

salesforce

Financial Update *Q1 FY21*

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 the company's financial and operating results, which may include 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 improvement, expected revenue growth, expected current remaining performance obligation growth, expected tax rates, stock-based compensation expenses, amortization of purchased intangibles, shares outstanding, market growth, environmental, social and governance goals, expected capital allocation, including mergers and acquisitions, capital expenditures and other investments, expectations regarding closing contemplated acquisitions and contributions from acquired companies. 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 it makes.

The risks and uncertainties referred to above include -- but are not limited to -- the impact of the COVID-19 pandemic, related public health measures and resulting economic downturn and market volatility; our ability to maintain service performance and security levels meeting 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 and costs related to additional data center capacity; our reliance on third-party hardware, software and platform providers; the effect of evolving domestic and foreign government regulations, including those related to the provision of services on the Internet, those related to accessing the Internet, and those addressing data privacy, cross-border data transfers and import and export controls; current and potential litigation involving us or our industry, including litigation involving acquired entities such as Tableau, 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 beyond the CRM market; the success of our strategy of acquiring or making investments in complementary businesses, joint ventures, services, technologies and intellectual property rights; our ability to realize the benefits from strategic partnerships, joint ventures and investments; our ability to successfully integrate acquired businesses and technologies; our ability to compete in the market in which we participate; the success of 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; 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 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 develop 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 the transfer and the value of such transferred intellectual property; uncertainties regarding the effect of general economic and market conditions; the impact of geopolitical events; uncertainties regarding the impact of expensing stock options and other equity awards; the sufficiency of our capital resources; risks related to our 2023 and 2028 senior notes, revolving credit facility and loan associated with 50 Fremont; our ability to comply with our debt covenants and lease obligations; and the impact of climate change, natural disasters and actual or threatened public health emergencies, including the ongoing COVID-19 pandemic.

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 it makes 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.



Company Overview

salesforce

Delivering durable growth at scale

- Salesforce is the **#1 CRM software provider worldwide** by revenue for 7 consecutive years¹
- **Consistently delivering durable revenue growth**, more than doubling from \$8.4 billion in FY17 to \$17.1 billion in FY20
- **Fastest growing top five enterprise software company** with \$17.1B in revenue in FY20 (~29% Y/Y)
- Uniquely positioned to help our customers **drive broad-based digital transformation**

Leader in **Philanthropy**



“CHANGE THE
WORLD” LIST

FORTUNE



MOST
SUSTAINABLE
COMPANIES

BARRON'S

Leader in **Culture**



#1 TOP 50
COMPANIES
THAT CARE

People



WORLD'S
BEST WORKPLACE

Great
Place
To
Work

Leader in **Innovation**



WORLD'S MOST
INNOVATIVE
COMPANIES

Forbes



FUTURE 50
TOP 10

FORTUNE

¹Source: IDC, Worldwide Semiannual Software Tracker, April 2020.. CRM market includes the following IDC-defined functional markets: Sales Force Productivity and Management, Marketing Campaign Management, Customer Service, Contact Center, Advertising, and Digital Commerce Applications.

Financial Overview

Quarterly Results



Q1 FY21 Results Highlights



Durable top-line growth

- **Revenue of \$4.87 Billion**, up 30% year-over-year, 31% in constant currency¹
- **Operating Cash Flow of \$1.86 Billion**, down 5% year-over-year
- **Current Remaining Performance Obligation of approximately \$14.5 Billion**, up 23% year-over-year, 24% in constant currency¹
- **Remaining Performance Obligation of approximately \$29.3 Billion**, up 18% year-over-year
- **Guidance**²
 - Updates **FY21 Revenue** to \$20.0 Billion, approximately 17% year-over-year growth
 - Initiates **Q2 FY21 Revenue** of \$4.89 Billion - \$4.90 Billion, approximately 22% to 23% year-over-year growth
 - Updates **FY21 GAAP EPS** to (\$0.06) to (\$0.04)
 - Updates **FY21 Non-GAAP EPS** to \$2.93 to \$2.95³
 - Updates **FY21 Operating Cash Flow** growth to approximately 10% to 11%
 - Initiates **Q2 FY21 Current Remaining Performance Obligation** growth of approximately 16% to 17% year-over-year

¹Refer to slides 9 and 10 for an explanation of non-GAAP constant currency ("CC") growth rates for revenue and current remaining performance obligation, respectively.

²Guidance provided for Q2 FY21 Revenue and Q2 GY21 Current Remaining Performance Obligation on May 28, 2020. Guidance provided for FY21 Revenue on December 3, 2019, updated on February 25, 2019 and again on May 28, 2020. All other guidance provided February 25, 2020, updated May 28, 2020. This guidance does not reflect any potential future gains or losses on our strategic investment portfolio resulting from the future impact of ASU 2016-01 as it is not possible to forecast future gains and losses, and is based on estimated GAAP tax rates that reflect the company's currently available information, and excludes forecasted discrete tax items such as excess tax benefits from stock-based compensation. The GAAP tax rates may fluctuate due to future acquisitions or other transactions.

³Non-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 FY21 Financial Summary



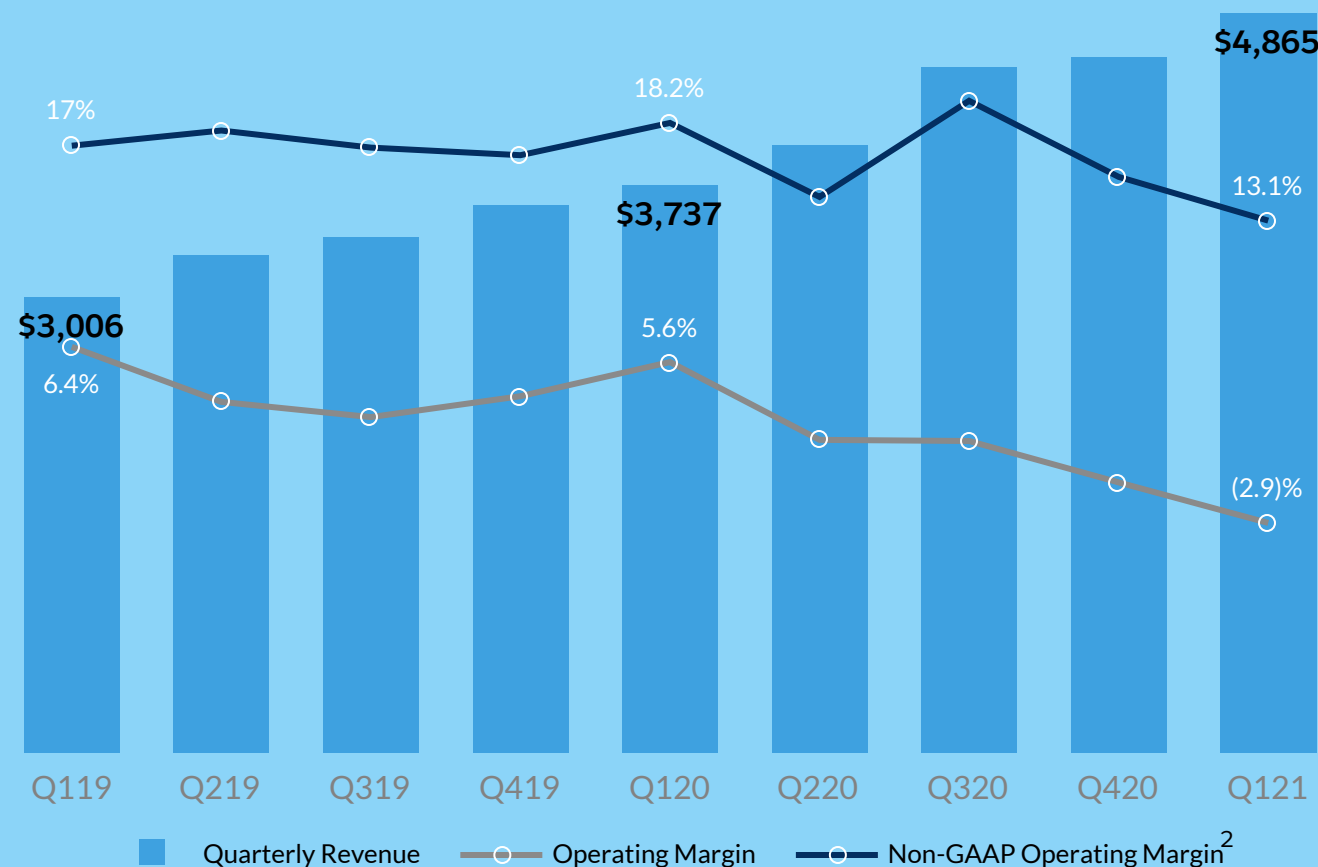
	GAAP		Non-GAAP ¹	
	Quarterly Results	Increase (Decrease) Y/Y	Quarterly Results	Increase (Decrease) Y/Y
Revenue	\$4,865M	30%	\$4,907M	31%
Current Remaining Performance Obligation	\$14.5B	23%	N/A	24%
Total Remaining Performance Obligation	\$29.3B	18%	N/A	N/A
Operating Margin	(2.9)%	(850) bps	13.1% ²	(520) bps
Diluted Earnings Per Share ³	\$0.11	(78)%	\$0.70	(25)%
Operating Cash Flow	\$1,859M	(5)%	N/A	N/A

¹The Non-GAAP columns present non-GAAP financial metrics and the related non-GAAP growth rates as compared to prior periods. Non-GAAP revenue and non-GAAP current remaining performance obligation (CRPO) represent CC results. Refer to slides 9 and 10 for explanations of non-GAAP CC revenue growth and non-GAAP CC CRPO growth, respectively. 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 a reconciliation of non-GAAP financial measures to the most comparable GAAP measures, when applicable.

²Non-GAAP Operating Margin is the proportion of non-GAAP income from operations as a percentage of GAAP revenue.

³Diluted EPS is calculated using GAAP revenue.

Total Quarterly Revenue and Operating Margin



Q1 FY21
Y/Y Growth

+30% / +31% CC¹

Revenue

(850) bps

GAAP Operating Margin

(520) bps

Non-GAAP Operating Margin²

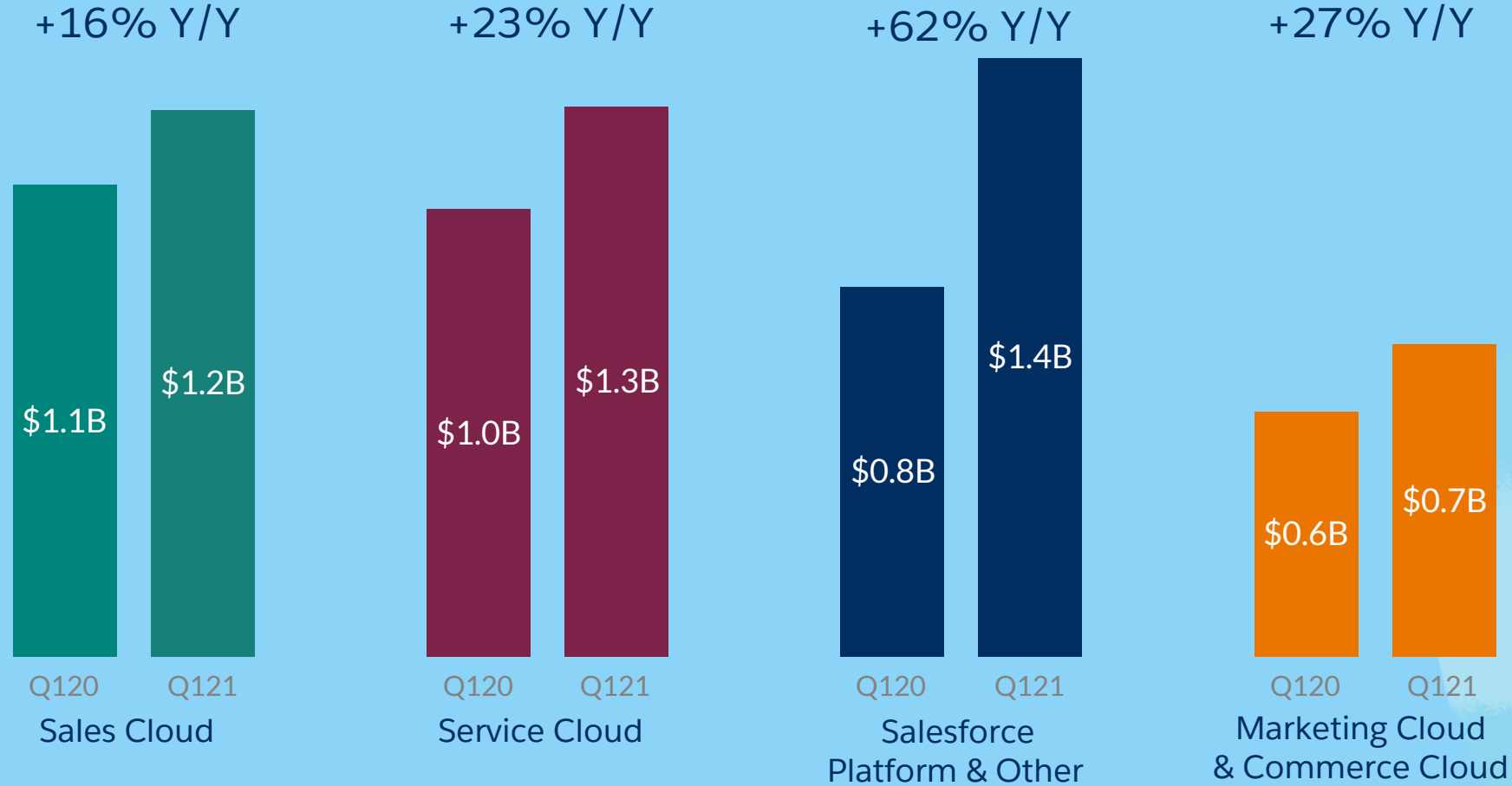
¹Refer to slide 9 for an explanation of non-GAAP revenue CC growth rate as compared to the comparable prior period.

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

Q1 FY21 Subscription and Support Revenue by Cloud



Complete portfolio of CRM products



Note: growth rates are based on reported results in USD.

Q1 FY21 Revenue by Region

salesforce

Incremental investments in international markets driving growth

AMERICAS



\$3,370M

+29% Y/Y

+29% Y/Y CC¹

EMEA



\$1,034M

+37% Y/Y

+41% Y/Y CC¹

APAC



\$461M

+26% Y/Y

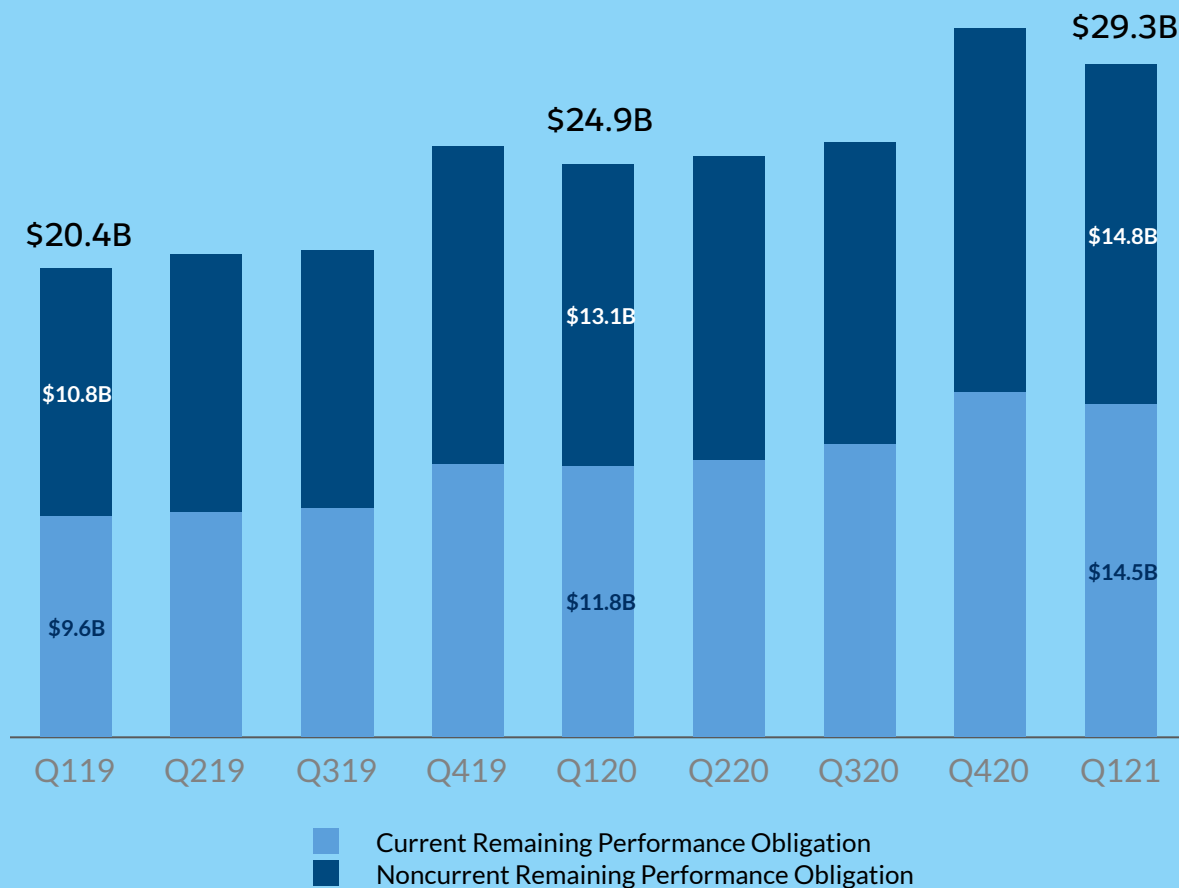
+28% Y/Y CC¹

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 Performance Obligation

Represents future revenue under contract



Q1 FY21
Y/Y Growth

+23% / +24% CC²

Current RPO (cRPO)

+18%

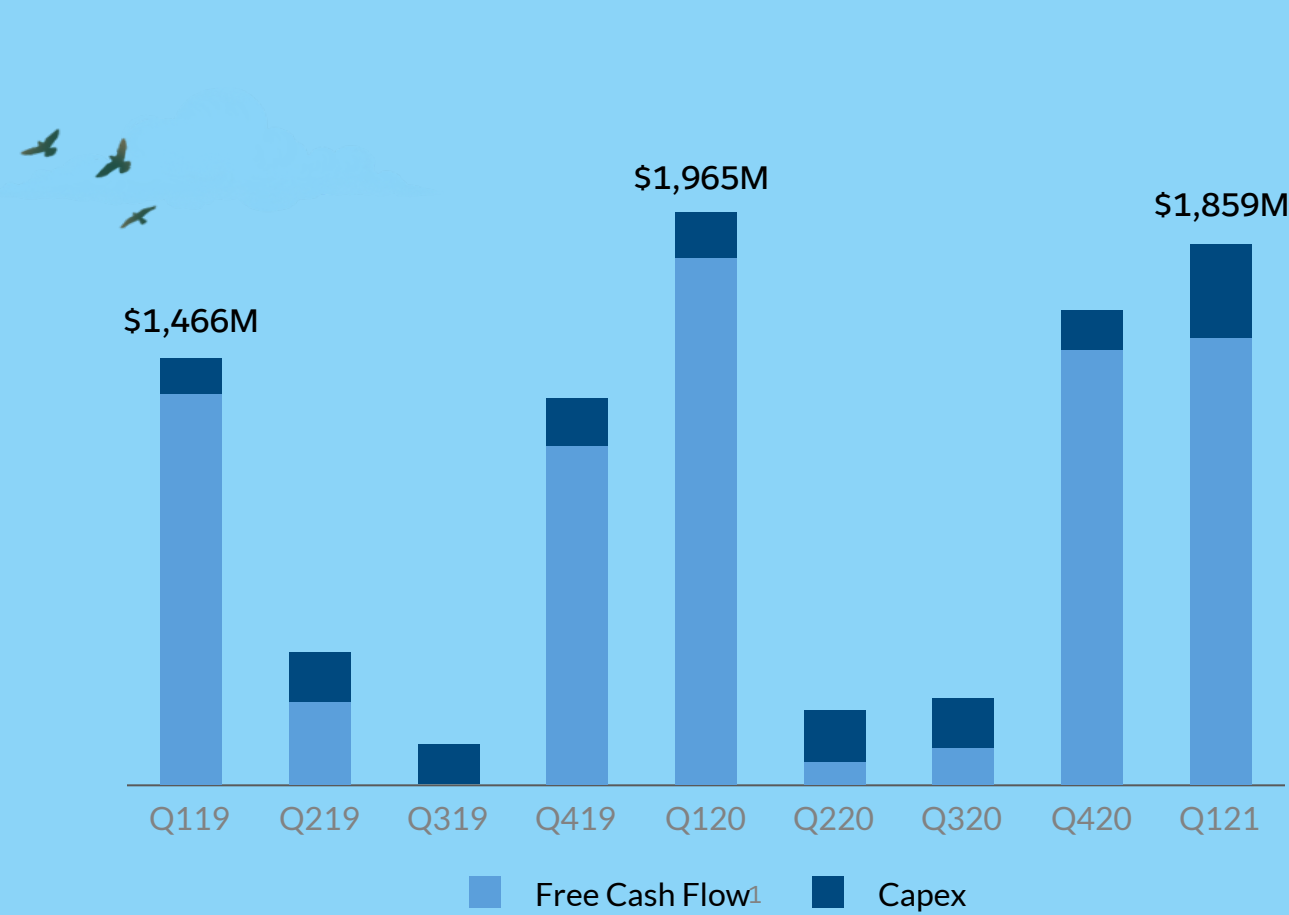
Total RPO

Remaining Performance Obligation (RPO) is a metric disclosed with the adoption of Topic 606¹. RPO represents all future revenue under contract that has not yet been recognized as revenue. Current RPO represents future revenue under contract that is expected to be recognized as revenue in the next 12 months. RPO 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 the remaining transaction price that is unbilled is not recorded on the balance sheet.

²To present CC CRPO growth, CRPO balances in local currencies in previous comparable periods are converted using the United States dollar currency exchange rate as of the most recent balance sheet date.

Quarterly Operating Cash Flow



Q1 FY21
Y/Y Growth

(15)%

FCF¹

(5)%

OCF

Our fourth quarter has historically been our strongest quarter for new business and renewals and we generally invoice our customers annually.

As a result, our first quarter and, increasingly, our fourth quarter are our largest collections and operating cash flow quarters. Our second quarter and third quarter are seasonally smaller in regards to collections and operating cash flow.

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 table including the components of Free cash flow.



Cash, Cash Equivalents, and Marketable Securities



Strengthening Cash Balances



Q1 FY21
Y/Y Growth

54%

Total Cash and Marketable
Securities Y/Y Growth



Note: Growth rate based on reported actuals, not the rounded figures shown in the graph.

Business Overview



COVID-19 Response: Three Phases

salesforce



Phase 1

Rapid response by helping our customers, and caring for our Ohana



Phase 2

Recovering and reopening safely, with systematic processes and informative data to drive decisions



Phase 3

Stabilizing and getting acquainted to a new normal

COVID-19 Response: Phase 1



Entered Phase 1 in Q1 and responded with a disciplined systematic approach



Phase 1

Rapid response by helping our customers, and caring for our Ohana

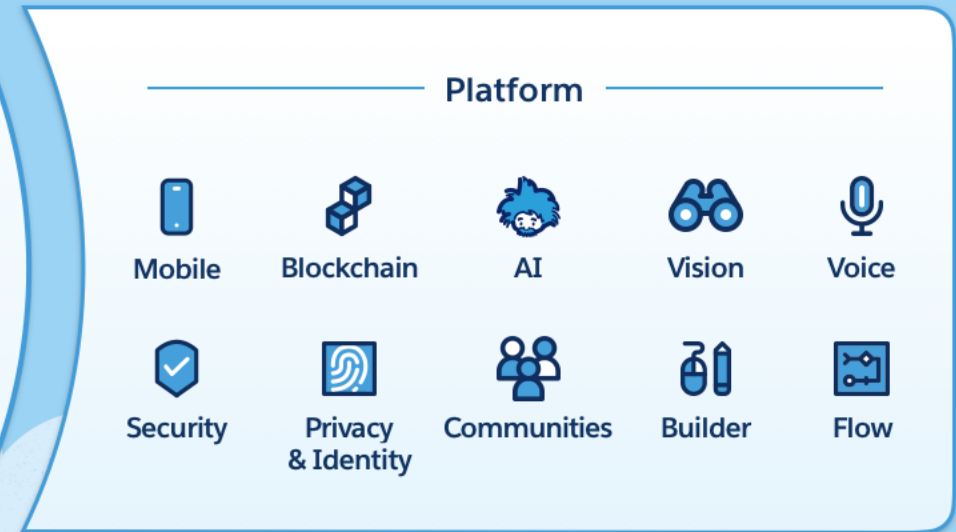
- Provided customers most affected by the COVID-19 pandemic temporary financial flexibility
- Took powerful actions to care for our employees and offered our direct sales force a one-time commission guarantee
- Directed our global workforce to work from home and cancelled all business travel by employees for the foreseeable future
- Shifted customer, industry, and employee events to virtual-only experiences for the remainder of 2020
- Supported relief efforts in our communities through philanthropic investments including grants and sourcing PPE



Salesforce Customer 360

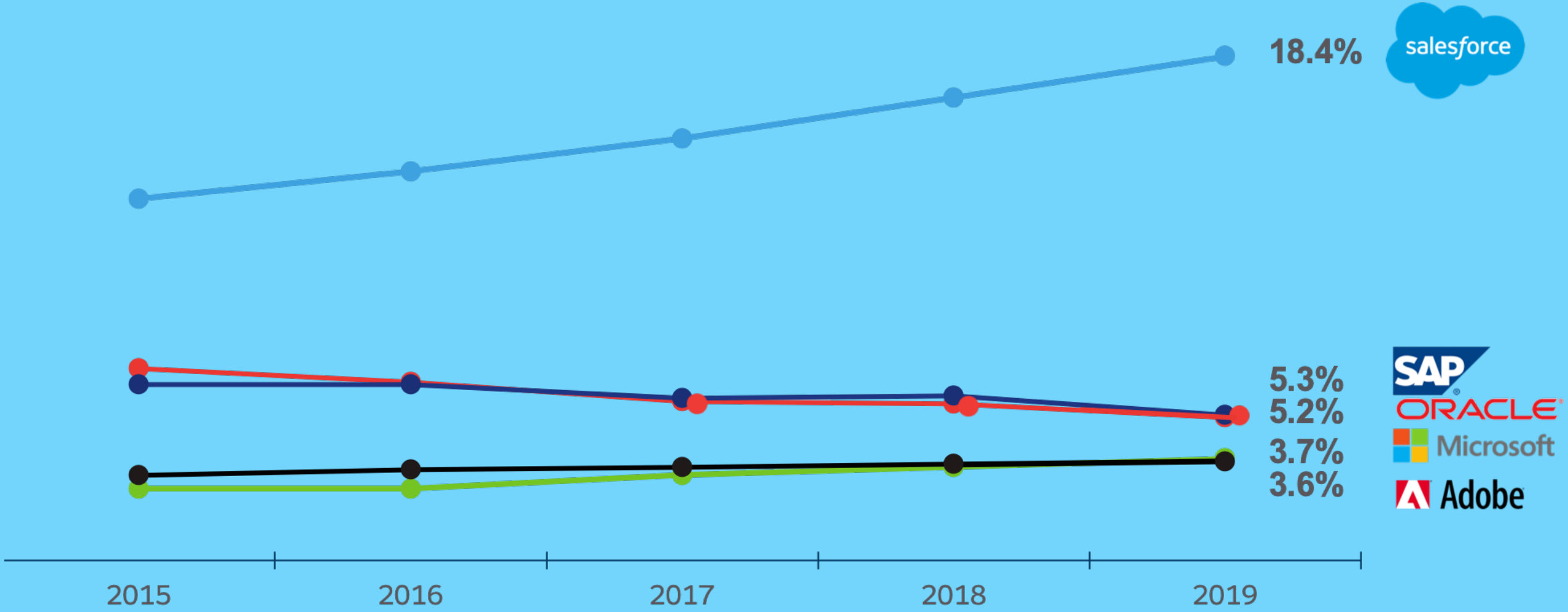
Trusted · Smart · Flexible · Sustainable

salesforce



Salesforce: #1 CRM

Worldwide CRM applications 2019 revenue market share by IDC



Source: IDC, Worldwide Semiannual Software Tracker, April 2020. CRM market includes the following IDC-defined functional markets: Sales Force Productivity and Management, Marketing Campaign Management, Customer Service, Contact Center, Advertising, and Digital Commerce Applications.

Innovation Drives Growth

Serving customers with the most complete portfolio of products



Portfolio as of July 31 2019. Excludes recent acquisitions, including Tableau and ClickSoftware.

Large and Growing Addressable Markets



Total Addressable Market growth from CY20-CY24

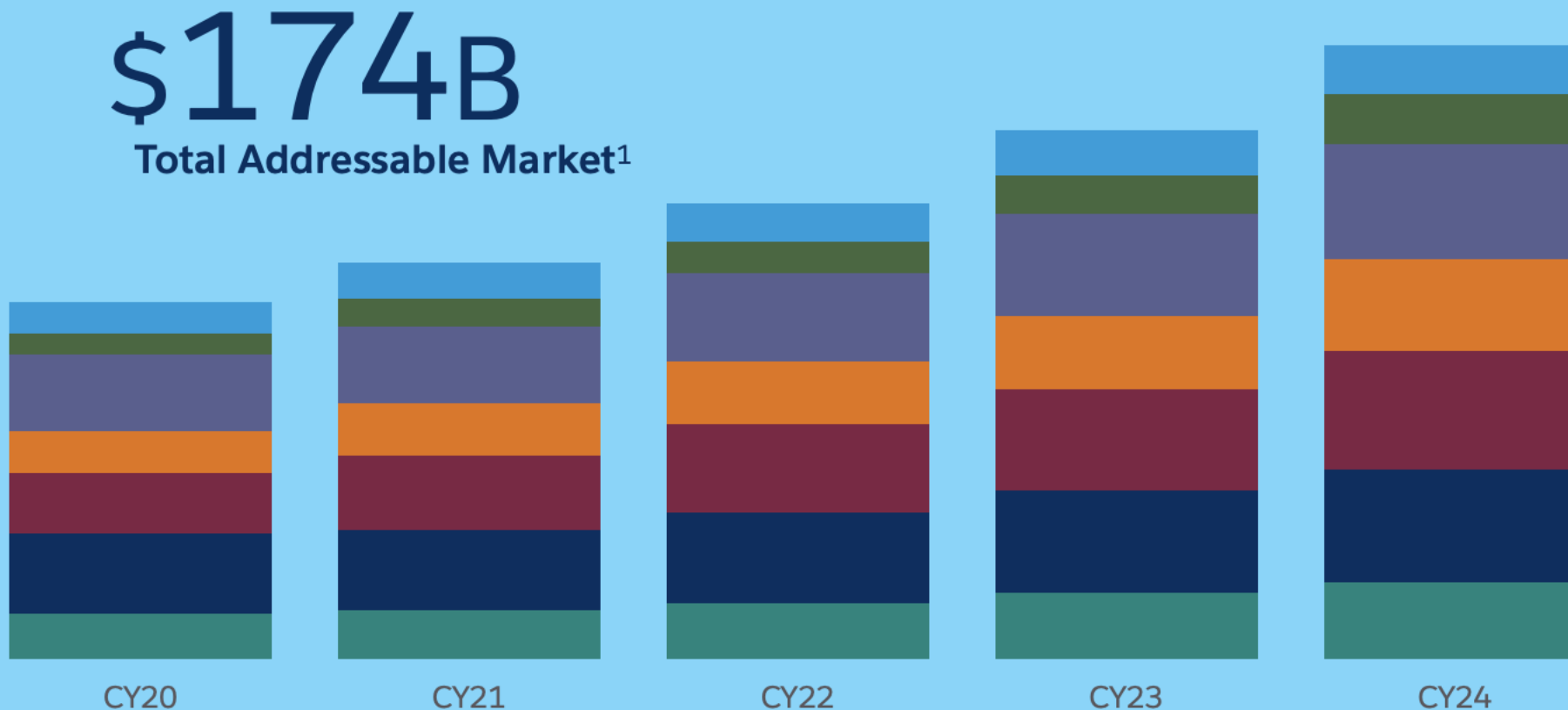
\$180B

\$174B

Total Addressable Market¹

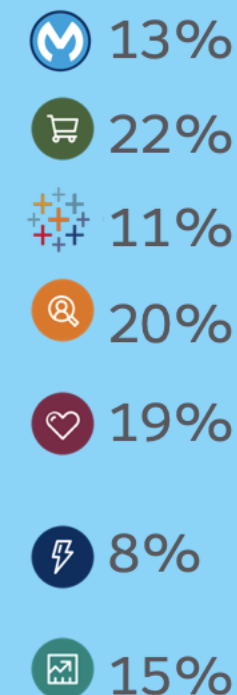
\$120B

\$60B



CY20-CY24

4YR CAGR²



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

1. Calculations for Analytics, Commerce, Marketing, Sales and Service are based on Gartner, Forecast: Enterprise Application Software, Worldwide, 2018-2024, April 2020 Update, 1 May 2020. Calculations for Integration and Platform & Other are based on Gartner, Forecast: Enterprise Infrastructure Software, Worldwide, 2018-2024, April 2020 Update, 30 April 2020.

2. 4 Year CAGR performed based on total TAM inclusive of recent acquisitions.

3. Integration market defined as Full Life Cycle API Management, Integration Platform as a Service (iPaaS), Application Integration Suite, Data Integration Tools.

4. Analytics defined as Modern BI Platforms, Traditional BI Platforms, Analytic Applications, Data Science Platforms, Location Intelligence.

5. Platform & Other defined as High Productivity aPaaS, High Control aPaaS, Application Platform Software, Business Process Management Suites, Portal and Digital Engagement Technologies, Create, Verify.

Values Drive Value

Doing well and doing good



**Leader in
Innovation**

FASTCOMPANY

Best Workplaces
for Innovators

FORTUNE

Future 50 Top 10

FORTUNE

100 Fastest Growing
Companies

LinkedIn

2019 Top
Companies



**Leader in
Philanthropy**

People

#1 Company
that Cares

FORTUNE

Change the World

**SAN FRANCISCO
BUSINESS TIMES**

Top 75 Corporate
Philanthropists



**Leader in
Culture**

Great
Place
To
Work.

World's Best
Workplace

FORTUNE

Best Companies
to Work For

indeed®

Top Companies
to Work For



Continued ESG Leadership

salesforce

1-1-1 Model



5M+ Hours
volunteered globally



~\$353M Grants



51K+ Non-profits¹

Environmental - Social - Governance



BARRON'S
MOST SUSTAINABLE
COMPANIES

MEMBER OF
Dow Jones
Sustainability Indices
In collaboration with **SAM**
a RoboSAM brand

\$90M Public education
\$12M Equal pay
1M jobs “Pledge to
America’s Workers”

Net-zero Emissions
100% Renewable
energy targeted by
2022



Note: Metrics above are life to date as of April 30, 2020, together with the Salesforce Foundation, a 501(c)(3) nonprofit organization.

¹Represents non-profit and higher educations who use our service offerings for free or at a discount.

Company goals are aspirational and may change. Statements regarding the Company's goals are not guarantees or promises that they will be met.

Values Attract Top Talent

Unmatched scale focused on CRM

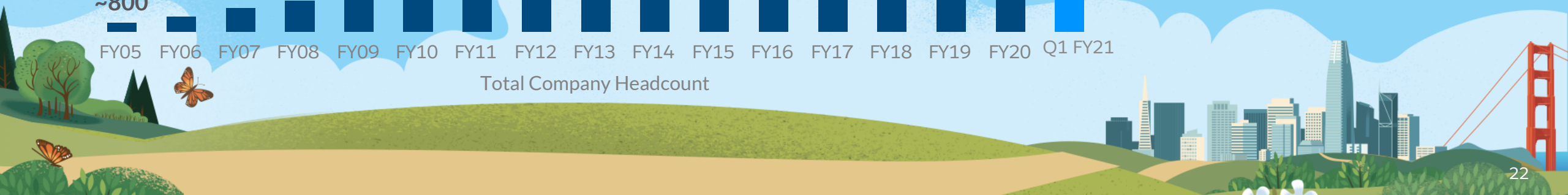


Headcount
Growth
Y/Y Q1 FY21

38%



Total Company Headcount



Strategic Technology Partners

Extending the capabilities of the Salesforce Customer 360





Appendix



Notes on our Financial Results



Topic 606 Accounting Standards

- Salesforce retrospectively adopted new accounting standard Topic 606 on February 1, 2018 (Q1 FY19)
- Topic 606 includes changes to accounting policies for revenue recognition and costs capitalized to acquire revenue contracts (primarily commissions)
- 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



Non-GAAP Financial Measures

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

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

Non-GAAP diluted earnings per share excludes, to the extent applicable, the impact of the following items: stock-based compensation, amortization of purchased intangibles, 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.

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, 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.

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



GAAP to Non-GAAP Financial Reconciliation

(in millions)

Non-GAAP income from operations

	Three Months Ended April 30,		
	2018	2019	2020
GAAP income (loss) from operations	\$ 191	\$ 210	\$ (140)
Plus:			
Amortization of purchased intangibles	69	129	271
Stock-based expense	252	343	504
Non-GAAP income from operations	<u>\$ 512</u>	<u>\$ 682</u>	<u>\$ 635</u>

(in millions)

Components of Free cash flow, a non-GAAP measure

	Three Months Ended April 30,		
	2018	2019	2020
GAAP net cash provided by operating activities	\$ 1,466	\$ 1,965	\$ 1,859
Capital expenditures	(122)	(159)	(323)
Free cash flow	<u>\$ 1,588</u>	<u>\$ 1,806</u>	<u>\$ 1,536</u>

Non-GAAP diluted earnings per share

	Three Months Ended April 30,		
	2018	2019	2020
GAAP diluted net income per share	\$ 0.46	\$ 0.49	\$ 0.11
Plus:			
Amortization of purchased intangibles	0.09	0.16	0.30
Stock-based expense	0.33	0.43	0.55
Amortization of debt discount, net	0.01	0.00	0.00
(Income tax effects and adjustments)	(0.15)	(0.15)	(0.26)
Non-GAAP diluted earnings per share	<u>\$ 0.74</u>	<u>\$ 0.93</u>	<u>\$ 0.70</u>
Shares used in computing Non-GAAP diluted net income per share	754	793	913

