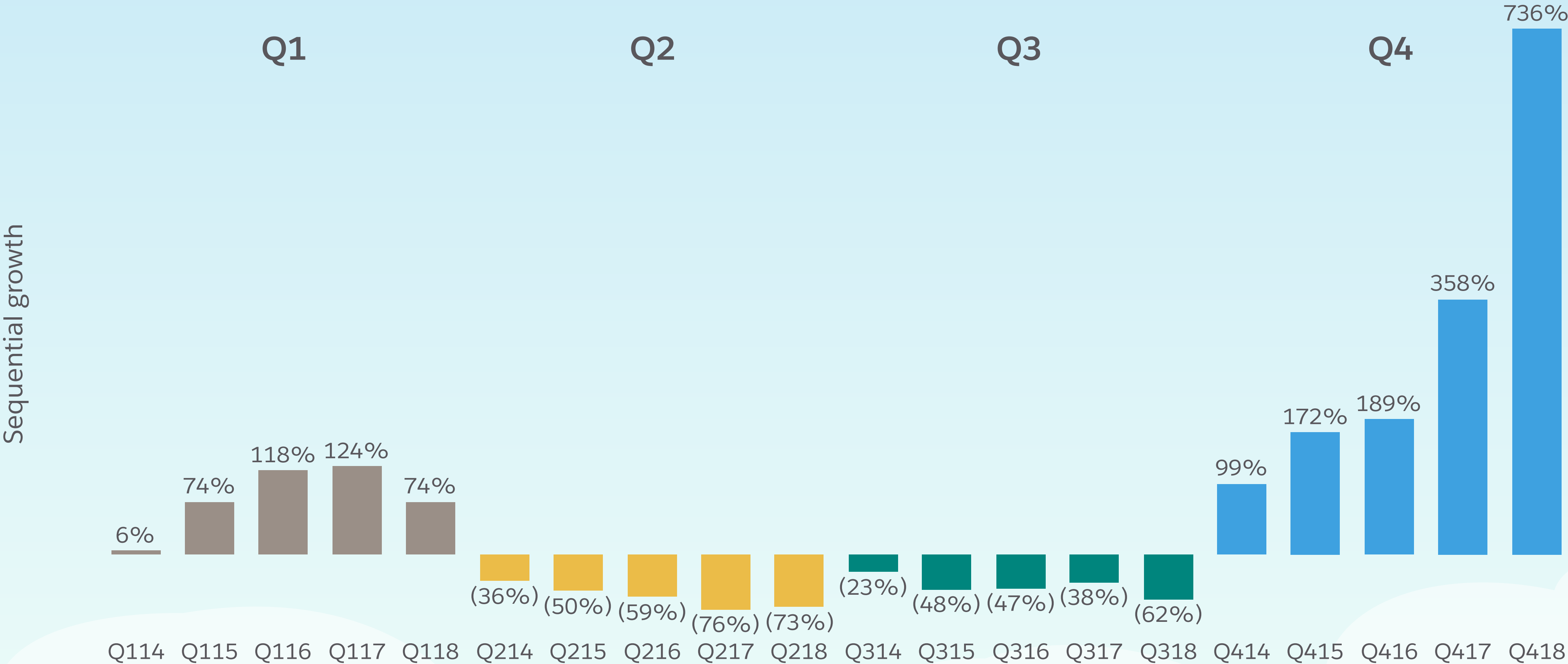


Note: OCF Yield is defined as operating cash flow over revenue for the fiscal years noted.

Cash Flow Seasonality Continues to Deepen



Seasonal invoicing, more linear cash expenses

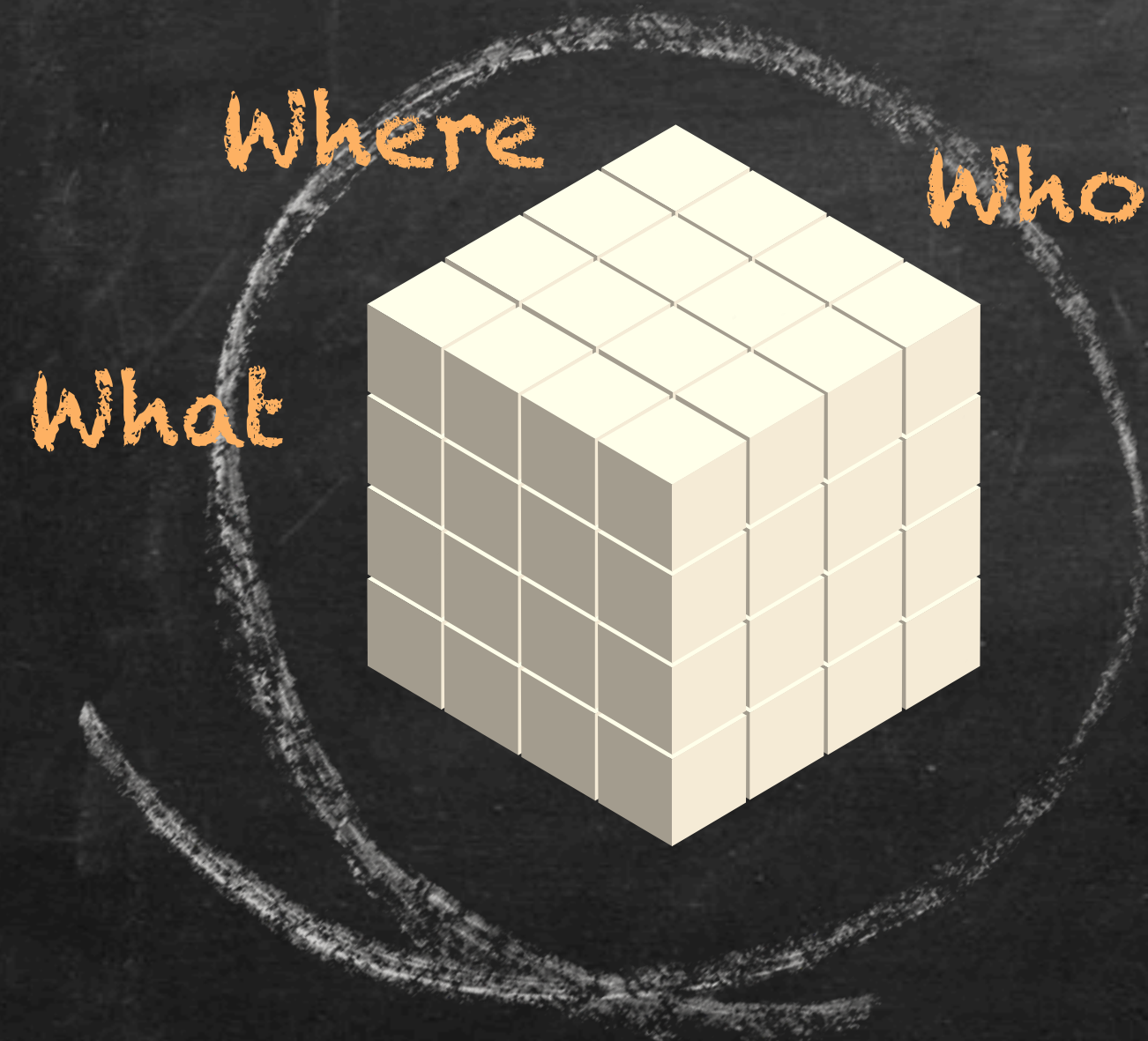


Managing Our Success

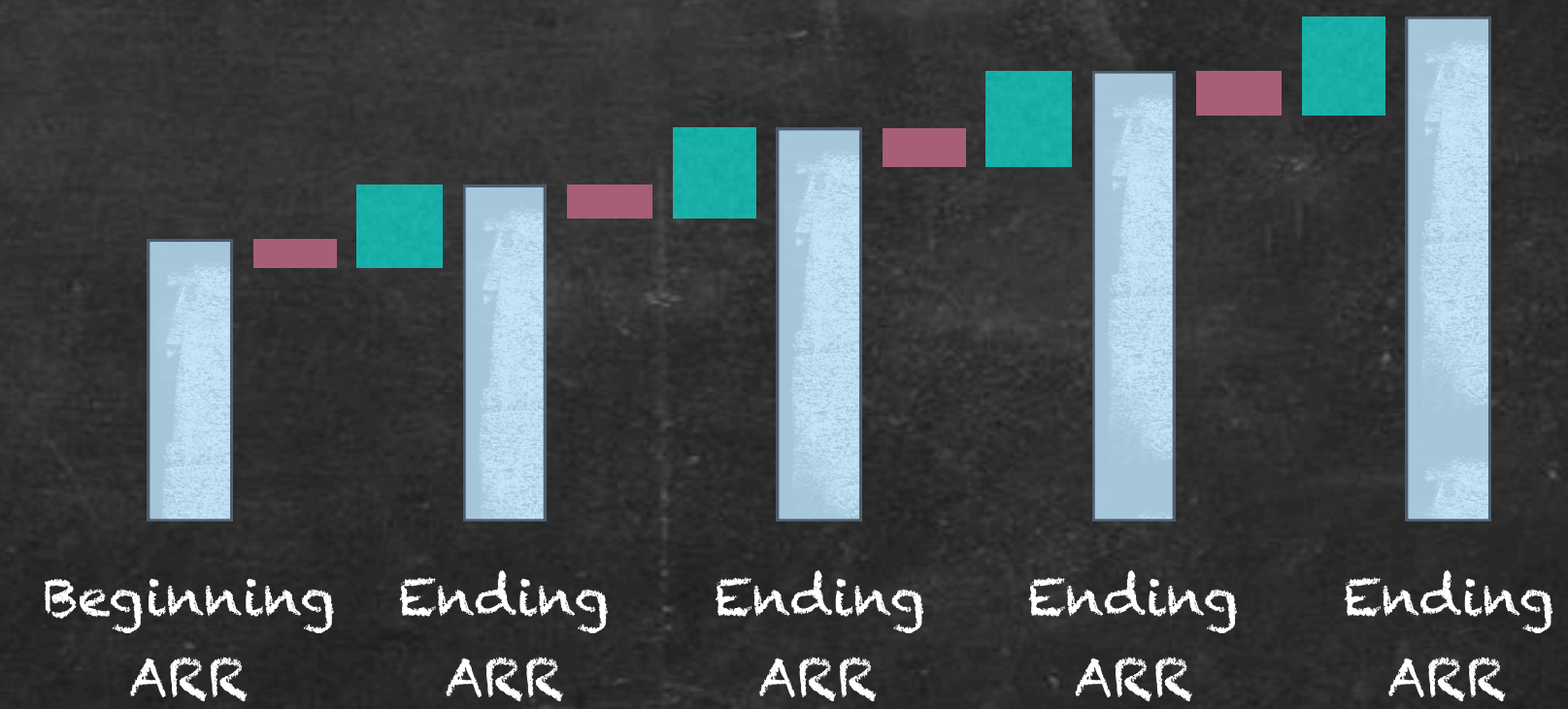


Back to School

Subscription
Economics

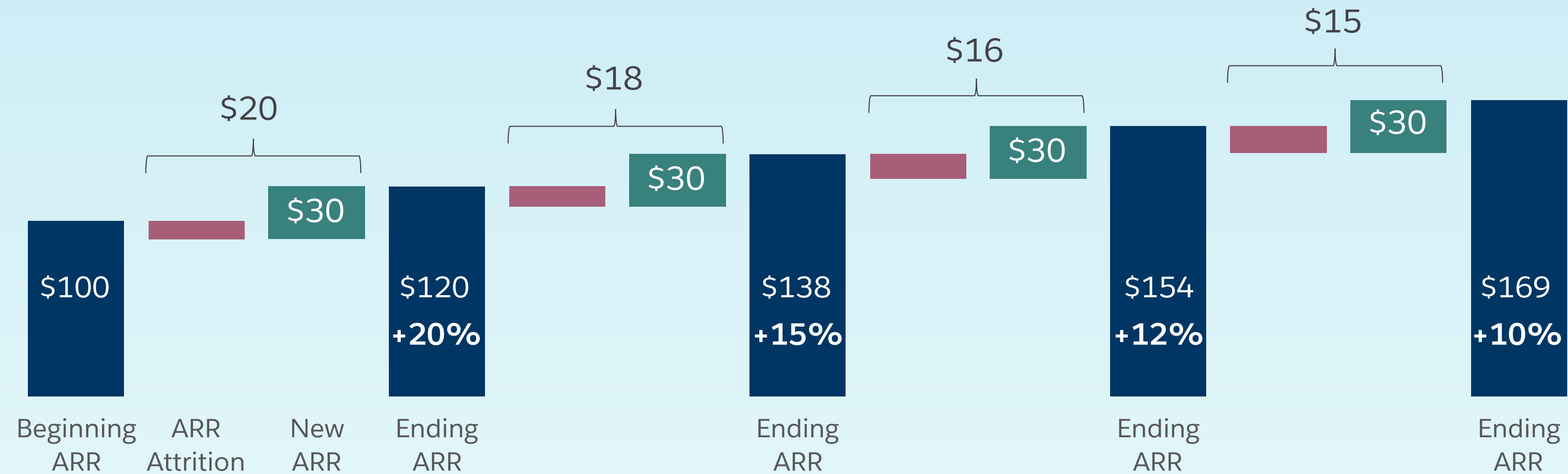


Long-Range
Planning



Camper: Constant *New ARR Dollars*

Rapid revenue deceleration drives high model leverage



Camper: Constant *New ARR Dollars*



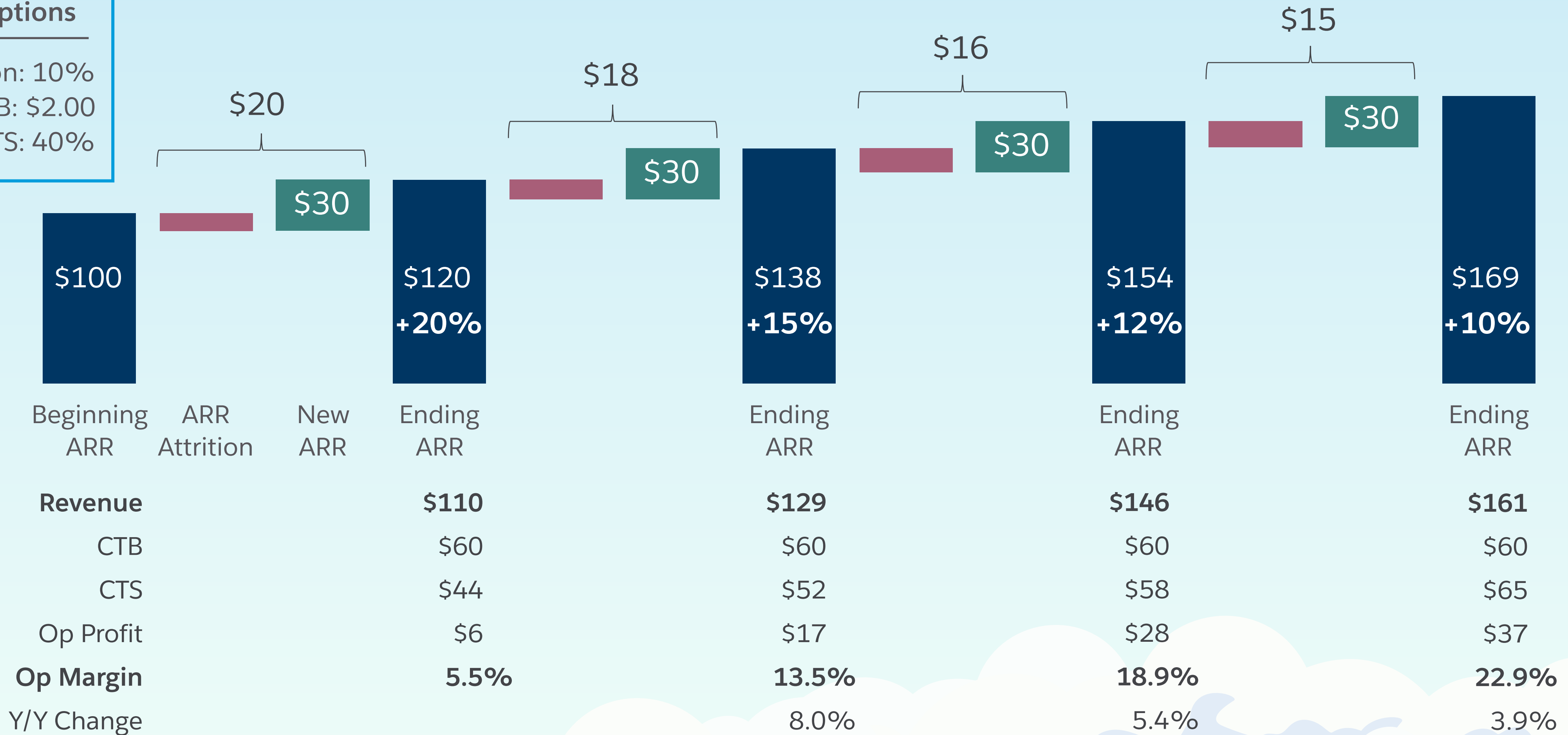
Rapid revenue deceleration drives high model leverage

Assumptions

Attrition: 10%

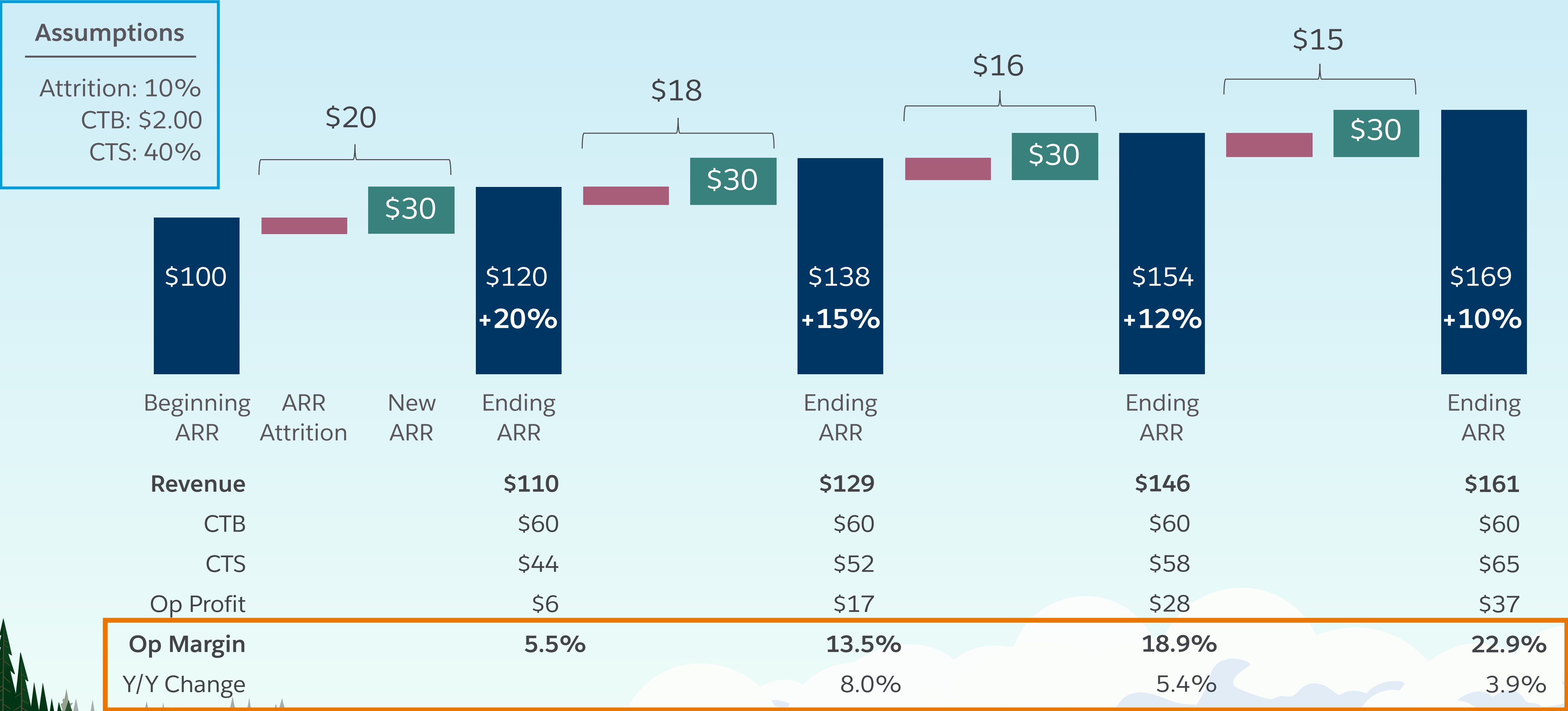
CTB: \$2.00

CTS: 40%



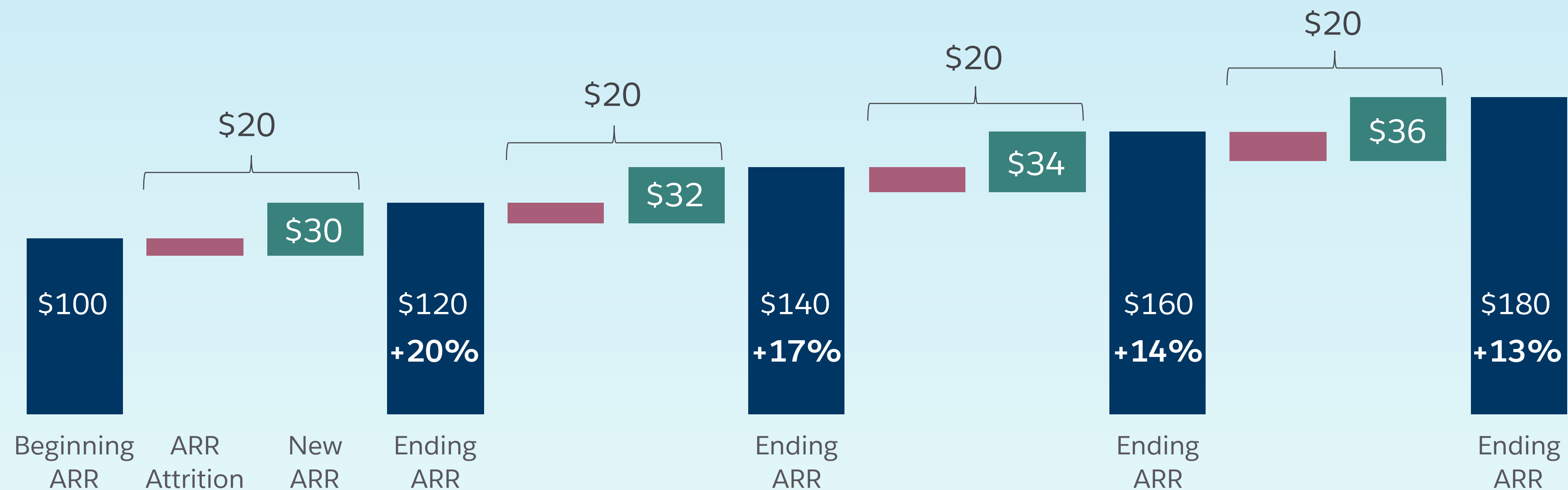
Camper: Constant *New ARR Dollars*

Rapid revenue deceleration drives high model leverage



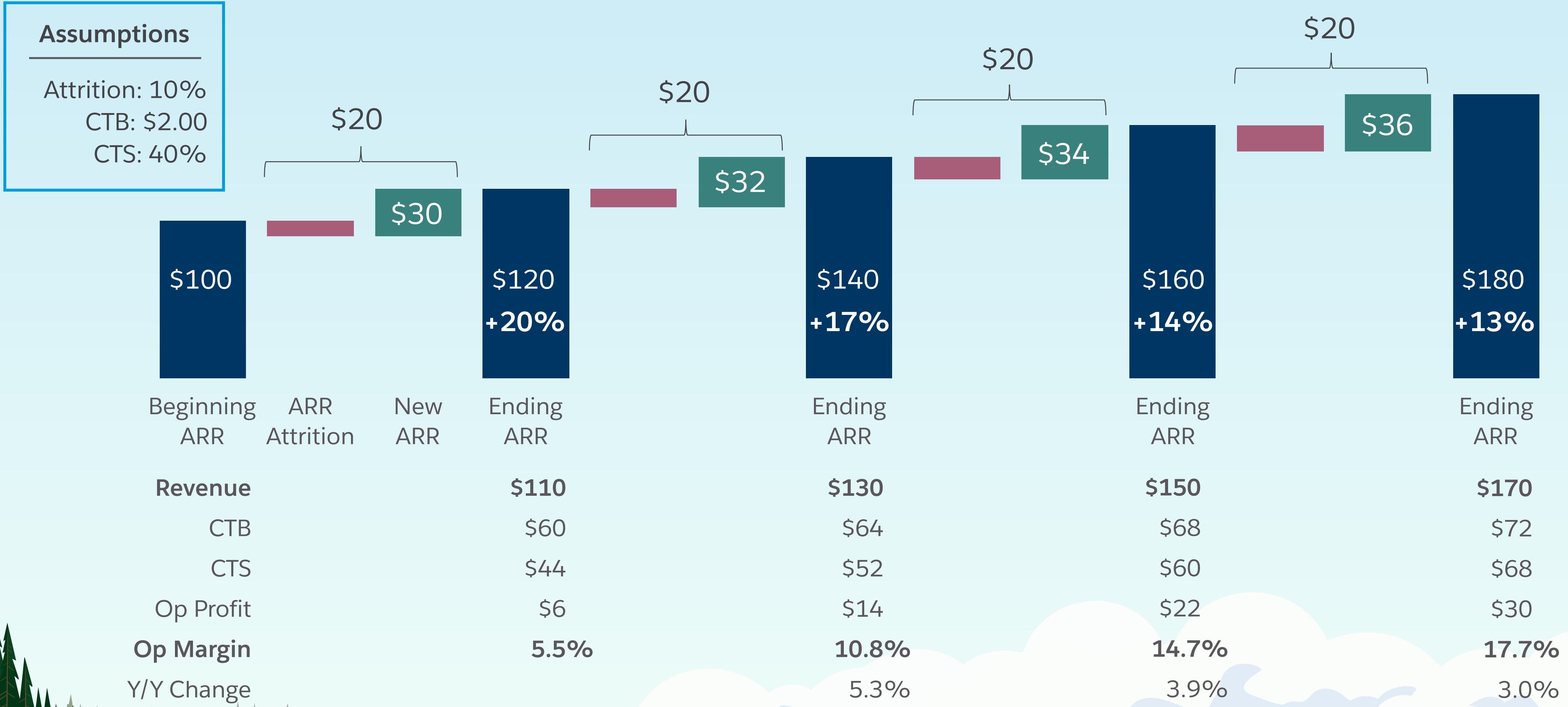
Explorer: Constant *Net-New ARR Dollars*

Moderate revenue deceleration drives moderate model leverage



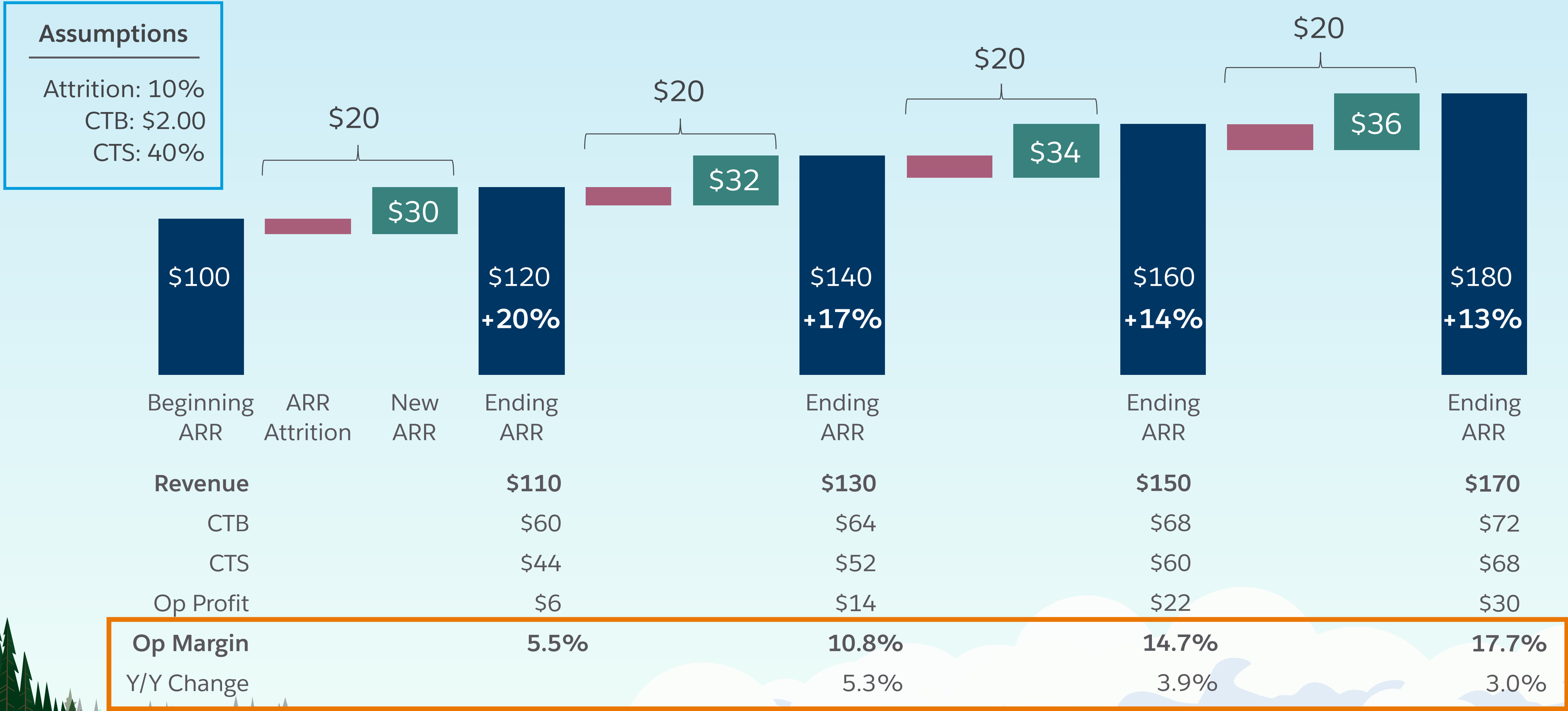
Explorer: Constant *Net-New ARR Dollars*

Moderate revenue deceleration drives moderate model leverage



Explorer: Constant *Net-New ARR Dollars*

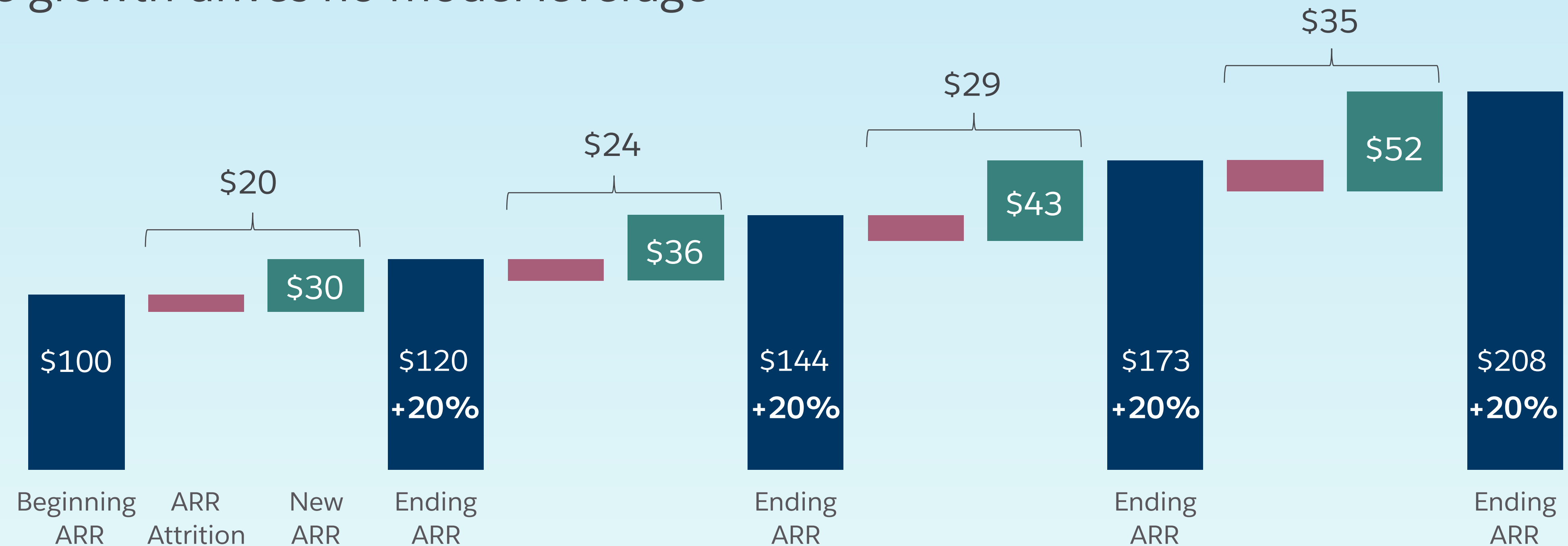
Moderate revenue deceleration drives moderate model leverage



Pioneer: Constant *Net-New ARR Growth Rate*



Durable growth drives no model leverage



Pioneer: Constant *Net-New ARR Growth Rate*



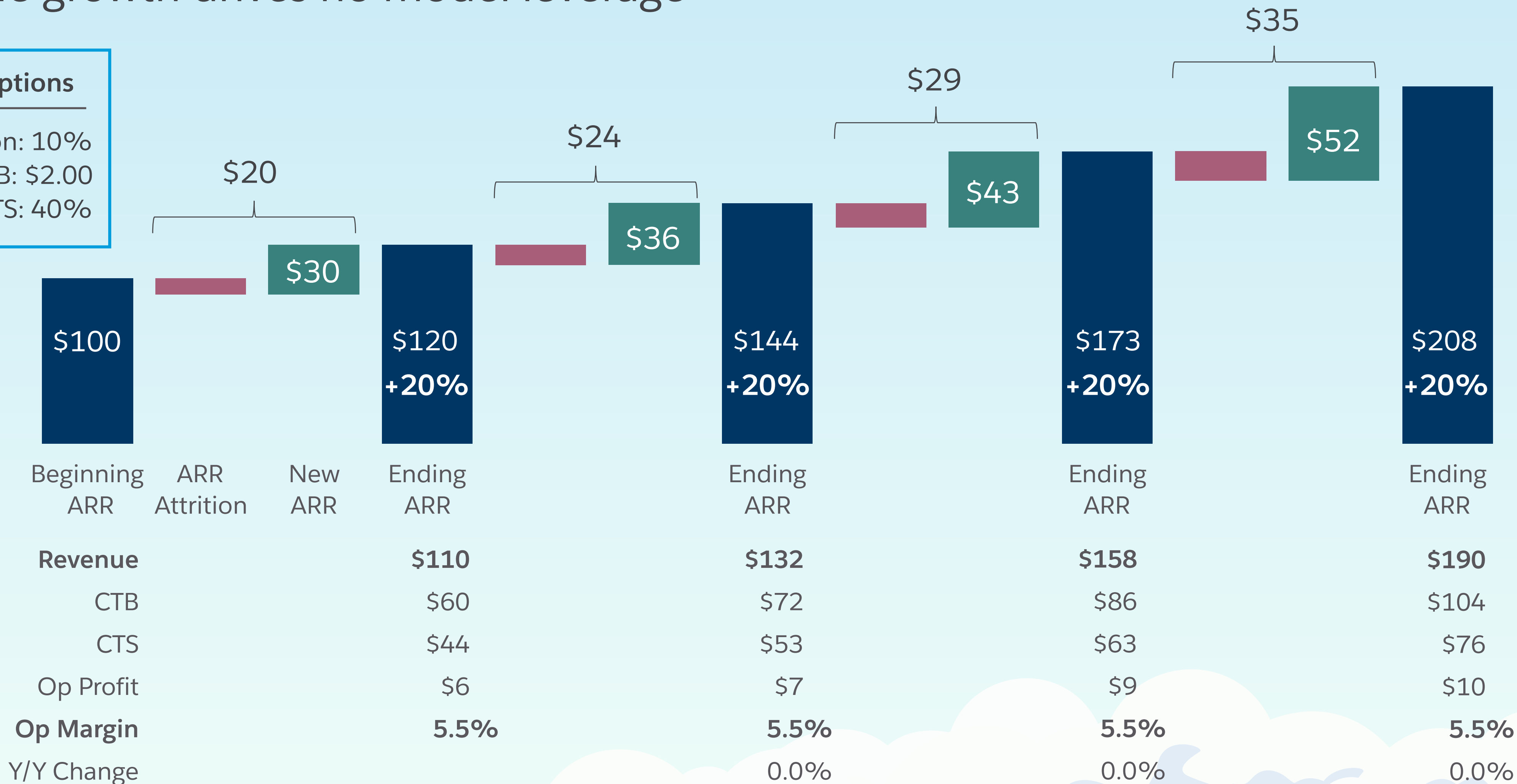
Durable growth drives no model leverage

Assumptions

Attrition: 10%

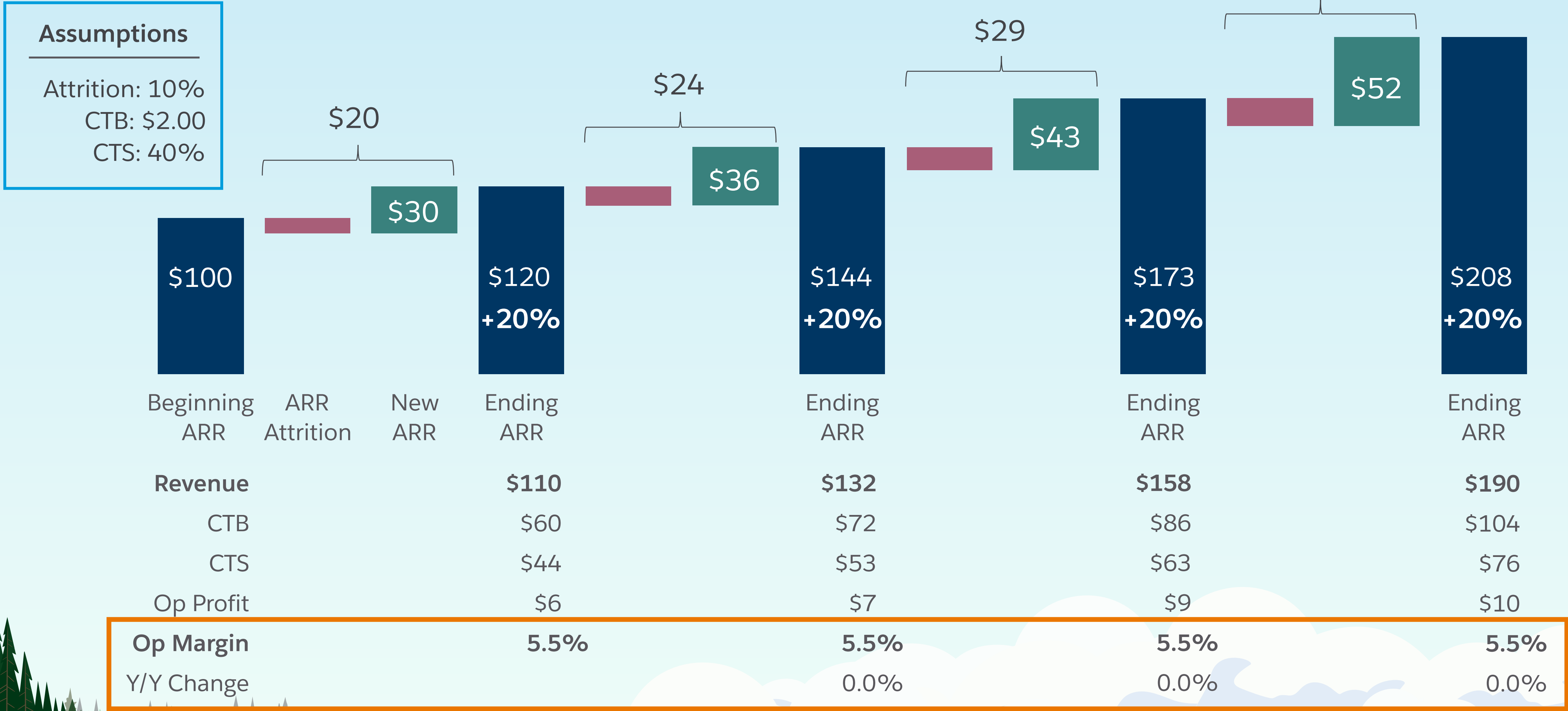
CTB: \$2.00

CTS: 40%



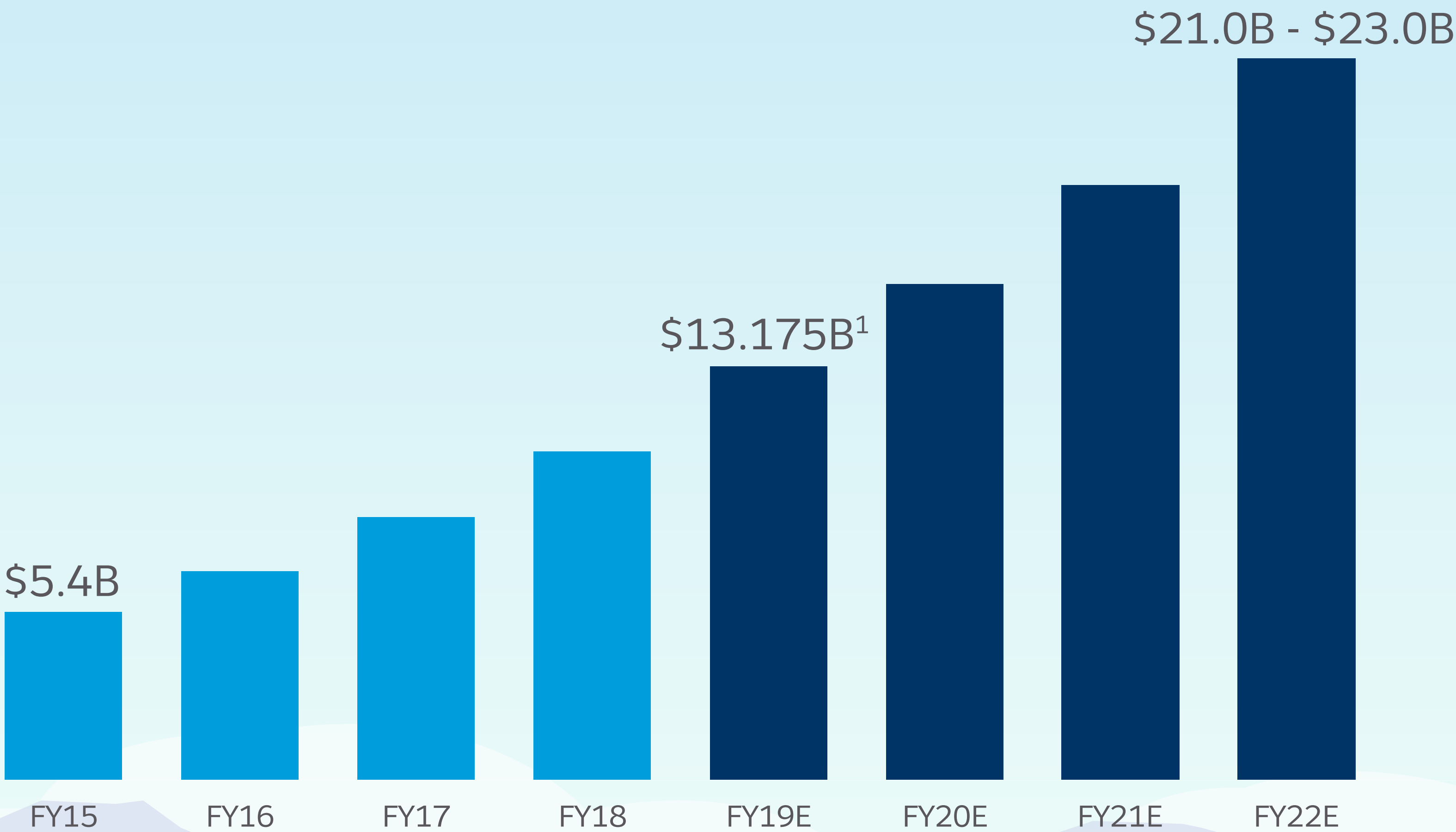
Pioneer: Constant *Net-New ARR Growth Rate*

Durable growth drives no model leverage



Long-Range Plan

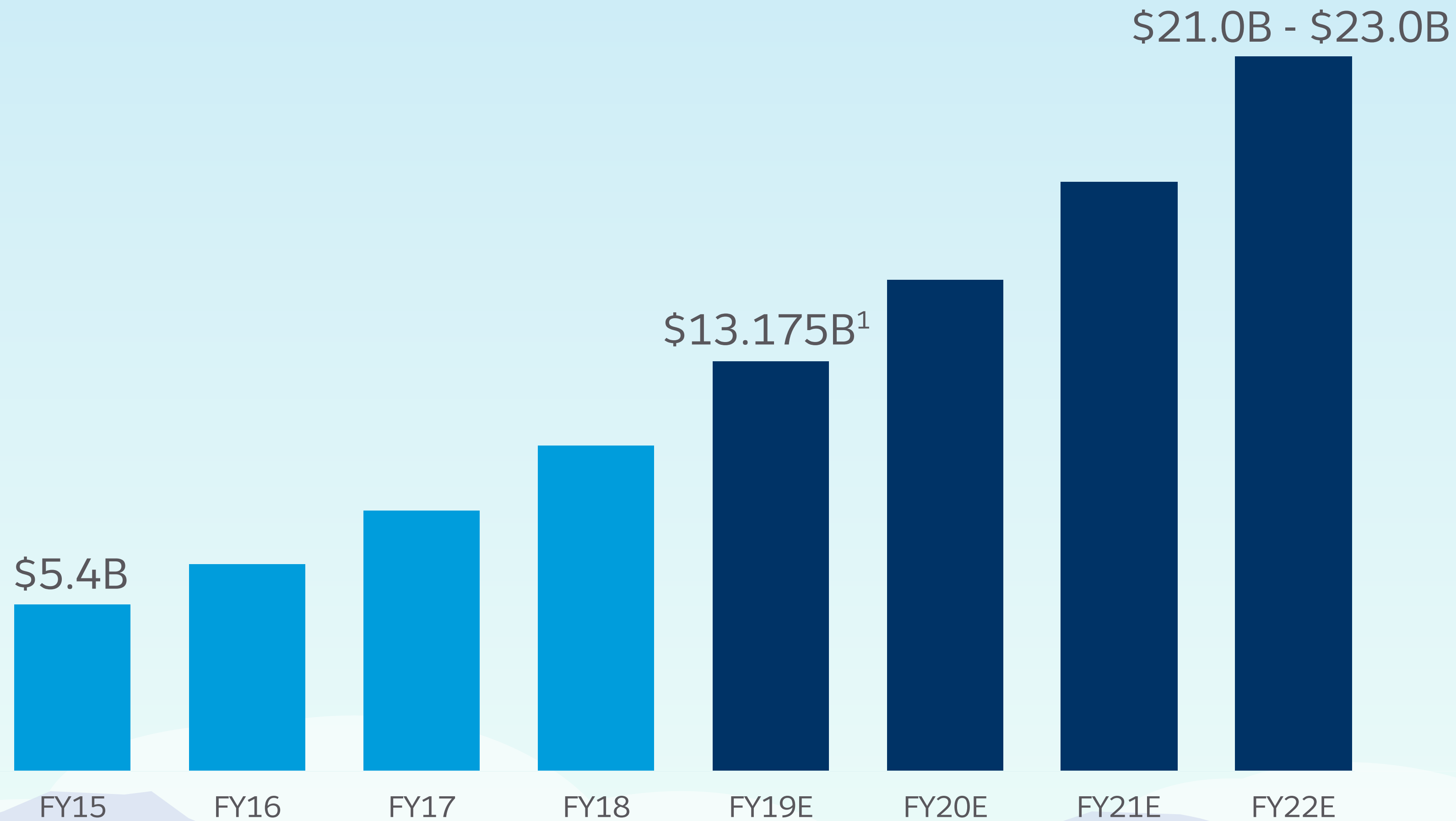
Predictable subscription model creates long-term visibility



¹ Represents high end of Salesforce's FY19 revenue guidance provided August 29, 2018. Salesforce full-year revenue is expected to be \$13.125-\$13.175 billion.
Note: Revenue under contract represents subscription and support revenue only.

Long-Range Plan

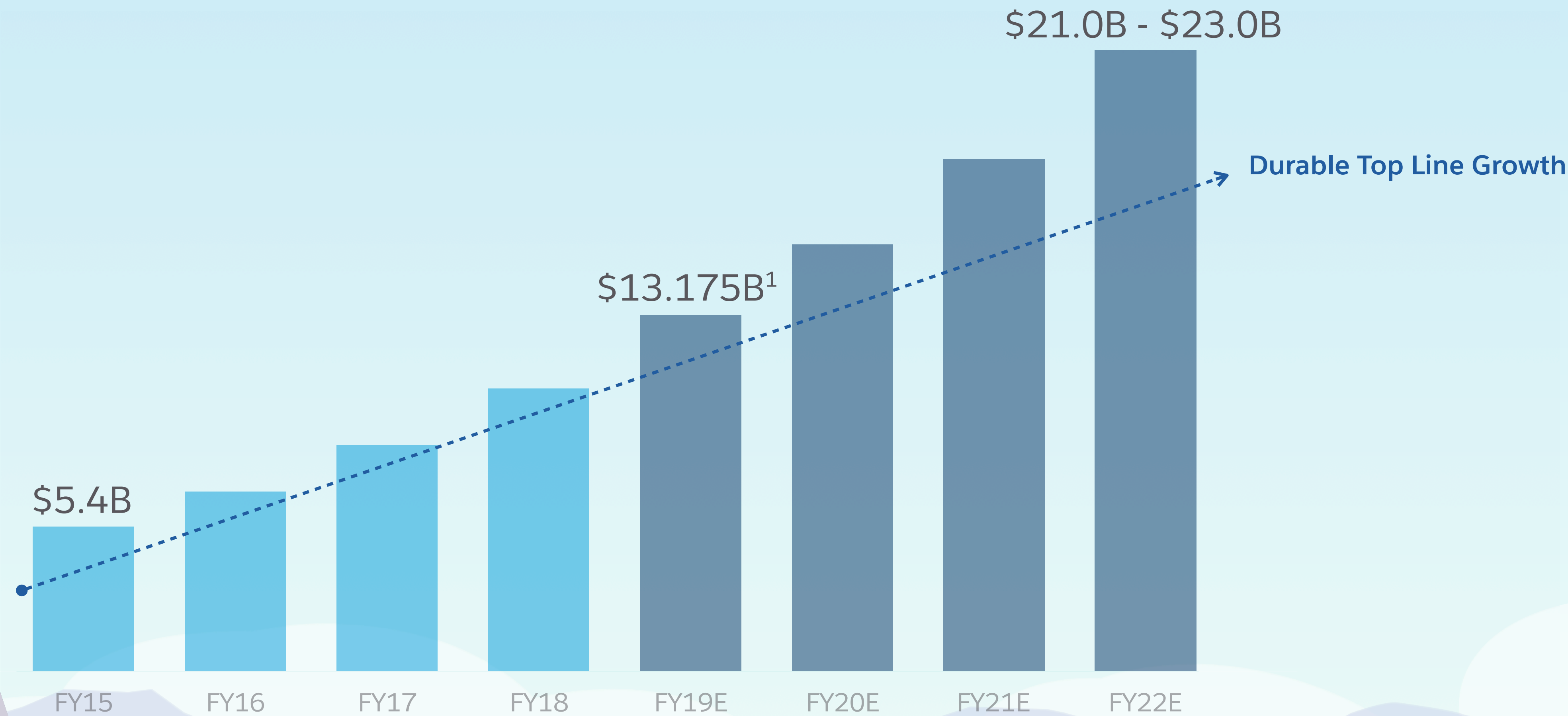
Subscription economics underly profit and growth investment planning



¹ Represents high end of Salesforce's FY19 revenue guidance provided August 29, 2018. Salesforce full-year revenue is expected to be \$13.125-\$13.175 billion.

Long-Range Plan

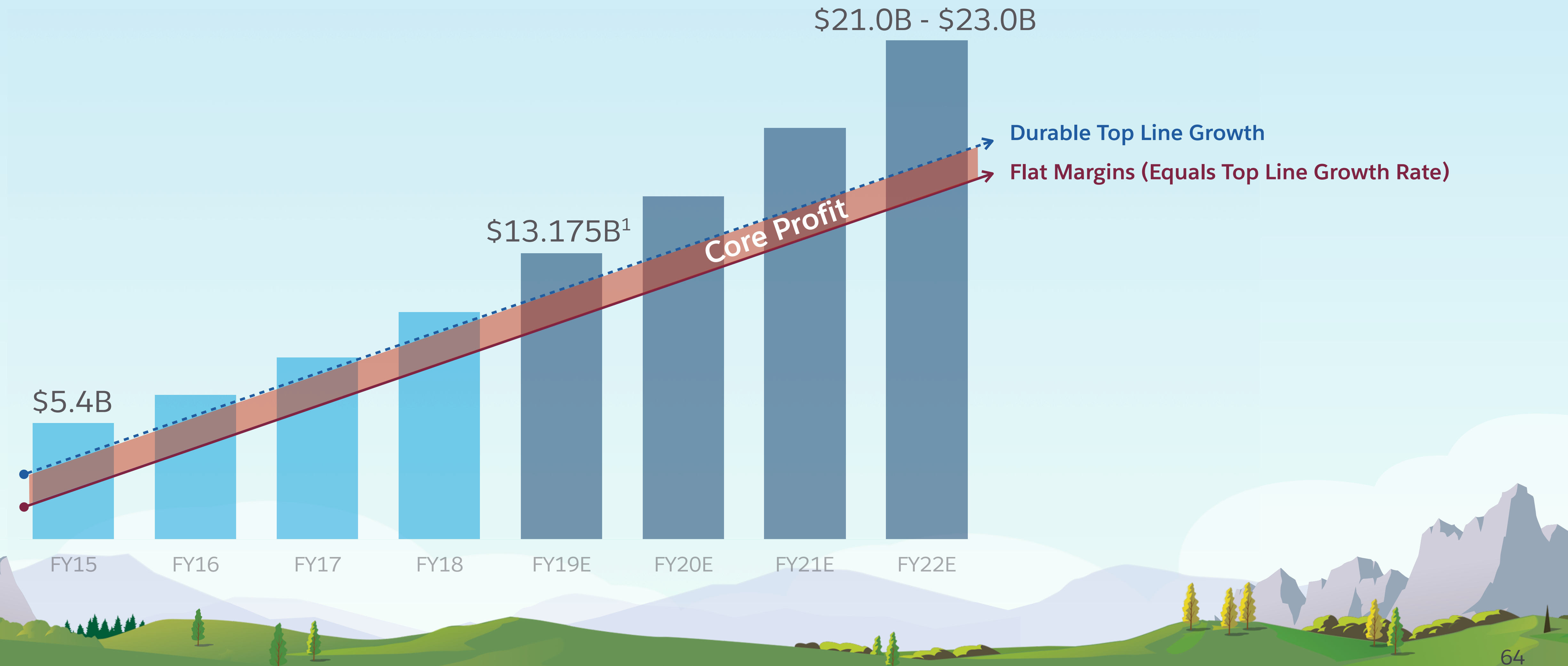
Subscription economics underly profit and growth investment planning



¹ Represents high end of Salesforce's FY19 revenue guidance provided August 29, 2018. Salesforce full-year revenue is expected to be \$13.125-\$13.175 billion.

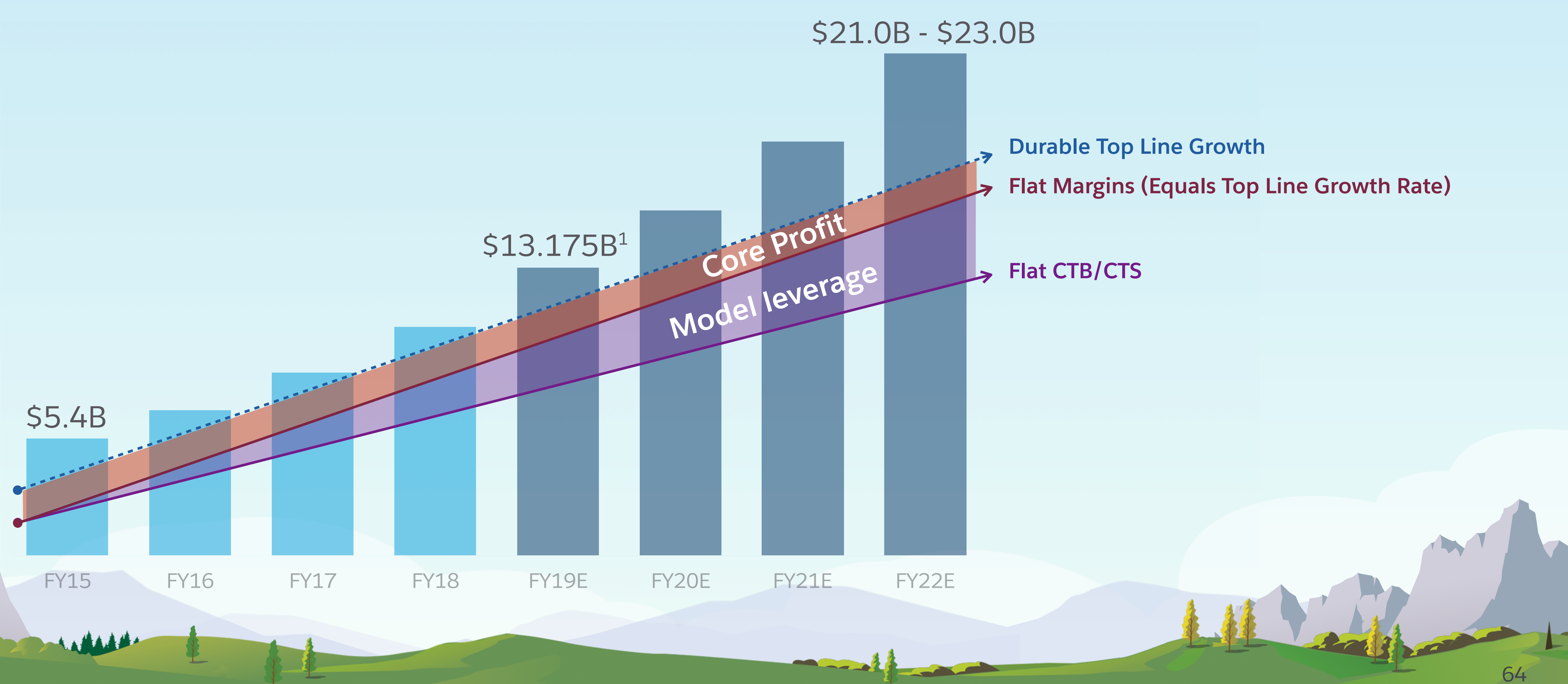
Long-Range Plan

Subscription economics underly profit and growth investment planning



Long-Range Plan

Subscription economics underly profit and growth investment planning

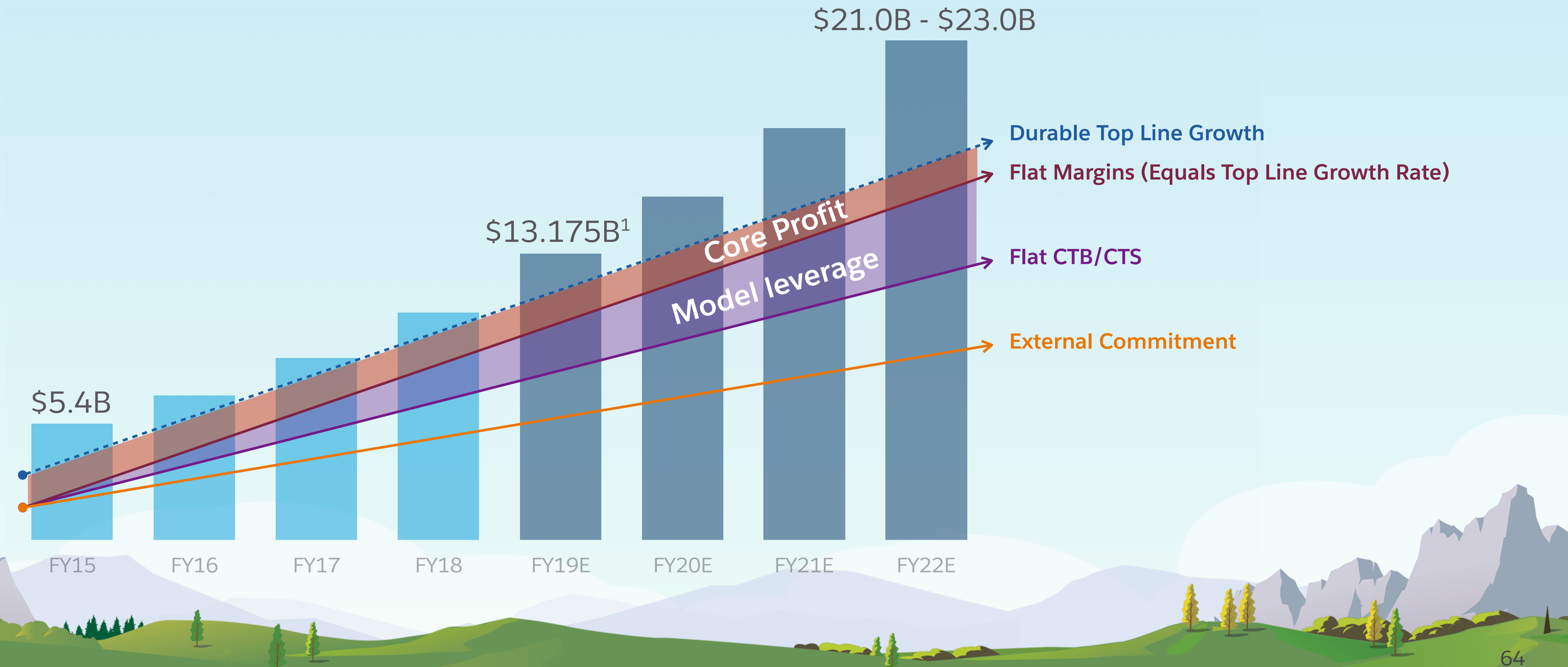


¹ Represents high end of Salesforce's FY19 revenue guidance provided August 29, 2018. Salesforce full-year revenue is expected to be \$13.125-\$13.175 billion.

Long-Range Plan

Subscription economics underly profit and growth investment planning

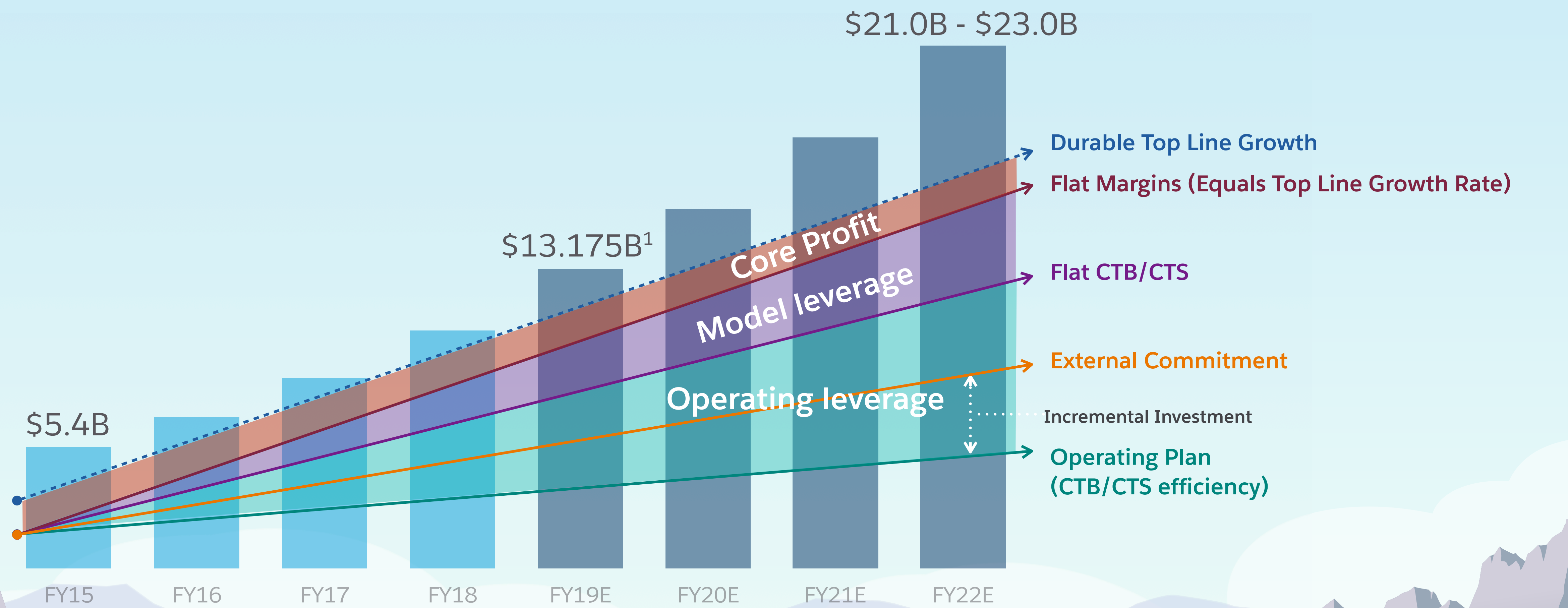
salesforce



¹ Represents high end of Salesforce's FY19 revenue guidance provided August 29, 2018. Salesforce full-year revenue is expected to be \$13.125-\$13.175 billion.

Long-Range Plan

Subscription economics underly profit and growth investment planning

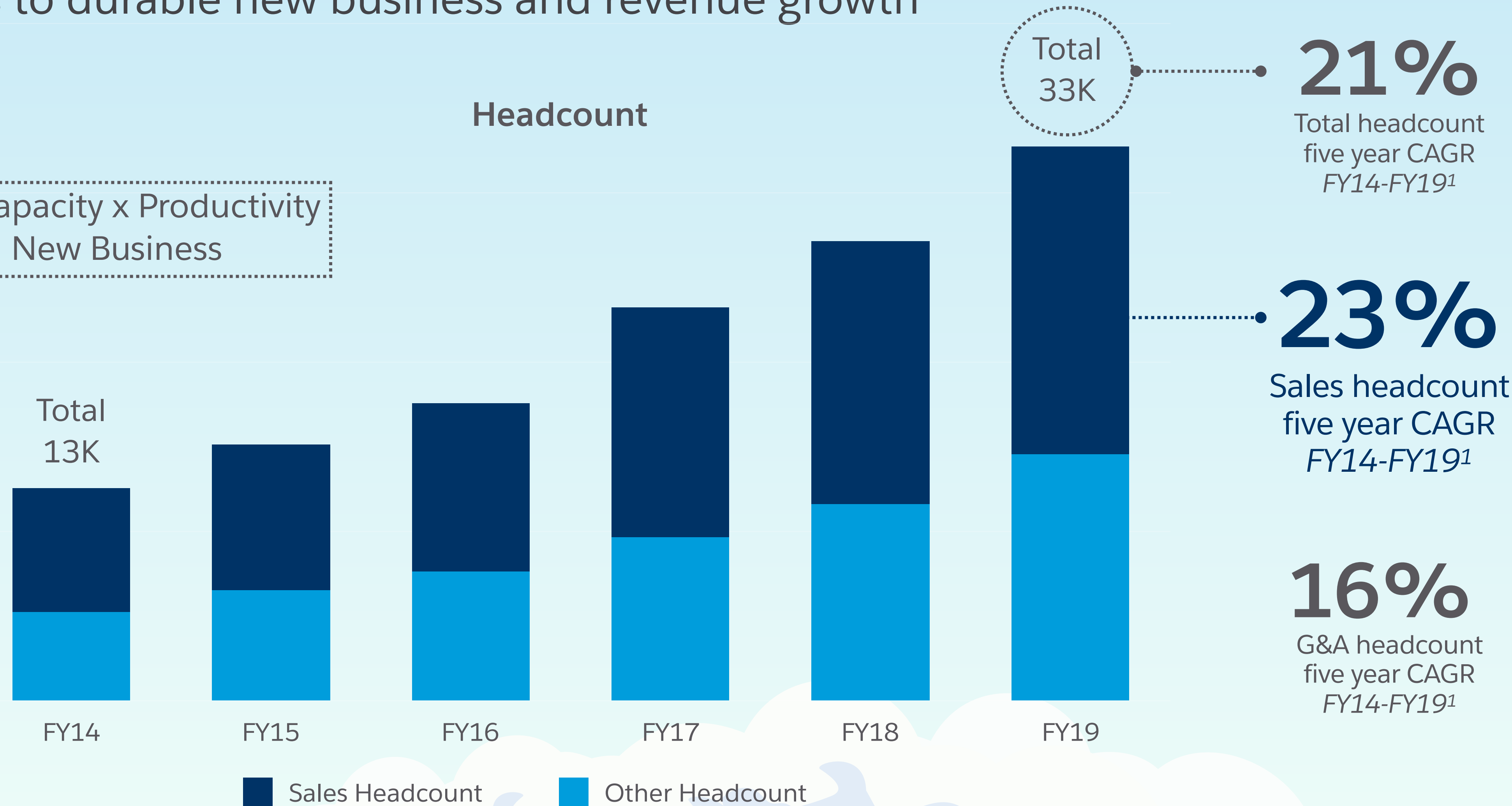


¹ Represents high end of Salesforce's FY19 revenue guidance provided August 29, 2018. Salesforce full-year revenue is expected to be \$13.125-\$13.175 billion.

Durable Sales Capacity Growth

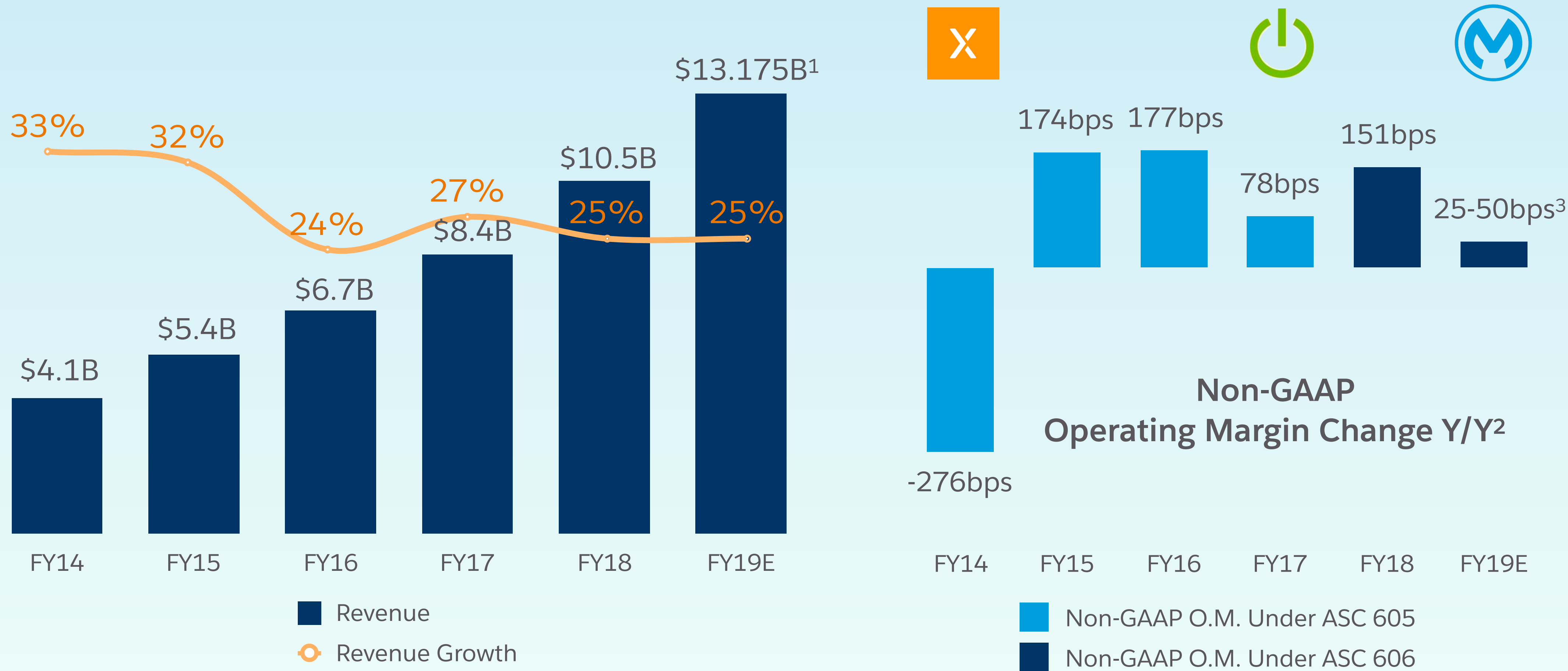
Translates to durable new business and revenue growth

$$\text{Sales Capacity} \times \text{Productivity} = \text{New Business}$$



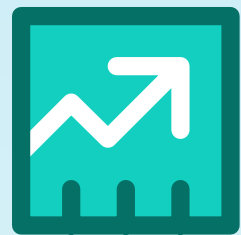
Top and Bottom Line Growth

Planning and delivering consistent organic revenue and operating margin growth



¹ High end of Salesforce FY2019 revenue guidance provided on August 29, 2018. Revenue for Salesforce's full fiscal year 2019 is projected to be in the range of \$13.125 billion to \$13.175 billion.
² Refer to the appendix for a reconciliation of GAAP to Non-GAAP measures.
³ Represents Salesforce FY2019 non-GAAP operating margin guidance provided on August 29, 2018. Salesforce expects non-GAAP operating margin improvement of 25-50 basis points year-over-year.

Durable Growth



Revenue Growth

20%

Projected CAGR
FY19-FY22¹

\$13.175B
FY19 guidance²

\$21B-\$23B

FY22 target

FY21

FY20

FY19



¹Compound annual growth rate based on high end of guide in footnote 2 and high end of projected target of \$21 billion to \$23 billion in FY22.
²High end of Salesforce FY2019 revenue guidance provided on August 29, 2018. Revenue for Salesforce's full fiscal year 2019 is projected to be in the range of \$13.125 billion to \$13.175 billion.

Thank you



Non-GAAP Financial Measures



This presentation includes information about non-GAAP income from operations and constant currency revenue (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 income from operations excludes the impact of the following items: stock-based compensation, amortization of acquisition-related intangibles, and termination of office leases.

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.



GAAP to Non-GAAP Reconciliation



(in millions)	ASC 606	ASC605								
	FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10	FY09
Non-GAAP income from operations										
GAAP income (loss) from operations	\$ 454	\$ 64	\$ 115	\$ (146)	\$ (286)	\$ (111)	\$ (35)	\$ 97	\$ 115	\$ 64
Plus:										
Amortization of purchased intangibles	\$ 287	\$ 225	\$ 158	\$ 155	\$ 147	\$ 88	\$ 67	\$ 20	\$ 11	\$ 5
Stock-based expenses	\$ 997	\$ 820	\$ 594	\$ 565	\$ 503	\$ 379	\$ 229	\$ 120	\$ 89	\$ 77
Less:										
Operating lease termination resulting from										
purchase of 50 Fremont	\$ 0	\$ 0	\$ (37)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Non-GAAP income from operations	\$ 1,738	\$ 1,110	\$ 830	\$ 574	\$ 364	\$ 357	\$ 261	\$ 238	\$ 215	\$ 146

As Margin %										
Total revenues	\$10,540	\$8,392	\$6,667	\$5,374	\$4,071	\$3,050	\$2,267	\$1,657	\$1,306	\$1,077
GAAP operating margin	4.3%	0.8%	1.7%	-2.7%	-7.0%	-3.6%	-1.5%	5.9%	8.8%	5.9%
Non-GAAP operating margin	16.5%	13.2%	12.4%	10.7%	8.9%	11.7%	11.5%	14.3%	16.5%	13.6%
Year-over-Year improvement	326 bps	78 bps	177 bps	175 bps	-276 bps					

Finance Q&A



Mark Hawkins

President and CFO



David Havlek

EVP, Deputy CFO



Product Q&A



Bret Taylor

President and Chief
Product Officer



*The webcast will return at
3:30 p.m. PT*



salesforce

Greg Schott

CEO and General Manager,
MuleSoft



Safe Harbor



"Safe harbor" statement under the Private Securities Litigation Reform Act of 1995: This presentation contains forward-looking statements about our financial results, which may include expected GAAP and non-GAAP financial and other operating and non-operating results, including revenue, net income, diluted earnings per share, operating cash flow growth, operating margin improvement, unearned revenue (previously referred to as deferred revenue) growth, expected revenue growth, expected tax rates, stock-based compensation expenses, amortization of purchased intangibles, and shares outstanding. 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 could differ materially from the results expressed or implied by the forward-looking statements we make.

The risks and uncertainties referred to above include -- but are not limited to -- risks associated with the effect of general economic and market conditions; the impact of foreign currency exchange rate and interest rate fluctuations on our results; our business strategy and our plan to build our business, including our strategy to be the leading provider of enterprise cloud computing applications and platforms; the pace of change and innovation in enterprise cloud computing services; the competitive nature of the market in which we participate; our international expansion strategy; our service performance and security, including the resources and costs required to prevent, detect and remediate potential security breaches; the expenses associated with new data centers and third-party infrastructure providers; additional data center capacity; real estate and office facilities space; our operating results and cash flows; new services and product features; our strategy of acquiring or making investments in complementary businesses, joint ventures, services, technologies and intellectual property rights; the performance and fair value of our investments in complementary businesses through our strategic investment portfolio; our ability to realize the benefits from strategic partnerships and investments; our ability to successfully integrate acquired businesses and technologies, including the operations of MuleSoft, Inc.; our ability to continue to grow and maintain unearned revenue and remaining performance obligation; our ability to protect our intellectual property rights; our ability to develop our brands; our reliance on third-party hardware, software and platform providers; our dependency on the development and maintenance of the infrastructure of the Internet; 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 and import and export controls; the valuation of our deferred tax assets; the potential availability of additional tax assets in the future; the impact of new accounting pronouncements and tax laws, including the U.S. Tax Cuts and Jobs Act, and interpretations thereof; uncertainties affecting our ability to estimate our non-GAAP tax rate; the impact of future gains or losses from our strategic investment portfolio; the impact of expensing stock options and other equity awards; the sufficiency of our capital resources; factors related to our outstanding debt, revolving credit facility, term loans and loan associated with 50 Fremont; compliance with our debt covenants and capital lease obligations; current and potential litigation involving us; and the impact of climate change.

Further information on these and other factors that could affect the company's financial results is included in the reports on Forms 10-K, 10-Q and 8-K and in other filings we make with the Securities and Exchange Commission from time to time. These documents are available on the SEC Filings section of the Investor Information section of the company's website at www.salesforce.com/investor.

Salesforce.com, inc. assumes no obligation and does not intend to update these forward-looking statements, except as required by law.

MuleSoft's Mission



To help organizations change and innovate faster by making it easy to connect the world's applications, data, and devices.



Data & Processes Are Highly Fragmented

Typical transaction crosses 35 technology systems

salesforce



Project-Based Approach Creates More Complexity



Custom integration code is the enemy of agility



Project-Based Approach Creates More Complexity

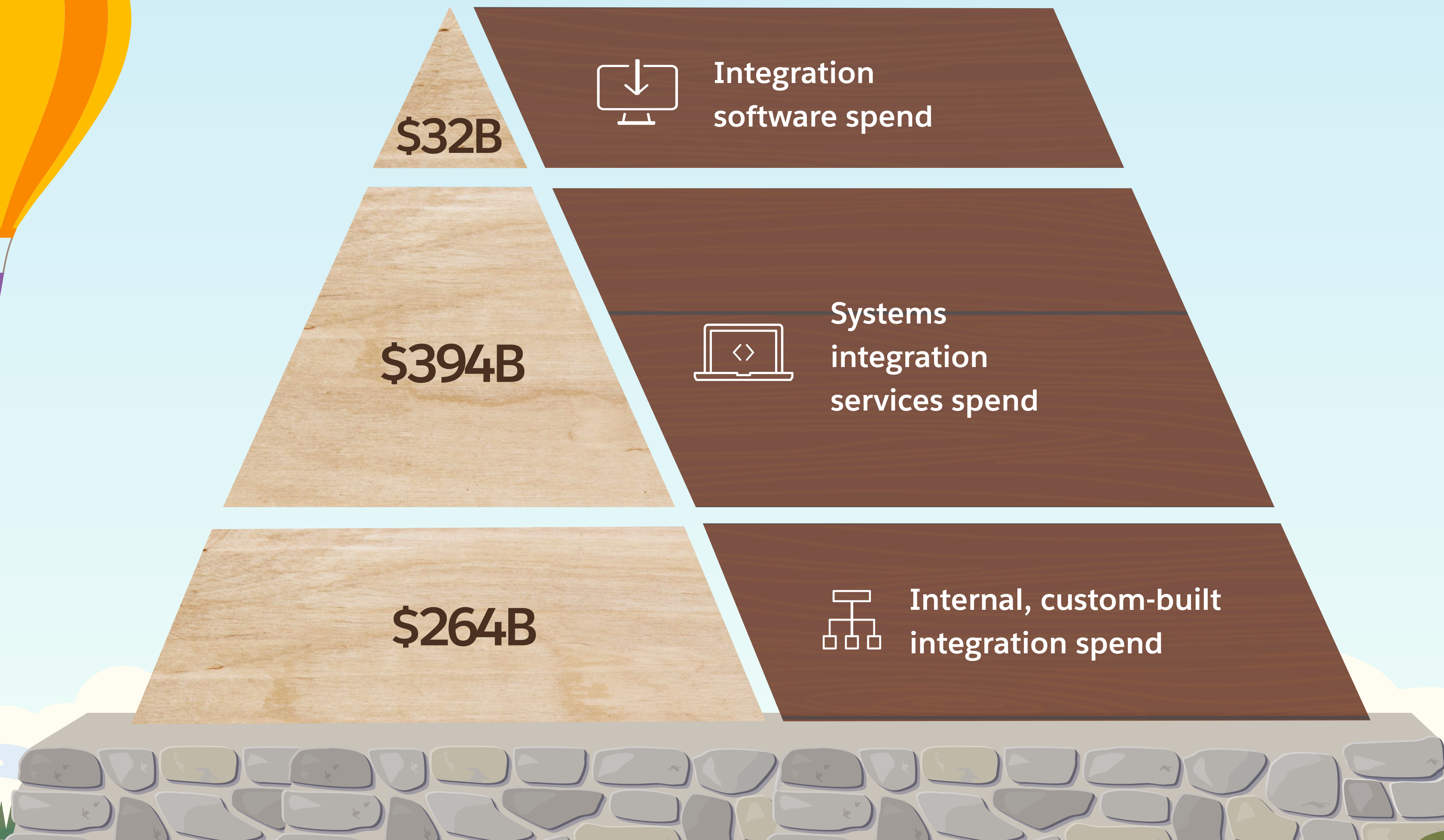
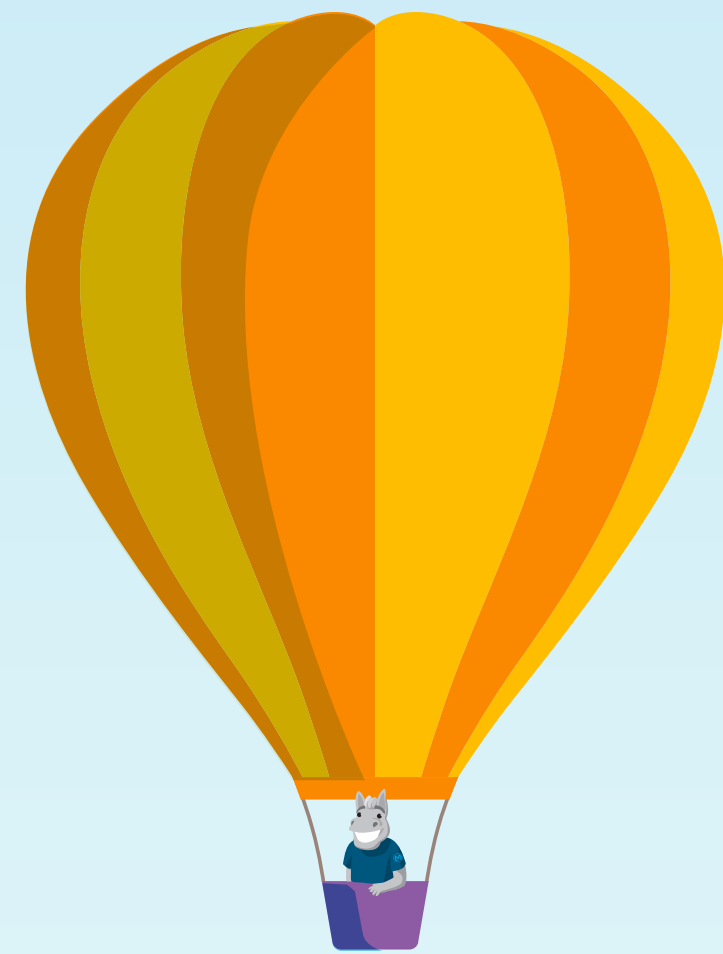
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Custom integration code is the enemy of agility



A Large Unsolved IT Problem

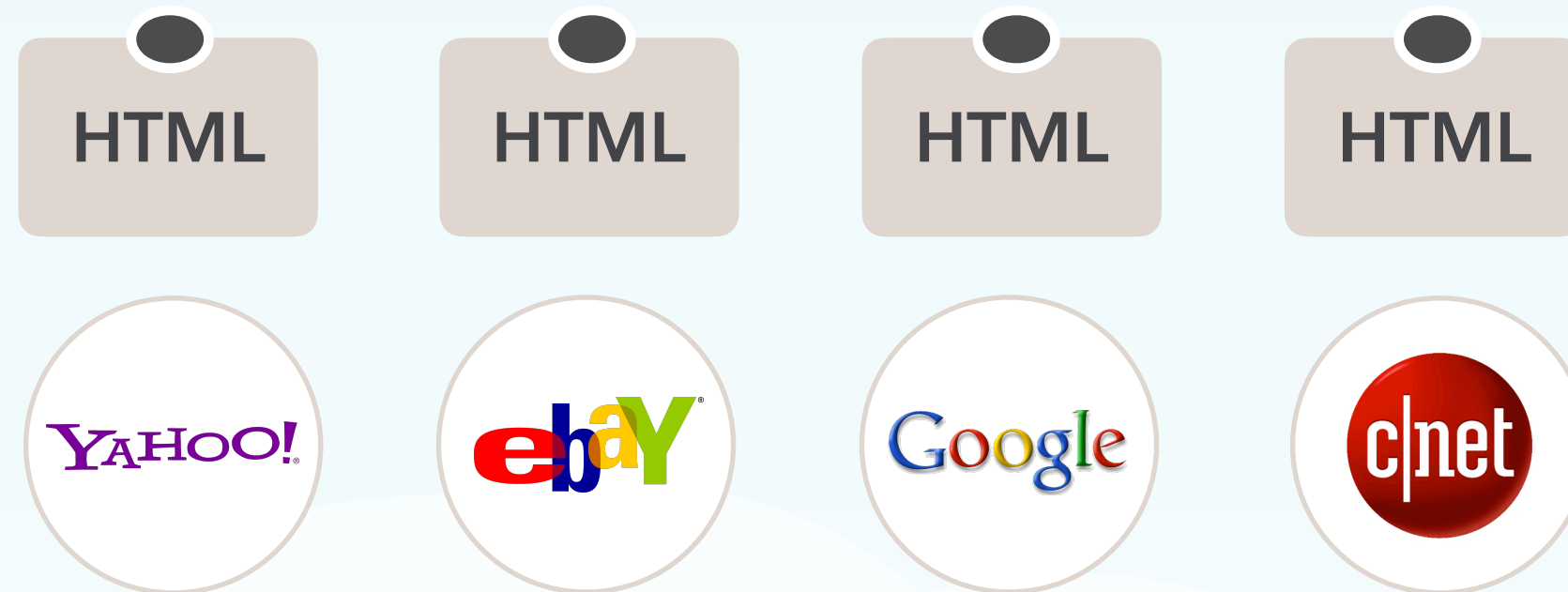
salesforce



APIs Catalyze a Solution to this Massive Problem



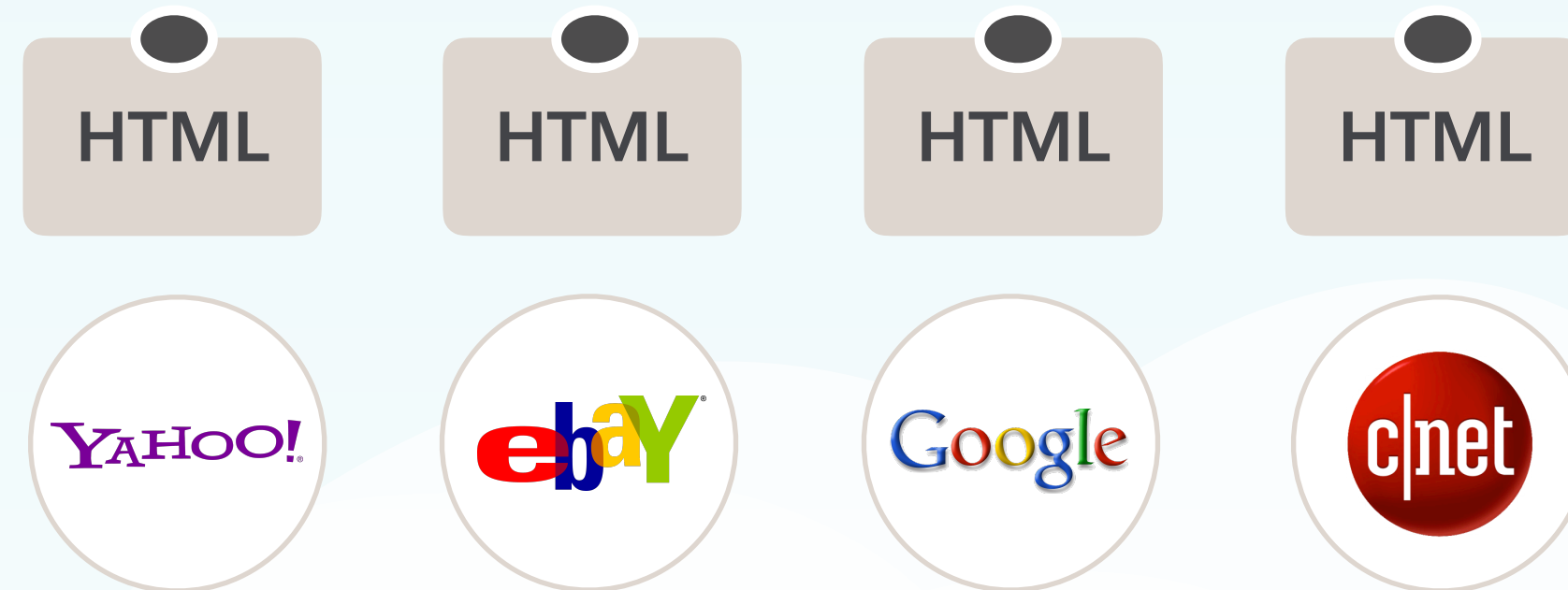
HTML standards and the
browser enabled the Internet



APIs Catalyze a Solution to this Massive Problem

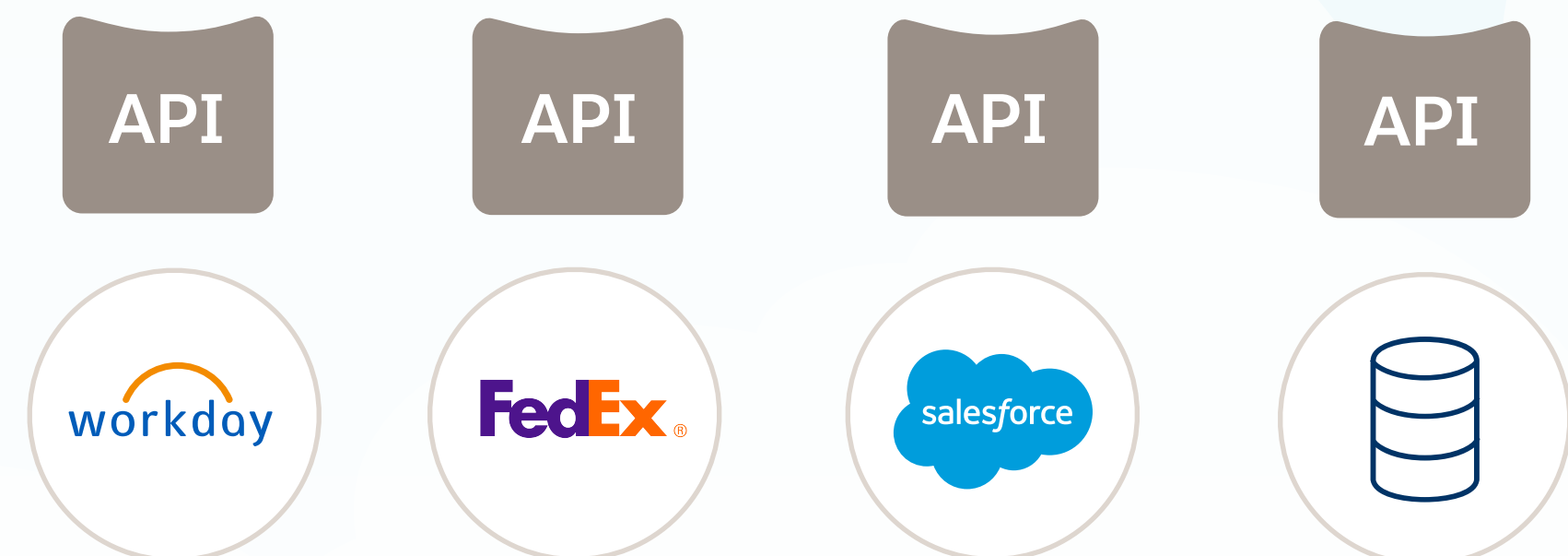


HTML standards and the browser enabled the Internet



1990s

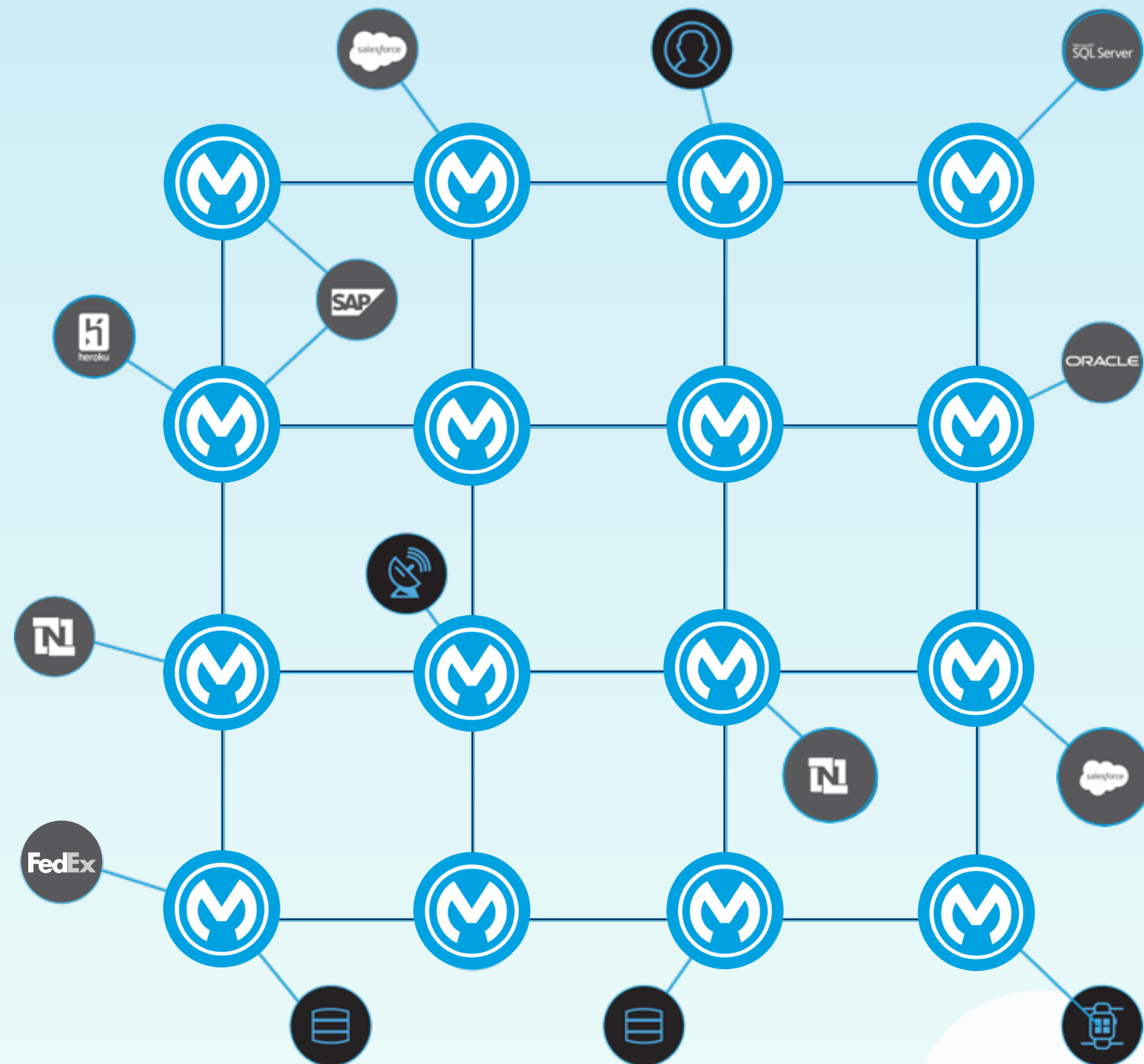
APIs enable connectivity between applications



Today

Application Network

Accelerating digital transformation



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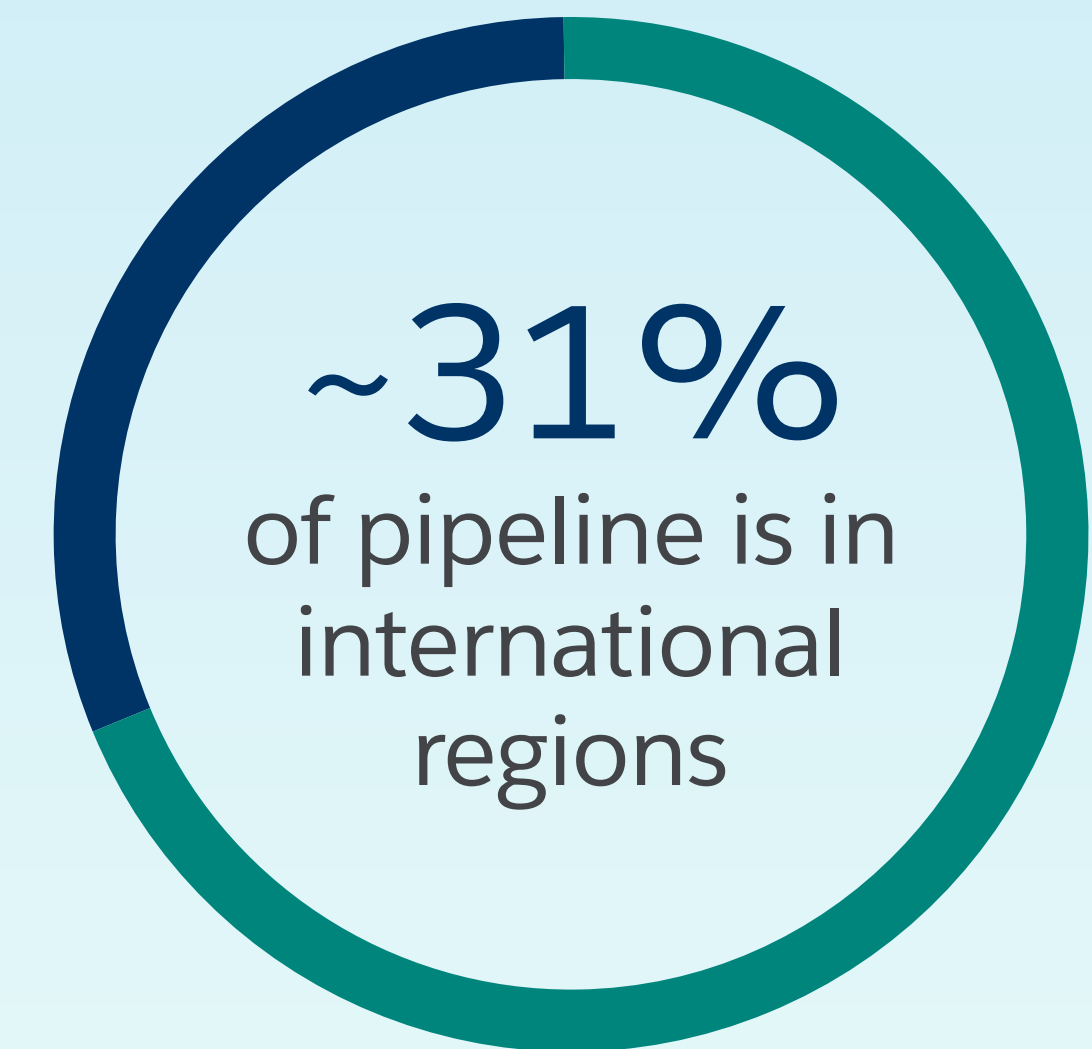
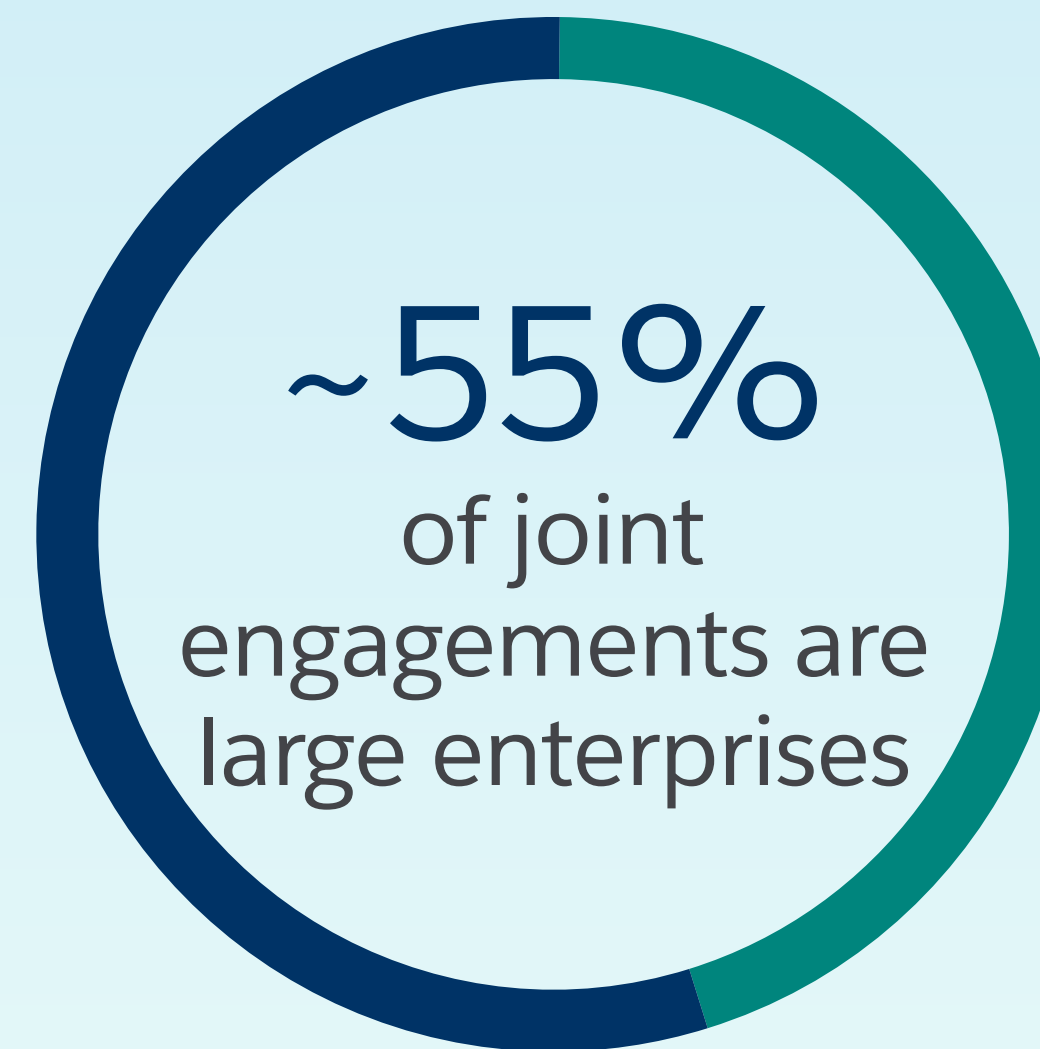
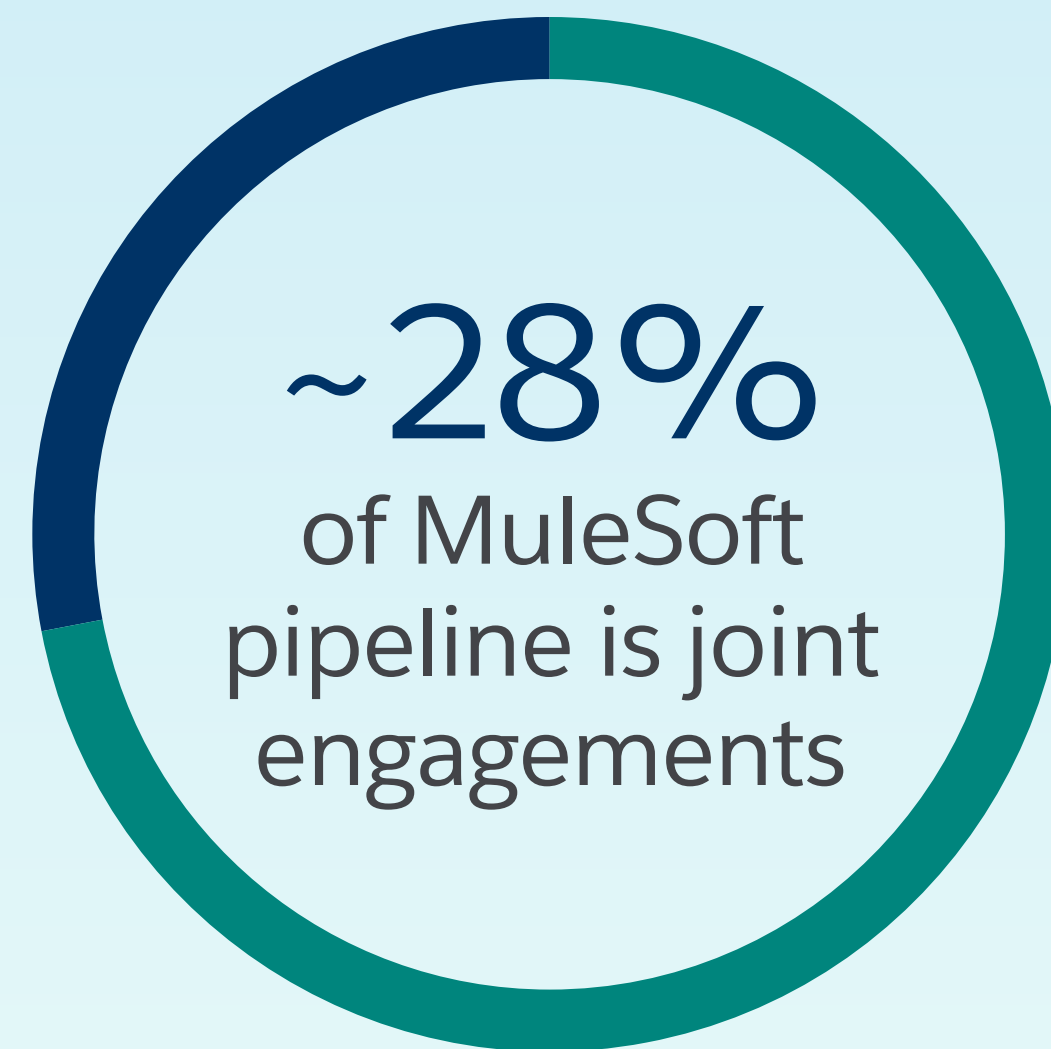
Simon Parmett

President, Field Operations, MuleSoft

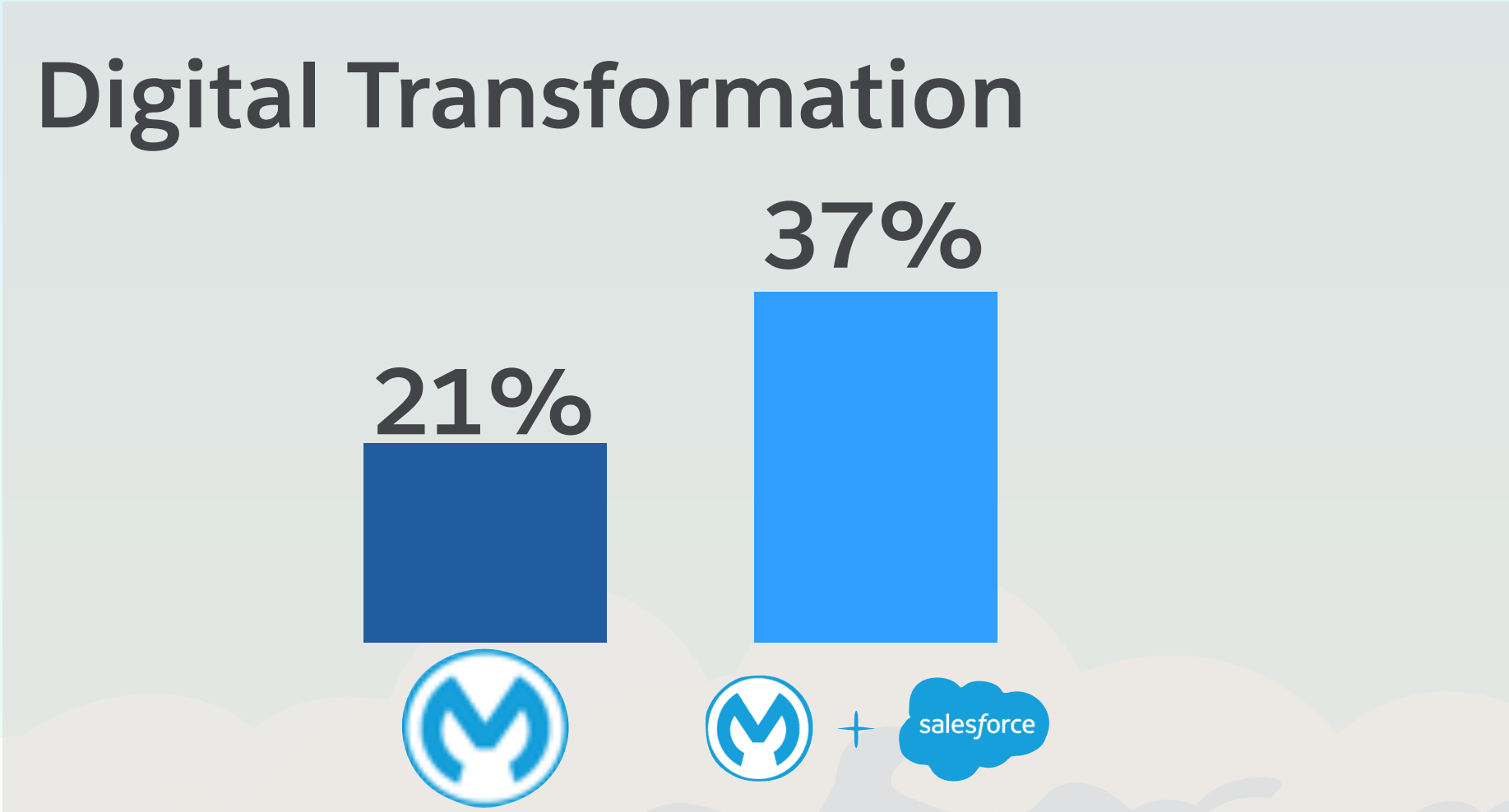
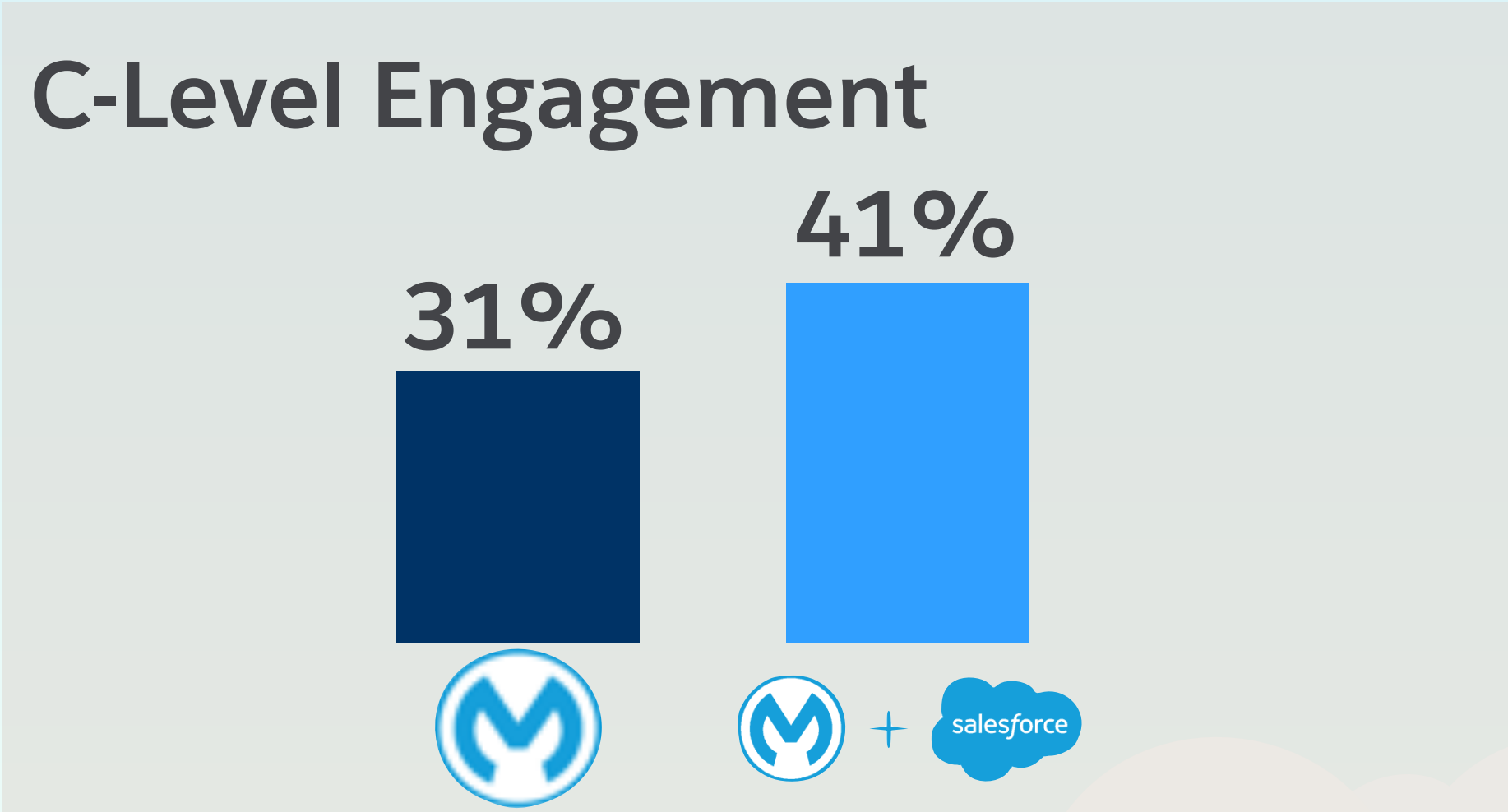
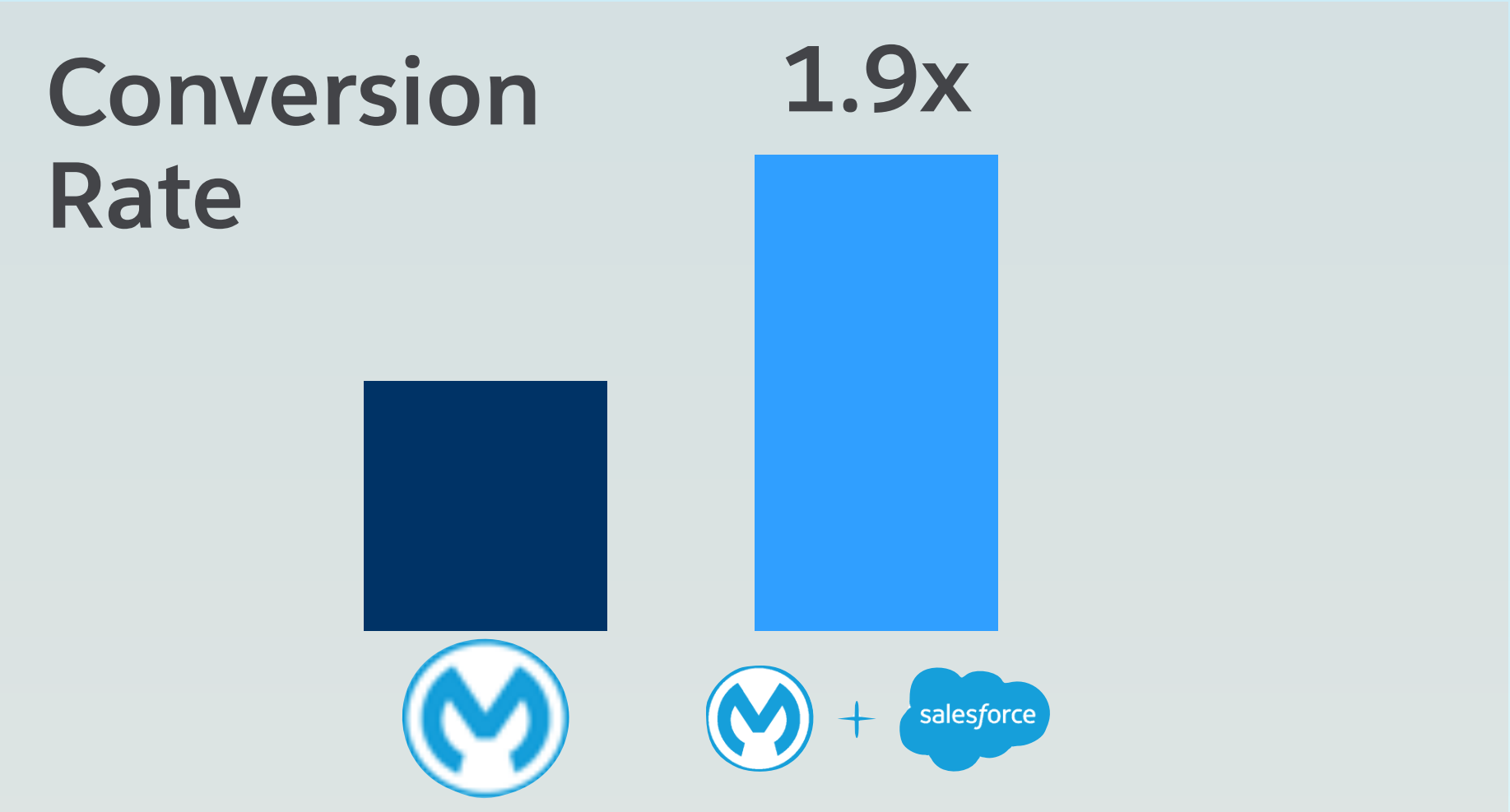
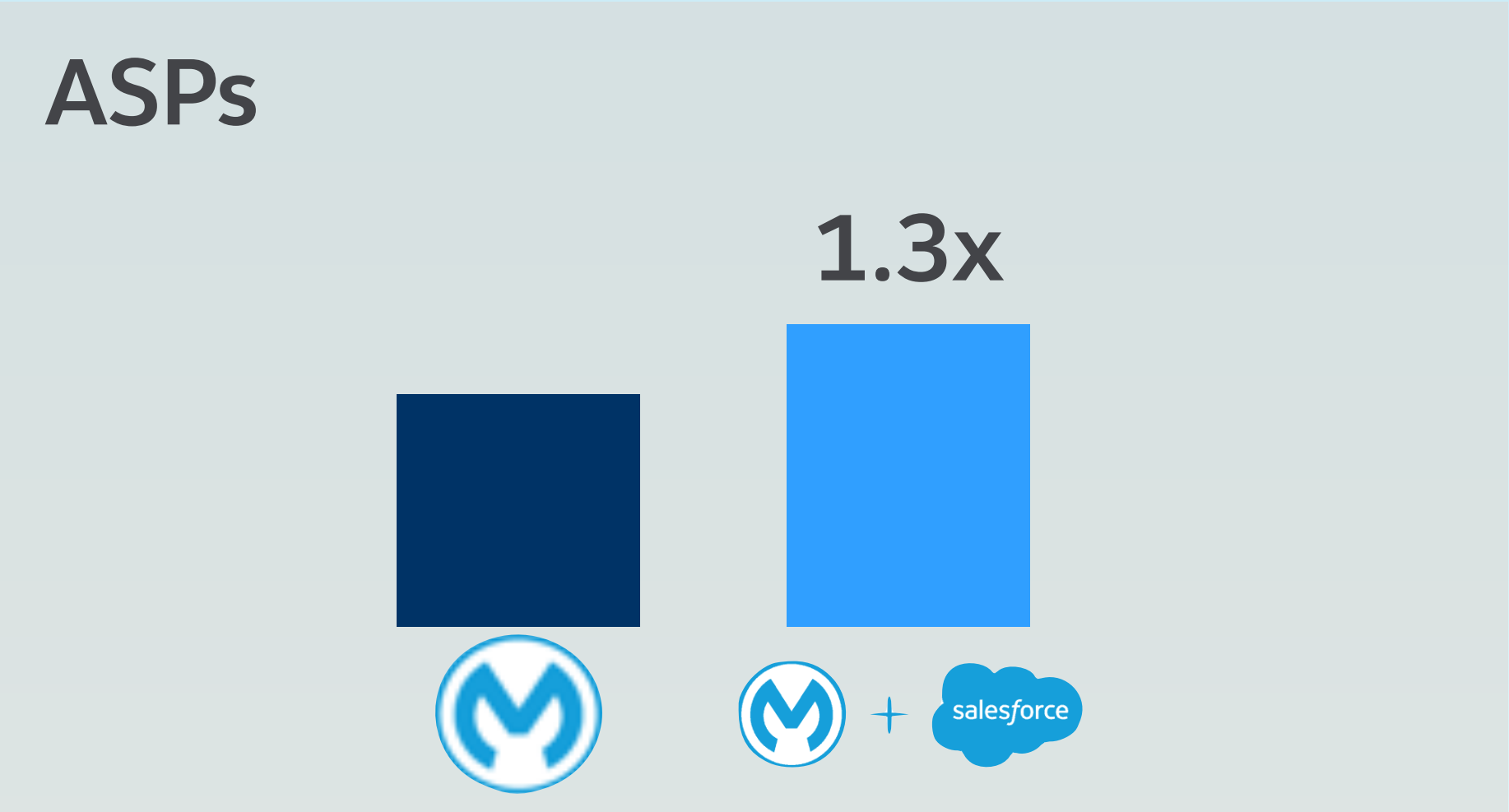


Pipeline Composition

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Better Together



Reflecting on the First Five Months



Extremely rapid and effective alignment of distribution teams

Salesforce customer executives eager to discuss APIs and digital transformation

Salesforce team “gets it” and is pulling MuleSoft into engagements

Customers and partners very comfortable with combination

MuleSoft Q&A



Greg Schott

CEO and General
Manager, MuleSoft



Simon Parmett

President, Field
Operations, MuleSoft



Co-CEO Q&A



Marc Benioff
Chairman and co-CEO



Co-CEO Q&A



Keith Block

Co-CEO



