



STOCK RATING: BUY	Target Range: \$271-\$311.38 Current Share price: \$236.26
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Analyst
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Company Information
Company: Salesforce Inc. Sector: Software Industry: Technology Exchange: NASDAQ [CRM]

Financial Snapshot	
Krause Fund DCF	\$272.04
Krause Fund DDM	\$376.39
Price Data	
Current Price	\$236.26
52wk Range	\$212.82 – 369.00
Key Statistics	
Market Cap (B)	\$237.61
Shares Outstanding (M)	971
Beta	1.32
5Yr Avg	
Dividend Yield	0.67%
Price/Earnings	226.85
Price/Sales	8.10
Price/Book	4.36
Profitability	
Operating Margin	19.36%
Profit Margin	16.35%
Return on Assets	5.96%
Return on Equity	10.62%



Investment Thesis

We recommend a BUY rating for Salesforce Inc., with a target range of \$272 - \$311.38, which shows an upside of approximately 15%-30% from the current share price of \$236.26. We believe that Salesforce is going to continue to lead in the Customer Relationship Management (CRM) software industry. Sales force has high room for growth due to specializing within the CRM industry which has potential to continue at high growth and Salesforce ability to consistently reinvest AI powered platforms.

Drivers of Thesis

- The enterprise software market's CRM segment is projected to develop enormously, at a 17% compound annual growth rate (CAGR) between the years 2025-2029. Salesforce, which already has a high market share of 21.7%, will be uniquely situated to capitalize on the growth in the segment going forward.
- Salesforce also has a diverse selection of revenue streams that comes from services like Sales and Service Cloud that are subscription based and Slack which has potential for top line growth.
- Salesforce's Agentforce platform offers autonomous business AI agents for sales, service, and marketing purposes, enhancing productivity and customer engagement. This demonstrates Salesforce ability to reinvest in advanced technology.

Risks to Thesis

- Intense competition from major tech companies means Salesforce must consistently innovate and invest in R&D to sustain its market position.
- Macroeconomic challenges like sustained high inflation and elevated interest rates have led to deferred IT spending, slower adoption of products and AI initiatives, and reduced profit margins, resulting in workforce reductions. Amidst these challenges, several emerging trends are reshaping the cloud computing and AI landscape.

Salesforce Inc. is a leading cloud-based customer relationship management (CRM) software company headquartered in San Francisco, California. Salesforce is known for its innovative platforms and services that revolutionize how businesses manage their customer relationships and track data. Salesforce provides solutions for sales, marketing, service, and analytics, which enables companies across the globe the tools to find prospects, close deals, and enhance customer service.

Salesforce offers a wide array of services that are subscription based. Services include Einstein and EinsteinGPT, a suite of AI that utilizes machine learning, natural language processing, and predictive analytics to analyze data to generate insights, and automate tasks, ultimately improving business productivity and customer engagement. Many large and diverse companies utilize Salesforce's CRM and other platforms to manage customer relationships, streamline operations, and enhance customer experiences. These include companies like American Express, Amazon, Spotify, Toyota, T-Mobile, Coca-Cola, Walmart, and Unilever.

Revenue Decomposition and Analysis

Subscription and Support: Subscription and support make up the majority of Salesforce revenue stream. Customers pay Salesforce a recurring fee, usually monthly or annually, to use their software like Sales Cloud, Service Cloud, Marketing Cloud, and Einstein. This includes fees for accessing their cloud-based platforms, along with software license revenue from selling both term-based and perpetual licenses. It also includes support revenue earned by offering software updates and premium services that's more than standard subscriptions or are tied to software license sales. We expect subscription and support revenues to grow steady over the next 10 years by 10-11%.

Professional Services and other: Revenue from professional services and other includes fees earned from helping customers implement and customize Salesforce solutions. This covers a range of services such as consulting, system integration, training, and project management. These services support customers in getting up and running with Salesforce products and maximizing

their value. This category may also include other non-subscription-related revenues.

Sales Cloud

Sales Cloud sits at the heart of Salesforce's Customer 360 platform, which is intended to enable sales teams to manage pipelines, streamline sales processes, and foster strong customer relationships. Equipped with AI-powered capabilities like lead scoring, email generation, and sentiment analysis, it enables teams to deliver at the front of the sales process right through to close. Demand for Sales Cloud remains as businesses continue to implement automated, digital-first sales strategies. We forecast a 9% compound annual growth rate (CAGR), driven by AI adoptions that boost productivity and improve customer engagement.

Service Cloud

Service Cloud is the artificial intelligence-enabled customer service cloud from Salesforce that integrates all service interactions within a single destination. Service Cloud empowers organizations to automate case handling, engage customers across several channels, and orchestrate field service workflows. It is an extremely valuable solution within customer-oriented industries like retail, healthcare, and finance. Given its potential for elevating customer satisfaction. We expect an 15% compound annual growth rate (CAGR) for Service Cloud, driven by growing investment in AI automation across customer care and field services operations.

Platform and other

Salesforce Platform is a robust system designed to help businesses create, launch, and develop custom applications using AI-driven features. At the core of the platform lies Einstein AI which brought predictive analytics, intelligent insights, and personalized recommendations to the Salesforce platform. Einstein's features have significantly evolved since then, accelerating adoption in AI-first industries.

In a big leap ahead, Salesforce recently unveiled Agentforce. The new offering includes autonomous agents that have the capability to manage complex business tasks with minimal human involvement. With businesses turning into autonomous AI to power efficiency and innovation, the

platform is poised to be Salesforce's fastest-growing business.

This is augmented by Slack, Salesforce's team collaboration platform that brings together teams, tools, and workflows in a common digital workspace. Its strong adoption-particularly among enterprise customers seeking flexible solutions for hybrid and remote work models-has established it as a rising challenger to Microsoft Teams. With continued AI integration, Slack should continue to drive productivity and gain further market share.

Together, Agentforce and Slack position Salesforce's platform segment as a key driver of future growth. We estimate that this segment will compound between 8-11% CAGR.

Marketing and Commerce

Marketing Cloud is Salesforce's AI-powered marketing platform, designed to help organizations deliver personalized, automated customer experiences across email, mobile, social, and web channels. Marketing Cloud enables organizations to manage campaigns, analyze customers' behavior, and bring together data from multiple sources to create a complete picture of each customer.

Commerce Cloud complements this by enabling businesses to create seamless, engaging digital shopping experiences for mobile, web, social, and physical channels. It brings AI capabilities through personalized product recommendations, auto-customer care, and real-time inventory visibility.

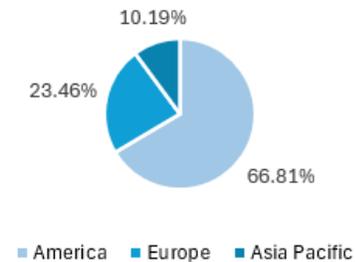
We expect this segment to increase at a 7-9% compound annual growth rate (CAGR) because of rising adoption of AI-based marketing automation solutions to improve conversion rates and customer lifetime value, and rising demand for intelligent e-commerce solutions.

Geographic Business Segments

Operating in over 100 countries, Salesforce is a global leader in CRM technology, with revenue split across three regions: Americas (66%), Europe (23%), and Asia-Pacific (10%). The United States remains its largest market, while Europe sees strong demand from the UK and Germany, and Japan and Australia lead in APAC. India is a growing market, but its contribution is still smaller. As businesses adopt AI-powered CRM solutions, Salesforce expects steady growth across all regions. The company's revenue

distribution has been consistent and is expected to remain stable, with ongoing competition both domestically and internationally.

Revenue Breakdown by Geography FY2024 (\$34.9 B)



Source: CRM 10-K

Cost Structure Analysis

Salesforce's cost structure has been directly affected by its increased investment in artificial intelligence (AI) and data-driven solutions, which have necessitated enormous expenditure on research and development (R&D) and infrastructure. Despite such outlays, Salesforce has enjoyed robust gross margins, posting a reported 77.19% for the period ending January 31, 2025. This reflects its high-margin subscription-based business model.

Operating margins have been under pressure due to sustained spending on R&D, marketing, and sales. However, Salesforce has acted pragmatically in right-sizing expenses through means of force cuts and strategic efficiency initiatives. These have helped spur the improvement in net margins, which breached the 16% mark in FY2024. In the future, we anticipate that gross and operating margins will grow at a steady rate as they continue to expand and utilize AI. Therefore, we assume the gross margin over the next ten years to be around 73-74%, averaged over the next 10 years based off historical data the past 5 years.

Debt Analysis

Since FY2024, Salesforce has \$9.5 billion in total debt, which includes both long-term obligations and the amount that must be paid within one year. We view this level of debt to be manageable and not likely to create a significant financial risk. During the same fiscal year, Salesforce had a current ratio of 1.09x, showing that it has sufficient current assets to cover its short-term liabilities. The company also

had \$10.2 billion operating cash flow, reflecting its strong debt-payment ability. The creditworthiness of Salesforce was also reinforced further with a S&P bond rating upgrade to A+. The rating places it alongside peer companies boasting good credit histories such as Microsoft (AAA), SAP (A), Adobe (A+), and Oracle (BBB).

Fiscal Year	Payment (\$M)
2025	1000
2026	0
2027	0
2028	0
2029	2500
After	1200
Total	\$950

Recent Earnings Discussion

Salesforce Q4 2025

Salesforce fell short of analyst estimates making the stock price fall 4%. Net income went up to \$1.71 billion, or \$1.75 per share, from \$1.45 billion, or \$1.47 per share, a year earlier. Revenue increased 7.6% from a year ago in the quarter that ended Jan. 31.

Service remained the largest driver of Salesforce's support and subscription revenue in Q3 2025, at \$2.33 billion—a year-over-year increase of 8%, though less than the \$2.37 billion Visible Alpha analyst polled consensus. Revenue in the sales segment increased by 8% to \$2.13 billion, less than the \$2.17 billion analyst consensus.

Industry Analysis and Trends

Salesforce operates in the enterprise software industry, and its core focus is on customer relationship management (CRM) solutions. The enterprise software market has expanded significantly over the past decade, and this trend is likely to persist as companies are expected to continue investing in cloud-based technology and digital transformation.

The business intelligence software industry is largely driven by subscription-based revenues, with additional emphasis on developing cloud capabilities and embedding artificial intelligence (AI) to improve service delivery and customer engagement. Salesforce leverages strategic

acquisitions to expand offerings and establish market share. The sector encompasses a broad array of businesses, ranging from CRM firms such as Salesforce to cloud infrastructure, business analytics, and AI-based software solution businesses.

Customer Relationship Management

The market for CRM software is anticipated to reach \$298.61 billion by 2025, which records a compound annual growth rate (CAGR) of 10%. This is driven by ongoing digital transformation activities, expansion in e-commerce, and a rising demand for more effective customer engagement strategies. By 2029, the market is expected to grow to \$561.17 billion, maintaining a strong CAGR of 17.1%, fueled by the integration of AI, predictive analytics, and cloud-based solutions.



Source: *The Business Research Company*

Cloud Computing

The cloud computing market is projected to grow from \$698.99 billion in 2025 to \$1.42 trillion by 2030, representing a CAGR of 15.26%. By 2025, 85% of organizations are expected to operate with a cloud-first approach, reflecting the widespread shift towards cloud technologies.

Porters 5 Forces

Competition

Salesforce faces robust competition in the enterprise software space, particularly from Microsoft and Adobe. Microsoft Dynamics 365 offers native integration with Office and Teams, making it an attractive option for firms already committed to the Microsoft platform—larger firms in specific. Adobe competes with Salesforce in marketing automation and analytics, leveraging its creative cloud and

data-driven strengths to make further inroads in the customer experience space.

Oracle is also a strong contender with its own cloud and CRM solutions combined with massive experience in enterprise infrastructure and database management. Google is also expanding its business software footprint, building on its AI capabilities and cloud platform to grow into customer data platforms and marketing solutions.

Despite these competitive pressures, Salesforce continues to lead the CRM market. While Microsoft and Oracle may surpass it in overall market capitalization, Salesforce enjoys a strategic advantage through its exclusive concentration on CRM and customer-driven innovation. The ability of the company to adapt based on shifting market needs has allowed it to continue steady growth, even as Adobe and Google increase their marketing and cloud-based solution initiatives.

Company	Market Cap	Revenue (TTM) (T)
Microsoft Corporation	2.667 (T)	22,037,000
Oracle	342.509 (B)	55,783,000
Alphabet Inc.	1.803 (T)	350,018,000
Amazon	1.767 (T)	637,959,000
Adobe Inc.	145.841 (B)	22,037,000

Source: FactSet

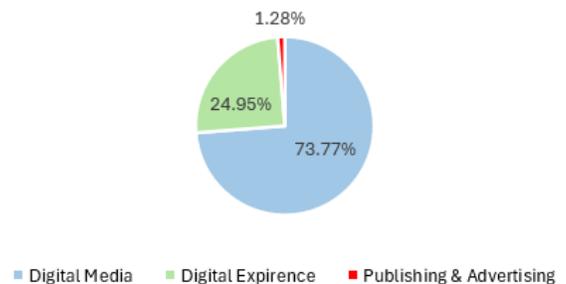
Adobe Inc.

Founded in 1982, Adobe has grown to become a global leader in creative, marketing, and document management solutions. In fiscal 2024, Adobe's Digital Experience segment generated \$5.37 billion in revenue, or approximately 25% of its total revenue of \$21.51 billion. This segment, which includes Adobe Experience Cloud, directly competes with Salesforce's Marketing Cloud in offering tools for customer journey mapping, personalization, and data-driven insights.

Adobe's strength lies in the fact that it can take advantage of combining creative content solutions with its marketing platform to provide a single method of delivering customer experiences. Adobe has doubled down on AI-driven solutions, and one of the notable examples is the release of Adobe Firefly. This generative AI solution speeds up real-time content creation and customer engagement, enabling businesses to combine creative content with marketing automation effectively.

While Salesforce still dominates CRM with seamless integration of information, Adobe's push into AI-powered marketing software is an increasing threat, particularly for firms seeking to blend creative content and marketing automation.

Adobe inc.
Revenue Breakdown FY2024 (\$21.5 B)



Source: ADBE 10-K

Microsoft Corporation

Founded in 1975, Microsoft has become a dominant force in cloud computing, enterprise software, and productivity software, and represents a threat to Salesforce. In fiscal 2024, Microsoft generated \$245.1 billion in revenue, and its cloud businesses, was a major contributor to this figure. Its Intelligent Cloud segment alone recorded \$28.5 billion in Q4 FY24, up 19% year-over-year.

Microsoft's integration of AI within its software has been at the core. The Copilot AI assistant, which is infused across Microsoft 365, Dynamics 365, and Azure, enhances productivity with automated tasks and insights. Notably, Copilot Vision, which debuted in 2024, allows users to interact with on-screen content in the Edge browser with voice commands.

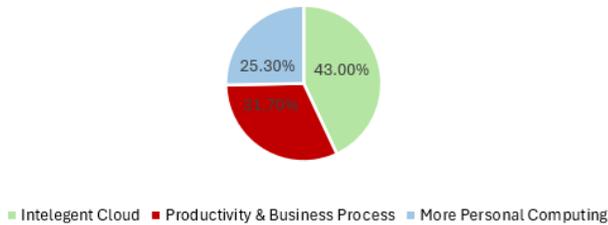
In response, Salesforce launched Agentforce at Dreamforce 2024, an AI-powered assistant that automates workflow across service, sales, marketing, and commerce capabilities. Agentforce leverages Salesforce's Data Cloud and Atlas Reasoning Engine to perform tasks autonomously, with low-code customization and industry-specific workflows.

Analysts have indicated strong early interest in Agentforce, with the suite receiving 200 deals in its

first quarter, showing its ability to compete well with Microsoft's Copilot.

While Microsoft dominates the cloud infrastructure and AI integration, Salesforce's niche focus in CRM and its early mover advantage in AI products like Agentforce make it a compelling player in the enterprise software sector.

Microsoft Corporation
Revenue Breakdown FY2024 (\$245.12 B)



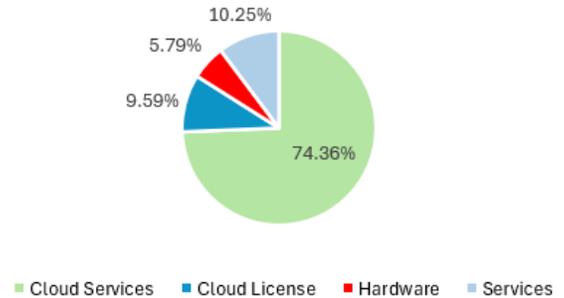
Source: MSFT 10-K

Oracle

Oracle Corporation, a provider of enterprise software and cloud services, reported fiscal year 2024 revenues of \$52.961 billion, a 6% increase compared to last year. Oracle's cloud services and license support business increased 12%, reaching \$39.4 billion, driven by robust demand for AI workloads in Oracle Cloud Infrastructure (OCI). CEO Safra Catz predicted OCI revenue of over \$25 billion in fiscal year 2025, with infrastructure consumption revenue up 58% year-over-year in Q2 2025. Oracle's on-premises license revenues, however, fell by 12% as the company accounted for the overall industry trend toward cloud adoption.

On the other hand, top customer relationship management (CRM) software firm Salesforce posted \$18.5 billion in revenue in the first half of its fiscal year 2025, 10% more than the same six months a year earlier. The firm, however, had difficulty capitalizing on its AI work, including the Agentforce platform. Salesforce's projected revenue expansion of 8–9% in fiscal year 2025 has concerned investors regarding the pace of AI penetration and its impact on underlying subscription revenues. While Salesforce maintains a 19.5% market share in the CRM space, compared to Oracle's 7.8%, Oracle's aggressive AI and cloud infrastructure investments make it a formidable competitor in the enterprise software space.

Oracle Corporation
Revenue Breakdown FY2024 (\$52.96 B)



Source: ORCL 10-K

Alphabet Inc.

Alphabet Inc. is a technology multinational conglomerate that is popularly known for its leadership in digital advertising, cloud computing, and artificial intelligence. Alphabet registered total revenue of \$350 billion in fiscal year 2024, with the advertising segment representing approximately 75% of the amount. Google Services, such as Search, YouTube, and Android, accounted for 87% of the company's revenue, while Google Cloud represented 12%.

In Q3 of 2024, Alphabet generated revenue of \$88.3 billion, a 15% rise from last year. Google Cloud recorded revenue growth of 35% to \$11.4 billion, as there is growing demand for AI infrastructure and generative AI solutions.

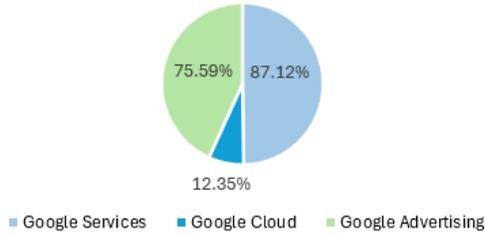
Alphabet's Q3 2024 ad revenue totaled \$66 billion, and YouTube's ad and subscription revenues for the past four quarters have each been over \$50 billion. Alphabet's quarterly net income was \$26.3 billion, a 34% increase from last year.

As a strategic move towards enhancing its cloud security offerings, Alphabet announced it was buying Wiz, the cyber security startup firm, for \$32 billion in March 2025. With this acquisition, Google Cloud intends to bolster its standing in the competitive cloud market.

Despite a legal war, such as a recent judgment by an American court that determined Google has illegal monopolies in ad technology, Alphabet remains a market leader in the digital ad and cloud computing sectors Reuters.

Alphabet Inc.

Revenue Breakdown FY2024 (\$350 B)



Source: GOOGL 10-K

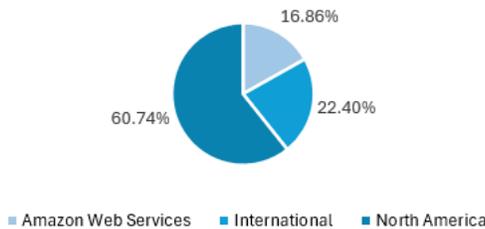
Amazon

Amazon further enhanced its dominance in cloud computing and online advertising in fiscal 2024, with net sales of \$637.9 billion, a 10% increase year over year. Net income was \$59.2 billion, nearly doubling from \$30.4 billion in 2023. 60.74% originated from North America, 22.4% originated from International operations, and Amazon Web Services (AWS) accounted for 16.86% of total sales.

AWS remained a key profitability contributor, earning \$28.8 billion in Q4 2024 and representing about 40% of the company's operating income. Amazon's digital advertising business also showed very good growth, with Q4 ad revenue growing 18% year over year to \$17.3 billion.

Amazon

Revenue Breakdown FY2024 (\$637.9 B)



Source: AMZN 10-K

Threat of New Entrants: Moderate

The threat of new players in the CRM and cloud industry is moderate. Even though high initial investment and technological knowledge are entry barriers, the rapid evolution of cloud technologies and increasing demand for CRM solutions make the market attractive. However, the brand name reputation, and large customer base of Salesforce make it challenging for new players to compete. In addition, Salesforce's established base of apps,

integrations, and its extremely devoted customer base represent significant barriers to entry for any new entrant.

Supplier Bargaining Power: Moderate

The suppliers' bargaining power in the Salesforce case is moderate. Salesforce relies on multiple technology suppliers like cloud computing services from providers like Amazon Web Services (AWS) and Microsoft Azure. However, Salesforce's enormous size and bulk purchasing capacity give it bargaining leverage over these suppliers, undercutting their bargaining leverage over price. Additionally, Salesforce's inclination toward its own infrastructure solutions and reliance on multiple suppliers negates the power of one individual supplier.

Customer Bargaining Power: Moderate to High

Customer bargaining power in the CRM and cloud software sector is high. Companies typically have multiple CRM solutions at their disposal, which makes it simple for them to compare features, pricing, and services. Salesforce must repeatedly innovate and also offer tailor-made solutions based on different industries' needs. That has led to the adoption of dynamic pricing systems, like subscription-based pricing, and a focus on customer service and customization at an intense level. Although Salesforce has a loyal clientele, large enterprises or those with significant bargaining power can negotiate for better deals or look for alternatives if their needs are not met.

Threat of Substitutes: Moderate

The threat of substitution for Salesforce is moderate. Though Salesforce remains the dominant player in the CRM space, alternative products—such as Microsoft Dynamics 365, Oracle's cloud products, and HubSpot—pose a substitution threat. These products offer substantial CRM functionality and may attract businesses seeking less expensive options or more specialized platforms. Further, the emerging trend of AI-driven automation and workflow management solutions from competitors like ServiceNow or Zoho CRM also elevates the threat of substitution. However, Salesforce's track record of success in associating its CRM platform with other business functions and its history of innovation counter this threat.

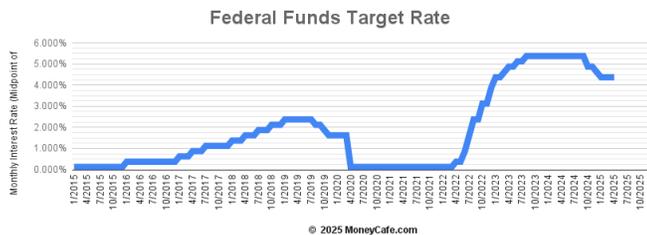
Economic Analysis

Economic Outlook - 2025

Macroeconomic conditions such as rising interest rates, inflation, and slowing economic growth continue to shape the landscape for Salesforce's business in 2025. Higher borrowing costs are more expensive to fund, particularly with Salesforce ramping up investments in its AI and cloud products. In addition, businesses continue to hold back on spending due to economic uncertainty, which is delaying software investments. Despite these, Salesforce's recurring revenue model based on subscriptions provides stability but is susceptible to the pace of corporate IT spending as companies re-evaluate budgets.

Interest Rates

The Federal Reserve remains under pressure in 2025 to manage economic growth against inflation. The Personal Consumption Expenditures (PCE) Price Index grew 2.5% over the past year, above the Fed's 2% target. At the same time, stagflation and recession fears persist in the face of trade tensions and global uncertainty. For Salesforce, the higher cost of borrowing is a headwind. It now costs more to fund massive investments in AI and cloud services. While Salesforce generates strong cash flow, the higher cost of capital could limit growth initiatives, particularly in R&D and acquisitions. This dynamic can slow down Salesforce's high growth rate, and thus it becomes necessary to create more efficient methods of resource distribution and investment priority.



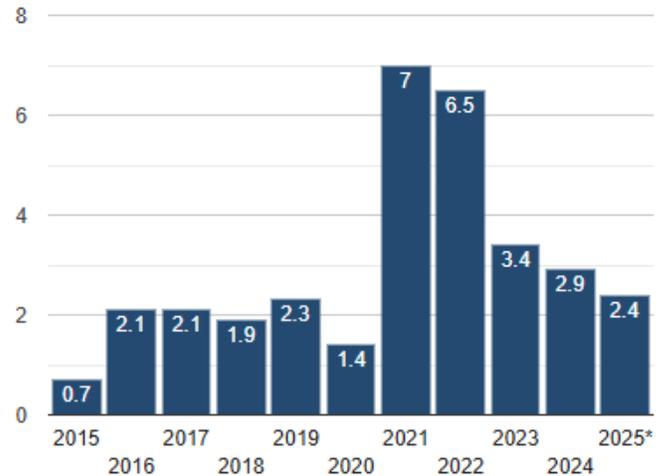
Source: 2025 Money Cafe

Inflation

There are sustained inflation pressures, especially in areas like data centers, cloud infrastructure, and wages. Salesforce's subscription-based model of revenue collection provides it an insulation from inflation, with a predictable stream of income. However, the rising cost of materials, services, and labor are squeezing Salesforce's margins. On the positive side, inflation could push more companies to embrace AI and automation solutions to

achieve efficiency and reduce costs, which is a clear opportunity for Salesforce. The firm's ability to manage operating costs and mitigate wage pressures effectively, e.g., its investment in employee retention programs, will play a key role in dulling the impact of inflation.

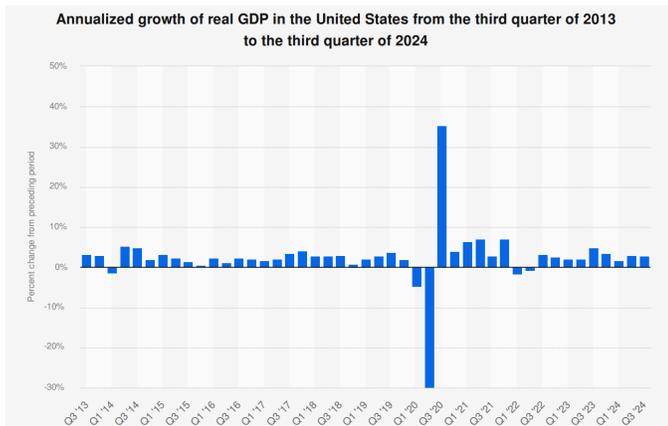
Chart: United States Annual Inflation Rates (2015 to 2025)



Source: US Inflation Calculator

GDP Growth

The U.S. economy is also decelerating, with the Atlanta Federal Reserve's GDP Now model forecasting a 2.2% contraction in Q1 2025. Economic uncertainty will make firms re-evaluate their IT investments, possibly delaying software purchases, including CRM software. With tight budgets, firms may view CRM systems as discretionary rather than mission-critical, which may damage Salesforce's revenue growth. However, CRM solutions are now core business activities after all these years, so they are less likely to be slashed during economic slowdowns. Even with slower GDP growth, Salesforce's products, which are at the core of customer relationship management and sales optimization, remain a priority for most organizations.



Source: Statista

Salesforce's Performance

Salesforce posted \$9.13 billion in revenue for Q1 FY25, an 11% year-over-year growth. Though the company fell short of its revenue target for the first time after 2006, net income jumped to \$1.53 billion, highlighting its operational efficiency. Salesforce's guidance for the fiscal year is still upbeat, with revenues likely to be in the range of \$37.7 billion to \$38.0 billion. This shows that even during the economic downturn, Salesforce is faring well, helped by its core subscription-based model, which generates stable and predictable revenue.

Outlook for 2025

Looking ahead, Salesforce is strongly positioned to maintain its momentum in 2025, with strong demand for its AI-enabled products, particularly the Agentforce platform. By investing in AI-enabling existing products instead of investing aggressively in new data centers at scale, Salesforce is well-positioned to capitalize on the increasing demand for AI-enabled solutions across verticals. The company's strategic focus on enhancing existing products will allow it to derive more value from its installed base of customers.

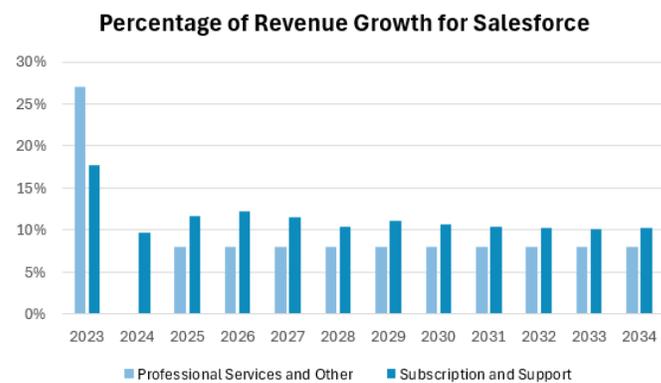
However, Salesforce will also have to battle strong headwinds in the form of high borrowing costs, inflationary pressures, and slower GDP growth. These could have a dampening impact on corporate IT spend, slowing down Salesforce's revenue growth. Irrespective, Salesforce's balance sheet strength and prudent investments in AI will continue to drive its market leadership and long-term growth. By keeping costs in check and staying ahead of the AI curve, Salesforce can weather the economic uncertainties and maintain its competitive edge.

In brief, while Salesforce is not immune to macroeconomic headwinds, its strong subscription model, AI-driven innovation, and healthy financials are the foundations of strength to propel future growth. However, the company will have to carefully manage economic risks and make strategic investments in areas that will enable it to continue leading in the tech space through 2025 and beyond.

VALUATION

Revenue Growth

Considering the growth across Salesforce's diverse revenue segments, we project total revenue to grow at a compound annual growth rate (CAGR) of 8-11% over the next decade. We expect the Platform segment to be the primary growth engine, while Agentforce is anticipated to expand at a quick rate. Our revenue projections for FY2025 and FY2026 are similar with current market estimations. For FY2025, we estimate total revenue will reach \$38.02 billion, with the strong growth likely occurring in FY2026, driven by advancements in AI and steady growth heading into FY2031.



Source: HF Estimates

Cost Assumptions

Historically, Salesforce has allocated around 14-16% of its revenue to research and development, 36-44% to marketing and sales, and 7-9% to general and administrative expenses. We expect these proportions to remain relatively stable throughout our forecast period. For FY2025, we assume capital expenditures will slightly grow based off the 5-year historical average of \$720 million. Beyond that, we

project capex to grow at an assumed inflation rate of 2.5% annually.

Dividend and Share Repurchases

On February 28, 2024, Salesforce announced its quarterly dividend policy, initiating a cash dividend of \$0.40 per share. The company has maintained this dividend into FY2025, resulting in an annual payout of \$1.48 per share and a current dividend yield of approximately 0.65%. While modest compared to other major tech firms, the dividend underscores Salesforce's transition into a more mature phase of growth.

In addition to dividends, Salesforce has been returning substantial capital to shareholders through stock repurchases. In FY2024, the company repurchased \$7.7 billion worth of shares—over 80% of its free cash flow. In FY2025 Salesforce returned a total of \$9.3 billion to shareholders through a combination of \$7.8 billion in share repurchases and \$1.5 billion in dividend payments. Since launching its buyback program, Salesforce has returned a total of \$11.7 billion to shareholders. Recently, the board approved a \$10 billion increase to the repurchase authorization, raising the total to \$30 billion. This reflects a continued commitment to shareholder returns alongside its new dividend policy. Our model incorporates this strategy over a 10-year forecast horizon, assuming steady growth in annual share repurchases.

WACC Assumptions

We calculated the Weighted Average Cost of Capital (WACC) for Salesforce to be 10.26%. This is above the 9.84% estimated by consensus due to varying assumptions. To estimate the cost of equity, we used CAPM and the following assumptions:

Risk-free rate: The risk-free rate is assumed to be 4.33%, which is the 10-year US Treasury bond yield as of April 01, 2025.

Beta: The beta is assumed to be 1.32, which is the 3-year adjusted beta for Salesforce from FactSet.

Equity risk premium: The Henry Fund consensus estimate for the equity risk premium is 5.00%.

Pre-tax cost of debt: We assumed a pre-tax cost of debt of 4.59%, the yield to maturity of Salesforce's 10-year corporate bond according to Bloomberg. We used the book

value of the debt as a proxy for the market value of debt in our calculations.

Tax rate: The marginal tax rate used for the forecast horizon is 21%, which is the marginal tax rate in FY2024.

Discounted Cash Flow / Economic Profit

The Discounted Cash Flow (DCF) and Economic Profit (EP) models estimated a share price of \$272, representing a 15% upside from the current stock price of \$236 as of April 21st. The consensus price target is \$313 which represents a 8.5% premium. Analysts factor in extremely high long term growth rate of 18%, whereas we assume it to grow at 7% in the long run. We use this model to make our recommendation as it best represents value by incorporating growth rates for each revenue segment. average of 2023 and 2024 (31%) as the expenses from 2020-2022 were 40-41%, which we think is too high for Salesforce going forward. However, if we use the average of the last five years for forecasting future expenses, the price decreases to approximately \$210. Therefore, we believe these two assumptions are critical for our model.

Dividend Discount Model (DDM)

The Dividend Discount Model (DDM) estimated a target price of \$361.06. We believe that this model overestimates the value of Salesforce as it only announced dividends last year and this year and the current dividend yield is 0.65%. Therefore, we do not consider this model in our recommendation.

Relative Valuation Model

We used relative valuation based on P/E and P/B multiples. The P/E model values Salesforce at \$278.65, implying a 18% upside, while the P/B model estimates a price of \$311.38, indicating a 30% upside. Our peer group includes Oracle, Microsoft, Alphabet, Amazon, and Adobe.

Given Salesforce's diverse revenue streams, it competes across multiple segments, making it difficult to capture all relevant peers. Including Adobe skews the valuation higher; excluding it increases the price to \$291. However, we believe Adobe is a meaningful competitor and should be included.

Salesforce has historically traded at a premium to peers, so we've applied this model with caution in forming our recommendation.

Sensitivity Analysis

		Equity Risk Premium						
		3.5%	4.0%	4.5%	5.0%	5.5%	6.0%	6.5%
Beta	271.49	756.78	580.17	470.75	396.34	342.49	301.72	269.81
	1.02	625.93	490.67	403.83	343.40	298.94	264.88	237.97
	1.12	533.87	425.30	353.77	303.13	265.42	236.26	213.05
	1.22	465.59	375.47	314.93	271.49	238.83	213.40	193.04
	1.32	412.95	336.24	283.91	245.98	217.24	194.72	176.62
	1.42	371.13	304.56	258.59	224.98	199.36	179.19	162.92
	1.52	337.12	278.45	237.54	207.41	184.32	166.08	151.31
	1.62							

Source: KF Estimates

The sensitivity analysis highlights how key assumptions—beta and the equity risk premium—significantly impact valuation. We use a beta of 1.30 from FactSet, which aligns with Yahoo Finance and analyst reports, and we believe best reflects Salesforce’s risk. However, using a higher beta of 1.48 from Bloomberg’s multi-year average would lower the valuation to around \$240.

The equity risk premium also has a substantial effect. At a beta of 1.30, the valuation drops from \$465.59 at a 3.5% premium to \$193.04 at 6.5%. This demonstrates how sensitive the model is to changes in perceived market risk. These two inputs are critical, and we’ve selected assumptions that balance accuracy with realism.

Summary

In conclusion, we use the DCF model and Relative P/E and P/B to make our final recommendation as it better shows how diverse Salesforce is compared to the DDM. We recommend a **BUY** rating for Salesforce Inc., with a target range of \$271- \$311.38, which shows an upside of approximately 15%-30%. With Salesforce being a leader in the CRM segment of the enterprise software industry, its advanced AI solutions, and ability to reinvest, Salesforce is expected to grow its competitive advantage.

Disclaimer

This report was created by students enrolled in the Applied Equity Valuation class at the University of Iowa. The report was originally created to offer an internal investment recommendation for the University of Iowa Krause Fund and its advisory board. The report also provides potential employers and other interested parties an example of the student’s skills, knowledge, and

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Salesforce, inc.
Sensitivity Tables

		Marginal Tax Rate							
		272.04	5.00%	10.00%	18.00%	21.00%	23.00%	25.00%	30.00%
Risk-Free Rate	2.00%	525.55	529.46	535.86	538.30	539.95	541.61	545.82	
	2.75%	404.13	405.59	407.97	408.87	409.48	410.09	411.63	
	3.00%	375.43	376.42	378.01	378.61	379.01	379.42	380.44	
	4.33%	273.37	272.97	272.30	272.04	271.87	271.70	271.26	
	7.00%	178.70	177.54	175.67	174.96	174.48	174.01	172.81	
	8.00%	158.68	157.45	155.46	154.70	154.20	153.70	152.43	
	12.00%	110.85	109.60	107.60	106.84	106.33	105.83	104.56	

		Equity Risk Premium							
		272.04	3.50%	4.00%	4.50%	5.00%	5.50%	6.00%	6.50%
Pretax cost of debt	1.59%	506.90	401.02	332.08	283.66	247.81	220.22	198.34	
	2.59%	492.74	392.41	326.37	279.65	244.88	218.02	196.64	
	3.59%	479.42	384.20	320.89	275.79	242.04	215.87	194.99	
	4.59%	466.85	376.37	315.62	272.04	239.28	213.78	193.37	
	5.59%	454.98	368.89	310.54	268.42	236.60	211.74	191.79	
	6.59%	443.75	361.73	305.65	264.91	234.00	209.76	190.25	
	7.59%	433.10	354.88	300.94	261.51	231.47	207.82	188.74	

		Equity Risk Premium							
		272.04	3.5%	4.0%	4.5%	5.0%	5.5%	6.0%	6.5%
Beta	1.02	759.51	581.94	472.02	397.32	343.27	302.37	270.35	
	1.12	627.94	492.03	404.84	344.19	299.58	265.41	238.42	
	1.22	535.43	426.39	354.60	303.78	265.95	236.71	213.44	
	1.32	466.85	376.37	315.62	272.04	239.28	213.78	193.37	
	1.42	413.99	337.00	284.50	246.45	217.63	195.06	176.91	
	1.52	372.01	305.21	259.11	225.40	199.70	179.49	163.17	
	1.62	337.88	279.02	237.99	207.78	184.63	166.34	151.54	

		Cost of Equity							
		272.04	7.9%	8.9%	9.9%	10.9%	11.9%	12.9%	13.9%
R&D % of revenue	13.03%	756.78	580.17	470.75	396.34	342.49	301.72	269.81	
	14.03%	625.93	490.67	403.83	343.40	298.94	264.88	237.97	
	15.03%	533.87	425.30	353.77	303.13	265.42	236.26	213.05	
	16.03%	465.59	375.47	314.93	271.49	238.83	213.40	193.04	
	17.03%	412.95	336.24	283.91	245.98	217.24	194.72	176.62	
	18.03%	371.13	304.56	258.59	224.98	199.36	179.19	162.92	
	19.03%	337.12	278.45	237.54	207.41	184.32	166.08	151.31	

		Normal Cash % Estimate							
		272.04	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%
Beta	1.02	399.59	398.84	398.08	397.32	396.56	395.80	395.03	
	1.12	346.25	345.56	344.87	344.19	343.50	342.80	342.11	
	1.22	305.68	305.05	304.42	303.78	303.15	302.51	301.87	
	1.32	273.81	273.22	272.63	272.04	271.45	270.85	270.26	
	1.42	248.12	247.57	247.01	246.45	245.90	245.34	244.78	
	1.52	226.98	226.46	225.93	225.40	224.87	224.34	223.81	
	1.62	209.29	208.79	208.28	207.78	207.27	206.76	206.26	

Salesforce
Revenue Decomposition

<i>Fiscal Years Ending Jan. 31</i>	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	
Sales	4,598,000	5,191,000	5,989,000	6,831,000	7,580,000	8,641,200	9,678,144	10,645,958	11,604,095	12,648,463	13,786,825	15,027,639	16,380,127	17,854,338	19,461,228	
Revenue Growth %		12.90%	15%	14%	11%	14%	12%	10%	9%	9%	9%	9%	9%	9%	9%	
Service	5,377,000.00	5,377,000.00	6,474,000.00	7,369,000.00	8,245,000.00	9,316,850.00	10,621,209.00	12,108,178.26	13,924,405.00	16,291,553.85	18,898,202.46	21,732,932.83	24,992,872.76	28,741,803.67	33,053,074.22	
Revenue Growth %		132%	20%	14%	12%	13%	14%	14%	15%	17%	16%	15%	15%	15%	15%	
Platform and Other	2,787,000	3,324,000	4,509,000	5,967,000	6,611,000	7,404,320	8,440,925	9,538,245	10,587,452	11,752,072	12,927,279	14,220,007	15,499,807	16,739,792	18,078,975	
Revenue Growth %		19.27%	35.65%	32.34%	10.79%	12%	14%	13%	11%	11%	10%	10%	9%	8%	8%	
Marketing and Commerce	7,930,000	3,133,000	3,902,000	4,516,000	4,912,000	5,452,320	6,106,598	6,717,258	7,321,811	7,980,775	8,699,044	9,394,968	10,146,565	10,856,825	11,616,802	
Revenue Growth %		-60%	25%	16%	9%	11%	12%	10%	9%	9%	9%	8%	8%	7%	7%	
Data	1,686,000	2,951,000	3,783,000	4,338,000	4,477,542	4,701,419	5,030,518	5,432,960	5,607,724	5,788,110	5,974,298	6,166,475	6,364,834	6,569,574	6,780,900	
Revenue Growth %		75.03%	28.19%	14.67%	3.22%	5.00%	7.00%	8.00%	3.22%	3.22%	3.22%	3.22%	3.22%	3.22%	3.22%	
Total Subscriptions and Support Revenue	22,378,000	19,976,000	24,657,000	29,021,000	31,825,542	35,516,109	39,877,395	44,442,600	49,045,487	54,460,973	60,285,648	66,542,022	73,384,206	80,762,333	88,990,981	
Revenue Growth %		-11%	23%	18%	10%	12%	12%	11%	10%	11%	11%	10%	10%	10%	10%	
Professional Services and Other	\$1,037,000	1,276,000	1,835,000	2,331,000	2,320,000	2,505,600	2,706,048	2,922,532	3,156,334	3,408,841	3,681,548	3,976,072	4,294,158	4,637,691	5,008,706	
Revenue Growth %		23%	44%	27%	0%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	
Total Revenues	17,098,000	21,252,000	26,492,000	31,352,000	34,857,000	38,021,709	42,583,443	47,365,132	52,201,821	57,869,814	63,967,197	70,518,094	77,678,364	85,400,023	93,999,687	
Revenue Growth %		24%	25%	18%	11%	9%	12%	11%	10%	11%	11%	10%	10%	10%	10%	
Americas	369,092,919	12,501,000	14,736,000	17,983,000	21,250,000	23,289,000	25,403,436	28,451,266	31,646,055	34,877,592	38,664,546	42,738,389	47,115,239	51,899,229	57,058,299	62,803,991
% of Total Revenue		73.11%	69.34%	67.88%	68%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%	67%
Europe	4,501,000	4,501,000	6,016,000	7,163,000	8,128,000	8,865,951	9,929,662	11,044,662	12,172,488	13,494,157	14,915,953	16,443,500	18,113,141	19,913,687	21,918,968	
% of Total Revenue		26.32%	21.18%	22.71%	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%	
Asia Pacific	1,617,000	2,015,000	2,493,000	2,939,000	3,440,000	3,752,322	4,202,514	4,674,414	5,151,742	5,711,110	6,312,854	6,959,355	7,665,995	8,428,037	9,276,728	
% of Total Revenue		9.46%	9.48%	9.41%	9%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	
Total Revenues	17,098,000	21,252,000	26,492,000	31,352,000	34,857,000	38,021,709	42,583,443	47,365,132	52,201,821	57,869,814	63,967,197	70,518,094	77,678,364	85,400,023	93,999,687	

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Balance Sheet (in thousands)

	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Current Assets															
Cash & cash equivalents	4,145,000	6,195,000	5,464,000	7,016,000	8,472,000	16,462,721	21,409,057	26,994,237	32,940,850	39,718,725	46,907,078	57,448,139	68,700,201	83,303,708	100,764,713
Marketable securities	3,802,000	5,771,000	5,073,000	5,492,000	5,722,000	5,969,408	6,685,600	7,436,326	8,195,686	9,085,561	10,042,850	11,071,341	12,195,503	13,407,804	14,757,951
Accounts receivable, net	6,174,000	7,786,000	9,739,000	10,755,000	11,414,000	13,426,023	15,036,838	16,725,322	18,433,228	20,434,679	22,587,755	24,900,972	27,429,369	30,156,000	33,192,667
Costs capitalized to obtain revenue contracts, net	926,000	1,146,000	1,454,000	1,776,000	1,905,000	2,094,443	2,345,729	2,609,130	2,875,561	3,187,785	3,523,662	3,884,522	4,278,948	4,704,300	5,178,016
Prepaid expenses & other current assets	916,000	991,000	1,120,000	1,356,000	1,561,000	1,905,000	1,752,916	1,963,226	2,183,676	2,406,662	2,667,974	2,949,081	3,251,098	3,581,208	3,937,200
Total current assets	15,963,000	21,889,000	22,850,000	26,395,000	29,074,000	39,857,596	47,230,140	55,728,240	64,629,002	74,833,412	85,729,319	100,254,056	115,855,119	135,153,018	157,830,546
Noncurrent Assets															
Property & equipment, net	2,375,000	2,459,000	2,815,000	3,702,000	3,689,000	3,939,000	4,195,250	4,457,906	4,727,129	5,003,082	5,285,934	5,575,858	5,873,029	6,177,630	6,489,845
Operating lease right-of-use assets, net	3,040,000	3,204,000	2,880,000	2,890,000	2,366,000	2,526,342	2,690,692	2,859,150	3,031,821	3,208,808	3,390,220	3,576,167	3,766,762	3,962,123	4,162,368
Noncurrent costs capitalized to obtain revenue contracts, net	1,348,000	1,715,000	2,342,000	2,697,000	2,515,000	3,007,045	3,367,821	3,745,994	4,128,516	4,576,783	5,059,011	5,577,105	6,143,394	6,754,081	7,434,208
Strategic investments	1,963,000	3,909,000	4,784,000	4,672,000	4,848,000	5,187,360	5,550,475	5,939,008	6,235,959	6,547,757	6,875,145	7,218,902	7,435,469	7,658,533	7,888,289
Goodwill	25,134,000.00	26,318,000	47,937,000	48,568,000	48,620,000	48,620,000	48,620,000	48,620,000	48,620,000	48,620,000	48,620,000	48,620,000	48,620,000	48,620,000	48,620,000
Intangible assets acquired through business combinations, net	4,724,000	4,114,000	8,978,000	7,125,000	5,278,000	5,278,000	5,278,000	5,278,000	5,278,000	5,278,000	5,278,000	5,278,000	5,278,000	5,278,000	5,278,000
Deferred tax assets & other assets, net	579,000	2,693,000	2,623,000	2,800,000	3,433,000	3,433,000	3,433,000	3,433,000	3,433,000	3,433,000	3,433,000	3,433,000	3,433,000	3,433,000	3,433,000
Total assets	55,126,000	66,301,000	95,209,000	98,849,000	99,823,000	111,848,342	120,365,378	130,061,299	140,083,426	151,500,842	163,670,628	179,533,087	196,404,773	217,036,385	241,136,256
Current Liabilities															
Accounts payable, accrued expenses & other liabilities	3,433,000	4,355,000	5,474,000	6,743,000	6,111,000	9,505,427	10,645,861	11,841,283	13,050,455	14,467,453	15,991,799	17,629,523	19,419,591	21,350,006	23,499,922
Operating lease liabilities, current	750,000	766,000	686,000	590,000	518,000	553,104	589,086	625,968	663,771	702,520	742,237	782,948	824,676	867,447	911,288
Unearned revenue	10,662,000	12,607,000	15,628,000	17,376,000	19,003,000	22,813,025	25,550,066	28,419,079	31,321,093	34,721,888	38,380,318	42,310,856	46,607,019	51,240,014	56,399,812
Debt, current				1,182,000	999,000	-	-	-	-	-	-	-	-	-	-
Total current liabilities	14,845,000	17,728,000	21,788,000	25,891,000	26,631,000	32,871,557	36,785,013	40,886,330	45,035,320	49,891,862	55,114,355	60,723,328	66,851,285	73,457,467	80,811,021
Noncurrent Liabilities															
Noncurrent debt	2,673,000	2,673,000	10,592,000	9,419,000	8,427,000	9,842,310	10,210,751	10,634,915	11,055,445	11,534,173	12,048,179	12,597,265	13,177,122	13,799,129	14,484,156
Noncurrent operating lease liabilities	2,445,000	2,842,000	2,703,000	2,897,000	2,644,000	2,823,181	3,006,842	3,195,095	3,388,053	3,585,836	3,788,563	3,996,359	4,209,349	4,427,664	4,651,437
Other noncurrent liabilities	1,278,000	1,565,000	1,995,000	2,283,000	2,475,000	2,584,311	2,681,053	2,792,427	2,902,846	3,028,546	3,163,510	3,307,684	3,459,938	3,623,259	3,803,128
Total liabilities	21,241,000	24,808,000	37,078,000	40,490,000	40,177,000	48,121,360	52,683,659	57,508,766	62,381,663	68,040,417	74,114,607	80,624,635	87,697,695	95,307,519	103,749,743
Equity															
Treasury stock, at cost				(4,000,000)	(11,692,000)	(18,473,000)	(25,232,485)	(31,972,748)	(38,695,868)	(45,403,421)	(52,094,348)	(58,770,198)	(65,432,377)	(72,082,159)	(78,720,700)
Additional paid-in capital	32,116,000	35,601,000	50,919,000	55,047,000	59,841,000	60,396,854	60,952,708	61,508,562	62,008,830	62,008,830	62,008,830	62,008,830	62,008,830	62,008,830	62,008,830
Common Stock	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Accumulated other comprehensive income (loss)	(93,000)	(42,000)	(166,000)	(274,000)	(225,000)	(225,000)	(225,000)	(225,000)	(225,000)	(225,000)	(225,000)	(225,000)	(225,000)	(225,000)	(225,000)
Retained earnings (accumulated deficit)	1,861,000	5,933,000	7,377,000	7,585,000	11,721,000	22,027,129	32,185,497	43,240,720	54,612,800	67,079,016	79,865,539	95,893,820	112,354,625	132,026,195	154,322,383
Total stockholders' equity	33,885,000	41,493,000	58,131,000	58,359,000	59,646,000	63,726,982	67,681,720	72,552,533	77,701,762	83,460,425	89,556,021	98,908,452	108,707,078	121,728,866	137,386,513
Total Liabilities and Stockholders Equity	55,126,000	66,301,000	95,209,000	98,849,000	99,823,000	111,848,342	120,365,378	130,061,299	140,083,426	151,500,842	163,670,628	179,533,087	196,404,773	217,036,385	241,136,256

Salesforce

Common Size Income Statement

Fiscal Years Ending Jan. 31	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Subscription & support revenues	93.83%	94.00%	93.07%	92.57%	93.34%	93.41%	93.65%	93.83%	93.95%	94.11%	94.24%	95.00%	94.00%	94.00%	94.00%
Professional services & other revenue	6.17%	6.00%	6.93%	7.43%	6.66%	6.59%	6.35%	6.17%	6.05%	5.89%	5.76%	5.64%	5.53%	5.43%	5.33%
Total revenues	100.00%														
Cost of Revenues															
Subscription & Support	18.70%	19.55%	19.10%	18.57%	17.72%	18.73%	18.73%	18.57%	18.46%	18.44%	18.59%	18.00%	18.00%	17.00%	17.00%
Professional Services & Other	6.07%	6.04%	7.42%	8.10%	6.78%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	11.00%	11.00%
Depreciation	7.85%	8.22%	6.41%	5.70%	5.91%	6.82%	6.61%	6.29%	6.26%	6.38%	6.47%	6.40%	6.36%	6.37%	6.40%
Amortization	4.68%	5.18%	6.04%	6.38%	5.45%	5.76%	5.91%	5.87%	5.75%	5.82%	5.84%	5.82%	5.81%	5.82%	5.82%
Total cost of revenues (net of deprecia	12.24%	12.20%	14.07%	14.59%	13.15%	13.25%	13.45%	13.70%	13.63%	13.43%	13.49%	13.54%	13.56%	13.53%	13.51%
Total cost of revenues	12.24%	12.20%	14.07%	14.59%	13.15%	13.25%	13.45%	13.70%	13.63%	13.43%	13.49%	13.54%	13.56%	13.53%	13.51%
Gross Profit	75.23%	74.41%	73.48%	73.34%	75.50%	74.39%	74.22%	74.18%	74.33%	74.52%	74.33%	74.32%	74.34%	74.37%	74.37%
Operating Expenses															
Research & development	16.18%	16.93%	16.85%	16.12%	14.07%	16.03%	17.00%	18.00%	19.00%	19.00%	20.00%	18.00%	18.00%	17.00%	16.03%
Marketing & sales	46.38%	45.52%	44.75%	43.14%	36.94%	34.00%	35.47%	34.74%	35.00%	35.00%	35.00%	35.00%	36.00%	36.00%	36.00%
General & administrative	9.97%	9.82%	9.81%	8.14%	7.27%	7.71%	7.49%	7.60%	7.54%	7.57%	7.56%	7.56%	7.56%	7.56%	7.56%
Restructuring	0.00%	0.00%	0.00%	2.64%	2.83%	1.10%	1.31%	1.58%	1.89%	1.74%	1.52%	1.61%	1.67%	1.69%	1.65%
Total operating expenses	73.49%	72.27%	71.41%	70.05%	61.12%	69.67%	68.90%	68.23%	67.60%	67.10%	68.30%	68.03%	67.85%	67.78%	67.81%
Income from operations	1.74%	2.14%	2.07%	3.29%	14.38%	26.08%	23.67%	23.29%	22.05%	21.92%	20.68%	23.12%	22.03%	23.83%	24.72%
Other Expenses															
Gains (losses) on strategic investment:	2.50%	10.21%	4.57%	0.76%	0.65%	3.74%	3.99%	2.74%	2.38%	2.70%	3.11%	2.98%	2.78%	2.79%	2.87%
Interest Expense	0.11%	0.30%	0.86%	0.42%	0.62%	-0.48%	-1.22%	-1.58%	-1.92%	-2.20%	-2.48%	-2.71%	-3.08%	-3.39%	-3.78%
Gains on sales of land an building impi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes															
Income before benefit from (provision	4.13%	12.05%	5.78%	2.11%	14.20%	7.65%	8.36%	7.62%	7.99%	9.16%	8.16%	8.26%	8.24%	8.36%	8.44%
Provision for income taxes	-3.39%	7.11%	-0.33%	-1.44%	-2.34%	-0.08%	0.58%	-0.72%	-0.80%	-0.67%	-0.34%	-0.39%	-0.58%	-0.55%	-0.51%
Net Income	0.74%	19.16%	5.45%	0.66%	11.87%	30.80%	27.09%	26.19%	24.33%	23.79%	21.99%	24.52%	22.79%	24.47%	25.01%

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Common Size Balance Sheet

Current Assets	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Cash & cash equivalents	24.24%	29.15%	20.63%	22.38%	24.31%	43.30%	50.28%	56.99%	63.10%	68.63%	73.33%	81.47%	88.44%	97.55%	107.20%
Marketable securities	22.24%	27.16%	19.15%	17.52%	16.42%	15.70%	15.70%	15.70%	15.70%	15.70%	15.70%	15.70%	15.70%	15.70%	15.70%
Accounts receivable, net	36.11%	36.64%	36.76%	34.30%	32.75%	35.31%	35.31%	35.31%	35.31%	35.31%	35.31%	35.31%	35.31%	35.31%	35.31%
Costs capitalized to obtain revenue co	5.42%	132.00%	5.49%	5.66%	5.47%	5.51%	5.51%	5.51%	5.51%	5.51%	5.51%	5.51%	5.51%	5.51%	5.51%
Prepaid expenses & other current ass	5.36%	4.66%	4.23%	4.33%	4.48%	4.61%	4.12%	4.14%	4.18%	4.16%	4.17%	4.18%	4.19%	4.19%	4.19%
Total current assets	93.36%	103.00%	86.25%	84.19%	83.41%	104.43%	110.91%	117.66%	123.81%	129.31%	134.02%	142.17%	149.15%	158.26%	167.91%
Noncurrent Assets															
Property & equipment, net	13.89%	11.57%	10.63%	11.81%	10.58%	11.70%	9.85%	10.91%	10.97%	10.80%	10.85%	10.68%	10.84%	10.83%	10.80%
Operating lease right-of-use assets, ne	17.78%	15.08%	10.87%	9.22%	6.79%	11.95%	10.78%	9.92%	9.73%	9.83%	10.44%	10.14%	10.01%	10.03%	10.09%
Noncurrent costs capitalized to obtain	7.88%	8.07%	8.84%	8.60%	7.22%	7.91%	7.56%	7.74%	7.65%	7.69%	7.67%	7.68%	7.68%	7.68%	7.68%
Strategic investments	11.48%	18.39%	18.06%	14.90%	13.91%	15.35%	16.12%	15.67%	15.19%	15.25%	15.52%	15.55%	15.43%	15.39%	15.43%
Goodwill	34%	123.84%	180.95%	154.91%	139.48%	127.87%	114.18%	102.65%	93.14%	84.02%	76.01%	68.95%	62.59%	56.93%	51.72%
Intangible assets acquired through bus	27.63%	19.36%	33.89%	22.73%	15.14%	13.88%	12.39%	11.14%	10.11%	9.12%	8.25%	7.48%	6.79%	6.18%	5.61%
Prepaid expenses and other current as	3.39%	12.67%	9.90%	8.93%	9.85%	9.85%	9.85%	9.85%	9.85%	9.85%	9.85%	9.85%	9.85%	9.85%	9.85%
Total assets	322.41%	311.98%	359.39%	315.29%	286.38%	302.93%	291.65%	285.53%	280.44%	275.87%	272.60%	272.50%	272.35%	275.15%	279.09%
Current Liabilities															
Accounts payable, accrued expenses	20.08%	20.49%	20.66%	21.51%	17.53%	19.52%	18.53%	19.02%	18.77%	18.90%	18.84%	18.87%	18.85%	18.86%	18.86%
Operating lease liabilities, current	4.39%	3.60%	2.59%	1.88%	1.49%	2.39%	2.09%	1.96%	1.98%	2.10%	2.03%	2.02%	2.04%	2.05%	2.03%
Unearned revenue	62.36%	59.32%	58.99%	55.42%	54.52%	54.97%	54.74%	54.86%	54.80%	54.83%	54.81%	54.82%	54.82%	54.82%	54.82%
Debt, current	0.00%	0.00%	0.00%	3.77%	2.87%	1.33%	1.59%	1.91%	2.29%	2.00%	1.82%	1.92%	1.99%	2.01%	1.95%
Total current liabilities	86.82%	83.42%	82.24%	82.58%	76.40%	78.21%	76.95%	77.75%	77.85%	77.83%	77.51%	77.63%	77.69%	77.73%	77.66%
Noncurrent Liabilities															
Noncurrent debt	15.63%	12.58%	39.98%	30.04%	24.18%	24.48%	26.25%	28.99%	26.79%	26.14%	26.53%	26.94%	27.08%	26.69%	26.67%
Noncurrent operating lease liabilities	14.30%	13.37%	10.20%	9.24%	7.59%	10.94%	10.27%	9.65%	9.54%	9.60%	10.00%	9.81%	9.72%	9.73%	9.77%
Other noncurrent liabilities	7.47%	7.36%	7.53%	7.28%	7.10%	7.35%	7.33%	7.30%	7.30%	7.30%	7.30%	7.30%	7.30%	7.30%	7.30%
Total liabilities	124.23%	116.73%	139.96%	129.15%	115.26%	120.98%	120.79%	123.69%	121.47%	120.86%	121.34%	121.68%	121.79%	121.46%	121.40%
Equity															
Treasury stock, at cost	0.00%	0.00%	0.00%	-12.76%	-33.54%	-48.59%	-59.25%	-67.50%	-74.13%	-78.46%	-81.44%	-83.34%	-84.24%	-84.41%	-83.75%
Common Stock	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Accumulated other comprehensive inc	-0.54%	-0.20%	-0.63%	-0.87%	-0.65%	-0.59%	-0.53%	-0.48%	-0.43%	-0.39%	-0.35%	-0.32%	-0.29%	-0.26%	-0.24%
Retained earnings (accumulated defici	10.88%	27.92%	27.85%	24.19%	33.63%	57.93%	75.58%	91.29%	104.62%	115.91%	124.85%	135.98%	144.64%	154.60%	164.17%
Total stockholders' equity	198.18%	195.24%	219.43%	186.14%	171.12%	167.61%	158.94%	153.18%	148.85%	144.22%	140.00%	140.26%	139.95%	142.54%	146.16%
Total Liabilities and Stockholders E	322.41%	311.98%	359.39%	315.29%	286.38%	294.17%	282.66%	274.59%	268.35%	261.80%	255.87%	254.59%	252.84%	254.14%	256.53%

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Historical Cash Flow Statement

Fiscal Years Ending	2020	2021	2022	2023	2024
Net income	126,000	4,072,000	1,444,000	208,000	4,136,000
Depreciation & amortization	2,135,000	2,846,000	3,298,000	3,786,000	3,959,000
Amortization of costs capitalized to obtain revenue contracts, net	876,000	1,058,000	1,348,000	1,668,000	1,925,000
Stock-based compensation expense	-	(2,003,000)	-	-	-
Accounts receivable, net	(1,000,000)	(1,556,000)	(1,824,000)	(995,000)	(659,000)
Costs capitalized to obtain revenue contracts, net	(1,130,000)	(1,645,000)	(2,283,000)	(2,345,000)	(1,872,000)
Prepaid expenses & other current assets	(119,000)	(133,000)	114,000	(302,000)	(843,000)
Operating lease liabilities	(728,000)	(830,000)	(801,000)	(699,000)	(621,000)
Accounts payable, accrued expenses & other liabilities	15,000	1,100,000	507,000	528,000	(478,000)
Unearned revenue	1,665,000	1,872,000	2,629,000	1,744,000	1,623,000
Net cash flows from operating activities	4,331,000	4,801,000	6,000,000	7,111,000	10,234,000
Business combinations, net of cash acquired	(369,000)	(1,281,000)	(14,876,000)	(439,000)	(82,000)
Purchases of strategic investments	(768,000)	(1,069,000)	(1,718,000)	(550,000)	(496,000)
Sales of strategic investments	434,000	1,051,000	2,201,000	355,000	108,000
Purchases of marketable securities	(3,857,000)	(4,833,000)	(5,674,000)	(4,777,000)	(3,761,000)
Sales of marketable securities	1,444,000	1,836,000	4,179,000	1,771,000	2,129,000
Maturities of marketable securities	779,000	1,035,000	2,069,000	2,449,000	1,511,000
Capital expenditures	(643,000)	(710,000)	(717,000)	(798,000)	(736,000)
Net cash flows from investing activities	(2,980,000)	(3,971,000)	(14,536,000)	(1,989,000)	(1,327,000)
Proceeds from issuance of debt, net of issuance costs	-	(20,000)	7,906,000	-	-
Repayments of Slack convertible notes, net of capped call proceeds	-	-	(1,197,000)	-	-
Repurchases of common stock	-	-	-	(4,000,000)	(7,620,000)
Proceeds from employee stock plans	840,000	1,321,000	1,289,000	861,000	1,954,000
Principal payments on financing obligations	(173,000)	(103,000)	(156,000)	(419,000)	(629,000)
Repayments of debt	(503,000)	(4,000)	(4,000)	(4,000)	(1,182,000)
Net cash flows from financing activities	164,000	1,194,000	7,838,000	(3,562,000)	(7,477,000)
Effect of exchange rate changes	164,000	1,194,000	7,838,000	(3,562,000)	(7,477,000)
Net increase (decrease) in cash & cash equivalents	(39,000)	26,000	(33,000)	(8,000)	26,000
Cash & cash equivalents, beginning of period	1,476,000	2,050,000	(731,000)	1,552,000	1,456,000
Cash & cash equivalents, end of period	2,669,000	4,145,000	6,195,000	5,464,000	7,016,000

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Forecasted Cash Flow Statement

Fiscal Years Ending	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Net income	11,710,944	11,534,744	12,406,233	12,700,060	13,769,595	14,067,596	17,289,127	17,703,309	20,897,442	23,506,979
Depreciation & amortization	750,000	768,750	787,969	807,668	827,860	848,556	869,770	891,514	913,802	936,647
Change in accounts receivable, net	(2,012,023)	(1,610,815)	(1,688,484)	(1,707,906)	(2,001,451)	(2,153,075)	(2,313,218)	(2,528,396)	(2,726,631)	(3,036,667)
Change in costs capitalized to obtain r	(189,443)	(251,285)	(263,402)	(266,431)	(312,224)	(335,877)	(360,859)	(394,427)	(425,351)	(473,716)
Change in prepaid expenses & other c	(344,000)	152,084	(210,310)	(220,450)	(222,986)	(261,312)	(281,108)	(302,016)	(330,110)	(355,992)
Change in deferred tax assets & other	-	-	-	-	-	-	-	-	-	-
Change in accounts payable, accrued	3,394,427	1,140,433	1,195,422	1,209,172	1,416,998	1,524,346	1,637,724	1,790,068	1,930,415	2,149,916
Change in unearned revenue	3,810,025	2,737,040	2,869,013	2,902,014	3,400,796	3,658,430	3,930,538	4,296,162	4,632,995	5,159,798
Change in intangible assets acquired t	-	-	-	-	-	-	-	-	-	-
Change in net cash flows from oper	17,119,931	14,470,952	15,096,442	15,424,126	16,878,587	17,348,663	20,771,975	21,456,213	24,892,562	27,886,964
Change in operating lease right-of-use	(160,342)	(164,350)	(168,459)	(172,670)	(176,987)	(181,412)	(185,947)	(190,596)	(195,361)	(200,245)
Change in marketable securities	(247,408)	(716,192)	(750,725)	(759,360)	(889,875)	(957,289)	(1,028,491)	(1,124,162)	(1,212,300)	(1,350,147)
Capital Expenditures	(1,000,000)	(1,025,000)	(1,050,625)	(1,076,891)	(1,103,813)	(1,131,408)	(1,159,693)	(1,188,686)	(1,218,403)	(1,248,863)
Change in noncurrent costs capitalizet	(492,045)	(360,776)	(378,172)	(382,522)	(448,268)	(482,227)	(518,095)	(566,288)	(610,687)	(680,127)
Change in strategic investments	(339,360)	(363,115)	(388,533)	(296,950)	(311,798)	(327,388)	(343,757)	(216,567)	(223,064)	(229,756)
Change in goodwill	-	-	-	-	-	-	-	-	-	-
Change in net cash flows from inve:	(2,239,155)	(2,629,434)	(2,736,514)	(2,688,394)	(2,930,741)	(3,079,724)	(3,235,983)	(3,286,299)	(3,459,815)	(3,709,137)
Change in other noncurrent liabilities	109,311	96,742	111,374	110,419	125,701	134,963	144,174	152,254	163,321	179,869
Change in operating lease liabilities, c	35,104	35,982	36,882	37,804	38,749	39,717	40,710	41,728	42,771	43,841
Mandatory Amortization	-	-	-	-	-	-	-	-	-	-
Change in noncurrent operating lease	179,181	183,661	188,252	192,959	197,783	202,727	207,795	212,990	218,315	223,773
Change in Contributed Capital	555,854	555,854	555,854	500,268	-	-	-	-	-	-
Change in treasury stock, at cost	(6,781,000)	(6,759,485)	(6,740,263)	(6,723,119)	(6,707,553)	(6,690,927)	(6,675,850)	(6,662,179)	(6,649,782)	(6,638,541)
Change in accumulated other compreh	-	-	-	-	-	-	-	-	-	-
Dividends Issued	(1,404,816)	(1,376,375)	(1,351,011)	(1,327,979)	(1,303,379)	(1,281,073)	(1,260,846)	(1,242,504)	(1,225,872)	(1,210,790)
Issuance of Debt	416,310	368,441	424,164	420,529	478,728	514,006	549,085	579,858	622,007	685,027
Change in net cash flows from finan	(6,890,055)	(6,895,181)	(6,774,748)	(6,789,119)	(7,169,972)	(7,080,585)	(6,994,930)	(6,917,853)	(6,829,240)	(6,716,822)
Net increase (decrease) in cash & c:	7,990,721	4,946,336	5,585,179	5,946,613	6,777,875	7,188,354	10,541,061	11,252,061	14,603,507	17,461,005
Cash & cash equivalents, beginning	8472000	16,462,721	21,409,057	26,994,237	32,940,850	39,718,725	46,907,078	57,448,139	68,700,201	83,303,708
Cash & cash equivalents, end of per	16,462,721	21,409,057	26,994,237	32,940,850	39,718,725	46,907,078	57,448,139	68,700,201	83,303,708	100,764,713

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Value Driver Estimation

Fiscal Years Ending	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
NOPLAT:															
Revenue	17,098,000	21,252,000	26,492,000	31,352,000	34,857,000	38,021,709	42,583,443	47,365,132	52,201,821	57,869,814	63,967,197	70,518,094	77,678,364	85,400,023	93,999,687
(cost of revenue)	(2,092,000)	(2,592,000)	(3,728,000)	(4,574,000)	(4,582,000)	(6,151,608)	(6,971,461)	(7,756,580)	(8,563,164)	(9,556,777)	(10,724,492)	(11,505,401)	(12,747,059)	(13,325,940)	(14,742,777)
(Research and Development)	(2,766,000)	(3,598,000)	(4,465,000)	(5,055,000)	(4,906,000)	(6,095,615)	(7,239,185)	(8,525,724)	(9,918,346)	(10,995,265)	(12,793,439)	(12,693,257)	(13,982,106)	(14,518,004)	(15,069,967)
(Marketing and Sales)	(7,930,000)	(9,674,000)	(11,855,000)	(13,526,000)	(12,877,000)	(12,927,381)	(15,104,851)	(16,452,558)	(18,270,637)	(20,254,435)	(22,388,519)	(24,681,333)	(27,964,211)	(30,744,008)	(33,839,887)
(General and Administration)	(1,704,000)	(2,087,000)	(2,598,000)	(2,553,000)	(2,534,000)	(2,930,090)	(3,188,662)	(3,598,422)	(3,937,382)	(4,380,690)	(4,833,528)	(5,333,342)	(5,872,229)	(6,457,418)	(7,106,869)
(Depreciation)	(1,343,000)	(1,746,000)	(1,698,000)	(1,786,000)	(2,059,000)	(750,000)	(768,750)	(787,969)	(807,668)	(827,860)	(848,556)	(869,770)	(891,514)	(913,802)	(936,647)
(Amortization)	(800,000)	(1,100,000)	(1,600,000)	(2,000,000)	(1,900,000)	-	-	-	-	-	-	-	-	-	-
Implied interest on operating leases	139,536	147,064	132,192	132,651	108,599	115,959	123,503	131,235	139,161	147,284	155,611	164,146	172,894	181,861	191,053
EBIT	602,536	602,064	680,192	1,990,651	6,107,599	9,282,974	9,434,037	10,375,113	10,843,785	12,002,072	12,534,274	15,599,137	16,394,140	19,622,712	22,494,591
Provision and income taxes	580,000	(1,511,000)	88,000	452,000	814,000	1,636,517	1,611,894	1,733,678	1,774,738	1,924,198	1,965,841	2,416,026	2,473,904	2,920,261	3,284,924
Tax shield on operating lease interest	29,303	30,883	27,760	27,857	22,806	24,351	25,936	27,559	29,224	30,930	32,678	34,471	36,308	38,191	40,121
Tax shield on restructuring	-	-	-	363,355	160,493	-	-	-	-	-	-	-	-	-	-
Tax shield on interest expense	3,780	13,440	47,670	27,510	45,360	(38,209)	(109,105)	(157,043)	(210,567)	(267,491)	(332,599)	(401,713)	(501,623)	(608,570)	(746,388)
Tax shield on gains (losses) on strategic i	89,670	455,700	254,310	50,190	47,670	71,266	76,254	81,592	87,303	91,669	96,252	101,065	106,118	109,301	112,580
Tax shield on gain on sales of land and Bt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total adjusted taxes	486,550	(1,980,140)	(213,980)	374,300	720,970	1,603,460	1,644,745	1,809,129	1,898,002	2,100,020	2,202,188	2,716,674	2,869,409	3,419,530	3,918,731
Change in deferred taxes		2,114,000	(70,000)	177,000	633,000	-	-	-	-	-	-	-	-	-	-
NOPLAT:	115,986	4,696,204	824,172	1,793,351	6,019,629	7,679,514	7,789,292	8,565,984	8,945,783	9,902,052	10,332,086	12,882,463	13,524,731	16,203,183	18,575,860
Invested Capital (IC):															
Normal Cash	512,940	637,560	794,760	940,560	1,045,710	1,140,651	1,277,503	1,420,954	1,566,055	1,736,094	1,919,016	2,115,543	2,330,351	2,562,001	2,819,991
Accounts Recievable	6,174,000	7,786,000	9,739,000	10,755,000	11,414,000	13,426,023	15,036,838	16,725,322	18,433,228	20,434,679	22,587,755	24,900,972	27,429,369	30,156,000	33,192,667
Costs of capitalized to obtain revenue con	926,000	1,146,000	1,454,000	1,776,000	1,905,000	2,094,443	2,345,729	2,609,130	2,875,561	3,187,785	3,523,662	3,884,522	4,278,948	4,704,300	5,178,016
Prepaid expenses & other current assets	916,000	991,000	1,120,000	1,356,000	1,561,000	1,905,000	1,752,916	1,963,226	2,183,676	2,406,662	2,667,974	2,949,081	3,251,098	3,581,208	3,937,200
Total:	8,528,940	10,560,560	13,107,760	14,827,560	15,925,710	18,566,117	20,412,985	22,718,632	25,058,520	27,765,221	30,698,407	33,850,118	37,289,766	41,003,508	45,127,873
Accounts payable	3,433,000	4,355,000	5,474,000	6,743,000	6,111,000	9,505,427	10,645,861	11,841,283	13,050,455	14,467,453	15,991,799	17,629,523	19,419,591	21,350,006	23,499,922
Unearned Revenue	10,662,000	12,607,000	15,628,000	17,376,000	19,003,000	22,813,025	25,550,066	28,419,079	31,321,093	34,721,888	38,380,318	42,310,856	46,607,019	51,240,014	56,399,812
Total:	14,095,000	16,962,000	21,102,000	24,119,000	25,114,000	32,318,453	36,195,926	40,260,362	44,371,548	49,189,342	54,372,117	59,940,380	66,026,610	72,590,020	79,899,734
Net Operating WC:	(5,566,060)	(6,401,440)	(7,994,240)	(9,291,440)	(9,188,290)	(13,752,335)	(15,782,941)	(17,541,730)	(19,313,028)	(21,424,121)	(23,673,711)	(26,090,262)	(28,736,844)	(31,586,512)	(34,771,860)
Net Other Operating Assets															
Net PPE:	2,375,000	2,459,000	2,815,000	3,702,000	3,689,000	3,939,000	4,195,250	4,457,906	4,727,129	5,003,082	5,285,934	5,575,858	5,873,029	6,177,630	6,489,845
Operating lease assets	3,040,000	3,204,000	2,880,000	2,890,000	2,366,000	2,526,342	2,690,692	2,859,150	3,031,821	3,208,808	3,390,220	3,576,167	3,766,762	3,962,123	4,162,368
Intangible assets acquired through business	4,724,000	4,114,000	8,978,000	7,125,000	5,278,000	5,278,000	5,278,000	5,278,000	5,278,000	5,278,000	5,278,000	5,278,000	5,278,000	5,278,000	5,278,000
Strategic Investments	1,963,000	3,909,000	4,784,000	4,672,000	4,848,000	5,187,360	5,550,475	5,939,008	6,235,959	6,547,757	6,875,145	7,218,902	7,435,469	7,658,533	7,888,289
Noncurrent costs capitalized to obtain revt	1,348,000	1,715,000	2,342,000	2,697,000	2,515,000	3,007,045	3,367,821	3,745,994	4,128,516	4,576,783	5,059,011	5,577,105	6,143,394	6,754,081	7,434,208
Total Net Other Operating Assets	13,450,000	15,401,000	21,799,000	21,086,000	18,696,000	19,937,746	21,082,238	22,280,059	23,401,424	24,614,430	25,888,309	27,226,031	28,496,654	29,830,367	31,252,710
Other Operating Liabilities															
Other noncurrent liabilities	1,278,000	1,565,000	1,995,000	2,283,000	2,475,000	2,584,311	2,681,053	2,792,427	2,902,846	3,028,546	3,163,510	3,307,684	3,459,938	3,623,259	3,803,128
Total Net Other Operating Liabilities	1,278,000	1,565,000	1,995,000	2,283,000	2,475,000	2,584,311	2,681,053	2,792,427	2,902,846	3,028,546	3,163,510	3,307,684	3,459,938	3,623,259	3,803,128
Invested Capital (IC)	6,605,940	7,434,560	11,809,760	9,511,560	7,032,710	3,601,100	2,618,244	1,945,902	1,185,550	161,763	(948,911)	(2,171,914)	(3,700,128)	(5,379,405)	(7,322,279)
Free Cash Flow (FCF)															
NOPLAT	115,986	4,696,204	824,172	1,793,351	6,019,629	7,679,514	7,789,292	8,565,984	8,945,783	9,902,052	10,332,086	12,882,463	13,524,731	16,203,183	18,575,860
Change in IC		828,620	4,375,200	(2,298,200)	(2,478,850)	(3,431,610)	(982,856)	(672,342)	(760,352)	(1,023,787)	(1,110,674)	(1,223,003)	(1,528,214)	(1,679,277)	(1,942,874)
FCF		3,867,584	(3,551,028)	4,091,551	8,498,479	11,111,124	8,772,148	9,238,326	9,706,134	10,925,839	11,442,760	14,105,466	15,052,945	17,882,459	20,518,735
Return on Invested Capital (ROIC)															
NOPLAT	115,986	4,696,204	824,172	1,793,351	6,019,629	7,679,514	7,789,292	8,565,984	8,945,783	9,902,052	10,332,086	12,882,463	13,524,731	16,203,183	18,575,860
Beginning IC		6,605,940	7,434,560	11,809,760	9,511,560	7,032,710	3,601,100	2,618,244	1,945,902	1,185,550	161,763	(948,911)	(2,171,914)	(3,700,128)	(5,379,405)
ROIC		71.09%	11.09%	15.19%	63.29%	109.20%	216.30%	327.17%	459.72%	835.23%	6387.17%	-1357.60%	-622.71%	-437.91%	-345.31%
Economic Profit (EP)															
Beginning IC	-	6,605,940	7,434,560	11,809,760	9,511,560	7,032,710	3,601,100	2,618,244	1,945,902	1,185,550	161,763	(948,911)	(2,171,914)	(3,700,128)	(5,379,405)
*(ROIC-WACC)		61%	1%	5%	53%	99%	206%	317%	449%	825%	6377%	-1368%	-633%	-448%	-356%
EP	-	4,018,280	61,213	581,394	5,043,521	6,957,794	7,419,735	8,297,291	8,746,088	9,780,387	10,315,485	12,979,844	13,747,620	16,582,902	19,127,913

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Weighted Average Cost of Capital (WACC) Estimation



Cost of Equity:

Risk-Free Rate	4.33%
Beta	1.32
Equity Risk Premium	5.00%
Cost of Equity	10.93%

*ASSUMPTIONS:
 10-year Treasury bond
 Average of 2, 3, 4, and 5-year historical beta from bloomberg
 Same as target company
 cost of equity on fact set is 10.03 we did $R_f + B * ERP$*

Cost of Debt:

Risk-Free Rate	4.33%
Pre-Tax Cost of Debt	4.59%
Marginal Tax Rate	21%
	3.63%

*10-year Treasury bond
 YTM on company's 10-year corporate bond
 after tax cost of debt is 4.10 on fact set we did $pre\ tax\ cost\ of\ debt - (pre\ tax\ cost\ of\ debt * Marginal\ tax\ rate)$*

Market Value of Common Equity:

Total Shares Outstanding	971,000.00
Current Stock Price	\$236.26
MV of Equity	229,408,460.00

MV Weights

90.86%

Market Value of Debt:

Short-Term Debt	999,000.00
Current Portion of LTD	8427000
Long-Term Debt	13546000
PV of Operating Leases	108599.4
MV of Total Debt	23,080,599.40

9.14%

Market Value of the Firm

252,489,059.40

100.00%

Estimated WACC

10.26%

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Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models

Key Inputs:

CV Growth of NOPLAT	6.00%
CV Year ROIC	(355.6%)
WACC	10.26%
Cost of Equity	10.93%

Fiscal Years Ending	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
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17.11%

DCF Model:

Free Cash Flow (FCF)	\$11,111,124	\$8,772,148	\$9,238,326	\$9,706,134	\$10,925,839	\$11,442,760	\$14,105,466	\$15,052,945	\$17,882,459	
Continuing Value (CV)										\$443,168,220
PV of FCF	\$10,076,990	\$7,215,253	\$6,891,468	\$6,566,555	\$6,703,767	\$6,367,482	\$7,118,642	\$6,889,759	\$7,423,054	\$183,960,246

Value of Operating Assets:	\$249,213,216
Non-Operating Adjustments	
Excess Cash	\$15,322,070
Marketable Securities	\$5,969,408
ESOP	\$1,306,631
PV of Operating leases	\$2,526,342
Current portion of L-T Debt	\$0
Long-Term debt	-\$9,842,310
Value of Equity	\$264,495,357
Shares Outstanding	\$988,000
Final Stock Price	267.71
Implied Price as of Today	\$ 272.04

EP Model:

Economic Profit (EP)	\$6,957,794	\$7,419,735	\$8,297,291	\$8,746,088	\$9,780,387	\$10,315,485	\$12,979,844	\$13,747,620	\$16,582,902	\$19,127,913
Continuing Value (CV)										\$448,547,625
PV of EP	\$6,310,218	\$6,102,869	\$6,189,489	\$5,917,048	\$6,000,952	\$5,740,194	\$6,550,572	\$6,292,309	\$6,883,605	\$186,193,251

Total PV of EP	\$242,180,506
Invested Capital (last FYE)	\$7,032,710
Value of Operating Assets:	\$249,213,216
Non-Operating Adjustments	
Excess Cash	\$15,322,070
Marketable Securities	\$5,969,408
ESOP	\$1,306,631
PV of Operating leases	\$2,526,342
Current portion of L-T Debt	\$0
Long-Term debt	-\$9,842,310
Value of Equity	\$264,495,357
Shares Outstanding	\$988,000
Intrinsic Value of Last FYE	\$ 267.71
Implied Price as of Today	\$ 272.04

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Relative Valuation Models

Ticker	Company	Price	EPS		P/E 25	P/E 26	Est. 5yr			BV Equity	Tangible BV Equity	Tangible	
			2025E	2026E			EPS gr.	PEG 25	PEG 26			P/B	P/B
MSFT	Microsoft Corporation	\$375.39	\$14.07	\$16.29	26.68	23.04	10.1	2.64	2.28	20.00	16.00	18.77	23.46
ORCL	Oracle	\$139.81	\$6.40	\$7.52	21.85	18.59	12.2	1.79	1.52	20.00	16.00	6.99	8.74
GOOGL	Alphabet Inc	\$156.53	\$8.92	\$10.21	17.55	15.33	8.9	1.97	1.72	20.00	16.00	7.83	9.78
AMZN	Amazon	\$190.26	\$6.33	\$7.62	30.06	24.97	9.6	3.13	2.60	20.00	16.00	9.51	11.89
ADBE	Adobe Inc.	\$383.53	\$20.59	\$23.09	18.63	16.61	14.9	1.25	1.11	20.00	16.00	19.18	23.97
	Average				22.95	19.71		2.16	1.85			12.46	15.57
CRM	Salesforce	\$236.26	\$12.18	\$12.27	19.4	19.3	140.9	0.1	0.1	30.00	20.00	7.88	11.81

Implied Relative Value:

P/E (EPS25)	\$ 279.48
P/E (EPS26)	\$ 241.88
PEG (EPS25)	\$ 3,701.53
PEG (EPS26)	\$ 3,197.54
P/B	\$ 373.66
	\$ 311.38

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Key Management Ratios

Fiscal Years Ending	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Liquidity Ratios:															
Current Ratio: Measures a company's ability to pay short-term liabilities with short-term assets	\$ 1.08	\$ 1.23	\$ 1.05	\$ 1.02	\$ 1.09	\$ 1.21	\$ 1.28	\$ 1.36	\$ 1.44	\$ 1.50	\$ 1.56	\$ 1.65	\$ 1.73	\$ 1.84	\$ 1.95
Quick Ratio: Similar to the current ratio but excludes inventory from current assets	\$ 0.95	\$ 1.32	\$ 0.93	\$ 0.90	\$ 0.96	\$ 1.09	\$ 1.17	\$ 1.25	\$ 1.32	\$ 1.39	\$ 1.44	\$ 1.54	\$ 1.62	\$ 1.73	\$ 1.84
Cash Ratio: Measures the Ability to pay off current liabilities with cash and cash equivalents	\$ 0.28	\$ 0.35	\$ 0.25	\$ 0.27	\$ 0.32	\$ 0.50	\$ 0.58	\$ 0.66	\$ 0.73	\$ 0.80	\$ 0.85	\$ 0.95	\$ 1.03	\$ 1.13	\$ 1.25
Asset-Management Ratios:															
Total Asset Turnover : Measures the efficiency of using all assets to produce sales.	0.24	0.21	0.25	0.29	0.29	0.30	0.31	0.32	0.32	0.33	0.34	0.34	0.34	0.33	#DIV/0!
Fixed Asset Turnover : Assesses how effectively fixed assets are utilized.	0.05	1.28	0.41	0.06	1.14	3.01	2.78	2.81	2.72	2.80	2.71	3.17	3.11	3.52	3.80
Net Working Capital Turnover : Evaluates the efficiency of working capital.	-	1.54	0.55	0.27	2.81	2.48	1.32	0.98	0.74	0.62	0.51	0.49	0.40	0.38	0.34
Financial Leverage Ratios:															
Debt to equity ratio : It represents how much debt a company holds compared to its shareholders' equity.	34%	0.64	0.69	0.67	0.76	0.78	0.79	0.80	0.82	0.83	0.82	0.81	0.78	0.76	#DIV/0!
Debt to total Capital : This ratio measures the proportion of debt employed concerning total capital in the business.	0.06	0.15	0.15	0.14	0.13	0.13	0.13	0.12	0.12	0.12	0.11	0.11	0.10	0.10	#DIV/0!
Debt To Ebitda : This ratio measures the income earned to pay the debt.	-13.54	-21.27	-11.53	-1008.24	2.34	1.10	1.13	1.07	1.06	1.00	1.01	0.84	0.84	0.74	0.00
Profitability Ratios:															
Return on Equity (NI/Beg TSE): Measure of a company's financial performance	0.37%	9.81%	2.48%	0.36%	6.93%	18.38%	17.04%	17.10%	16.34%	16.50%	15.71%	17.48%	16.29%	17.17%	17.11%
Gross Profit Margin: Gross Profit over Revenue	75.23%	74.41%	73.48%	73.34%	75.50%	83.82%	83.63%	83.62%	83.60%	83.49%	83.23%	83.68%	83.59%	84.40%	84.32%
Operating Margin: How much profit a company makes on a dollar of sales after paying for variable costs of production	1.74%	2.14%	2.07%	3.29%	14.38%	26.08%	23.67%	23.29%	22.05%	21.92%	20.68%	23.12%	22.03%	23.83%	24.72%
Payout Policy Ratios:															
Dividend Payout Ratio (Dividend/EPS): Total amount of dividends that a company pays to shareholders relative to its net income	-	-	-	-	0.35	0.12	0.12	0.11	0.11	0.10	0.09	0.07	0.07	0.06	0.05
Total Payout Ratio ((Divs. + Repurchases)/NI): Shows the proportion of earnings a company pays its shareholders in the form of dividends	-	-	-	(19.23)	(2.83)	(1.58)	(2.19)	(2.58)	(3.05)	(3.30)	(3.70)	(3.40)	(3.70)	(3.45)	(3.35)

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Valuation of Options Granted under ESOP

Current Stock Price	\$236.26
Risk Free Rate	4.33%
Current Dividend Yield	0.65%
Annualized St. Dev. of Stock Returns	40.00%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Range 1	2,000	99.16	2.60	\$ 146.34	\$ 292,688
Range 2	2,000	154.77	3.50	\$ 114.83	\$ 229,663
Range 3	2,000	166.95	3.50	\$ 108.32	\$ 216,633
Range 4	2,000	213.84	4.10	\$ 92.70	\$ 185,399
Range 5	3,000	218.21	5.00	\$ 99.10	\$ 297,302
Range 6	1,000	243.76	4.40	\$ 84.95	\$ 84,945
Range 7				\$	-
Range 8				\$	-
Range 9				\$	-
Total	12,000	\$ 180.65	3.90	\$ 109.83	\$ 1,306,631