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# Financial Update Q3 FY22

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, 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, and expected 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, and actions we may take in response to, the COVID-19 pandemic, related public health measures and resulting economic downturn and market volatility; our ability to maintain security levels and service performance 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 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 Software, Inc. and Slack Technologies, Inc., and the resolution or settlement thereof; regulatory developments and regulatory investigations involving us or affecting our industry; our ability to successfully introduce new services and product features, including any efforts to expand our services; the success of our strategy of acquiring or making investments in complementary businesses, joint ventures, services, technologies and intellectual property rights; our ability to complete, on a timely basis or at all, announced transactions; our ability to realize the benefits from acquisitions, strategic partnerships, joint ventures and investments, including our July 2021 acquisition of Slack Technologies, Inc., and successfully integrate acquired businesses and technologies; our ability to compete in the markets in which we participate; the success of our business strategy and our plan to build our business, including our strategy to be a leading provider of enterprise cloud computing applications and platforms; our ability to execute our business plans; our ability to continue to grow unearned revenue and remaining performance obligation; the pace of change and innovation in enterprise cloud computing services; the seasonal nature of our sales cycles; our ability to limit customer attrition and costs related to those efforts; the success of our international expansion strategy; the demands on our personnel and infrastructure resulting from significant growth in our customer base and operations, including as a result of acquisitions; our ability to preserve our workplace culture, including as a result of our decisions regarding our current and future office environments or work-from-home policies; our dependency on the development and maintenance of the infrastructure of the Internet; our real estate and office facilities strategy and related costs and uncertainties; fluctuations in, and our ability to predict, our operating results and cash flows; the variability in our results arising from the accounting for term license revenue products; the performance and fair value of our investments in complementary businesses through our strategic investment portfolio; the impact of future gains or losses from our strategic investment portfolio, including gains or losses from overall market conditions that may affect the publicly traded companies within our strategic investment portfolio; our ability to protect our intellectual property rights; our ability to 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; 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 Financials section of the company's website at [www.salesforce.com/investor](https://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



## Delivering durable growth at scale

- Salesforce is the **#1 CRM software provider worldwide** by revenue for 8 consecutive years<sup>1</sup>
- **Consistently delivering durable revenue growth**, more than doubling from \$10.5 billion in FY18 to \$21.3 billion in FY21
- **Fastest growing top five enterprise** software company with \$21.3 billion in revenue in FY21 (~24% Y/Y)
- Uniquely positioned to help our customers **drive broad-based digital transformation**

### Leader In Philanthropy



### Leader In Culture



### Leader In Innovation



<sup>1</sup>Source: IDC, Worldwide Semiannual Software Tracker, October 2021. 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.



The Salesforce logo, consisting of the word "salesforce" in white lowercase letters inside a blue cloud-like shape.

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# Financial Overview

Quarterly Results



# Q3 FY22 Results Highlights



## Durable top-line growth

- **Revenue of \$6.86 Billion**, up 27% year-over-year, 26% in constant currency<sup>1</sup>
- **Operating Cash Flow of \$0.40 Billion**, up 19% year-over-year
- **Current Remaining Performance Obligation** of approximately **\$18.8 Billion**, up 23% year-over-year, 23% in constant currency<sup>1</sup>
- **Remaining Performance Obligation** of approximately **\$36.3 Billion**, up 20% year-over-year
- **Guidance**<sup>2</sup>
  - Raises **FY22 Revenue** to \$26.39 Billion to \$26.40 Billion, approximately 24% year-over-year growth
  - Raises **FY22 Operating Cash Flow** to approximately 18% to 19% year-over-year growth
  - Raises **FY22 GAAP Operating Margin** to approximately 1.8% and **FY22 Non-GAAP Operating Margin**<sup>3</sup> to approximately 18.6%
  - Initiates **Q4 FY22 Current Remaining Performance Obligation** growth of approximately 19% year-over-year
  - Reiterates **FY23 Revenue** of \$31.7 Billion to \$31.8 Billion
  - Reiterates **FY23 GAAP Operating Margin** of approximately 3.0% to 3.5% and **Non-GAAP Operating Margin**<sup>3</sup> of approximately 20%

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

<sup>2</sup>Guidance originally provided for FY22 Revenue on December 1, 2020, updated on February 25, 2021, May 27, 2021, August 25, 2021, and again on November 30, 2021. This guidance does not reflect any potential future gains or losses on our strategic investment portfolio as it is not possible to forecast future gains and losses, and is based on estimated GAAP tax rates that reflect the company's currently available information, and excludes forecasted discrete tax items such as excess tax benefits from stock-based compensation. The GAAP tax rates may fluctuate due to future acquisitions or other transactions.

<sup>3</sup>Non-GAAP Operating Margin 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.

# Q3 FY22 Financial Summary

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|                                          |
|------------------------------------------|
| Total Revenue                            |
| Current Remaining Performance Obligation |
| Total Remaining Performance Obligation   |
| Operating Margin                         |
| Diluted Earnings Per Share <sup>3</sup>  |

| GAAP              |              |
|-------------------|--------------|
| Quarterly Results | Increase Y/Y |
| \$6,863M          | 27%          |
| \$18.8B           | 23%          |
| \$36.3B           | 20%          |
| 0.6%              | (350) bps    |
| \$0.47            | (59)%        |
| \$404M            | 19%          |

| Non-GAAP <sup>1</sup> |              |
|-----------------------|--------------|
| Quarterly Results     | Increase Y/Y |
| \$6,844M              | 26%          |
| N/A                   | 23%          |
| N/A                   | N/A          |
| 19.8% <sup>2</sup>    | 0 bps        |
| \$1.27                | (27)%        |
| N/A                   | N/A          |



Total Revenue<sup>4</sup>: \$356M  
+16% Y/Y

Operating Cash Flow



Total Revenue<sup>4</sup>: \$480M  
+23% Y/Y

**MuleSoft and Tableau total revenue, including professional services revenue and subscription and support revenue.**

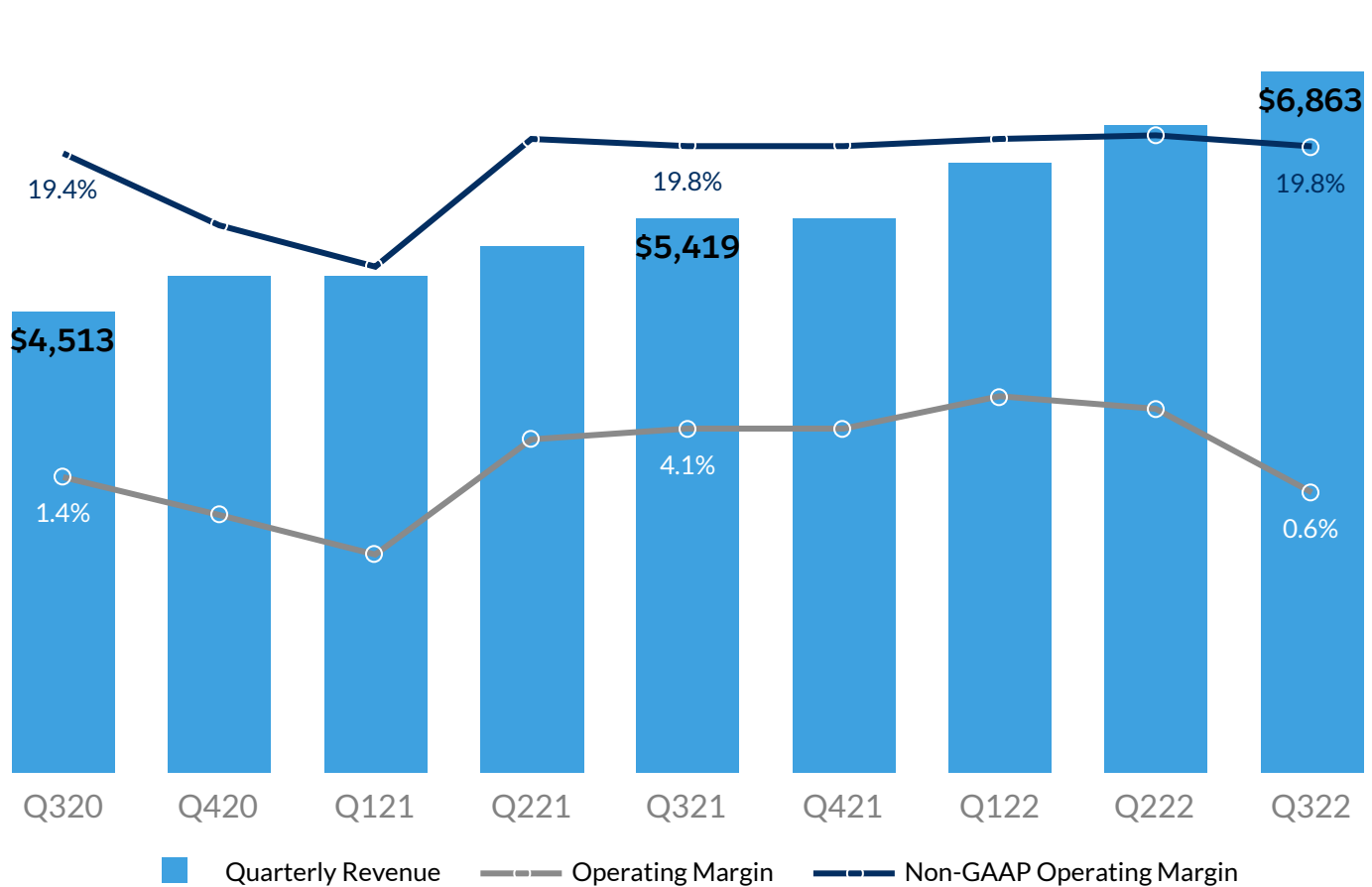
<sup>1</sup>The Non-GAAP columns present non-GAAP financial metrics and the related non-GAAP growth rates as compared to prior periods. Non-GAAP revenue and non-GAAP current remaining performance obligation (cRPO) represent CC results. Refer to slides 9 and 10 for explanations of non-GAAP CC revenue 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.

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

<sup>3</sup>Diluted EPS is calculated using GAAP revenue.

<sup>4</sup>MuleSoft and Tableau contributions to total Revenue, including professional services and subscription and support.

# Total Quarterly Revenue and Operating Margin



Q3 FY22  
Y/Y Growth

**+27% / +26% CC<sup>1</sup>**

Revenue

**+(350) bps**

GAAP Operating Margin

**+0 bps**

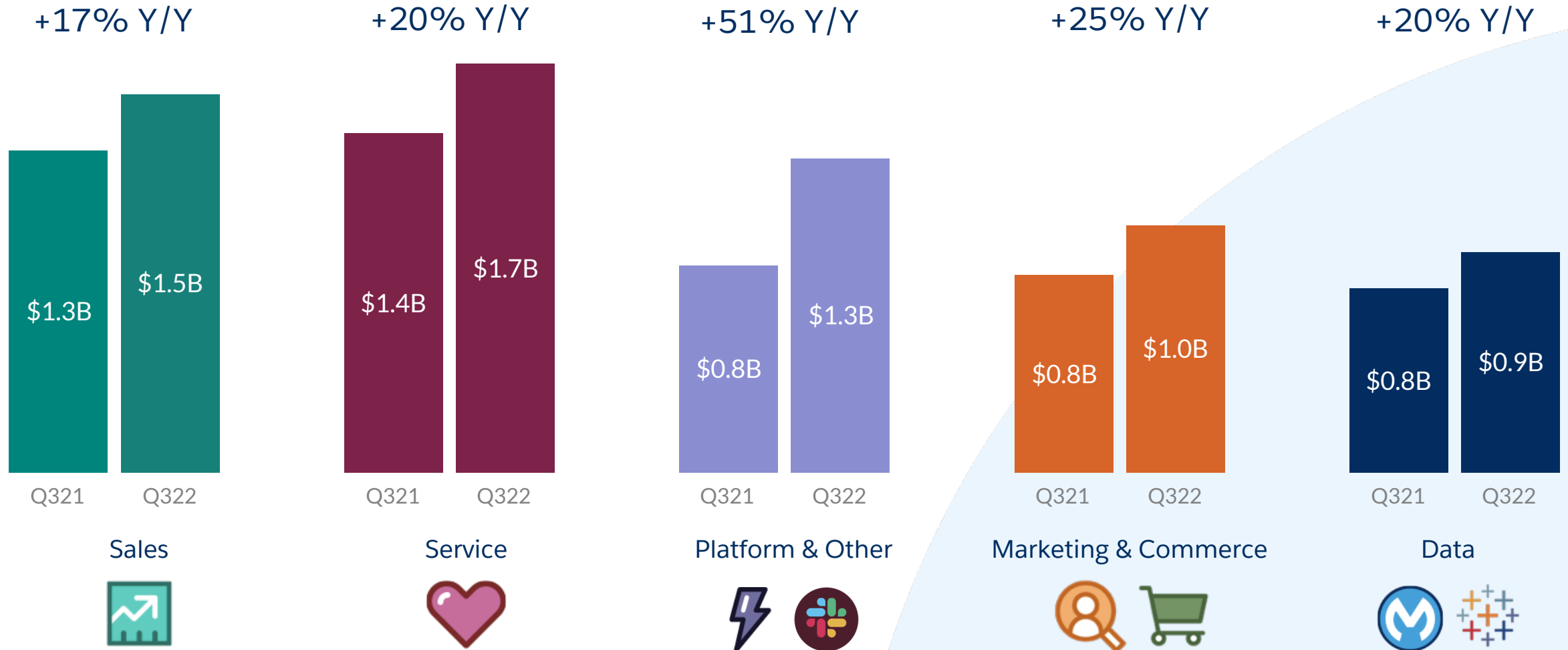
Non-GAAP Operating Margin<sup>2</sup>

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

<sup>2</sup>Non-GAAP Operating Margin is the proportion of non-GAAP income from operations as a percentage of GAAP revenue and is a non-GAAP financial measure. 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.

# Q3 FY22 Disaggregation of Revenue

## Subscription and Support Revenue



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

Certain reclassifications for fiscal 2020 and fiscal 2021 amounts were made to conform to the current period presentation of Disaggregation of Revenue by Service Offering; revenues attributed to Analytics, which includes Tableau, and Integrations, which includes Mulesoft, were reclassified from Platform and Other to Data. This reclassification did not affect total revenues. See Slide 18 for recast historical data.

# Q3 FY22 Revenue by Region



Incremental investments in international markets driving growth

## AMERICAS



\$4,638M  
+23% Y/Y  
+23% Y/Y CC<sup>1</sup>

## EMEA



\$1,581M  
+38% Y/Y  
+35% Y/Y CC<sup>1</sup>

## APAC

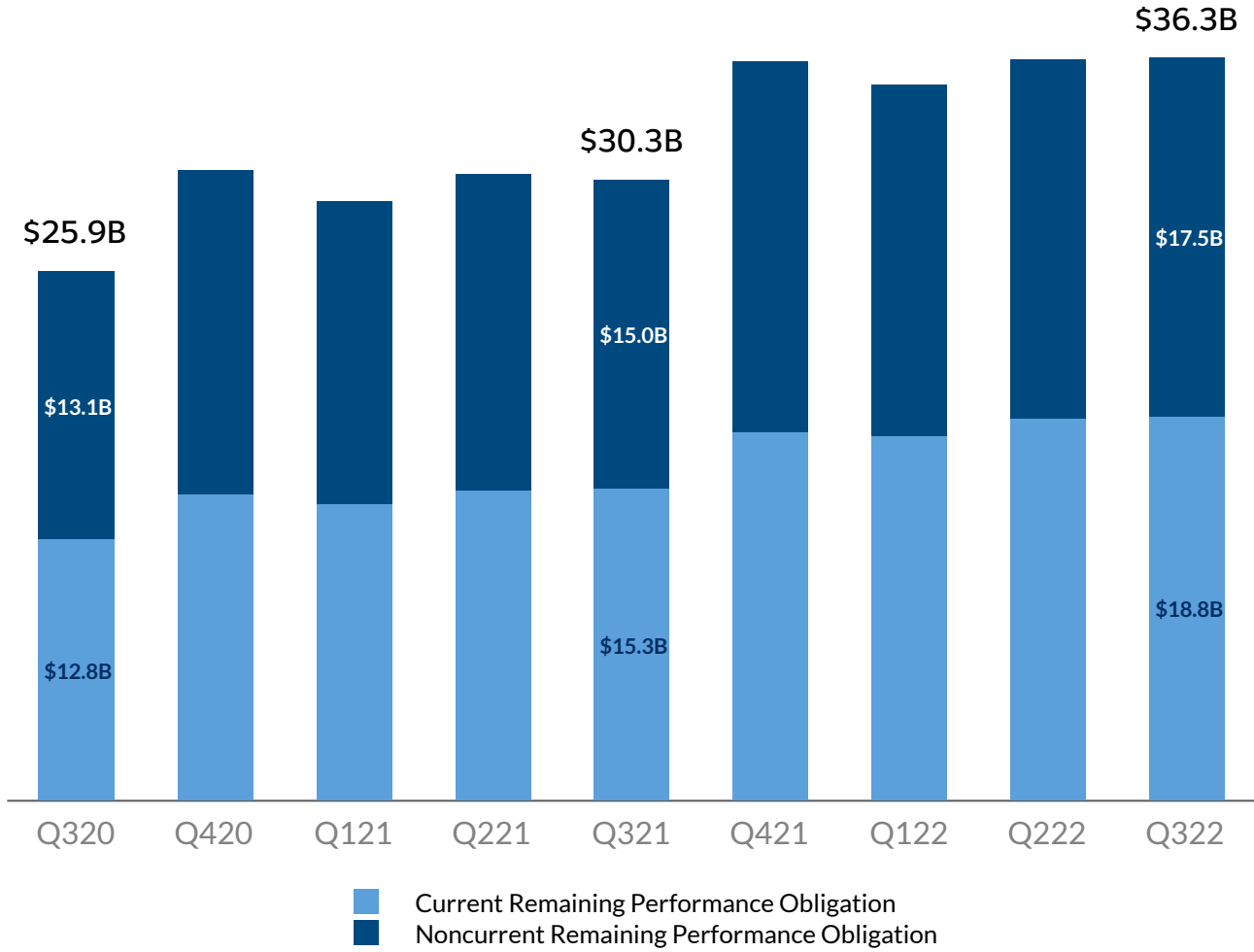


\$644M  
+26% Y/Y  
+29% Y/Y CC<sup>1</sup>

<sup>1</sup>Non-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



Q3 FY22  
Y/Y Growth

+23% / +23% CC<sup>2</sup>

Current RPO (cRPO)

+20%

Total RPO



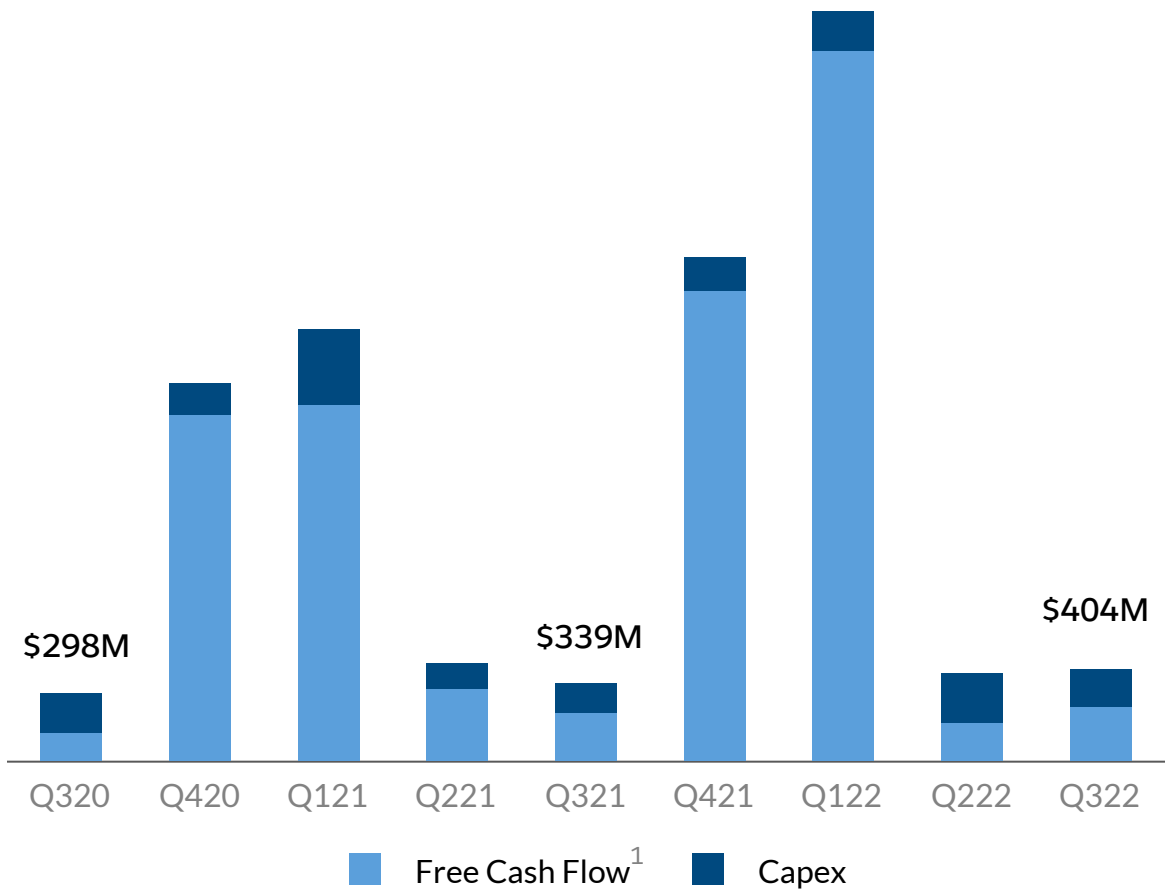
Remaining Performance Obligation (RPO) is a metric disclosed with the adoption of Topic 606<sup>1</sup>. RPO represents all future revenue under contract that has not yet been recognized as revenue. Current RPO represents future revenue under contract that is expected to be recognized as revenue in the next 12 months. RPO is influenced by several factors, including seasonality, the timing of renewals, average contract terms, and foreign currency exchange rates.

<sup>1</sup>Topic 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.

<sup>2</sup>To 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

Delivered \$404 million in operating cash flow in Q3



Q3 FY22  
Y/Y Growth

11%

FCF<sup>1</sup>

19%

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.

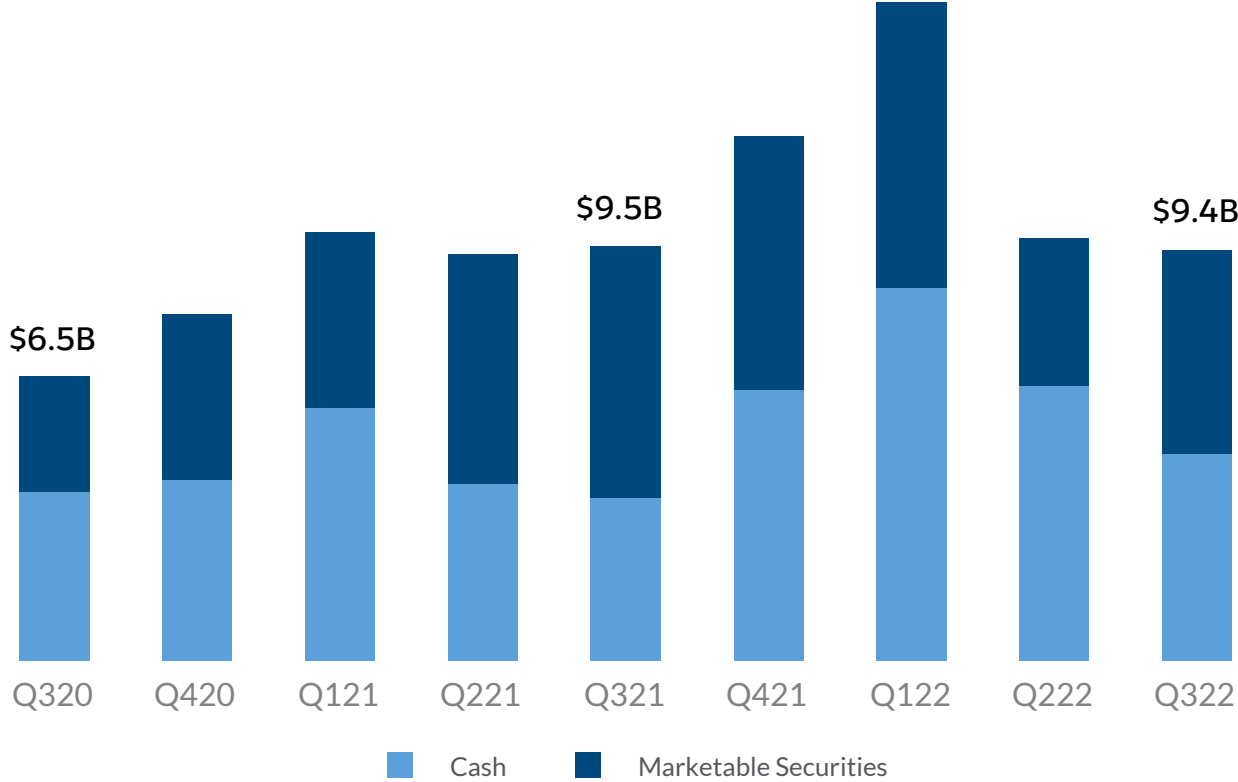
The year-on-year compounding effect of this seasonality causes the value of invoices that we generate in the fourth quarter for both new business and renewals to increase as a portion of our total annual billings.

<sup>1</sup>Free cash flow is a non-GAAP financial measure. Refer to the Appendix for an explanation of non-GAAP financial measures, and why we believe these measures can be useful, as well as a table including the components of Free cash flow.

# Cash, Cash Equivalents, and Marketable Securities



## Strong Cash Balances



Q3 FY22  
Y/Y Growth

(1)%

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

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# Salesforce Customer 360

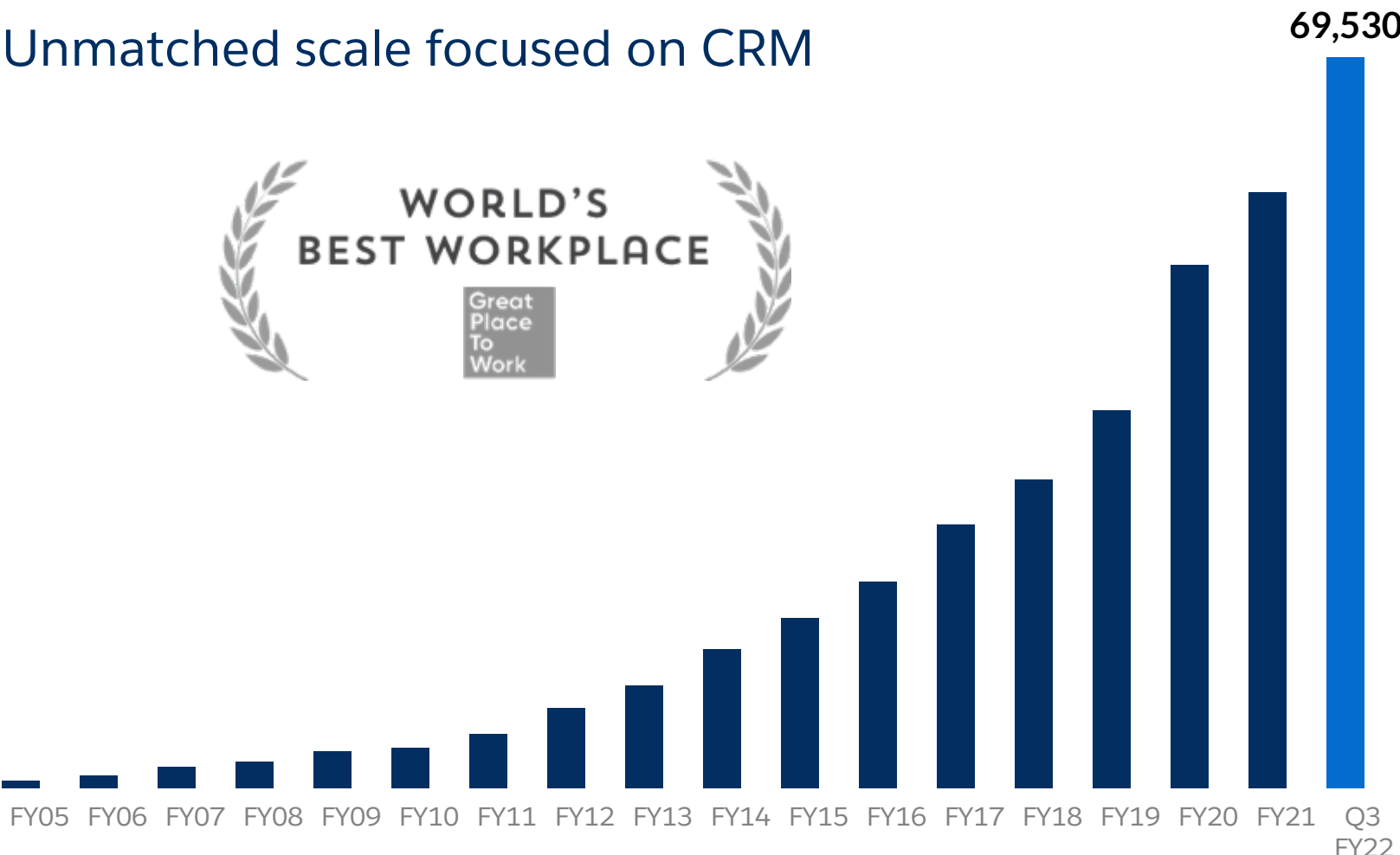
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Trailblazer Success & Community • #1 CRM • Fast Time to Value • Flexible & Scalable • Work From Anywhere



# Values Attract Top Talent

Unmatched scale focused on CRM



Total Company Headcount



# Thank You



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# Appendix



# Disaggregation of Revenue

## Subscription and Support Revenue by Service Offering



New Data offering line comprised of Analytics (including Tableau) and Integrations (including Mulesoft) previously reported under Platform and Other. Fiscal 2020 and fiscal 2021 amounts were reclassified to conform to the current period presentation. This reclassification did not affect total revenues.

|                                                                                   | (\$ millions)                                   | FY22 YTD         | Q3 FY22         | Q2 FY22         | Q1 FY22         | FY21             | Q4 FY21         | Q3 FY21         | Q2 FY21         | Q1 FY21         | FY20             |
|-----------------------------------------------------------------------------------|-------------------------------------------------|------------------|-----------------|-----------------|-----------------|------------------|-----------------|-----------------|-----------------|-----------------|------------------|
|   | Sales                                           | \$ 4,403         | \$ 1,538        | \$ 1,477        | \$ 1,388        | \$ 5,191         | \$ 1,356        | \$ 1,311        | \$ 1,279        | \$ 1,245        | \$ 4,598         |
|   | Service                                         | 4,764            | 1,658           | 1,600           | 1,506           | 5,377            | 1,446           | 1,376           | 1,303           | 1,252           | 4,466            |
|   | Platform and Other <sup>(1)</sup>               | 3,159            | 1,277           | 969             | 913             | 3,324            | 885             | 844             | 814             | 781             | 2,787            |
|   | Marketing and Commerce                          | 2,856            | 1,006           | 955             | 895             | 3,133            | 869             | 804             | 746             | 714             | 2,506            |
|  | Data <sup>(2)</sup>                             | 2,647            | 900             | 913             | 834             | 2,951            | 920             | 750             | 698             | 583             | 1,686            |
|                                                                                   | <b>Total Subscription &amp; Support Revenue</b> | <b>\$ 17,829</b> | <b>\$ 6,379</b> | <b>\$ 5,914</b> | <b>\$ 5,536</b> | <b>\$ 19,976</b> | <b>\$ 5,476</b> | <b>\$ 5,085</b> | <b>\$ 4,840</b> | <b>\$ 4,575</b> | <b>\$ 16,043</b> |

(1) Includes Slack beginning in Q3 FY22

(2) Data subscription and support revenue includes Mulesoft, Tableau and Tableau CRM. This differs from disclosure on Mulesoft and Tableau **total** revenue, which includes professional services revenue and subscription and support revenue.

# 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)                                |  | Three Months Ended October 31, |                 |                 | Non-GAAP operating margin                          |  | Full Year FY22 Guidance | Full Year FY23 Guidance |
|----------------------------------------------|--|--------------------------------|-----------------|-----------------|----------------------------------------------------|--|-------------------------|-------------------------|
| Non-GAAP income from operations <sup>1</sup> |  | 2019                           | 2020            | 2021            |                                                    |  |                         |                         |
| GAAP income from operations                  |  | \$ 65                          | \$ 224          | \$ 38           | GAAP operating margin <sup>2</sup>                 |  | 1.8%                    | ~3.0% - 3.5%            |
| Plus:                                        |  |                                |                 |                 | Plus:                                              |  |                         |                         |
| Amortization of purchased intangibles        |  | 266                            | 283             | 508             | Amortization of purchased intangibles <sup>3</sup> |  | 6.2 %                   | 5.8 %                   |
| Stock-based expense                          |  | 543                            | 566             | 812             | Stock-based expense <sup>2</sup>                   |  | 10.6 %                  | 11.1% - 10.6%           |
| Non-GAAP income from operations              |  | <u>\$ 874</u>                  | <u>\$ 1,073</u> | <u>\$ 1,358</u> | Non-GAAP operating margin <sup>3</sup>             |  | <u>18.6 %</u>           | <u>~20%</u>             |

| (in millions)                                    |  | Three Months Ended October 31, |               |               |
|--------------------------------------------------|--|--------------------------------|---------------|---------------|
| Components of free cash flow, a non-GAAP measure |  | 2019                           | 2020          | 2021          |
| GAAP net cash provided by operating activities   |  | \$ 298                         | \$ 339        | \$ 404        |
| (Capital expenditures)                           |  | (170)                          | (124)         | (166)         |
| Free cash flow                                   |  | <u>\$ 128</u>                  | <u>\$ 215</u> | <u>\$ 238</u> |

|                                                                           |  | Three Months Ended October 31, |                |                | Q4 FY22 Guidance       | FY22 Guidance          |
|---------------------------------------------------------------------------|--|--------------------------------|----------------|----------------|------------------------|------------------------|
| Non-GAAP diluted earnings per share                                       |  | 2019                           | 2020           | 2021           |                        |                        |
| GAAP diluted net income (loss) per share                                  |  | \$ (0.12)                      | \$ 1.15        | \$ 0.47        | (\$0.24) - (\$0.23)    | \$1.28 - \$1.29        |
| Plus:                                                                     |  |                                |                |                |                        |                        |
| Amortization of purchased intangibles                                     |  | 0.30                           | 0.30           | 0.51           | 0.50                   | 1.66                   |
| Stock-based expense                                                       |  | 0.60                           | 0.60           | 0.81           | 0.77                   | 2.86                   |
| (Income tax effects and adjustments)                                      |  | (0.03)                         | (0.31)         | (0.52)         | (0.31)                 | (1.12)                 |
| Non-GAAP diluted earnings per share                                       |  | <u>\$ 0.75</u>                 | <u>\$ 1.74</u> | <u>\$ 1.27</u> | <u>\$0.72 - \$0.73</u> | <u>\$4.68 - \$4.69</u> |
| Shares used in computing Non-GAAP diluted net income per share (millions) |  | 898                            | 939            | 1,001          | 1,013                  | 976                    |

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

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

<sup>3</sup>The percentages shown above have been calculated based on the midpoint of the low and high ends of the revenue guidance for full year FY22.