



Stock Rating:
HOLD

Target Range: \$260-\$285
Current Share Price: \$235.35

Analysts

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Company Information

Company: Salesforce Inc.
Sector: Software
Industry: Technology
Exchange: NASDAQ [CRM]

Financial Snapshot

Krause Fund DCF	\$270.69
Price Data	
Current Price	\$235.35
52-week Range	\$226.48 - 369.00
Key Statistics	
Market Cap (B)	\$232.76
Shares Outstanding (M)	964
P/E (LTM)	35.51
YTD Performance	-31.78%
Beta	1.315
WACC	10.25%
Dividend Yield	0.68
Profitability	
Gross Margin	68.02%
Operating Margin	20.54%
Net Profit Margin	8.84%
Return on Equity	17.74%

3-year Stock Performance vs S&P500



Investment Thesis

We recommend a **HOLD** rating for Salesforce Inc., with a target range of \$260-285, showing an upside of 15% from current share price of \$235.35. We believe Salesforce will remain a core player in cloud-based CRM with durable recurring revenue, improving operating leverage, and early but meaningful monetization from A.I and automation. Our valuation models converge at roughly \$270/share, implying moderate upside but not enough to move beyond a HOLD given competitive pressure, sensitivity to long-term growth assumptions, and uncertainty in macro conditions of the market.

Thesis Drivers:

- Recurring subscription revenue growing at stable 9.0% compound annual growth rate with expanding margins.
- A.I and automation (Agentforce, Data Cloud) enhancing productivity and supporting long-term margin stability.
- Managements continued emphasis on cost discipline reducing Marketing and Sales and G&A spending as a percentage of revenue
- Strong cash generation supporting reinvestment and continued development

Thesis Risks:

- Valuation remains highly sensitive to WACC and terminal NOPLAT growth
- AI adoption and monetization may increase more slowly than expected, limiting efficiency and growth assumptions
- Slower enterprise IT spending across Europe and APAC could weigh on CRM and Data Cloud demand
- Prolonged uncertainty in global rates and inflation could reduce willingness to commit large-scale digital projects

Company Analysis

Salesforce, Inc. is a global leader in cloud-based enterprise software, specializing in customer relationship management (CRM) solutions. The company provides a variety of products across sales, marketing, analytics, and IT. By leveraging data integration and artificial intelligence, Salesforce enables organizations to connect with customers more effectively, automate workflows, and make data-driven decisions.

The firm operates primarily on a recurring subscription-model, serving businesses of all sizes across the Americas, Europe, and Asia-Pacific. Salesforce's product mix is anchored by its Customer 360 platform, which unifies customer data across applications to enhance engagement and operational efficiency.

At the center of Salesforce's innovation strategy is Agentforce, the company's AI-driven automation layer built on its Einstein platform. Agentforce combines data, automation, and human input to identify tasks, generate actionable plans, and execute workflows in real time. This technology highlights Salesforce's ongoing shift toward intelligent automation and applied A.I, while improving productivity and reducing costs for clients.

Revenue Decomposition and Analysis

Subscription and Support: Subscription and Support is Salesforce's largest and most strategically important revenue segment, accounting for approximately 94% of total revenues over the past decade. This segment includes recurring fees from customers who license Salesforce's cloud applications spanning from Sales Cloud to Agentforce. This business model forms the backbone of Salesforce's recurring revenue stream and drive the stability of their long-term cash flows. Historically, this revenue segment has demonstrated consistent double-digit growth from \$6.2 billion in FY2016 to \$37.8 billion in FY 2025. This growth has been supported by high retention rates, usage expansion, and the company's ability to cross-sell additional cloud solutions. We expect Subscription and Support revenues to grow steady by 9-10% till 2032.

Professional Services And Other: Professional Services and Other represent Salesforce's secondary revenue segment, contributing roughly 6% of total revenues over the past several years. While significantly smaller than subscription and Support, this segment plays a key role in customer adoption, platform integration, and long-term retention rates. Revenue for this segment is made up of consulting, system implementation, and platform support services that help deploy Salesforces cloud products. Periods of macro uncertainty or delayed digital transformation incentives can cause quarterly volatility or temporary declines, which can generally be viewed as expected rather than indicative of structural weakness. We project a -3.14% compound annual growth rate (CAGR) this reflects steady but moderate demand for implementation and integration services as macroeconomic uncertainty continues.

Service Cloud: Revenue from Service Cloud represents roughly 25-26% of Subscription and Support revenue, making it Salesforce's second-largest product line. Providing a unified platform for customer service operations across phone, chat, and email. Over the past several years, Service cloud has expanded from a traditional management tool into a comprehensive service automation platform. The integration of Einstein AI, Agentforce, and Data cloud has strengthened its value proposition. As enterprise demand for AI-driven service productivity increases, and companies become more eager to increase productivity of service teams, Salesforce becomes well positioned with Service Cloud. We expect revenues for Service Cloud to increase from \$9 billion in FY2025 to \$16.5 billion in FY2032.

Marketing and Commerce: Marketing and Commerce Cloud holds a meaningful component of Salesforce's Subscription and Support revenue mix, contributing 14% of total cloud revenue. Enterprises use this platform for digital marketing automation, personalization, and data-driven customer engagement. Contributing tools that support e-commerce operations and product catalog management. This is supported by the broader shift toward digital customer acquisition, with adoption being driven by enterprises seeking to consolidate marketing data and automate personalized communication. We see this product line having a 9.06% compound annual growth rate.

Software Licenses: Salesforce generates a modest portion of revenue from software licenses, which primarily include term-based licensing arrangements connected with acquired technologies, legacy products, and certain specialized solutions. Historically, Software licenses revenue have been relatively stable, reflecting Salesforce's long-standing transition away from locally installed software toward fully cloud-based systems. Looking forward, we expect a modest growth of revenue for Software and Licenses from \$8.3 billion in FY 2025 to \$14.8 billion in FY 2032, reflecting that transition and economies of scale.

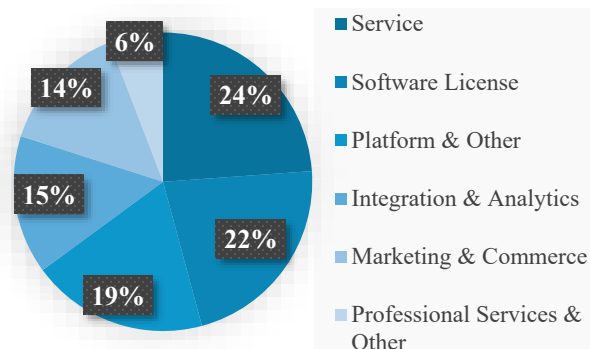
Platform and Other: Platform and Other is one of Salesforce's most versatile revenue categories and represents 19.1% of the company's Subscription and Support revenue. Many enterprises rely on the Salesforce Platform to create customized solutions and unify data across systems, making it deeply embedded in large multi-cloud formation. This segment is supported by rising demand for low-code development tools and workflow automation. The addition of Slack further expanded the segment by bringing modern collaboration into Salesforce's ecosystem.

Over the forecast period, Platform and Other is positioned to benefit directly from Salesforce's shift toward applied A.I and agent-driven automation, with Agentforce leveraging the platform as its execution environment. We expect revenue for this segment to reach \$12.9 billion by FY 2032.

Integration and Analytics: Integration and Analytics plays a central role in connecting data, applications, and insights across the Customer 360 ecosystem. It includes MuleSoft for system integration and API management, Tableau for analytics and visualization, and a range of tools that allow enterprises to bring together data sources and extract insights. Salesforce introduced this reportable revenue segment in FY 2023, mainly created to report the revenues generated from MuleSoft and Tableau acquisitions.

It has maintained a revenue growth rate ranging from 10% to 19.5%. This segment is set to benefit from Salesforce's A.I and Data cloud strategy, as enterprises adopt Data cloud to unify customer data. With this, we expect Integration and Analytics to maintain a growth rate from 7-9% through FY 2032.

Revenue Decomposition FY 2025



Source: CRM 10-K filing

Geographic Business Segments: Salesforce generates revenue across three regions: Americas, EMEA, and APAC. The Americas account for roughly 66% of total revenue and remains the company's most mature and stable market. Growth here tends to follow U.S. enterprise IT spending trends and can moderate during periods of higher interest rates or tighter corporate budgets during times of uncertainty.

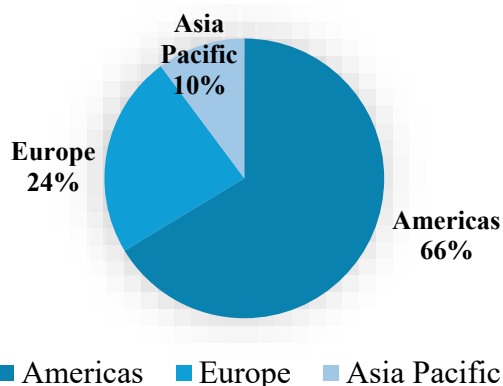
EMEA, contributes 24% of total revenue, and has historically grown faster than the Americas as cloud adoption continues to accelerate across major European economies. This region is more exposed to currency fluctuations and broader geopolitical and inflationary pressures, which can affect reported results even when underlying demand remains solid.

APAC, at 10% of revenue, is Salesforce's smallest region but offers the most expansion potential. Adoption across Japan, Australia, India, and Southeast Asia continues to rise, though growth can be influenced by regional economic cycles, trade dynamics, and FX volatility.

Salesforce saw a YoY revenue increase across all regions, from \$34.8 billion in FY 2024 to \$37.9 billion in FY 2025. This was primarily due to the continued execution of business and growth strategies.



Revenue (%) by Geography



Source: CRM 10-K filing

Expense Analysis

Salesforce's operating expenses are concentrated in research and development, marketing and sales, and general and administrative, with restructuring charges declining as recent cost programs roll off. In FY 2025, total operating expenses were \$22.0 billion, or 58% of revenue, down from 61% in FY 2024, reflecting early benefits from expense discipline and scale.

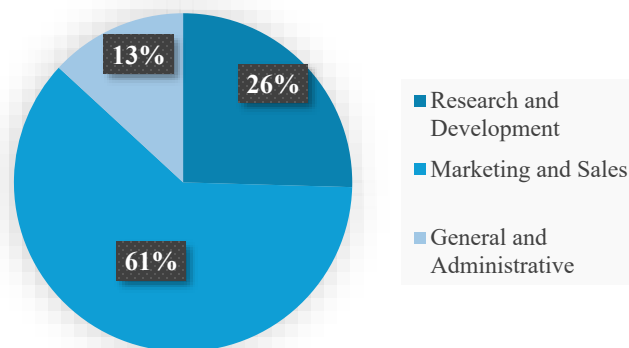
Research and Development (R&D): R&D Expense was \$5.5 billion in FY2025, with a 1% increase YoY from FY 2024. This increase was attributable to higher employee-related costs, including stock-based compensation, and a 13% increase in R&D headcount, with much of that hiring in lower-cost regions. It has been explicit that R&D will remain elevated as Salesforce invests in AI, agents, and Data Cloud and continues to integrate acquired technologies. Over time, we expect R&D to remain roughly stable and maintain 14-17% of revenue through FY 2032, implying that growth in the top line should absorb ongoing AI and platform investments without squeezing margins.

Marketing and Sales: Marketing and Sales remains the largest operating expense at \$13.2 billion in FY 2025, or 35% of revenue, down from 37% in FY 2024. This year-over-year dollar increase was primarily from employee-related costs and stock-based compensation, but Marketing and Sales intensity fell by 2%, driven by lower relative advertising spend and a focus on more efficient go-to-market motion. Salesforce Marketing and Sales costs includes sales headcount, commissions, partner payments, marketing programs, and

amortization of intangible assets. Management has guided that this expense should decline gradually as a percentage of revenue over time as the company continues to leverage its self-serve channels, partner-led implementations, and AI-driven sales productivity, including the use of agents that automate parts of the sales cycle. We expect Marketing and Sales to maintain a declining percentage of revenue from FY 2025 through FY 2032, going from 35% of revenue to 31.5%, respectively.

General and Administrative (G&A): G&A expenses totaled \$2.8 billion in FY 2025, or 7% of revenue, essentially flat as a percentage of revenue versus FY 2024. The increase in dollars came from higher employee-related costs and professional services, partially offset by overhead efficiencies following restructuring. Management has identified G&A, alongside Marketing and Sales, as an area with further efficiency potential and expects additional improvements over the long term through a continued investment in process efficiency initiatives, including the use of A.I and agents to tighten cost controls. Through management guidance, we expect G&A expense to continue to decline at a consistent economies of scale rate, going from 7% of revenue in FY 2025 to 4% of revenue in FY 2032.

Total Operating Expenses (FY25)



Source: CRM 10-K filing



Cost Structure Analysis

Salesforce's cost structure reflects the scalability of a mature cloud software platform, with most expenses concentrated in research and development, marketing and sales, and general and administrative expenses. With R&D maintaining a significant investment area as Salesforce builds out Agentforce, Einstein, Data Cloud, and platform enhancements. Absolute spending has grown due to engineering hiring and stock-based compensation. R&D has remained a stable percentage of revenue, a sign that Salesforce is scaling innovation without diluting profitability.

Sales and Marketing and G&A expenses will see an improvement as stated before, Salesforce is continuing to enhance efficiency and increasing the use of internal A.I tools that will reduce customer-acquisition costs. Potentially seeing a continued decline of these expenses as a percentage of revenue, effectively increasing margins.

These drivers have supported sustained margin increased with Salesforce reporting an efficient GAAP operating margin in FY 2025 of 20.54%, and guides for further improvement in years to come. With high subscription gross margins and growing A.I-enabled productivity gains, Salesforce is positioned to continue generating operating leverage as revenue scales.

Debt Analysis

Salesforce maintains a conservative balance sheet with approximately \$8.4 billion in long-term senior notes outstanding in FY 2025. The company's debt structure is highly manageable, with maturities extending from 2028 to 2061 and fixed-rate coupons ranging from 1.50% to 3.70%, resulting in modest and predictable interest expense.

Importantly, Salesforce has no significant near-term maturities, and its earliest principal obligations begin in 2029. This long-term dated profile gives management flexibility to refinance or retire debt under favorable conditions. The company also maintains a Revolving Loan Credit Agreement, providing a \$5 billion unsecured revolving credit facility that matures in October 2029, providing additional liquidity capacity for general corporate purposes.

With more than \$12 billion in annual free cash flow generated in FY 2025, Salesforce's leverage remains low and easily serviceable. Management guidance and recent filings indicate no expected changes to the company's debt strategy, and future capital allocation will continue to prioritize R&D investment, share repurchases, and selective Mergers and Acquisitions rather than aggressive deleveraging.

5 Year Debt Maturity on Contractual Future Principal Payments

Fiscal Period:	(\$ in millions)
Fiscal 2026	0
Fiscal 2027	0
Fiscal 2028	0
Fiscal 2029	2,500
Fiscal 2030	0
Thereafter	6,000
Total principal outstanding \$	8,500

Source: CRM 10-K filing

Recent Earnings Discussion

Most recent results from Salesforce's earnings report (Q2 FY2026, quarter ended July 31, 2025) reinforced the core elements of solid mid-single to high-single digit growth, consistent margin expansion, and accelerating gain in Data Cloud and AI, offset by a more cautious near-term outlook.

Q2 FY26 Results vs. Expectations: Salesforce reported revenue of \$10.25 billion, up 10% YoY, modestly beating consensus estimates of roughly \$10.14 billion. Non-GAAP EPS was \$2.91, beating expectations of \$2.71. GAAP operating margin reached 22.8%, marking the 10th consecutive quarter of operating margin expansion. Current Remaining Performance Obligation (cRPO) grew 11%, outpacing reported revenue and signaling solid underlying demand.

AI and Data Cloud Momentum: Management highlighted continued strength in AI and data-driven offerings. Data cloud and AI APR exceeded \$1.2 billion, up 120% YoY, and the company has now closed more than 12,500 Agentforce deals, including over 6,000 paid. More than 40% of Data Cloud and

Agentforce Q2 bookings came from expansion within existing customers, and Salesforce closed 60+ deals above 1 million that included both Data Cloud and A.I components.

Guidance and Management Tone: For Q3 FY 2026, Salesforce guided revenue to \$10.24 - \$10.29 billion, implying a 8-9% YoY growth, which is roughly in line with street expectations. For the full FY26, management raised the low end of revenue guidance to \$41.1 - \$41.3 billion, with GAAP operating margin expected at 21.2%.

These updates follow Q1 FY26, where Salesforce already beat expectations of \$9.75 billion, and raised full-year revenue and EPS guidance above street estimates. Together, Q1 and Q2 show a pattern of modest earnings beats and incremental guidance increases while continuing to expand margins and cash flows.

Mergers and Acquisitions Activity

Over the past 4 years, Salesforce's M&A activity has centered on strengthening its data, AI, and workflow capabilities, shifting away from broad market expansion toward focused acquisitions that reinforce its platform. While the company faced criticism for its early expensive deals, its recent transactions highlight improved discipline and strategic alignment.

Key Acquisitions (2021-2025):

- Slack (2021, \$27.7B) – Salesforces largest acquisition integrated collaboration and workflow capabilities directly into the CRM platform. Slack serves as a feeding layer for Agentforce and cross-cloud workflows, validating the long-term strategic rationale.
- Troops.ai (2022, undisclosed) – Added sales workflow automation for Slack and Teams, supporting deeper and engagement.
- Airkit.ai (2023, \$3.6M stock) – Strengthened the low-level barrier to entry for digital service agents and foundation of Service Cloud.
- Spiff (2024, \$419M) – Expanded Salesforce's ability to manage seller incentives within Sales Cloud and improve revenue operations automation.
- Own Company / OwnBackup (2024, \$1.9B) – Enhanced data protection incentives, supporting

- enterprise level trust and compliance while being positioned to increase the company's cash generation.
- Informatica (2025, \$8B) – This represents Salesforce's largest deal since Slack, expanding control over data management channels critical to Gen-AI applications. The acquisition aligns directly with Data Cloud and Agentforce, though the overlap with MuleSoft could create regulatory scrutiny.

Strategic Pattern and Intent: The recent M&A activity is centered around three main priorities:

- Deepening AI facilitation – Acquisitions like Spiff allow the company to enhance automation across sales, service, and workflow execution.
- Strengthening enterprise data foundations – Informatica acquisition improves data quality, security, and integration, which supports Salesforce's long-term A.I roadmap.
- Expanding cross-cloud workflow capabilities – Slack remains the central productivity layer and a foundation for Agentforce, increasingly embedded into platform-wide A.I use cases.

Today, Salesforce's M&A activity reflects a more disciplined, AI-driven, and platform-centered strategy, with a narrower focus on enhancing existing cloud platforms rather than pursuing unrelated market expansions.

Mergers and Acquisitions Activity Summarized

Company Acquired:	Year:	Cost (\$):
Slack	2021	\$27.1B
Troops.ai	2022	undisclosed
Airkit.ai	2023	\$3.6 M
Spiff	2024	\$419 M
Own Company/ OwnBackup	2024	\$1.9 B
Informatica	2025	\$8B



What is Agentforce?

Agentforce is Salesforce's new A.I automation platform and one of the most significant developments in the company's recent strategy. Built on Einstein A.I and powered by Data cloud, Agentforce enables organizations to deploy autonomous A.I agents that can execute business tasks, follow multi-step workflows, and engage with customers using real-time operational data.

The platform is designed to act across Salesforce applications, with the capabilities to resolve support cases, qualify leads, orchestrate marketing workflows, and coordinate cross-cloud processes with limited human involvement.

As enterprises accelerate automation to improve productivity and offset labor constraints, Agentforce positions Salesforce at the center of the shift toward autonomous enterprise operations. Making it a key driver of the company's next phase of growth.

Industry Analysis

Salesforce primarily operates within the cloud-based enterprise software industry, a segment defined by subscription-delivered applications and increasing integration of AI-driven automation. Most enterprises are now standardizing on cloud-first technology as it is easier to scale, cheaper to maintain, and better suited for modern data and AI needs. The industry is being driven by three major trends:

- Continued cloud migration - companies are shifting towards a more modernized IT infrastructure and prioritizing flexibility.
- Rapid growth in enterprise data – this is requiring software that can organize and activate data across sales, services, marketing, and operations.
- Acceleration of A.I adoption – the rise of A.I is shifting companies toward platforms that can embed predictive insights and automated workflows directly into their everyday processes.

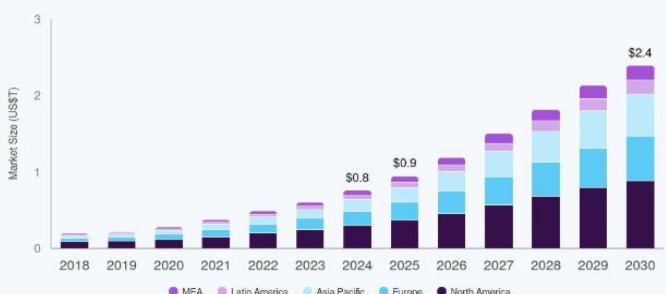
It is expected that the global cloud software market will grow to \$2.4 trillion by 2030, supported by rising digital engagement, A.I-powered tools, and the need for more efficient operations.

While competition in this space is strong, the industry has high barrier to entry. Scale, integration

depth, data security, and ecosystem breadth matter more than isolated product features. Salesforce benefits from these dynamics through its unified platform that brings applications, data, and A.I into one environment.

Cloud Computing Market

Size, by Region, 2018 - 2030



Source: Grand View Research

Customer Relationship Management (CRM)

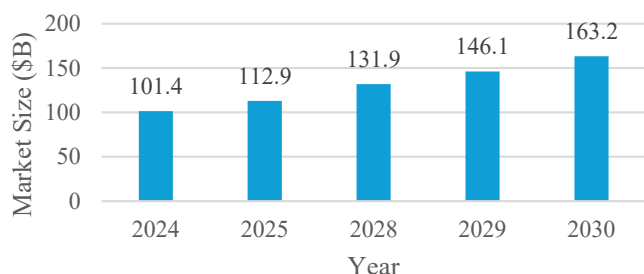
Market: CRM is Salesforce's core market and remains one of the most resilient and essential categories in business software. CRM systems help organizations manage their sales pipelines, customer service operations, marketing campaigns, and commerce interactions. Since these platforms directly support revenue generation, companies tend to treat them as long-term, critical investments.

The global CRM market size is expected to grow at a mid-teens CAGR, reaching around \$146.1 - \$163.2 billion by 2030. Growth is being driven by digital sales processes, automated service tools, and a shift toward personalized customer experiences.

Salesforce remains the largest player in the CRM market with roughly 21% market share, outpacing, Microsoft, Oracle, and Adobe. Its leadership is supported by extensive integrations and a broad ecosystem of partners. Salesforce's introduction of Agentforce strengthens its position with reduced labor costs and helping customers automate tasks.



Global CRM Market Size (\$B) Estimates



Source: Data gathered from Cirrus Insight

Cloud Computing Environment: Salesforce also benefits from the broader expansion of global cloud computing, which is expected to surpass \$1.6 trillion by the end of 2030. Nearly every large enterprise is adopting cloud-first systems because they offer better performance, security, and scalability.

Salesforce's Hyperforce architecture and partnerships with major cloud providers like AWS, Azure, and Google Cloud, have made it easier for international customers to adopt the platform while meeting data residency and compliance requirements. Although reliance on hyperscalers introduces some pricing and competitive pressure, it also improves Salesforce's global reach and allows the company to more quickly deploy AI features across regions.

Landscape and Peer Comparisons

Competitive Landscape: The CRM market is highly competitive and dominated by a mix of large enterprise software vendors and fast-growing cloud-native platforms. Salesforce remains the market leader with the broad customer-facing applications, but it competes directly with Microsoft, Oracle, Adobe, HubSpot, and ServiceNow.

Competition is shaped by overlapping product capabilities, rapid feature innovation, and increasing integration of AI across various workflows. Enterprise buyers often evaluate multiple vendors simultaneously and switching costs do not fully eliminate competitive pressure. Large vendors differentiate through platform breadth and integration depth, while smaller providers compete on usability, price, and time-to-value.

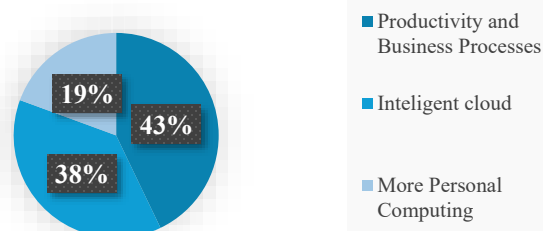
With this competitive pressure, Salesforce continues to dominate the CRM Market. While other enterprise software giants may surpass Salesforce in market capitalization, the company maintains a strategic advantage through its concentration on CRM software and continued implementation of A.I. By being able to consistently adapt to the shifting market needs, it continues its steady growth.

Company	EPS 2025	P/E 25
Microsoft	\$13.39	40.44
Oracle	\$6.03	45.66
HubSpot	\$2.47	244.04
Adobe	\$20.60	16.4
ServiceNow	\$9.35	97.51

Microsoft: Microsoft Dynamics 365 competes for sales, customer service, marketing, while tightly integrated with Microsoft 365 and Teams. CRM is one part of a broader productivity and cloud stack rather than the company's primary focus. Microsoft's overall business runs at very high operating margin of roughly 45%, with R&D spending around the low-teens percent of revenue and is funded by enormous cashflow. The CRM business benefits from this scale but is not broken out as a separate segment.

Microsoft's edge is integration into existing Office workflows and aggressive bundling of products, but Salesforce has a clear brand and feature depth in the CRM market. For customers heavily standardized on Microsoft 365, Dynamics 365 is the default choice, where Salesforce tends to win is with organizations wanting best-in-class CRM functionality and a more mature ecosystem dedicated to customer operations. Salesforce's narrow roadmap around Agentforce and Data Cloud gives it a distinct advantage in the CRM centered A.I story, whereas Microsoft spreads AI across many product lines.

Microsoft Revenue Decomposition FY2025 (\$281.7 B)

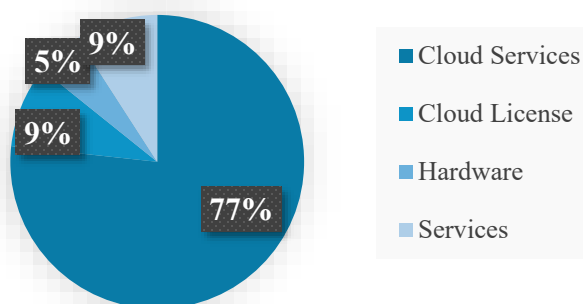


Source: MSFT 10-K report

Oracle: Oracle sells CRM capabilities primarily through its Fusion Cloud Applications and industry vertical solutions. CRM is part of a broader ERP + database + cloud infrastructure offering, with strength in telecom and financial services. The company operates with a solid GAAP operating income of \$17.7 billion reported in FY 2025, and invests mid-teens percentage of revenue in R&D. It runs a more leveraged balance sheet than Salesforce, reflecting large share repurchases and past acquisitions.

Oracle's CRM platform is attractive for customers that want tight integration with Oracle back-office systems or run Oracle's database at the enterprise scale. However, Salesforce is generally viewed as the more modern, and user-friendly front-office platform with a more diverse ecosystem and faster pace of innovation in sales, service, and A.I driven engagement.

Oracle Revenue Decomposition FY25 (\$57.4 B)



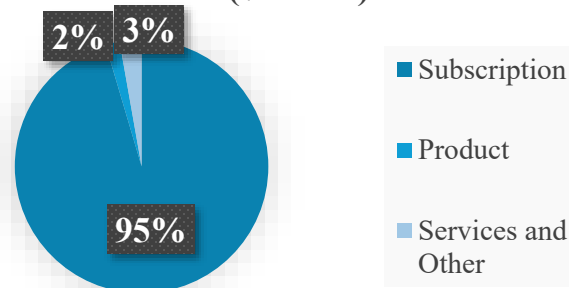
Source: ORCL 10-K report

Adobe: Adobe competes mainly in experience-driven marketing and analytics through Adobe Experience Cloud and Real-Time Customer Data Platform (CDP). The platforms focus on digital marketing, content personalization, and e-commerce rather than full sales automation. Adobe is highly profitable with a operating margin of 45% and R&D spending of approximately 20% of total revenue in FY 2025. The company invests heavily in its Experience Cloud and generative A.I (Acrobat A.I).

Adobe is often the preferred choice for creative and marketing teams, especially around content creation and digital experience coordination. Salesforce is stronger as the operational CRM system of sales/service workflows. In many large enterprises

the two are complementary rather than direct substitutes. Salesforce's advantage lies in its unified data model (Data Cloud) and its ability to link marketing, sales, and service data. While Adobe's strength lies in advanced user experience tools. Salesforce maintains the competitive advantage with its breadth and deeper CRM roots.

Adobe Revenue Decomposition FY24 (\$21.5 B)

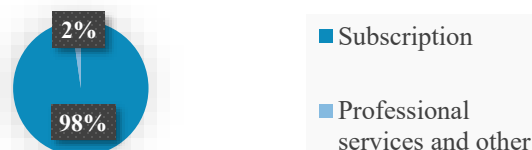


Source: ADBE 10-K report (FY25 10-K not released)

HubSpot: HubSpot targets small and mid-sized businesses with an all-in-one marketing, sales, and service platform that is easier to implement and manage than enterprise level platforms. It's positioned toward growing companies that are shifting from more simplistic platforms. The company is still in a scaling phase, with strong total revenue growth at around 17% year-over-year and improving profitability. Although, they reported a weak GAAP operating margin of 0.4% in FY 2025, and the company allocates a high share of revenue on R&D and Marketing and Sales to drive growth.

HubSpot often competes with salesforce at the lower end of the market where implementation budgets are limited and a low barrier to entry is essential. As customers grow and complexity arises, they frequently outgrow HubSpot's capabilities and consider migrating to Salesforce for deeper customization and enterprise-grade platforms. Salesforce's advantage lies in scalability and a broader ecosystem.

HubSpot Revenue Decomposition FY24 (\$2.63 B)

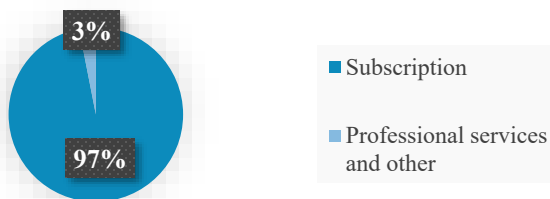


Source: HUBS 10-K report (FY25 10-K not released)

ServiceNow: ServiceNow competes closely with Salesforce through its own CRM platform and related workflow products, but its core identity is still an enterprise workflow and IT service management platform. Focusing on unifying IT, operations, and customer-facing operations on a single cloud platform. NOW combines 20.5% subscription revenue growth YoY with a moderate GAAP operating margin of 14% in FY 2025. Allocating a high share of revenue on R&D to extend its platform and AI capabilities, with capital expenditures remaining modest as a percentage of sales.

Where Salesforce is the front-office system of record for sales to commerce, ServiceNow is the workflow engine for IT and enterprise operations that is moving into customer service. The two companies often coexist in large enterprises: ServiceNow facilitates internal and cross-functional workflows, while Salesforce manages customer data and external engagement. Comparing direct CRM platforms, Salesforce generally has the advantage in depth and ecosystem breadth.

ServiceNow Revenue Decomposition FY24 (\$10.98 B)



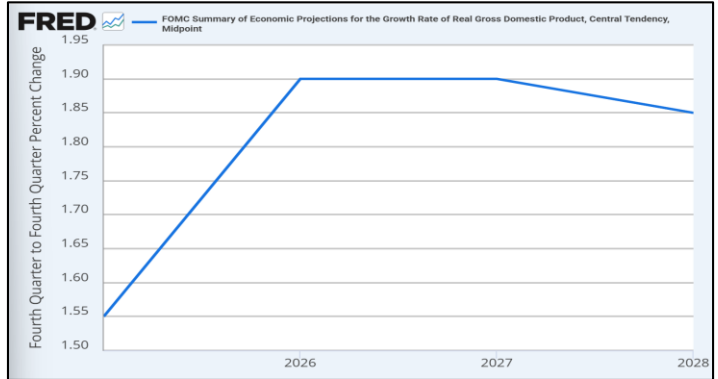
Source: NOW 10-K report (FY25 10-K not released)

Economic Analysis

Real GDP Growth: With ongoing policy and tariff uncertainty, many institutions have lowered their U.S. GDP growth forecast to 1.6% in 2025 and 1.5% in 2026. However, the Federal Open Market Committee's central tendency is projecting 1.9% to start in 2026 and has a projection of 1.9% to start 2027.

The major driver of these growth projections is the surge of AI investments. Data center and semiconductor investments have accounted for about a third of the U.S. GDP growth in Q2 2025. With the continuation of capital investment and technological advances AI expansion will continue. These surges in AI-related investments directly supports the long-term outlook of Salesforce.

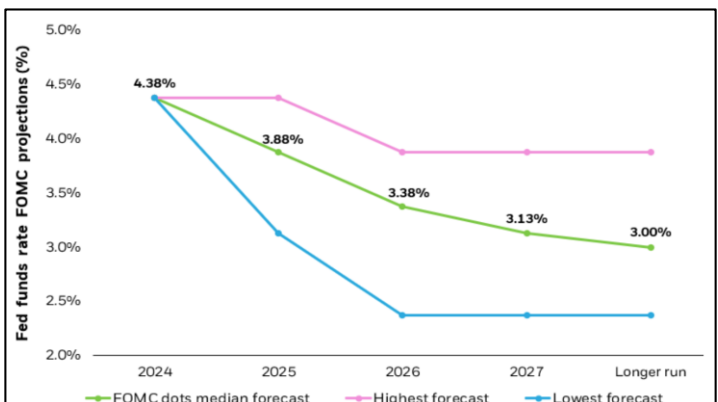
It also will improve the demand for their business. Salesforce will benefit from both IT spending and boost in GDP.



Source: Data from FRED

Inflation: Inflation in the U.S. is currently at 3% YoY as of September 2025. Salesforce has seen increases in their expenses from inflation. It also has lowered business and consumer spending which if continued will lower future cash flows and tighten the valuation multiple of Salesforce. CRM has a beta of 1.315, this indicates it is more volatile than the overall market and more exposed to macroeconomic shifts.

Interest Rates: The target range for the federal funds rate is 3.75 - 4.00% by 2025-year end. This is set by the FOMC, and we are currently within the target range. The CME group "FedWatch" is currently saying there is a 60% change of another 25-basis rate cut in December of 2025. This affects Salesforce as lower rates would mean higher cash flows and would be able to borrow money at a cheaper rate to continue investing heavily in A.I development.

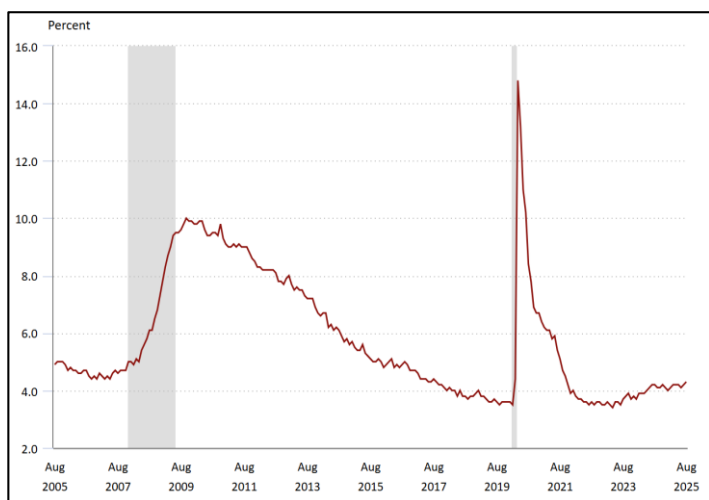


Source: iShares - BlackRock

Unemployment: Unemployment across the tech sector has been relatively low. In a recent study done by CompTIA, the technology sector specifics unemployment was at 3.4% in May and fell to 2.8% in June because of an increase in demand.

The overall unemployment was 4.3% in August 2025. Which is higher than the past 2 years, however the historical average since data began is 5.67%.

This impacts Salesforce because they create their revenue on a per user basis. During times of low unemployment, Salesforce will have more workers in need of their license. Creating Salesforce to have higher growth rates in times of low unemployment.



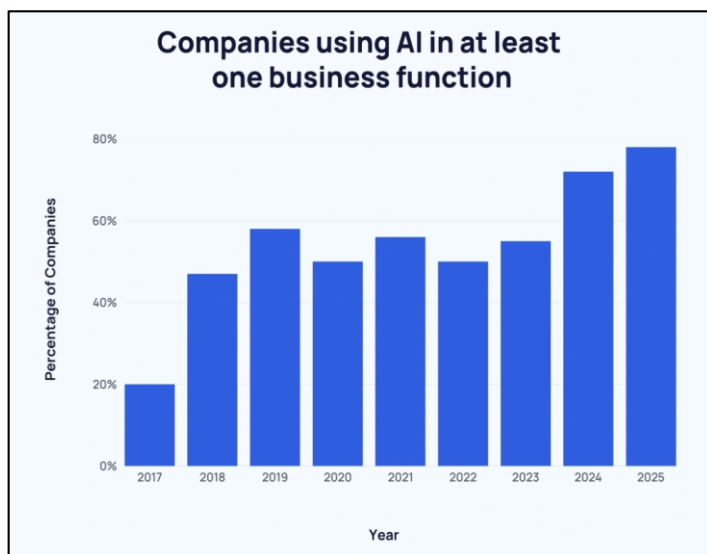
Unemployment rates

Source: Bureau Labor of Statistics

Tariffs: The most significant tariff on Salesforce was imposed in May 2025. Which targeted the cost of imported goods for the tech and e-commerce sectors. This has made Salesforce adjust their prices and logistics for their customers across the globe.

These tariffs are constantly changing under the Trump administration. This leaves a sense of uncertainty as to what will happen in the future. Making it difficult to predict this and for the company to forecast. Salesforce has responded to these tariff changes by increasing their AI automation. This makes it easier to adapt to these tariffs and minimize financial risks.

Artificial Intelligence Outlook: Artificial intelligence has become the defining growth driver across enterprise software and the broader CRM ecosystem. Salesforce is positioning itself well by accelerating investment in agentic A.I and data automation., reflecting where enterprise demand is shifting. While Salesforce benefits from strong brand equity and a large customer base, competitive intensity in A.I is increasing rapidly as technology giants and emerging players continue to invest significant capital into AI platforms and model development. Execution and differentiation will be crucial to maintaining an advantage in this evolving landscape.



Source: Exploding Topics

Economic Outlook: Our outlook for the broader economy remains positive as inflations continues to stabilize and interest rates trend lower, supported by a stable target range set by the Federal Reserve. Improving macroeconomic confidence typically encourages firms to resume investments in expansion and digital transformation. As organizations strengthen their operational infrastructure, demand for Salesforce's platforms is likely to benefit from increased enterprise spending on productivity, automation, and customer driven technologies.

This will create opportunities for the overall market and will only increase the money spent on A.I. which is going to have a positive impact on Salesforce. It will also have a positive impact on their competition, making it crucial for Salesforce to stay ahead of their peers. As a result, this broad economic upswing will help drive Salesforce to increase deal flow and expand its cloud operations.



Valuation Discussion

Revenue Growth: Our revenue model for Salesforce reflect steady, durable expansion across its cloud portfolio. Assumptions are supported by historical performance, management guidance, and industry demand trends. We expect total revenue to grow from \$37.9B in FY2025 to \$70.0B in FY2032, representing a 9.0% CAGR.

Subscription and Support drives long-term growth. This segment remains the core of Salesforce's business and is projected to grow at a 9.6% CAGR through 2032. This model incorporates a 0.50% annual economies-of-scale adjustment to reflect the natural decline associated with operating at enterprise scale, while still capturing ongoing AI development, multi-cloud adoption, and expanding enterprise demand.

Professional Services & Other follows a cyclical pattern. Consistent with management guidance, this segment is modeled as timely and implementation driven, not a strategic driver. We forecast a -3.14% CAGR, reflecting Salesforce's shift toward third party setups and historically inconsistent nature of this revenue stream.

The rise of A.I is incorporated in revenue assumptions as a steady driver across clouds, rather than an aggressive driver. Agentforce, Data Cloud integration, and expanded capabilities support sustained growth rates without overestimating near-term innovation and adoption. Emphasizing realistic long-term fundamentals.

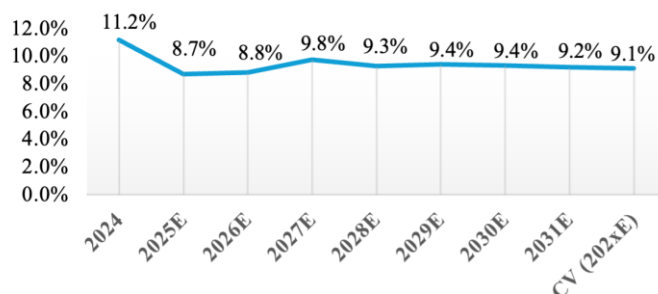
Cost Assumptions: Expense Assumptions reflect Salesforce's shift toward an AI-enhanced, more efficient operating model. R&D remains the largest strategic investment area and is held between 15-18% of revenue through FY2032, consistent with management's guidance that A.I, Agentforce and Data Cloud will require sustained engineering spending. This follows the company's recent hiring trends in technical roles and aligns with industry expectations that A.I-centered platforms will demand ongoing model training and integration work.

Marketing and Sales provides the most meaningful operating leverage. Salesforces continues to shift toward more automated, self-serve, and partner-led developments, resulting in Marketing and Sales beginning to fall as percentage of revenue. Our model extends this trend, with M&S declining from 35% of revenue in FY2025 to 31.48% by FY2032. Assumptions reflect increased sales productivity from AI agents, reduced headcount and expenses from stock-based compensations, and lower advertising pressure as the cloud CRM market matures.

G&A also scales efficiently as Salesforce reduces overhead in back-office operations and applies automation across back-office segments. We model G&A to decline from 7% of revenue in FY2025 to 4% by 2032, in line with management's focus on continued structural efficiency. Capex is modeled to increase annually at the assumed inflation rate of 3.0%, keeping spending consistent in real terms while supporting infrastructure and AI-related platform upgrades. Aligning with managements shift toward more disciplined capital allocation.

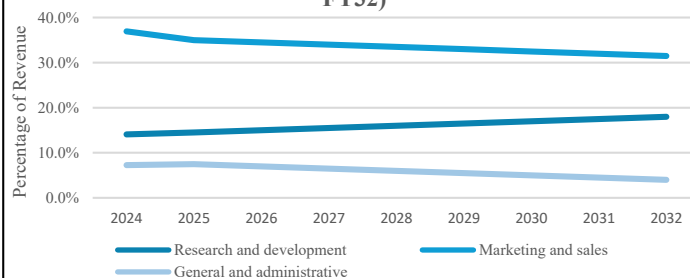
These assumptions support steady operating margin expansion through the forecast period, driven by sales efficiency gains and disciplined back-office spending, while allowing Salesforce to fund the AI and platform innovation needed to sustain-long term growth.

Salesforce Total Revenue Growth Rates Percentage



Source: Revenue Estimates (REV)

Operating Expenses Percentage of Revenue (FY24-FY32)



Source: Operating Estimates (IS)



WACC Assumptions: The Weighted Average Cost of Capital (WACC) for Salesforce was calculated to be 10.25%. This is slightly above FactSet estimates of 9.85% due to different risk-related assumptions. To calculate the cost of equity (10.73%), we used the Capital Asset Pricing Model (CAPM) and the following assumptions:

- **Risk-Free Rate:** We assumed a risk-free rate of 4.15%, which is the 10-year US treasury bond yield as of November 16, 2025.
- **Beta:** The beta is assumed to be 1.315, which is the 3-year RAW beta for Salesforce from Bloomberg.
- **Equity Risk Premium:** A 5.00% equity risk premium was assumed, in alignment with the Henry Fund consensus.
- **Pre-tax Cost of Debt:** Pre-Tax cost of debt was assumed to be 5.52%, based on Salesforce's longest issued bond yield that is 30 years from current date, with a maturity date of 2051.
- **Marginal Tax Rate:** The marginal tax assumed throughout our model is 21%, which is the marginal tax rate in FY2025.

Relative Valuation: Our relative valuation compares Salesforce against a focused peer group operating within enterprise software and CRM markets, including Microsoft, Oracle, HubSpot, Adobe, ServiceNow, and other comparable peers. Using forward P/E, PEG, and P/B multiples from this group, we found a range of implied prices for CRM that validate the upside found in our intrinsic valuation.

Based on FY25 forward earnings, the peer average P/E produces and implied value of \$313.86, while the FY26 P/E yields \$187.17 as estimates normalize across the group. The PEG-based metrics imply values of \$5.80 and \$3.74 in FY25 and FY26, respectively, reinforcing that Salesforce trades at a discount to peers on a growth-adjusted basis. The forward P/E and PEG multiples are most relevant comparisons due to the recurring revenue streams of Salesforce's business model and the sectors emphasis on earnings scalability rather than asset intensity.

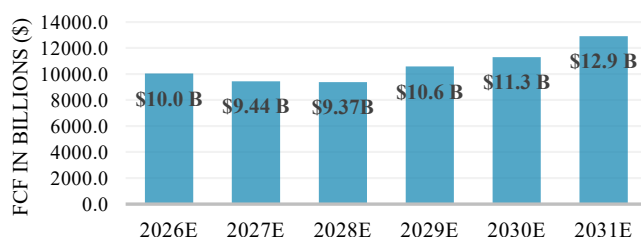
These measures indicate Salesforce should reasonably trade above its current price given its improving profitability, durable subscription model, and accelerating contribution from AI-related products. Aligning with the DCF and EP models, both support intrinsic values above the current market price.

Valuation Model Discussion

Discounted Cash Flow (DCF) and Economic Profit (EP) Model: A crucial piece to our recommendation of holding Salesforce stock is the DCF and EP models. They provide a disciplined, cashflow driven view of Salesforce's long-term value creation. Both models converge on an intrinsic value implied today of roughly \$270 per share, implying upside of 15% from current levels of \$235 per share.

This valuation reflects a 9.0% CAGR of total revenue growth, improving margins driven by scale and AI automation, and a 6% terminal NOPLAT growth rate supported by stable long-term demand for cloud and data platforms. Alignment between the DCF and EP calculations strengthen confidence in the result and emphasizes the view that the market is undervaluing Salesforce's forward cash generation and expanding economic profit.

Free Cash Flow Estimates in Billions (FY26E-FY31E)



Dividend Discount Model (DDM): Our Dividend Discount Model estimates a target price of \$61.85, which significantly undercuts the value of Salesforce. The company has only started paying dividends in 2024, with dividend payments in 2024 of \$1.20 and \$1.60 in 2025. This reflects a continued reinvestment into business operations, research, and an emphasis on growth, rather than a focus on distributing profits to shareholders. Therefore, we do not feel it would be reasonable to consider the Dividend Discount Model as a factor in our recommendation.

Sensitivity Analysis: To evaluate the strength of our valuation and the key assumptions driving intrinsic value, we conducted two important sensitivity analyses: variations in Equity Risk Premium vs. Beta, and changes in the WACC vs. terminal NOPLAT growth rate. Together these tables highlight how Salesforce's implied equity value responds to shifts in market assumptions and long-term growth expectations.

		Equity Risk Premium						
Beta	269.39	3.5%	4.0%	4.5%	5.0%	5.5%	6.0%	6.5%
	1.165	585.85	459.21	377.84	321.16	279.43	247.42	222.10
	1.215	540.98	427.56	353.70	301.79	263.33	233.68	210.15
	1.265	502.52	400.02	332.49	284.66	249.01	221.42	199.44
	1.315	469.21	375.85	313.71	269.39	236.19	210.41	189.80
	1.365	440.07	354.46	296.96	255.70	224.66	200.46	181.08
	1.415	414.36	335.39	281.94	243.36	214.22	191.44	173.14
	1.465	391.52	318.30	268.38	232.18	204.73	183.21	165.89

Source: Sensitivity Analysis

The Erp-Beta table, intrinsic value ranges from \$165 to nearly \$600, reflecting the natural sensitivity of discounted cashflow models to changes in market risk. The base-case is highlighted along the 5% ERP and beta values between 1.265 and 1.365, yielding intrinsic values between \$284 and \$314. This is consistent with our selected beta of 1.315 and current market conditions. Notably, modest reductions in systematic risk push the valuation well above \$300, indicating that Salesforce's upside increases meaningfully in lower volatility environments.

		WACC						
		269.39	8.50%	9.00%	9.50%	10.25%	10.50%	11.00%
CV Growth of NOPLAT	5.25%	370.24	319.94	281.51	238.33	226.68	206.46	189.48
	5.50%	395.70	338.25	295.20	247.66	235.00	213.14	194.94
	5.75%	425.80	359.38	310.71	258.03	244.18	220.45	200.87
	6.00%	461.91	384.03	328.44	269.62	254.39	228.50	207.34
	6.25%	506.05	413.16	348.89	282.66	265.79	237.40	214.42
	7.00%	726.73	544.25	434.80	333.82	309.79	270.75	240.41
	7.25%	859.14	612.92	476.17	356.56	328.97	284.84	251.11

Source: Sensitivity Analysis

The WACC-terminal NOPLAT growth demonstrates a similarly stable relationship between our base-case assumptions and the resulting intrinsic value. Our selected WACC of 10.25% and 6.0% terminal NOPLAT growth produces an intrinsic value of \$270, with a tighter valuation between \$258 and \$328 when changing growth by 25 basis points or WACC by 50 basis points. The analysis shows that CRM's valuation remains above the current share price under reasonable combinations of WACC and terminal growth, reinforcing that the model's conclusion is not dependent on aggressive long-term assumptions.



Conclusion

We place a HOLD rating on Salesforce (CRM) as the company remains a resilient leader in cloud-based customer relationship management software, supported by a recurring subscription model, strong customer retention, and expanding A.I-driven productivity gains. Revenue growth is expected to remain stable at a 9.0% CAGR, margins continue to improve through operating leverage, and managements discipline around cost structure and capital allocation is strengthening.

Our DCF and Economic Profit models align at \$270.69 per share, indicating modest upside but not enough to justify a buy rating, particularly given the stocks sensitivity to long-term growth assumptions and the unpredictable A.I landscape in today's markets. Relative Valuation shows Salesforce trading roughly in line with peers, with limited multiple potential as competitive intensity continues to rise.

Given solid fundamentals but only moderate upside and elevated competitive and macroeconomic risk, we believe the current market price fairly reflects Salesforce's long-term uncertainty. We therefore recommend a HOLD.

Important 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 with an example of the students' skills, knowledge, and abilities. Members of the Krause Fund are not registered investment advisors, brokers or officially licensed financial professionals. The investment advice contained in this report does not represent an offer or solicitation to buy or sell any of the securities mentioned. Unless otherwise noted, facts and figures included in this report are from publicly available sources. This report is not a complete compilation of data, and its accuracy is not guaranteed. From time to time, the University of Iowa, its faculty, staff, students, or the Krause Fund may hold a financial interest in the companies mentioned in this report.

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Salesforce (CRM)

Revenue Decomposition

Fiscal Years Ending Jan. 31	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	CV (20xxE)
Total revenues	17,098	21,252	26,492	31,352	34,857	37,895	41,243	45,271	49,472	54,143	59,107	64,393	70,066
Subscription and support	16,043	19,976	24,657	29,021	32,537	35,679	39,097	43,183	47,456	52,190	57,204	62,539	68,253
Professional services and other	1,055	1,276	1,835	2,331	2,320	2,216	2,146	2,088	2,016	1,953	1,903	1,854	1,813
Total revenues Growth Rates (%)	28.7%	24.3%	24.7%	18.3%	11.2%	8.7%	8.8%	9.8%	9.3%	9.4%	9.2%	8.9%	8.8%
Subscription and support	29.2%	24.5%	23.4%	17.7%	12.1%	9.7%	9.6%	10.5%	9.9%	10.0%	9.6%	9.3%	9.1%
Professional services and other	21.4%	20.9%	43.8%	27.0%	-0.5%	-4.5%	-3.2%	-2.7%	-3.4%	-3.1%	-2.6%	-2.5%	-2.2%
Total Sales	17,098	21,252	26,492	31,352	34,857	37,895	41,243	45,271	49,472	54,143	59,107	64,393	70,066
Service	4,466	5,377	6,474	7,369	8,245	9,041	9,907	10,943	12,026	13,225	14,496	15,848	17,296
Software License	4,598	5,191	5,989	6,831	7,580	8,312	9,108	10,060	11,056	12,158	13,327	14,569	15,901
Platform & Other	4,473	6,275	4,509	5,967	6,611	7,249	7,944	8,774	9,642	10,604	11,623	12,707	13,868
Integration & Analytics	-	-	3,783	4,338	5,189	5,690	6,235	6,887	7,568	8,323	9,123	9,974	10,885
Marketing & Commerce	2,506	3,133	3,902	4,516	4,912	5,386	5,902	6,519	7,164	7,879	8,636	9,441	10,304
Professional Services & Other	1,055	1,276	1,835	2,331	2,320	2,216	2,146	2,088	2,016	1,953	1,903	1,854	1,813
Total Growth (%)	28.7%	24.3%	24.7%	18.3%	11.2%	8.7%	8.8%	9.8%	9.3%	9.4%	9.2%	8.9%	8.8%
Service	23.3%	20.4%	20.4%	13.8%	11.9%	9.7%	9.6%	10.5%	9.9%	10.0%	9.6%	9.3%	9.1%
Software License	13.8%	12.9%	15.4%	14.1%	11.0%	9.7%	9.6%	10.5%	9.9%	10.0%	9.6%	9.3%	9.1%
Platform & Other	56.7%	40.3%	-28.1%	32.3%	10.8%	9.7%	9.6%	10.5%	9.9%	10.0%	9.6%	9.3%	9.1%
Integration & Analytics	-	-	-	14.7%	19.6%	9.7%	9.6%	10.5%	9.9%	10.0%	9.6%	9.3%	9.1%
Marketing & Commerce	32.0%	25.0%	24.5%	15.7%	8.8%	9.7%	9.6%	10.5%	9.9%	10.0%	9.6%	9.3%	9.1%
Professional Services & Other	21.4%	20.9%	43.8%	27.0%	-0.5%	-4.5%	-3.2%	-2.7%	-3.4%	-3.1%	-2.6%	-2.5%	-2.2%

All figures in millions of U.S. Dollar except per share items.

Salesforce (CRM)
Income Statement

Fiscal Years Ending Jan. 31	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	CV (20xxE)
Total revenues	17,098	21,252	26,492	31,352	34,857	37,895	41,243	45,271	49,472	54,143	59,107	64,393	70,066
Subscription and support	16,043	19,976	24,657	29,021	32,537	35,679	39,097	43,183	47,456	52,190	57,204	62,539	68,253
Professional services and other	1,055	1,276	1,835	2,331	2,320	2,216	2,146	2,088	2,016	1,953	1,903	1,854	1,813
Total cost of revenues	(6,370)	(8,284)	(10,324)	(12,146)	(12,500)	(12,120)	(11,910)	(11,155)	(11,636)	(12,391)	(13,237)	(14,145)	(15,129)
Subscription and support	(3,198)	(4,154)	(5,059)	(5,821)	(6,177)	(6,198)	(6,792)	(7,502)	(8,244)	(9,066)	(9,937)	(10,864)	(11,857)
Professional services and other	(1,037)	(1,284)	(1,967)	(2,539)	(2,364)	(2,445)	(2,368)	(2,304)	(2,224)	(2,155)	(2,100)	(2,046)	(2,000)
Depreciation and amortization	(2,135)	(2,846)	(3,298)	(3,786)	(3,959)	(3,477)	(2,751)	(1,350)	(1,168)	(1,170)	(1,200)	(1,235)	(1,272)
Gross profit	12,863	15,814	16,168	19,206	22,357	25,775	29,333	34,115	37,836	41,752	45,870	50,248	54,937
Total operating expenses	(12,566)	(15,359)	(18,918)	(21,962)	(21,305)	(22,047)	(23,287)	(25,335)	(27,439)	(29,759)	(32,191)	(34,748)	(37,459)
Research and development	(2,766)	(3,598)	(4,465)	(5,055)	(4,906)	(5,493)	(6,185)	(7,015)	(7,913)	(8,931)	(10,045)	(11,266)	(12,609)
Marketing and sales	(7,930)	(9,674)	(11,855)	(13,526)	(12,877)	(13,257)	(14,222)	(15,385)	(16,565)	(17,858)	(19,200)	(20,595)	(22,059)
General and administrative	(1,704)	(2,087)	(2,598)	(2,553)	(2,534)	(2,836)	(2,880)	(2,935)	(2,960)	(2,969)	(2,946)	(2,887)	(2,791)
Income / loss from operations	297	455	(2,750)	(2,756)	1,052	3,728	6,046	8,781	10,397	11,993	13,679	15,500	17,478
Other income / expense	(126)	(220)	(287)	(300)	(283)	296	96	99	147	203	318	472	705
Interest, net	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	568	561	578	627	694	820	988	1,235
Interest expense	(126)	(220)	(287)	(300)	(283)	(272)	(466)	(479)	(480)	(490)	(502)	(516)	(530)
Other expense / income	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain on sales of land and building improvements	-	-	-	-	-	-	-	-	-	-	-	-	-
Income / loss before benefit from / provision for income taxes	171	235	(3,037)	(3,056)	769	4,592	6,703	9,458	11,171	12,890	14,817	16,960	19,418
Benefit from / provision for income taxes	(580)	1,511	(88)	(452)	(814)	(1,241)	(1,119)	(1,579)	(1,865)	(2,153)	(2,474)	(2,832)	(3,243)
Net income / loss	(409)	1,746	(3,125)	(3,508)	(45)	3,351	5,583	7,878	9,305	10,737	12,342	14,127	16,175
Net income / loss attributable to Salesforce.com	(409)	1,746	(3,125)	(3,508)	(45)	3,351	5,583	7,878	9,305	10,737	12,342	14,127	16,175
Earnings Per share													
Basic	0.15	4.48	1.51	0.21	4.25	6.44	5.80	8.16	9.61	11.07	12.69	14.49	16.55
Weighted average shares (Basic)	955.00	992.00	974.00	962.00	974.00	962.00	963.17	965.51	967.84	970.18	972.52	974.87	977.21
Total Shares Outstanding (Basic)	829.00	908.00	955.00	992.00	974.00	962.00	964	967	969	971	974	976	978
Divends Per Share	-	-	-	-	1.60	2.42	2.18	3.07	3.62	4.17	4.78	5.46	6.23

All figures in millions of U.S. Dollar except per share items.

Salesforce (CRM)

Balance Sheet

<i>Fiscal Years Ending Jan. 31</i>	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	CV (20xxE)
Total assets	55,126	66,301	95,209	98,849	99,823	102,928	103,236	106,340	110,096	115,797	122,606	131,710	142,344
Total current assets	15,963	21,889	22,850	26,395	29,074	29,727	29,604	32,289	35,506	40,383	46,405	54,528	64,182
Cash and cash equivalents	4,145	6,195	5,464	7,016	8,472	8,848	9,088	10,101	11,575	14,528	18,512	24,471	31,812
Short-term marketable securities	3,802	5,771	5,073	5,492	5,722	5,184	5,371	5,564	5,764	5,972	6,187	6,409	6,640
Accounts receivable, net	6,174	7,786	9,739	10,755	11,414	11,945	13,000	14,270	15,594	17,067	18,631	20,298	22,086
Deferred commissions	-	-	-	-	-	-	-	-	-	-	-	-	-
Costs capitalized to obtain revenue contracts, net	926	1,146	1,454	1,776	1,905	1,971	2,145	2,355	2,573	2,816	3,074	3,349	3,644
Prepaid expenses and other current assets	916	991	1,120	1,356	1,561	1,779	1,936	2,125	2,322	2,542	2,775	3,023	3,289
Property and equipment, net	2,375	2,459	2,815	3,702	3,689	3,236	1,588	1,374	1,376	1,412	1,453	1,497	1,542
Operating lease right-of-use assets	3,040	3,204	2,880	2,890	2,366	2,157	1,766	1,610	1,318	1,202	984	897	734
Costs capitalized to obtain revenue contracts, noncurrent, net	1,348	1,715	2,342	2,697	2,515	2,475	2,694	2,957	3,231	3,536	3,860	4,206	4,576
Strategic investments	1,963	3,909	4,784	4,672	4,848	4,852	5,167	5,503	5,861	6,242	6,648	7,080	7,540
Goodwill	25,134	26,318	47,937	48,568	48,620	51,283	51,283	51,283	51,283	51,283	51,283	51,283	51,283
Intangible assets acquired through business combinations, net	4,724	4,114	8,978	7,125	5,278	4,428	4,428	4,428	4,428	4,428	4,428	4,428	4,428
Deferred tax assets and other assets, net	579	2,693	2,623	2,800	3,433	4,770	4,770	4,770	4,770	4,770	4,770	4,770	4,770
Total liabilities and stockholders' equity	55,126	66,301	95,209	98,849	99,823	102,928	103,235	106,339	110,095	115,796	122,605	131,709	142,343
Total liabilities	21,241	24,808	37,078	40,490	40,177	41,755	44,403	47,527	49,853	52,667	54,961	57,746	59,994
Total current liabilities	14,845	17,728	21,788	25,891	26,631	27,980	30,335	33,037	35,018	36,979	38,741	40,348	41,877
Accounts payable, accrued expenses and other liabilities	3,433	-	5,470	6,743	6,111	6,658	7,246	7,954	8,692	9,513	10,385	11,314	12,310
Debt, current	-	-	4	1,182	999	-	-	-	-	-	-	-	-
Operating lease liabilities, current	750	766	686	590	518	579	474	432	354	323	264	241	197
Unearned revenue	10,662	12,607	15,628	17,376	19,003	20,743	22,615	24,651	25,972	27,144	28,092	28,794	29,370
Noncurrent debt	2,673	2,673	10,592	9,419	8,427	8,433	8,685	8,691	8,884	9,095	9,349	9,609	9,900
Noncurrent operating lease liabilities	2,445	2,842	2,703	2,897	2,644	2,380	2,172	1,955	1,785	1,606	1,466	1,320	1,204
Other noncurrent liabilities	1,278	1,565	1,995	2,283	2,475	2,962	3,211	3,843	4,166	4,986	5,405	6,469	7,013
Total stockholders' equity	33,885	41,493	58,131	58,359	59,646	61,173	58,832	58,812	60,243	63,130	67,644	73,963	82,349
Preferred stock	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock, at cost	-	-	-	(4,000)	(11,692)	(19,507)	(26,507)	(33,507)	(40,507)	(47,507)	(54,507)	(61,507)	(68,507)
Common Equity Account	32,116	35,601	50,919	55,047	59,841	64,576	65,029	65,482	65,935	66,388	66,841	67,294	67,747
Accumulated other comprehensive loss / income	(93)	(42)	(166)	(274)	(225)	(266)	(266)	(266)	(266)	(266)	(266)	(266)	(266)
Retained earnings	1,861	5,933	7,377	7,585	11,721	16,369	20,576	27,103	35,081	44,515	55,576	68,442	83,375

All figures in millions of U.S. Dollar.

Salesforce (CRM)

Historical Cash Flow Statement

<i>Fiscal Years Ending Jan. 31</i>	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net cash provided by operating activities	1,672.1	2,162.0	2,738.0	3,398.0	4,331.0	4,801.0	6,000.0	7,111.0	10,234.0	13,092.0
Net income / loss	(47.4)	323.0	360.0	1,110.0	126.0	4,072.0	1,444.0	208.0	4,136.0	6,197.0
Adjustments to reconcile net income to net cash provided by operating activities	1,719.5	1,839.0	2,378.0	2,288.0	4,205.0	729.0	4,556.0	6,903.0	6,098.0	6,895.0
Depreciation and amortization	553.2	663.0	784.0	982.0	2,135.0	2,846.0	3,298.0	3,786.0	3,959.0	3,477.0
Depreciation and amortization excluding amortization of debt discount and transaction costs	525.8	632.0								
Amortization of debt discount and transaction costs	27.5	31.0								
Gain on sales of land and building improvements	(21.8)									
50 Fremont lease termination	(36.6)									
Amortization of deferred commissions	319.1	470.0	592.0	737.0	876.0	1,058.0	1,348.0	1,668.0	1,925.0	2,095.0
Expenses related to employee stock plans	593.6	820.0	997.0	1,283.0	1,785.0	2,190.0	2,779.0	3,279.0	2,787.0	3,183.0
Excess tax benefits from employee stock plans										
Loss on settlement of salesforce.org reseller agreement			-	-	166.0					
Gains on strategic investments, net	-	(31.0)	(19.0)	(542.0)	(427.0)	(2,170.0)	(1,211.0)	239.0	277.0	121.0
Loss / gain on securities										
Tax benefit from intra-entity transfer of intangible property				-	-	(2,003.0)				
Changes in assets and liabilities, net of business combinations	312.0	(83.0)	24.0	(172.0)	(330.0)	(1,192.0)	(1,658.0)	(2,069.0)	(2,850.0)	(1,981.0)
Accounts receivable, net	(582.4)	(633.0)	(719.0)	(923.0)	(1,000.0)	(1,556.0)	(1,824.0)	(995.0)	(659.0)	(490.0)
Deferred commissions	(380.0)	(693.0)	(1,156.0)	(981.0)	(1,130.0)	(1,645.0)	(2,283.0)	(2,345.0)	(1,872.0)	(2,121.0)
Prepaid expenses and other current assets and other assets	50.8	(47.0)	18.0	(58.0)	(119.0)	(133.0)	114.0	(302.0)	(843.0)	(1,495.0)
Accounts payable, accrued expenses and other liabilities	254.0	104.0	353.0	287.0	982.0	1,100.0	507.0	528.0	(478.0)	1,089.0
Accounts payable		35.0	(39.0)							
Accrued expenses and other current liabilities		69.0	392.0							
Accrued expenses and other current liabilities excluding income taxes										
Operating lease liabilities			-	-	(728.0)	(830.0)	(801.0)	(699.0)	(621.0)	(548.0)
Deferred revenue	969.7	1,186.0	1,528.0	1,503.0	1,665.0	1,872.0	2,629.0	1,744.0	1,623.0	1,584.0
Net cash used in / provided by investing activities	(1,487.9)	(2,684.0)	(2,011.0)	(5,308.0)	(2,980.0)	(3,971.0)	(14,536.0)	(1,989.0)	(1,327.0)	(3,163.0)
Business combinations, net of cash acquired	(58.7)	(3,193.0)	(25.0)	(5,115.0)	(369.0)	(1,281.0)	(14,876.0)	(439.0)	(82.0)	(2,734.0)
Non-refundable amounts received for sale of land available for sale	248.4									
Proceeds from land and building improvements held for sale	127.1									
Deposit and withdrawal for purchase of 50 Fremont land and building	115.0									
Non-refundable amounts received for sale of land and building	6.3									
Purchase of 50 Fremont land and building	(425.4)									
Capital expenditures	(651.0)	(494.0)	(619.0)	(697.0)	(977.0)	(728.0)	(234.0)	(993.0)	(1,124.0)	(1,071.0)
Strategic investments	(366.5)	(30.0)	(85.0)	(102.0)	(334.0)	(18.0)	483.0	(195.0)	(388.0)	(413.0)
Purchases of strategic investments	(386.2)	(110.0)	(216.0)	(362.0)	(768.0)	(1,069.0)	(1,718.0)	(550.0)	(496.0)	(539.0)
Sales of strategic investments	19.7	80.0	131.0	260.0	434.0	1,051.0	2,201.0	355.0	108.0	126.0
Capital expenditures excluding strategic investments	(284.5)	(464.0)	(534.0)	(595.0)	(643.0)	(710.0)	(717.0)	(798.0)	(736.0)	(658.0)
Changes in marketable securities	(601.2)	1,003.0	(1,367.0)	504.0	(1,634.0)	(1,962.0)	574.0	(557.0)	(121.0)	642.0
Purchases of marketable securities	(1,139.3)	(1,070.0)	(2,003.0)	(1,068.0)	(3,857.0)	(4,833.0)	(5,674.0)	(4,777.0)	(3,761.0)	(6,879.0)
Sales and maturities of marketable securities	538.1	2,073.0	636.0	1,572.0	2,223.0	2,871.0	6,248.0	4,220.0	3,640.0	7,521.0
Sales of marketable securities	500.3	2,005.0	558.0	1,426.0	1,444.0	1,836.0	4,179.0	1,771.0	1,511.0	4,143.0
Maturities of marketable securities	37.8	68.0	78.0	146.0	779.0	1,035.0	2,069.0	2,449.0	2,129.0	3,378.0
Proceeds from sale of investment										
Net cash provided by / used in financing activities	73.2	998.0	221.0	2,010.0	164.0	1,194.0	7,838.0	(3,562.0)	(7,477.0)	(9,429.0)
Repayments of slack convertible notes, net of capped call proceeds					-	-	(1,197.0)			
Repurchases of common stock						-	-	(4,000.0)	(7,620.0)	(7,829.0)
Payments for taxes related to net share settlement of equity awards										
Proceeds from employee stock plans	455.5	401.0	650.0	704.0	840.0	1,321.0	1,289.0	861.0	1,954.0	1,540.0
Principal payments on capital lease obligations	(82.3)	(98.0)	(106.0)	(131.0)	(173.0)	(103.0)	(156.0)	(419.0)	(629.0)	(603.0)
Proceeds from / payments on revolving credit facility, net	(300.0)	695.0	(323.0)	1,437.0	(503.0)	(24.0)	7,902.0	(4.0)	(1,182.0)	(1,000.0)
Proceeds from issuance of debt, net	-	1,245.0	-	2,966.0	-	(20.0)	7,906.0			
Payments on revolving credit facility, net	(300.0)	(550.0)	(323.0)	(1,529.0)	(503.0)	(4.0)	(4.0)	(4.0)	(1,182.0)	(1,000.0)
Payments of dividends and dividend equivalents								-	-	(1,537.0)
Effect of exchange rate changes	(7.1)	(27.0)	(12.0)	26.0	(39.0)	26.0	(33.0)	(8.0)	26.0	(124.0)
Net increase / decrease in cash and cash equivalents	250.2	449.0	936.0	126.0	1,476.0	2,050.0	(731.0)	1,552.0	1,456.0	376.0
Cash and cash equivalents, beginning of period	908.1	1,158.0	1,607.0	2,543.0	2,669.0	4,145.0	6,195.0	5,464.0	7,016.0	8,472.0
Cash and cash equivalents, end of period	1,158.4	1,607.0	2,543.0	2,669.0	4,145.0	6,195.0	5,464.0	7,016.0	8,472.0	8,848.0

All figures in millions of U.S. Dollar.

Salesforce (CRM)
Forecasted Cash Flow Statement

Fiscal Years Ending Jan. 31	2026E	2027E	2028E	2029E	2030E	2031E	CV (20xxE)
Net income / loss	5,583.44	7,878.44	9,305.06	10,737.37	12,342.42	14,127.28	16,174.92
Depreciation and amortization	2,750.83	1,350.17	1,168.30	1,170.01	1,200.11	1,235.36	1,272.31
Change in accounts receivable, net	(1,055.33)	(1,269.63)	(1,324.29)	(1,472.48)	(1,564.57)	(1,666.37)	(1,787.92)
Change in costs capitalized to obtain revenue contract:	(174.14)	(209.50)	(218.52)	(242.97)	(258.16)	(274.96)	(295.02)
Change in prepaid expenses and other current assets	(157.17)	(189.09)	(197.23)	(219.30)	(233.02)	(248.18)	(266.28)
Change in deferred tax assets and other assets, net	-	-	-	-	-	-	-
Change in accounts payable, accrued expenses and o	588.23	707.68	738.14	820.74	872.07	928.81	996.57
Change in unearned revenue	1,872.00	2,036.00	1,321.00	1,172.00	948.00	702.00	576.00
Change in intangible assets acquired through business	-	-	-	-	-	-	-
Change in net cash flow from operating activities	9,407.85	10,304.07	10,792.46	11,965.38	13,306.86	14,803.95	16,670.58
Change in operating lease right-of-use assets	391.10	155.99	291.90	116.43	217.87	86.90	162.61
Change in marketable securities	(186.62)	(193.34)	(200.30)	(207.51)	(214.98)	(222.72)	(230.74)
Change in costs capitalized to obtain revenue contract:	(218.66)	(263.07)	(274.39)	(305.10)	(324.18)	(345.27)	(370.46)
Capital expenditures	(1,103.13)	(1,136.22)	(1,170.31)	(1,205.42)	(1,241.58)	(1,278.83)	(1,317.19)
Change in strategic investments	(315.38)	(335.88)	(357.71)	(380.96)	(405.73)	(432.10)	(460.18)
Change in goodwill	-	-	-	-	-	-	-
Change in net cash flows from investing activities	(1,432.70)	(1,772.52)	(1,710.82)	(1,982.57)	(1,968.61)	(2,192.03)	(2,215.97)
Change in other noncurrent liabilities	249.10	631.84	323.19	819.76	419.31	1,063.57	544.02
Change in operating lease liabilities, current	(104.98)	(41.87)	(78.35)	(31.25)	(58.48)	(23.33)	(43.65)
Change in noncurrent operating lease liabilities	(207.85)	(216.89)	(170.76)	(178.18)	(140.28)	(146.38)	(115.25)
Change in treasury stock, at cost	(7,000.00)	(7,000.00)	(7,000.00)	(7,000.00)	(7,000.00)	(7,000.00)	(7,000.00)
Change in common equity account	452.99	452.99	452.99	452.99	452.99	452.99	452.99
Total Dividends Paid	(1,376.38)	(1,351.01)	(1,327.98)	(1,303.38)	(1,281.07)	(1,260.85)	(1,242.50)
Issuance of Debt	251.93	6.33	192.99	210.71	253.62	260.72	290.44
Change in net cash flows from financing activities	(7,735.18)	(7,518.61)	(7,607.92)	(7,029.34)	(7,353.91)	(6,653.27)	(7,113.95)
Net increase / decrease in cash and cash equivalent	239.97	1,012.94	1,473.73	2,953.46	3,984.34	5,958.65	7,340.66
Cash and cash equivalents, beginning of period	8,848.00	9,087.97	10,100.91	11,574.64	14,528.11	18,512.44	24,471.09
Cash and cash equivalents, end of period	9,087.97	10,100.91	11,574.64	14,528.11	18,512.44	24,471.09	31,811.76

All figures in millions of U.S. Dollar.

Salesforce (CRM)
Common Size Balance Sheet

Fiscal Years Ending Jan. 31	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	CV (20xxE)
Total assets	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Total current assets	28.96%	33.01%	24.00%	26.70%	29.13%	28.88%	28.68%	30.36%	32.25%	34.87%	37.85%	41.40%	45.09%
Cash and cash equivalents	7.52%	9.34%	5.74%	7.10%	8.49%	8.60%	8.80%	9.50%	10.51%	12.55%	15.10%	18.58%	22.35%
Short-term marketable securities	6.90%	8.70%	5.33%	5.56%	5.73%	5.04%	5.20%	5.23%	5.24%	5.16%	5.05%	4.87%	4.66%
Accounts receivable, net	11.20%	11.74%	10.23%	10.88%	11.43%	11.61%	12.59%	13.42%	14.16%	14.74%	15.20%	15.41%	15.52%
Deferred commissions	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%
Costs capitalized to obtain revenue contracts, net	1.68%	1.73%	1.53%	1.80%	1.91%	1.91%	2.08%	2.21%	2.34%	2.43%	2.51%	2.54%	2.56%
Prepaid expenses and other current assets	1.66%	1.49%	1.18%	1.37%	1.56%	1.73%	1.88%	2.00%	2.11%	2.20%	2.26%	2.30%	2.31%
Property and equipment, net	4.31%	3.71%	2.96%	3.75%	3.70%	3.14%	1.54%	1.29%	1.25%	1.29%	1.19%	1.14%	1.08%
Operating lease right-of-use assets	5.51%	4.83%	3.02%	2.92%	2.37%	2.10%	1.71%	1.51%	1.20%	1.04%	0.80%	0.68%	0.52%
Costs capitalized to obtain revenue contracts, noncurrent, net	2.45%	2.59%	2.46%	2.73%	2.52%	2.40%	2.61%	2.78%	2.93%	3.05%	3.15%	3.19%	3.21%
Strategic investments	3.56%	5.90%	5.02%	4.73%	4.86%	4.71%	5.01%	5.18%	5.32%	5.39%	5.42%	5.38%	5.30%
Goodwill	45.59%	39.69%	50.35%	49.13%	48.71%	49.82%	49.68%	48.23%	46.58%	44.29%	41.83%	38.94%	36.03%
Intangible assets acquired through business combinations, net	8.57%	6.21%	9.43%	7.21%	5.29%	4.30%	4.29%	4.16%	4.02%	3.82%	3.61%	3.36%	3.11%
Deferred tax assets and other assets, net	1.05%	4.06%	2.75%	2.83%	3.44%	4.63%	4.62%	4.49%	4.33%	4.12%	3.89%	3.62%	3.35%
Total liabilities and stockholders' equity	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Total liabilities	38.53%	37.42%	38.94%	40.96%	40.25%	40.57%	43.01%	44.69%	45.28%	45.48%	44.83%	43.84%	42.15%
Total current liabilities	26.93%	26.74%	22.88%	26.19%	26.68%	27.18%	29.38%	31.07%	31.81%	31.93%	31.60%	30.63%	29.42%
Accounts payable, accrued expenses and other liabilities	6.23%	0.00%	5.75%	6.82%	6.12%	6.47%	7.02%	7.48%	7.89%	8.22%	8.47%	8.59%	8.65%
Debt, current	0.00%	0.00%	0.00%	1.20%	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating lease liabilities, current	1.36%	1.16%	0.72%	0.60%	0.52%	0.56%	0.46%	0.41%	0.32%	0.28%	0.22%	0.18%	0.14%
Deferred revenue	19.34%	19.01%	16.41%	17.58%	19.04%	20.15%	21.91%	23.18%	23.59%	23.44%	22.91%	21.86%	20.63%
Noncurrent debt	4.85%	4.03%	11.12%	9.53%	8.44%	8.19%	8.41%	8.17%	8.07%	7.85%	7.62%	7.30%	6.95%
Noncurrent operating lease liabilities	4.44%	4.29%	2.84%	2.93%	2.65%	2.31%	2.10%	1.84%	1.62%	1.39%	1.20%	1.00%	0.85%
Other noncurrent liabilities	2.32%	2.36%	2.10%	2.31%	2.48%	2.88%	3.11%	3.61%	3.78%	4.31%	4.41%	4.91%	4.93%
Total stockholders' equity	61.47%	62.58%	61.06%	59.04%	59.75%	59.43%	56.99%	55.31%	54.72%	54.52%	55.17%	56.16%	57.85%
Preferred stock	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%
Treasury stock, at cost	58.26%	53.70%	53.48%	55.69%	59.95%	62.74%	62.99%	61.58%	59.89%	57.33%	54.52%	51.09%	47.59%
Common Equity Account	-0.17%	-0.06%	-0.17%	-0.28%	-0.23%	-0.26%	-0.26%	-0.25%	-0.24%	-0.23%	-0.22%	-0.20%	-0.19%
Accumulated other comprehensive loss / income	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%
Retained earnings	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%

Salesforce (CRM)
Common Size Income Statement

Fiscal Years Ending Jan. 31	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	CV (20xxE)
Total revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Subscription and support	93.83%	94.00%	93.07%	92.57%	93.34%	94.15%	94.80%	95.39%	95.93%	96.39%	96.78%	97.12%	97.41%
Professional services and other	6.17%	6.00%	6.93%	7.43%	6.66%	5.85%	5.20%	4.61%	4.07%	3.61%	3.22%	2.88%	2.59%
Total cost of revenues	-37.26%	-38.98%	-38.97%	-38.74%	-35.86%	-31.98%	-28.88%	-24.64%	-23.52%	-22.89%	-22.39%	-21.97%	-21.59%
Subscription and support	-18.70%	-19.55%	-19.10%	-18.57%	-17.72%	-16.36%	-16.47%	-16.57%	-16.66%	-16.74%	-16.81%	-16.87%	-16.92%
Professional services and other	-6.07%	-6.04%	-7.42%	-8.10%	-6.78%	-6.45%	-5.74%	-5.09%	-4.50%	-3.98%	-3.55%	-3.18%	-2.85%
Depreciation and amortization	-12.49%	-13.39%	-12.45%	-12.08%	-11.36%	-9.18%	-6.67%	-2.98%	-2.36%	-2.16%	-2.03%	-1.92%	-1.82%
Gross profit	75.23%	74.41%	61.03%	61.26%	64.14%	68.02%	71.12%	75.36%	76.48%	77.11%	77.61%	78.03%	78.41%
Total operating expenses	-73.49%	-72.27%	-71.41%	-70.05%	-61.12%	-58.18%	-56.46%	-55.96%	-55.46%	-54.96%	-54.46%	-53.96%	-53.46%
Research and development	-16.18%	-16.93%	-16.85%	-16.12%	-14.07%	-14.50%	-15.00%	-15.50%	-16.00%	-16.50%	-17.00%	-17.50%	-18.00%
Marketing and sales	-46.38%	-45.52%	-44.75%	-43.14%	-36.94%	-34.98%	-34.48%	-33.98%	-33.48%	-32.98%	-32.48%	-31.98%	-31.48%
General and administrative	-9.97%	-9.82%	-9.81%	-8.14%	-7.27%	-7.48%	-6.98%	-6.48%	-5.98%	-5.48%	-4.98%	-4.48%	-3.98%
Income / loss from operations	1.74%	2.14%	-10.38%	-8.79%	3.02%	9.84%	14.66%	19.40%	21.02%	22.15%	23.14%	24.07%	24.94%
Other income / expense	-0.74%	-1.04%	-1.08%	-0.96%	-0.81%	0.78%	0.23%	0.22%	0.30%	0.38%	0.54%	0.73%	1.01%
Interest, net	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%
Investment income	0.00%	0.00%	0.00%	0.00%	0.00%	1.50%	1.36%	1.28%	1.27%	1.28%	1.39%	1.53%	1.76%
Interest expense	-0.74%	-1.04%	-1.08%	-0.96%	-0.81%	-0.72%	-1.13%	-1.06%	-0.97%	-0.91%	-0.85%	-0.80%	-0.76%
Other expense / income	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%
Gain on sales of land and building improvements	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%
Income / loss before benefit from / provision for income taxes	1.00%	1.11%	-11.46%	-9.75%	2.21%	12.12%	16.25%	20.89%	22.58%	23.81%	25.07%	26.34%	27.71%
Benefit from / provision for income taxes	-3.39%	7.11%	-0.33%	-1.44%	-2.34%	-3.27%	-2.95%	-4.17%	-4.92%	-5.68%	-6.53%	-7.47%	-8.56%
Net income / loss	-2.39%	8.22%	-11.80%	-11.19%	-0.13%	8.84%	13.54%	17.40%	18.81%	19.83%	20.88%	21.94%	23.09%
Net income / loss attributable to Salesforce.com	-2.39%	8.22%	-11.80%	-11.19%	-0.13%	8.84%	13.54%	17.40%	18.81%	19.83%	20.88%	21.94%	23.09%

Salesforce (CRM)

Value Driver Estimation

<i>Fiscal Years Ending Jan. 31</i>	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	CV (20xxE)
Total revenues	21,252	26,492	31,352	34,857	37,895	41,243	45,271	49,472	54,143	59,107	64,393	70,066
Total cost of revenues	(8,284)	(10,324)	(12,146)	(12,500)	(12,120)	(11,910)	(11,155)	(11,636)	(12,391)	(13,237)	(14,145)	(15,129)
Depreciation and amortization	(2,846)	(3,298)	(3,786)	(3,959)	(3,477)	(2,751)	(1,350)	(1,168)	(1,170)	(1,200)	(1,235)	(1,272)
Research and development	(3,598)	(4,465)	(5,055)	(4,906)	(5,493)	(6,185)	(7,015)	(7,913)	(8,931)	(10,045)	(11,266)	(12,609)
Marketing and sales	(9,674)	(11,855)	(13,526)	(12,877)	(13,257)	(14,222)	(15,385)	(16,565)	(17,858)	(19,200)	(20,595)	(22,059)
General and administrative	(2,087)	(2,598)	(2,553)	(2,534)	(2,836)	(2,880)	(2,935)	(2,960)	(2,969)	(2,946)	(2,887)	(2,791)
Implied Lease Interest	177	159	160	131	119	97	89	73	66	54	50	41
EBIT	632	707	2,018	6,130	7,785	8,894	10,220	11,638	13,230	14,933	16,784	18,791
Adjusted Taxes												
Income Tax Expense	1,511	88	452	814	1,241	1,119	1,579	1,865	2,153	2,474	2,832	3,243
Tax shield on interest expense	102	(92)	(207)	(62)	(73)	(98)	(101)	(101)	(103)	(105)	(108)	(111)
Tax on interest or investment income	-	-	-	-	119	118	121	132	146	172	207	259
tax on any non-operating income												
Gain on sales of land and building improvements	-	-	-	-	-	-	-	-	-	-	-	-
taxshield on any non-operating losses												
Other expense / income	-	-	-	-	-	-	-	-	-	-	-	-
Total Adjusted Taxes	1,409	180	659	876	1,194	1,099	1,559	1,835	2,110	2,408	2,733	3,095
Deferred Taxes	(70)	177	633	1,337	-	-	-	-	-	-	-	-
NOPLAT	(847)	704	1,992	6,590	6,591	7,795	8,661	9,804	11,120	12,526	14,051	15,696
Invested Capital (IC):												
<i>Operating Working Capital</i>												
Operating Current Assets												
Normal Cash	3,691	4,602	5,446	6,055	6,582	7,164	7,864	8,593	9,405	10,267	11,185	12,170
Accounts Receivable	7,786	9,739	10,755	11,414	11,945	13,000	14,270	15,594	17,067	18,631	20,298	22,086
Prepaid Expenses	991	1,120	1,356	1,561	1,779	1,936	2,125	2,322	2,542	2,775	3,023	3,289
<i>Other Operating Current Assets</i>												
Deferred Commissions	-	-	-	-	-	-	-	-	-	-	-	-
Costs Capitalized to obtain revenue contracts, net	1,146	1,454	1,776	1,905	1,971	2,145	2,355	2,573	2,816	3,074	3,349	3,644
<i>Non-Interest Bearing Current Liabilities</i>												
Accounts Payable and Accrued Expenses	-	5,470	6,743	6,111	6,658	7,246	7,954	8,692	9,513	10,385	11,314	12,310
Unearned Revenue	12,607	15,628	17,376	19,003	20,743	22,615	24,651	25,972	27,144	28,092	28,794	29,370
<i>Net Operating Working Capital</i>	1,007	(4,183)	(4,786)	(4,179)	(5,124)	(5,616)	(5,991)	(5,581)	(4,827)	(3,730)	(2,253)	(491)
<i>Property and Equipment, net</i>	2,459	2,815	3,702	3,689	3,236	1,588	1,374	1,376	1,412	1,453	1,497	1,542
Net Other Long-term Operating Assets												
Net Intangible Assets	4,114	8,978	7,125	5,278	4,428	4,428	4,428	4,428	4,428	4,428	4,428	4,428
Capitalized PV of Operating Leases	3,204	2,880	2,890	2,366	2,157	1,766	1,610	1,318	1,202	984	897	734
Other Operating Assets	2,693	2,623	2,800	3,433	4,770	4,770	4,770	4,770	4,770	4,770	4,770	4,770
Strategic Investment	3,909	4,784	4,672	4,848	4,852	5,167	5,503	5,861	6,242	6,648	7,080	7,540
Costs capitalized to obtain revenue contracts, noncurrent	1,715	2,342	2,697	2,515	2,475	2,694	2,957	3,231	3,536	3,860	4,206	4,576
Net Other Long-Term Operating Liabilities												
"Other" Liabilities	1,565	1,995	2,283	2,475	2,962	3,211	3,843	4,166	4,986	5,405	6,469	7,013
Invested Capital (IC)	17,536	18,244	16,817	15,475	13,832	11,586	10,808	11,237	11,776	13,008	14,156	16,086
Free Cash Flow (FCF):												
NOPLAT	(847)	704	1,992	6,590	6,591	7,795	8,661	9,804	11,120	12,526	14,051	15,696
Change in IC	7,895	707	(1,427)	(1,342)	(1,642)	(2,246)	(779)	430	539	1,232	1,147	1,931
FCF	(8,742)	(3)	3,419	7,933	8,233	10,041	9,440	9,374	10,581	11,294	12,904	13,765
Return on Invested Capital (ROIC):												
NOPLAT	(847)	704	1,992	6,590	6,591	7,795	8,661	9,804	11,120	12,526	14,051	15,696
Beginning IC	9,642	17,536	18,244	16,817	15,475	13,832	11,586	10,808	11,237	11,776	13,008	14,156
ROIC	-8.78%	4.01%	10.92%	39.19%	42.59%	56.35%	74.75%	90.71%	98.95%	106.36%	108.02%	111%
Economic Profit (EP):												
Beginning IC	9,642	17,536	18,244	16,817	15,475	13,832	11,586	10,808	11,237	11,776	13,008	14,156
x (ROIC - WACC)	-19.02%	-6.22%	0.68%	28.95%	32.35%	46.11%	64.51%	80.47%	88.71%	96.13%	97.78%	100.64%
EP	(1,834)	(1,092)	124	4,869	5,006	6,379	7,475	8,697	9,969	11,320	12,720	14,246

All figures in millions of U.S. Dollar except per share items.

Salesforce (CRM)

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

Key Inputs:

CV Growth of NOPLAT	6.00%
CV Year ROIC	111%
WACC	10.24%
Cost of Equity	10.73%

Fiscal Years Ending Jan. 31	2026E	2027E	2028E	2029E	2030E	2031E	CV (20xxE)	
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DCF Model:

Free Cash Flow (FCF)	10040.7	9439.6	9373.8	10581.0	11293.6	12904.0	
Continuing Value (CV)							350297.7
PV of FCF	9108.2	7767.7	6997.1	7164.7	6937.0	7190.1	195183.9
Value of Operating Assets:	240348.6						
Non-Operating Adjustments							
Excess Cash	2265.6						
Marketable Securities	8848.0						
Strategic Investment	4852.0						
ESOP	905.7						
PV of Operating Leases	2157.0						
Current Portion of L-T Debt	0.0						
Long-Term Debt	11395.0						
Value of Equity	241856.5						
Shares Outstanding	964.3						
Intrinsic Value of Last FYE	\$ 250.80						
Implied Price as of Today	\$ 270.69						

EP Model:

Economic Profit (EP)	6378.6	7474.7	8697.0	9969.1	11320.0	12719.5	
Continuing Value (CV)							336142.2
PV of EP	5786.2	6150.8	6491.9	6750.4	6953.2	7087.3	187296.5
Total PV of EP	226516.2						
Invested Capital (last FYE)	13832.4						
Value of Operating Assets:	240348.6						
Non-Operating Adjustments							
Excess Cash	2265.6						
Marketable Securities	8848.0						
Strategic Investment	4852.0						
ESOP	905.7						
PV of Operating Leases	2157.0						
Current Portion of L-T Debt	0.0						
Long-Term Debt	11395.0						
Value of Equity	241856.5						
Shares Outstanding	964.3						
Intrinsic Value of Last FYE	\$ 250.80						
Implied Price as of Today	\$ 270.69						

Salesforce (CRM)

Dividend Discount Model (DDM) or Fundamental P/E Valuation Model

Fiscal Years Ending	2025	2026E	2027E	2028E	2029E	2030E	2031E	CV (20xxE)	
EPS	\$ 6.44	\$ 5.80	\$ 8.16	\$ 9.61	\$ 11.07	\$ 12.69	\$ 14.49	\$ 16.55	
Key Assumptions									
CV growth of EPS	2.50%								
CV Year ROE	21.87%								
Cost of Equity	10.73%								
Future Cash Flows									
P/E Multiple (CV Year)								10.77	
EPS (CV Year)								\$ 16.55	
Future Stock Price								\$ 178.24	
Dividends Per Share	2.42	2.18	3.07	3.62	4.17	4.78	5.46	6.23	
Discounted Cash Flows	\$ 1.99	\$ 1.47	\$ 1.70	\$ 1.64	\$ 1.55	\$ 1.46	\$ 1.37	\$ 46.20	
Intrinsic Value as of Last FYE	\$ 57.37								
Implied Price as of Today	\$ 61.92								

Salesforce (CRM)

Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:

Risk-Free Rate	4.15%
Beta	1.32
Equity Risk Premium	5.00%
Cost of Equity	10.73%

ASSUMPTIONS:

4.15%
1.315
5.00%

Cost of Debt:

Risk-Free Rate	4.15%
Implied Default Premium	1.37%
Pre-Tax Cost of Debt	5.52%
Marginal Tax Rate	21.0%
After-Tax Cost of Debt	4.36%

4.15%
5.52%

Market Value of Common Equity:

Total Shares Outstanding	962
Current Stock Price	\$235.35
MV of Equity	226,406.70

MV Weights

92.35%

Market Value of Debt:

Short-Term Debt	7237
Current Portion of LTD	0
Long-Term Debt	11395
PV of Operating Leases	119
MV of Total Debt	18,751.07

7.65%

Market Value of the Firm

245,157.77

100.00%

Estimated WACC

10.24%

Salesforce (CRM)

Relative Valuation Models

Ticker	Company	Price	EPS 2025	EPS 2026E	P/E 25	P/E 26	Est. 5yr EPS gr.	PEG 25	PEG 26	BV Equity	Tangible BV Equity	P/B	Tangible P/B
MSFT	Microsoft	\$541.55	\$13.39	\$15.16	40.44	35.72	18.7	2.16	1.91	46.21	27.09	11.72	19.99
ORCL	Oracle	\$275.30	\$6.03	\$6.95	45.66	39.61	5.5	8.30	7.20	7.29	-14.34	37.76	(19.20)
Hubs	Hubspot	\$466.12	\$1.91	\$2.47	244.04	188.71	9.3	26.24	20.29	39.18	29.59	11.90	15.75
SAP	Sap SE	\$259.64	\$6.71	\$8.05	38.69	32.25	8.7	4.45	3.71	43.14	22.56	6.02	11.51
ADBE	Adobe	\$337.86	\$20.60	\$23.07	16.40	14.64	15.4	1.06	0.95	31.98	-3.92	10.56	(86.19)
NOW	Service Now	\$911.70	\$9.35	\$20.04	97.51	45.49	15.5	6.29	2.94	48.99	39.36	18.61	23.16
WDAY	Workday	\$231.36	\$7.30	\$8.90	53.71	26.00	16.0	3.36	1.62	34.35	21.07	6.74	10.98
FRSH	Freshwork	\$10.95	(\$0.19)	(\$0.03)	(57.63)	(365.00)	28.0	(2.06)	(13.04)	3.40	2.56	3.22	4.28
Average					48.74	32.29		4.27	3.06			15.24	16.41
CRM	Salesforce (CRM)	\$235.35	6.44	5.80	36.5	40.6	0.2	173.2	192.4	64.22	5.59	3.66	42.10

Implied Relative Value:

P/E (EPS25)	\$ 313.86
P/E (EPS26)	\$ 187.17
PEG (EPS25)	\$ 5.80
PEG (EPS26)	\$ 3.74
P/B	\$ 978.41
P/Tangible BV	\$ 91.74

Salesforce (CRM)
Sensitivity Tables

Risk-Free Rate	Marginal Tax Rate							
	270.69	5.0%	10.0%	18.0%	21.0%	23.0%	25.0%	27.0%
	2.5%	407.17	411.23	417.85	420.38	422.08	423.79	425.51
	3.0%	349.79	352.88	357.91	359.82	361.11	362.40	363.70
	3.5%	306.73	309.18	313.15	314.66	315.68	316.69	317.72
	4.2%	264.59	266.47	269.53	270.69	271.47	272.25	273.03
	4.5%	246.43	248.10	250.79	251.82	252.50	253.19	253.88
	5.0%	224.50	225.92	228.21	229.08	229.66	230.25	230.83
	6.0%	190.78	191.85	193.58	194.23	194.67	195.11	195.55

Beta	Equity Risk Premium							
	270.69	3.5%	4.0%	4.5%	5.0%	5.5%	6.0%	6.5%
	1.165	589.23	461.67	379.77	322.75	280.78	248.60	223.15
	1.215	544.01	429.80	355.48	303.27	264.59	234.80	211.14
	1.265	505.28	402.09	334.14	286.04	250.20	222.47	200.38
	1.315	471.73	377.76	315.25	270.69	237.32	211.40	190.70
	1.365	442.39	356.24	298.41	256.93	225.73	201.41	181.93
	1.415	416.52	337.06	283.31	244.53	215.24	192.34	173.96
	1.465	393.53	319.87	269.68	233.29	205.70	184.08	166.68

CV Growth of NOP/LAT	WACC							
	270.69	8.50%	9.00%	9.50%	10.25%	10.50%	11.00%	11.50%
	5.25%	370.66	320.30	281.83	238.59	226.94	206.69	189.69
	5.50%	396.15	338.64	295.53	247.94	235.26	213.37	195.16
	5.75%	426.28	359.79	311.06	258.32	244.46	220.70	201.09
	6.00%	462.43	384.47	328.81	269.93	254.67	228.76	207.57
	6.25%	506.62	413.63	349.29	282.98	266.09	237.66	214.67
	7.00%	727.56	544.87	435.30	334.20	310.14	271.06	240.68
	7.25%	860.12	613.62	476.71	356.96	329.34	285.16	251.39

Pre-Tax Cost of Debt	Inflation Rate							
	270.69	0.7%	1.2%	1.8%	3.0%	3.3%	3.6%	3.9%
	2.37%	282.86	282.89	282.94	283.03	283.06	283.08	283.11
	3.37%	278.83	278.87	278.91	279.00	279.02	279.05	279.07
	4.37%	274.91	274.94	274.99	275.08	275.10	275.12	275.15
	5.37%	271.09	271.13	271.17	271.25	271.28	271.30	271.32
	6.37%	267.38	267.41	267.45	267.53	267.55	267.58	267.60
	7.37%	263.75	263.79	263.82	263.91	263.93	263.95	263.97
	8.37%	260.22	260.25	260.29	260.37	260.39	260.41	260.43

Strategic Investment ROI %	Cost of Equity							
	270.69	9.00%	9.50%	10.00%	10.73%	11.00%	11.50%	12.00%
	5.0%	268.20	269.19	270.18	271.61	272.14	273.13	274.11
	5.5%	267.91	268.90	269.88	271.32	271.85	272.83	273.81
	6.0%	267.61	268.59	269.58	271.01	271.54	272.52	273.50
	6.5%	267.30	268.28	269.27	270.70	271.23	272.21	273.19
	7.0%	266.99	267.97	268.95	270.38	270.91	271.89	272.87
	7.5%	266.67	267.65	268.63	270.06	270.58	271.56	272.54
	8.0%	266.34	267.32	268.29	269.72	270.25	271.23	272.20

Key Management Ratios

[illegible]

Salesforce (CRM)*Present Value of Operating Lease Obligations*

Fiscal Years Ending Jan. 31	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Year 1	300.0	310.0	320.0	330.0	340.0	350.0	360.0	370.0	380.0	390.0	400.0
Year 2	250.0	260.0	270.0	280.0	290.0	300.0	310.0	320.0	330.0	340.0	350.0
Year 3	225.0	230.0	235.0	240.0	245.0	250.0	255.0	260.0	265.0	270.0	275.0
Year 4	175.0	180.0	185.0	190.0	195.0	200.0	205.0	210.0	215.0	220.0	225.0
Year 5	100.0	104.0	108.0	112.0	116.0	120.0	124.0	128.0	132.0	136.0	140.0
Thereafter	290.0	300.0	310.0	320.0	330.0	340.0	350.0	360.0	370.0	380.0	390.0
Total Minimum Payments	1340.0	1384.0	1428.0	1472.0	1516.0	1560.0	1604.0	1648.0	1692.0	1736.0	1780.0
Less: Cumulative Interest	222.3	229.5	236.7	243.9	251.2	258.4	265.6	272.8	280.1	287.3	294.5
PV of Minimum Payments	1117.7	1154.5	1191.3	1228.1	1264.8	1301.6	1338.4	1375.2	1411.9	1448.7	1485.5
Implied Interest in Year 1 Payment		61.7	63.7	65.8	67.8	69.8	71.8	73.9	75.9	77.9	80.0
Pre-Tax Cost of Debt	5.52%	5.52%	5.52%	5.52%	5.52%	5.52%	5.52%	5.52%	5.52%	5.52%	5.52%
Years Implied by Year 6 Payment	2.9	2.9	2.9	2.9	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Expected Obligation in Year 6 & Beyond	100	104	108	112	116	120	124	128	132	136	140
Present Value of Lease Payments											
PV of Year 1	284.3	293.8	303.3	312.7	322.2	331.7	341.2	350.6	360.1	369.6	379.1
PV of Year 2	224.5	233.5	242.5	251.5	260.5	269.4	278.4	287.4	296.4	305.4	314.3
PV of Year 3	191.5	195.8	200.0	204.3	208.5	212.8	217.0	221.3	225.5	229.8	234.1
PV of Year 4	141.2	145.2	149.2	153.3	157.3	161.3	165.4	169.4	173.4	177.5	181.5
PV of Year 5	76.4	79.5	82.6	85.6	88.7	91.7	94.8	97.8	100.9	104.0	107.0
PV of 6 & beyond	199.8	206.8	213.8	220.7	227.7	234.7	241.6	248.6	255.6	262.5	269.5
Capitalized PV of Payments	1117.7	1154.5	1191.3	1228.1	1264.8	1301.6	1338.4	1375.2	1411.9	1448.7	1485.5

Salesforce (CRM)
Effects of ESOP Exercise and Share Repurchases on Common Stock Account and Number of Shares Outstanding

Number of Options Outstanding (shares): 8
 Average Time to Maturity (years): 3.40
 Expected Annual Number of Options Exercised: 2

Current Average Strike Price: \$ 192.52
 Cost of Equity: 10.73%
 Current Stock Price: \$235.35

Fiscal Years Ending Jan. 31	2025	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Increase in Shares Outstanding:	2	2	2	2	2	2	2	2	2	2
Average Strike Price:	\$ 192.52	\$ 192.52	\$ 192.52	\$ 192.52	\$ 192.52	\$ 192.52	\$ 192.52	\$ 192.52	\$ 192.52	\$ 192.52
Increase in Common Stock Account:	453	453	453	453	453	453	453	453	453	453
Share Repurchases (\$)	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89	3.89
Expected Price of Repurchased Shares:	\$ 235.35	\$ 258.99	\$ 285.01	\$ 313.64	\$ 345.14	\$ 379.81	\$ 417.96	\$ 459.95	\$ 506.15	\$ 556.99
Number of Shares Repurchased:	0.017	0.015	0.014	0.012	0.011	0.010	0.009	0.008	0.008	0.007
Shares Outstanding (beginning of the year)	962	964	967	969	971	974	976	978	981	983
Plus: Shares Issued Through ESOP	2	2	2	2	2	2	2	2	2	2
Less: Shares Repurchased in Treasury	0.017	0.015	0.014	0.012	0.011	0.010	0.009	0.008	0.008	0.007
Shares Outstanding (end of the year)	964.34	966.67	969.01	971.35	973.70	976.04	978.38	980.73	983.07	985.42