

Q1 FY19 Financial Update

Salesforce

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NYSE: CRM
@Salesforce_ir



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, amortization of debt discount 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 transaction price (previously referred to as deferred revenue and unbilled deferred revenue); 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 expensing stock options and other equity awards; the sufficiency of our capital resources; factors related to our outstanding debt, revolving credit facility, term loan 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 forwardlooking statements, except as required by law.



Company Overview

The global leader in CRM

salesforce

Founded in 1999, public listing (NYSE: CRM) 2004

#1 CRM provider for the fifth year in a row¹

Fastest growing top five enterprise software company with \$10.54B in revenue FY18 (25% Y/Y)²

Doubled operating cash flow (\$1.2B-\$2.7B) over the past three years (FY15-FY18)

Headquartered in San Francisco, with >30,000 Employees focused on CRM and customer success

FORTUNE
FUTURE
50

#1 The Future 50

FAST COMPANY

The World's Most
Innovative Companies

Forbes

#1 World's Most
Innovative Companies

#1
FORTUNE'S 100
BEST COMPANIES
TO WORK FOR
2018

HUMAN
RIGHTS
CAMPAIGN

Best Places to Work
for LGBTQ Equality

People

#1 Top 50
Companies that Care

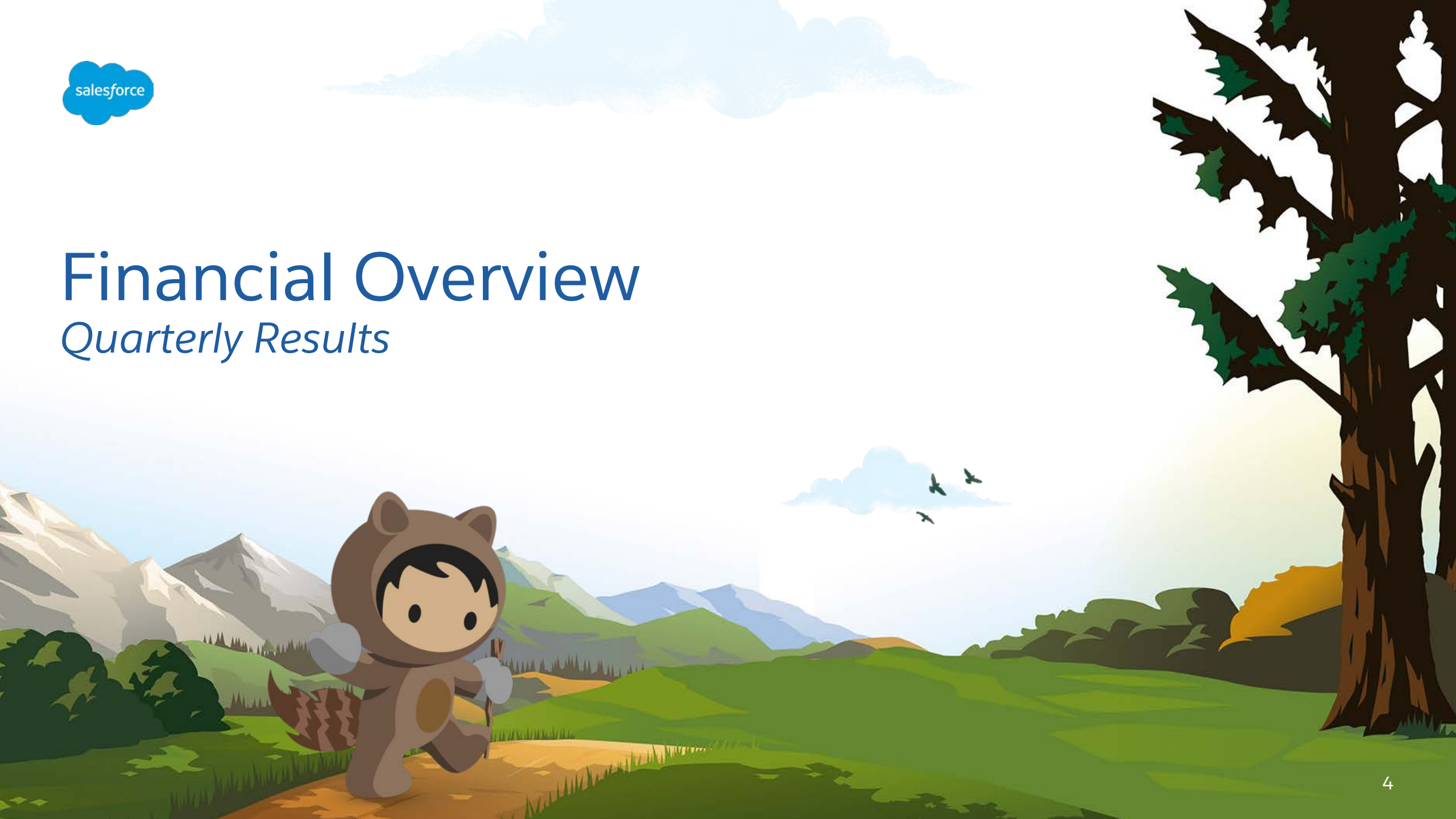
¹Source: IDC Worldwide Semiannual Software Tracker, April 2018. CRM Applications market includes the following IDC-defined functional markets: Sales, Customer Service, Contact Center, and Marketing Applications.

²Prior period information has been adjusted for the adoption of Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers (Topic 606)", which the Company adopted on February 1, 2018. Refer to slide 5 for additional discussion.



Financial Overview

Quarterly Results



Notes on Q1 Results



Adoption of New Accounting Standards

- Salesforce retrospectively adopted new accounting standard Topic 606 on February 1, 2018
- Topic 606 includes changes to accounting policies for revenue recognition and costs capitalized to acquire revenue contracts (primarily commissions)
- All financial results and guidance in this presentation reflect Topic 606. Historical results for FY17, FY18 and Q1-Q4 of FY18 are adjusted to reflect the new standard
- Refer to the Q1 FY19 [press release](#) for additional information, including adjusted historical Statements of Operations and Balance Sheets
- Adjusted information is based on best available information and reflects management's best estimate of the potential impact as a result of the adoption of the new standard
- Reconciliations to prior standards will not be provided

MuleSoft Acquisition

- The MuleSoft acquisition closed on May 2, 2018 subsequent to Q1 FY19
- Q2 FY19 and FY19 guidance reflect the anticipated financial impact of the MuleSoft acquisition



Q1 FY19 Results Highlights

Durable top-line and bottom-line growth

- **Revenue of \$3.01 Billion**, up 25% Year-Over-Year, 22% in Constant Currency¹
- **Unearned Revenue of \$6.20 Billion**, up 25% Year-Over-Year, 23% in Constant Currency²
- **Remaining Transaction Price** of Approximately **\$20.4 Billion**, up 36% Year-Over-Year³
- **Operating Cash Flow of \$1.47 Billion**, up 19% Year-Over-Year
- **Guidance**⁴
 - Initiates **Second Quarter FY19 Revenue Guidance** of \$3.22 Billion to \$3.23 Billion
 - Raises **FY19 Revenue** Guidance to \$13.075 Billion to \$13.125 Billion
 - Updates **FY19 GAAP EPS** Guidance to \$0.49 to \$0.51
 - Raises **FY19 Non-GAAP EPS** Guidance to \$2.29 to \$2.31⁵

¹Refer to slide 10 for an explanation of non-GAAP revenue constant currency (“CC”) growth rate.

²Unearned revenue was previously referred to as Deferred Revenue. We present CC information for unearned revenue to provide a framework for assessing how our underlying business performed excluding the effects of foreign currency rate fluctuations. To present a CC unearned revenue growth rate, we convert the unearned revenue balances in local currencies in previous comparable periods using the United States dollar currency exchange rate as of the most recent balance sheet date.

³Topic 606 introduced remaining transaction price, which is different than unbilled deferred revenue under previous accounting guidance. Remaining Transaction Price is a new disclosure effective Q1 FY19. Refer to slide 11 for additional discussion.

⁴Guidance provided May 29, 2018.

⁵Non-GAAP EPS is a non-GAAP financial measure. Refer to the Appendix for an explanation of non-GAAP financial measures, and why we believe these measures can be useful, as well as a reconciliation of non-GAAP financial measures to the most comparable GAAP measures, when applicable.

Q1 FY19 Financial Summary



	GAAP		Non-GAAP ¹	
	Quarterly Results	Increase y/y	Quarterly Results	Increase y/y
Revenue	\$3,006M	25%	\$2,927M	22% CC
Unearned Revenue	\$6,201M	25%	\$6,142M	23% CC
Current Remaining Transaction Price ²	\$9.6B	26%	N/A	N/A
Total Remaining Transaction Price ²	\$20.4B	36%	N/A	N/A
Operating Margin	6.4%	620 bps	17.0%	322 bps
Diluted Earnings Per Share	\$0.46 ³	N/A	\$0.74 ³	155% ⁴
Operating Cash Flow	\$1,466M	19%	N/A	N/A

¹The Non-GAAP columns present only non-GAAP financial metrics and the related non-GAAP growth rates as compared to prior periods. Non-GAAP revenue and non-GAAP unearned revenue represent CC results. Refer to slide 10 for an explanation of non-GAAP CC revenue growth and to slide 6 for an explanation of non-GAAP CC unearned revenue growth. Non-GAAP operating margin and non-GAAP EPS are non-GAAP financial measures. Refer to the Appendix for an explanation of non-GAAP financial measures, and why we believe these measures can be useful, as well as a reconciliation of non-GAAP financial measures to the most comparable GAAP measures, when applicable.

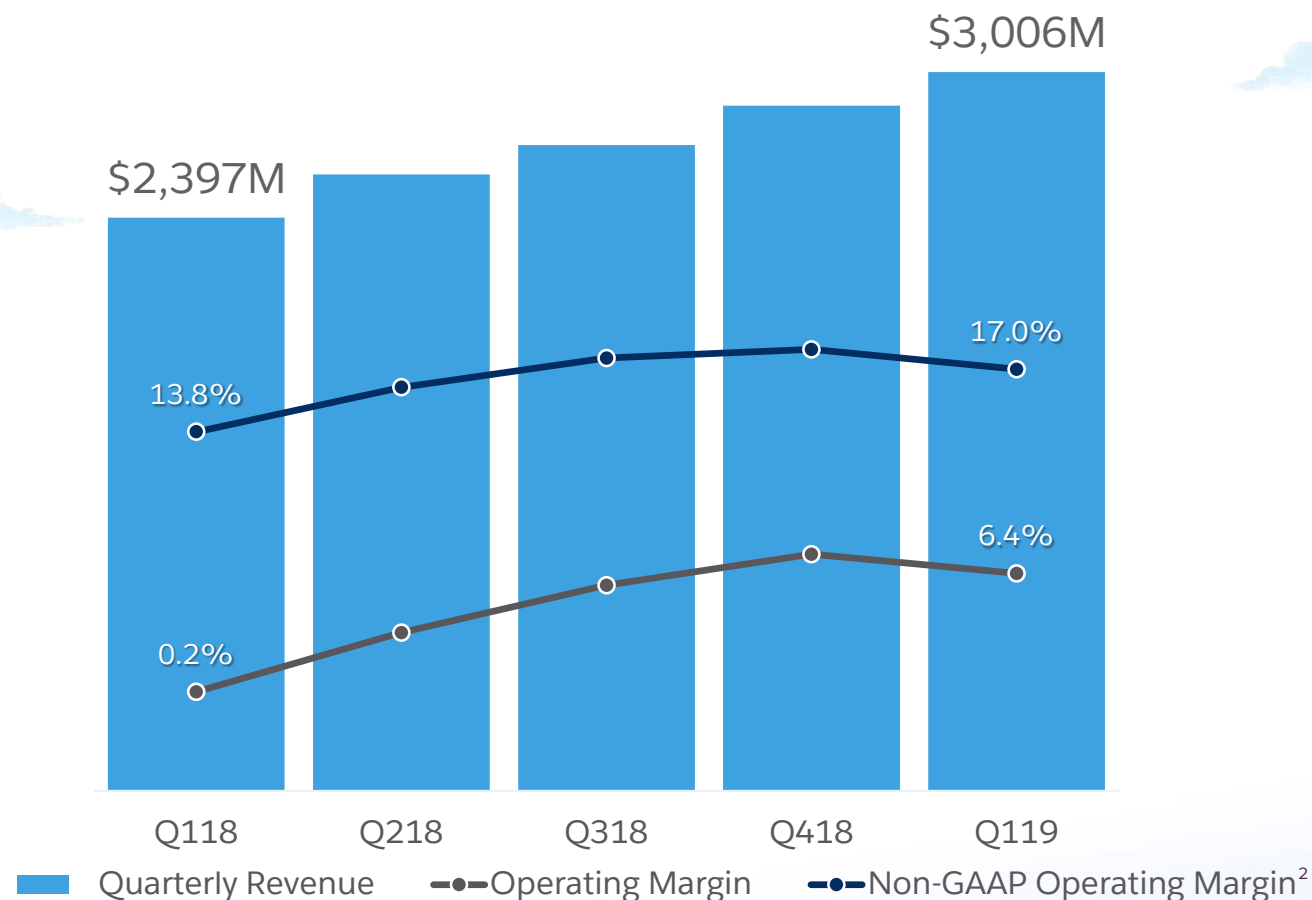
²Remaining Transaction Price is a new disclosure in Q1 FY19. Refer to slide 11 for additional discussion.

³Diluted EPS calculations utilize GAAP revenue results listed above.

⁴Non-GAAP Diluted EPS year-over-year growth is calculated using the EPS results for the current and prior periods rounded to the nearest whole cent, as presented in the Appendix.

Total Quarterly Revenue and Operating Margin

Balanced top-line and bottom-line growth



Q1 FY19



+25% /
+22% CC¹
y/y revenue growth

GAAP operating margin

+620 bps
y/y improvement

Non-GAAP operating margin²

+322 bps
y/y improvement



Note: FY18 information has been adjusted for the adoption of Topic 606. Refer to slide 5 for additional discussion.

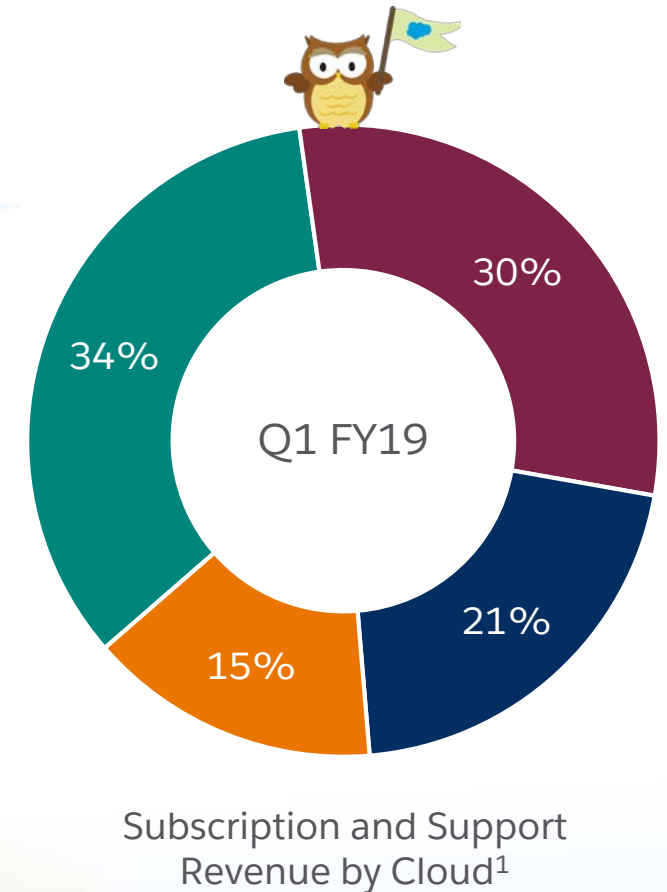
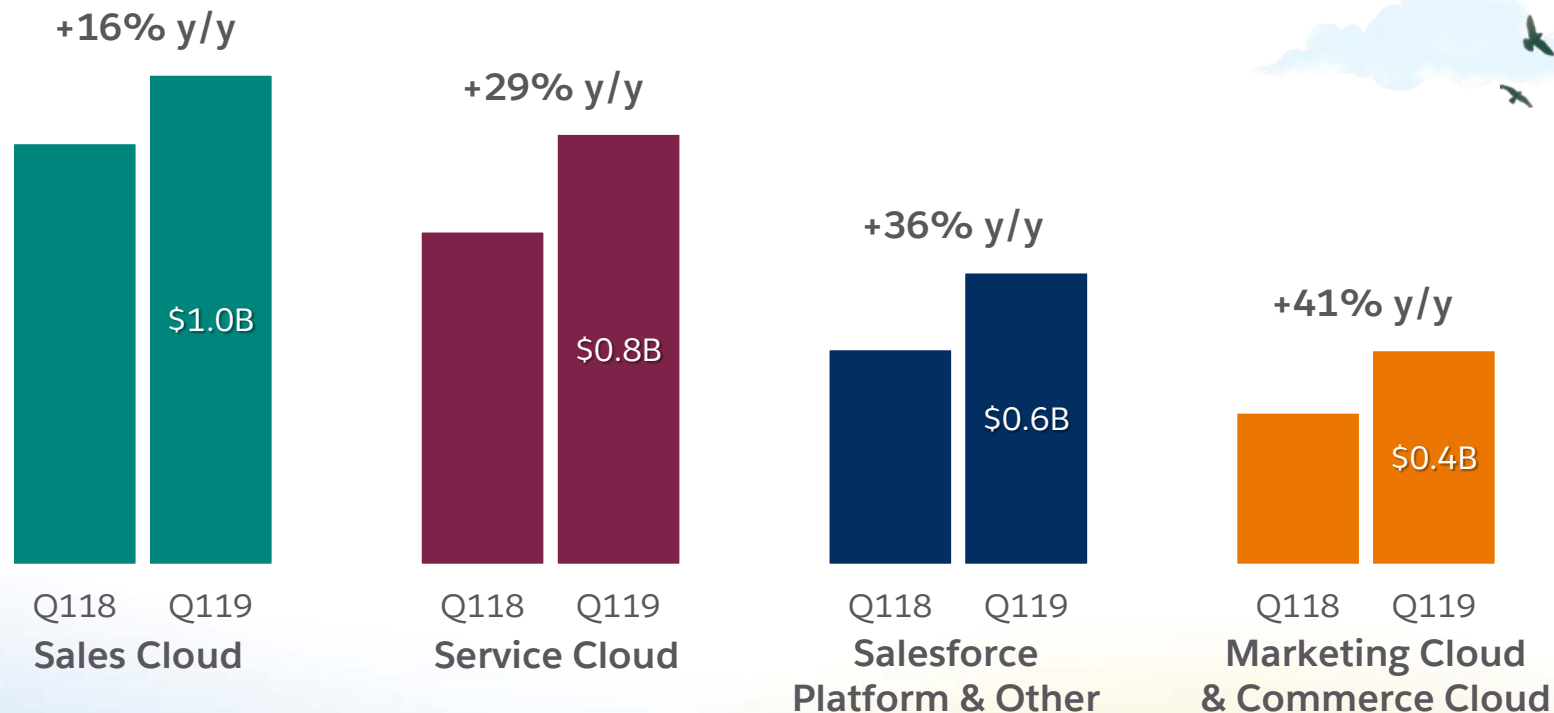
¹Refer to slide 10 for an explanation of non-GAAP revenue CC growth rate as compared to the comparable prior period.

²Non-GAAP Operating Margin is the proportion of non-GAAP income from operations as a percentage of revenue and is a non-GAAP financial measure. Refer to the Appendix for an explanation of which items are excluded from our non-GAAP financial measures, and why we believe these measures can be useful, as well as a reconciliation of non-GAAP financial measures to the most comparable GAAP measures, when applicable.

Quarterly Subscription and Support Revenue by Cloud



Complete portfolio of CRM products



Note: FY18 information has been adjusted for the adoption of Topic 606. Refer to slide 5 for additional discussion.
¹Percentages represent quarterly cloud revenues as a proportion of total quarterly Subscription and Support revenue.

Q1 FY19 Revenue by Region

Strong revenue growth across geographies

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AMERICAS



\$2,101M

+19% y/y

+19% y/y CC¹

EMEA



\$606M

+48% y/y

+31% y/y CC¹

APAC



\$299M

+34% y/y

+30% y/y CC¹

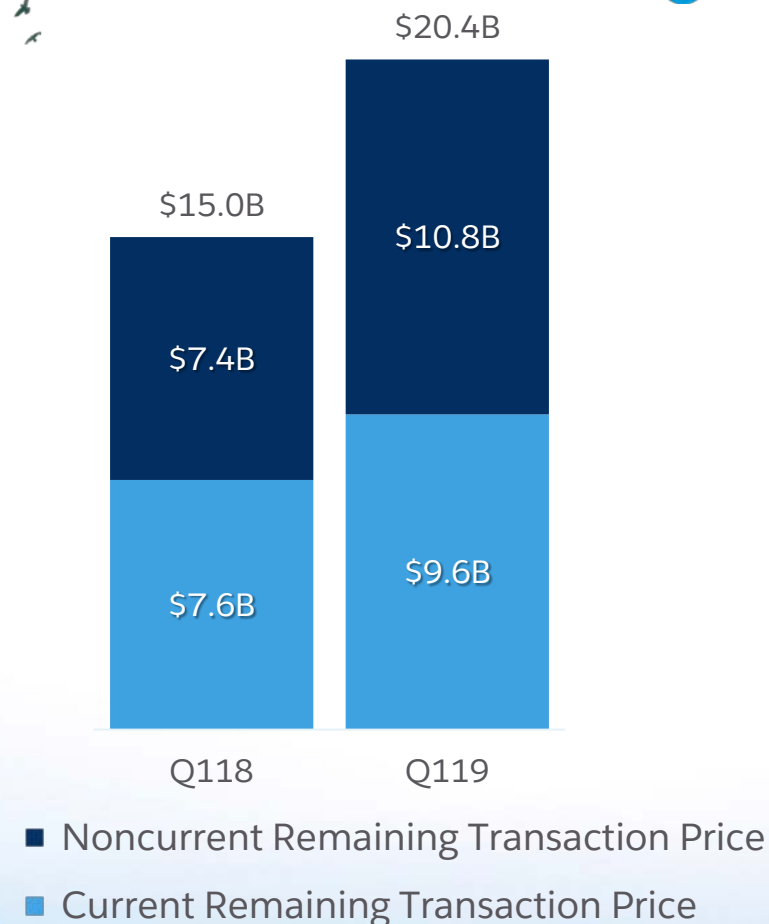
¹Non-GAAP revenue CC growth rates as compared to the comparable prior period. We present CC information for revenue to provide a framework for assessing how our underlying business performed excluding the effects of foreign currency rate fluctuations. To present CC revenue, current and comparative prior 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.

Remaining Transaction Price

New disclosure in Q1 FY19

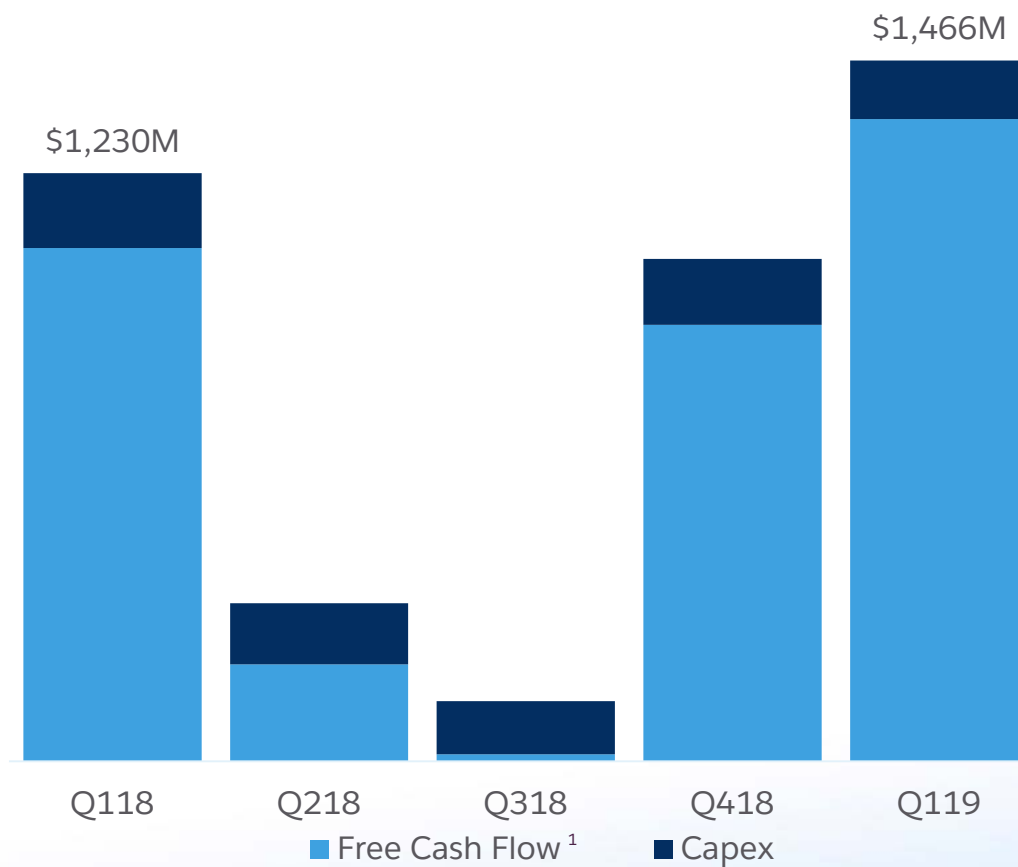


- Remaining Transaction Price (RTP) is a new metric disclosed with the adoption of Topic 606¹
- RTP represents all future revenue under contract that has not yet been recognized as revenue
- Current RTP represents future revenue under contract that is expected to be recognized as revenue in the next 12 months
- Noncurrent RTP represents future revenue under contract that is expected to be recognized as revenue beyond 12 months
- RTP is influenced by several factors, including seasonality, the timing of renewals, average contract terms, and foreign currency exchange rates



¹Topic 606 introduced remaining transaction price, which is different than unbilled deferred revenue under previous accounting guidance. Transaction price allocated to the remaining performance obligations 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. Transaction price allocated to the remaining performance obligation is influenced by several factors, including seasonality, the timing of renewals, average contract terms and foreign currency exchange rates. Unbilled portions of the remaining transaction price denominated in foreign currencies are revalued each period based on the period end exchange rates. As with unbilled deferred revenue under previous accounting guidance, the portion of remaining transaction price that is unbilled is not recorded on the balance sheet.

Quarterly Operating Cash Flow



Q1 FY19
y/y growth

+19%
operating cash flow

Note: FY18 information has been adjusted for the adoption of Topic 606. The net cash provided by operating activities during Q1 – Q4 FY18 did not change. Refer to slide 5 for additional discussion.

¹Free cash flow is a non-GAAP financial measure. Refer to the Appendix for an explanation of non-GAAP financial measures, and why we believe these measures can be useful, as well as a reconciliation of non-GAAP free cash flow to the most comparable GAAP measure.

Quarterly Cash, Cash Equivalents, and Marketable Securities

Q1 FY19
y/y growth



+122%

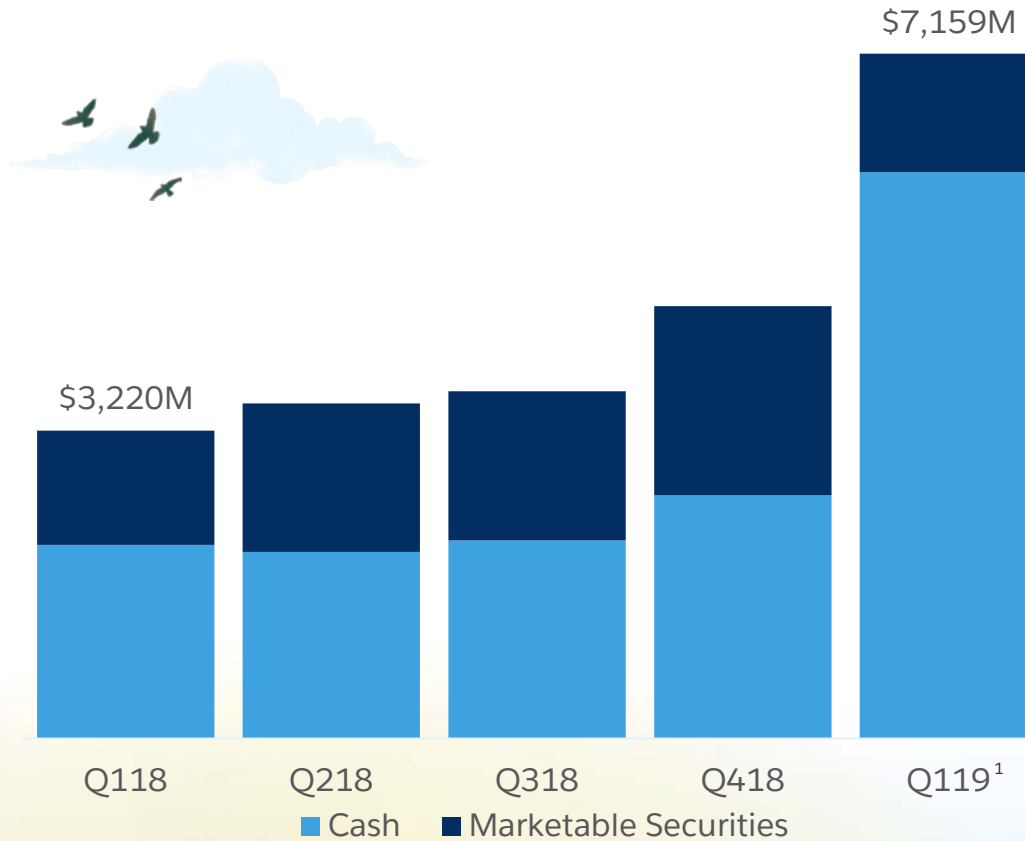
Total Cash and
Marketable Securities

+4%

Marketable Securities

+192%

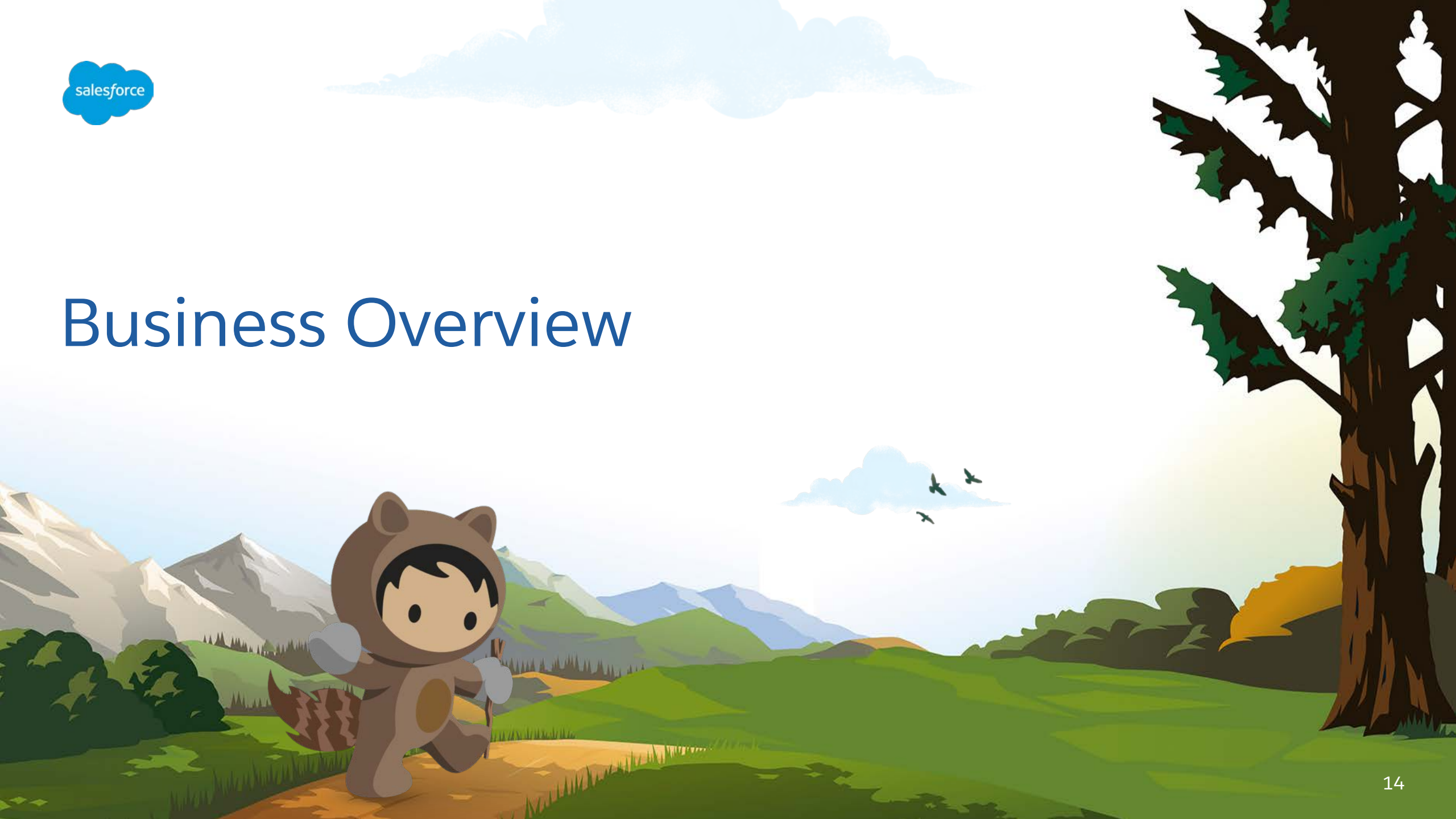
Cash



¹The company raised approximately \$2.5 billion in public unsecured debt in April 2018 in connection with the acquisition of MuleSoft, Inc. which closed in May 2018. Total cash paid in May 2018 in connection with the acquisition was approximately \$4.9 billion.



Business Overview



CRM is Now the Fastest Growing Enterprise Software Segment

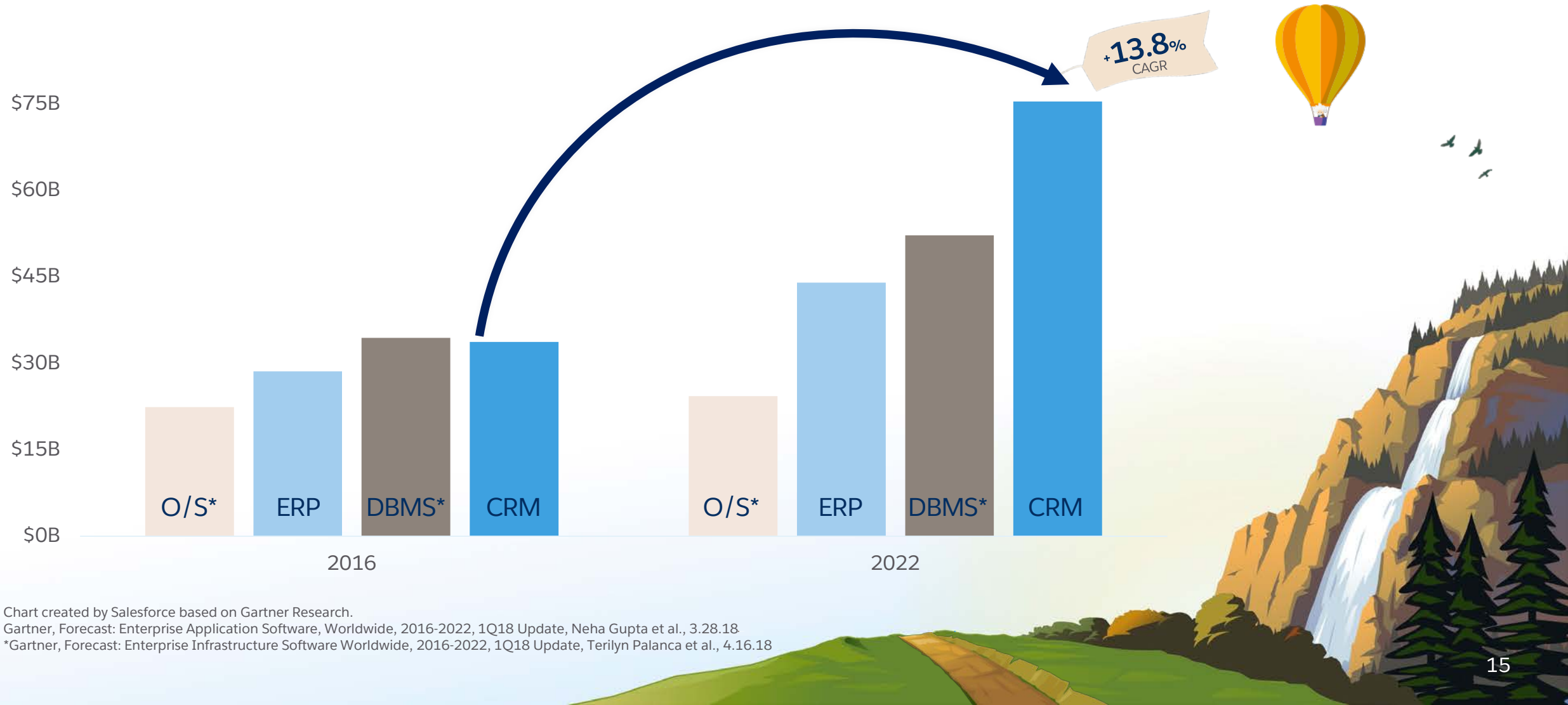


Chart created by Salesforce based on Gartner Research.

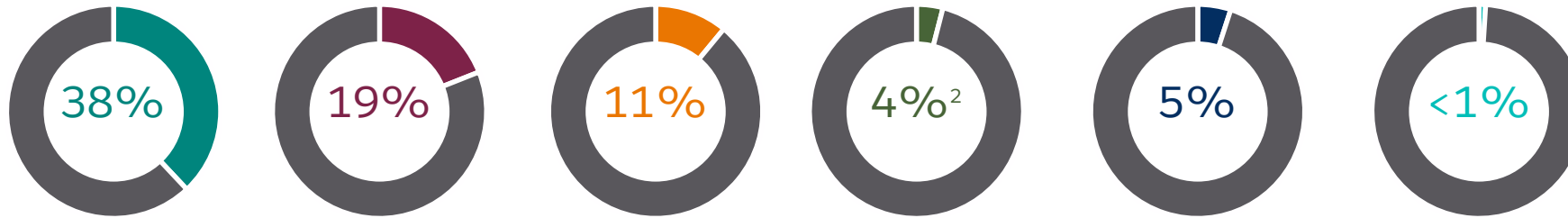
Gartner, Forecast: Enterprise Application Software, Worldwide, 2016-2022, 1Q18 Update, Neha Gupta et al., 3.28.18

*Gartner, Forecast: Enterprise Infrastructure Software Worldwide, 2016-2022, 1Q18 Update, Terilyn Palanca et al., 4.16.18

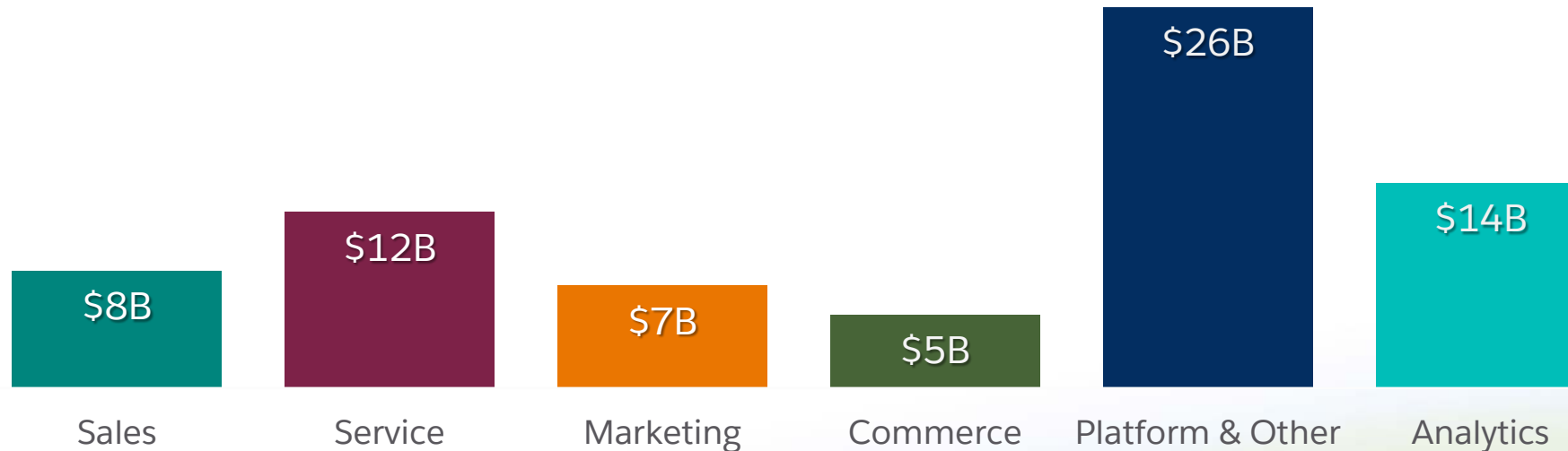
\$72 Billion Market Opportunity Today...

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CY16 Market Share¹



CY16 TAM³



Calculations performed by Salesforce and graphics created by Salesforce based on Gartner research.

¹Source: Sales, Service, Marketing, and Commerce per Gartner, Market Share All Software Markets, Worldwide, 2016, 4.14.17. Platform & other and Analytics market share calculated by Salesforce using the definitions below.

²Salesforce acquired Demandware on July 11, 2016. Market share includes Demandware's 2016 commerce contribution of \$115.8M.

³Source: Gartner, Forecast: Enterprise Software Markets, Worldwide, 2014-2021, 4Q17 Update, Hai Hong Swinehart et al, 12.15.17. Platform & Other market defined as Application Platform Software, Application Platform Software as a Service (aPaaS), Other AD, Data Integration Tools, Business Process Management Suites, Identity Governance and Administration, Mobile Application Development Platforms, Testing, Full Life Cycle API Management, Web Access Management. Analytics market defined as Modern BI Platforms, Traditional BI Platforms, Data Science Platforms, Analytic Applications.



...Growing to \$123B in 2021

Market Growth
(CAGR 16-21)¹

12%

15%

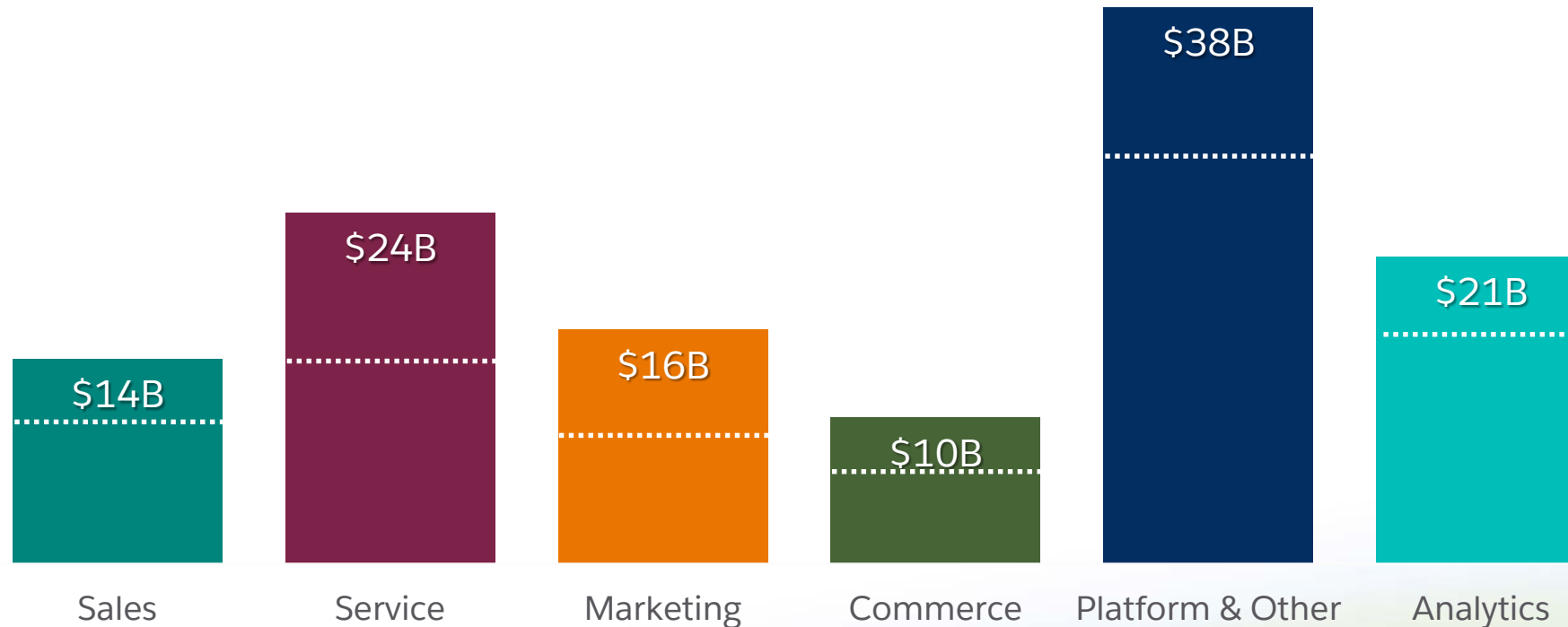
16%

15%

8%

9%

CY21 TAM¹



Calculations performed by Salesforce and graphics created by Salesforce based on Gartner research.

¹Source: Gartner, Forecast: Enterprise Software Markets, Worldwide, 2014-2021, 4Q17 Update, Hai Hong Swinehart et al, 12.15.17. Platform & Other market defined as Application Platform Software, Application Platform Software as a Service (aPaaS), Other AD, Data Integration Tools, Business Process Management Suites, Identity Governance and Administration, Mobile Application Development Platforms, Testing, Full Life Cycle API Management, Web Access Management. Analytics market defined as Modern BI Platforms, Traditional BI Platforms, Data Science Platforms, Analytic Applications. Note: data has been updated to reflect Gartner's forecast as of December 2017 and therefore is different from what was presented at Salesforce's Investor Day on November 7, 2017.



The Only Complete Cloud CRM Platform

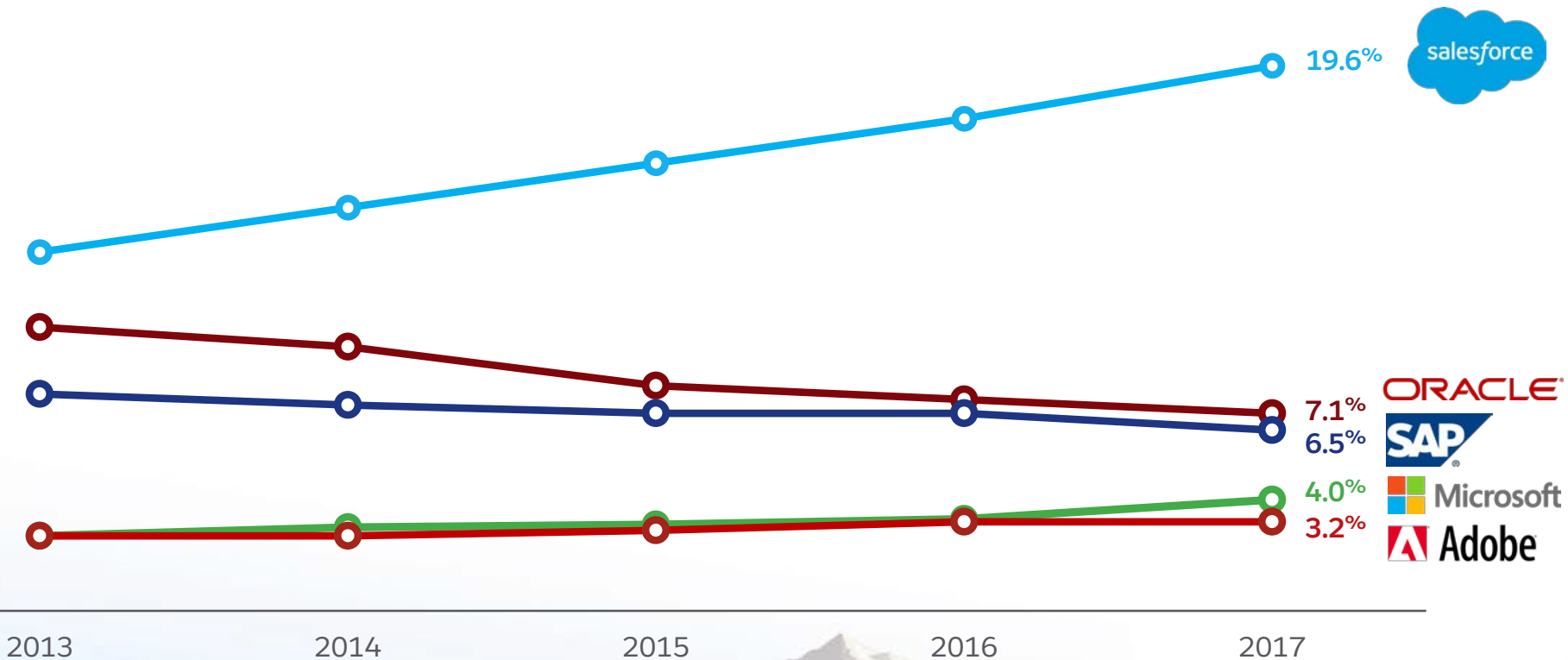
salesforce

No other company is better positioned to drive digital transformation



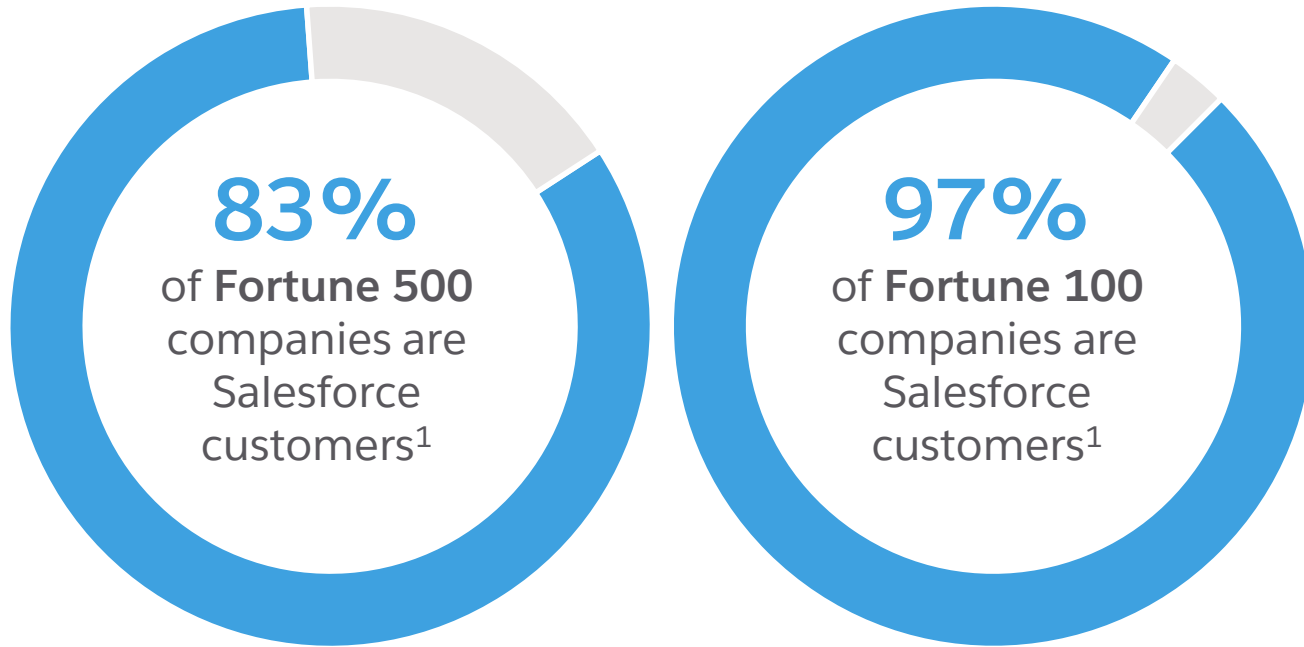
Salesforce #1 in CRM

Worldwide CRM applications 2017 market share by IDC



Source: IDC Worldwide Semiannual Software Tracker, April 2018. CRM Applications market includes the following IDC-defined functional markets: Sales, Customer Service, Contact Center, and Marketing Applications.

The World's Top Companies Are Powered by Trailblazers



83%
of Fortune 500
companies are
Salesforce
customers¹

97%
of Fortune 100
companies are
Salesforce
customers¹

Ra Sjeon Hines
Channel Marketing
Manager, PG&E

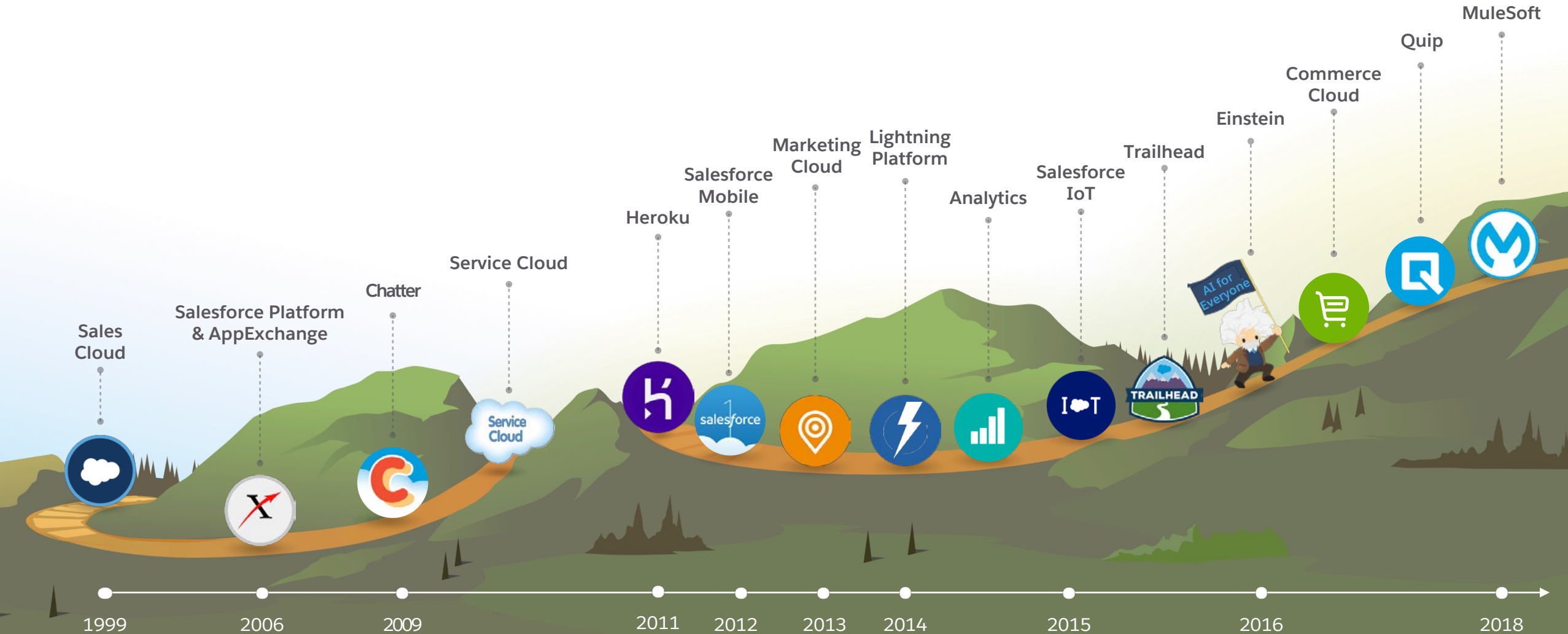
Jennifer McClelland
Channel Marketing
Manager, PG&E

Maggie Clark
Project Lead,
PG&E

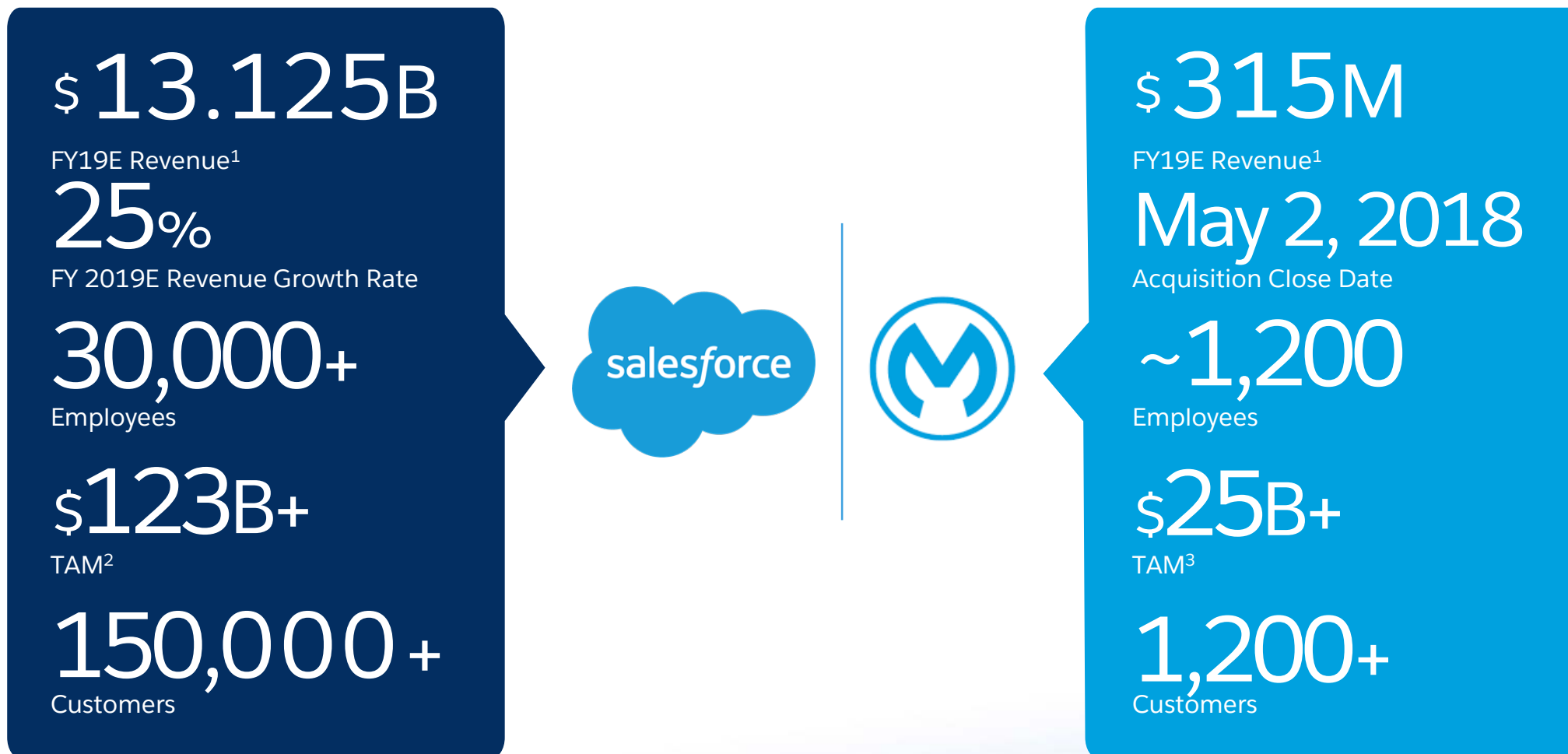


¹Salesforce annual Fortune Rankings assessment, based on Fortune 2017 rankings and on Salesforce customers during FY18 and through January 31, 2018.

Empowering Companies to Connect With their Customers Since 1999



A Disruptive Combination



¹\$13.125B represents the high-end of the revenue guidance provided May 29, 2018.

²Refer to slide 17 for additional information about Salesforce's TAM.

³MuleSoft total addressable market per industry analyst research; MuleSoft represents incremental TAM of \$10B to Salesforce.

THANK Y☁U





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Appendix



Non-GAAP Financial Measures



This presentation includes information about non-GAAP diluted earnings per share, non-GAAP income from operations, non-GAAP free cash flow, and constant currency revenue and constant currency unearned revenue 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 diluted earnings per share excludes, to the extent applicable, the impact of the following items: stock-based compensation, amortization of acquisition-related intangibles, the net amortization of debt discount, as well as 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.

Non-GAAP income from operations excludes the impact of the following items: stock-based compensation, and amortization of acquisition-related intangibles.

The company defines the non-GAAP measure free cash flow as GAAP net cash provided by operating activities, less capital expenditures. For this purpose, capital expenditures does not include our strategic investments, nor does it include any costs or activities related to our purchase of 50 Fremont land and building, and building - leased facilities.

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



GAAP to Non-GAAP Financial Reconciliation

Quarterly Results

(in millions)

Non-GAAP income from operations

	Three Months Ended April 30,	
	2018	2017*
GAAP income (loss) from operations	\$ 191	\$ 4
Plus:		
Amortization of purchased intangibles	69	75
Stock-based expense	252	252
Non-GAAP income from operations	\$ 512	\$ 331

Non-GAAP diluted earnings per share

	Three Months Ended April 30,	
	2018	2017*
GAAP diluted net income (loss) per share	\$ 0.46	\$ 0.00
Plus:		
Amortization of purchased intangibles	0.09	0.10
Stock-based expense	0.33	0.35
Amortization of debt discount, net	0.01	0.01
Less:		
Income tax effects and adjustments	(0.15)	(0.17)
Non-GAAP diluted earnings per share	\$ 0.74	\$ 0.29
Shares used in computing Non-GAAP diluted net income per share	754	722

(in millions)

Free cash flow analysis, a non-GAAP measure

	Three Months Ended April 30,	
	2018	2017*
Operating cash flow		
GAAP net cash provided by operating activities	\$ 1,466	\$ 1,230
Less:		
Capital expenditures	(122)	(157)
Free cash flow	\$ 1,344	\$ 1,073

*Prior period information has been adjusted for the adoption of Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers (Topic 606)", which the Company adopted on February 1, 2018.