NYSE: CRM

Salesforce, Inc.

Fundamental Analysis

The Globetrotting Investor

Ben, MBA | Value Investing

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Introduction

GICS Sector: Technology
Sub-Industry: Software—Application

CEO: Marc Benioff
Tenure: 24.6 years
Salesforce, Inc's management team has an average tenure of **1.3 years**. It is not considered experienced.

Source of revenue:

- Salesforce Inc. provides Customer Relationship Management (CRM) technology.
- Its Customer 360 platform brings together sales, service, marketing, commerce, and IT teams by linking customer data across various systems and devices, allowing for a comprehensive understanding of customers.
- The company operates as one business segment and sells its services globally, primarily through subscription-based models, both directly and indirectly through partners.
- Additionally, Salesforce allows third parties to leverage its platform and developer tools to create additional functionalities and applications that can be sold separately or in conjunction with their service offerings.
- Salesforce makes money mainly from two sources: subscription and support, and professional services.

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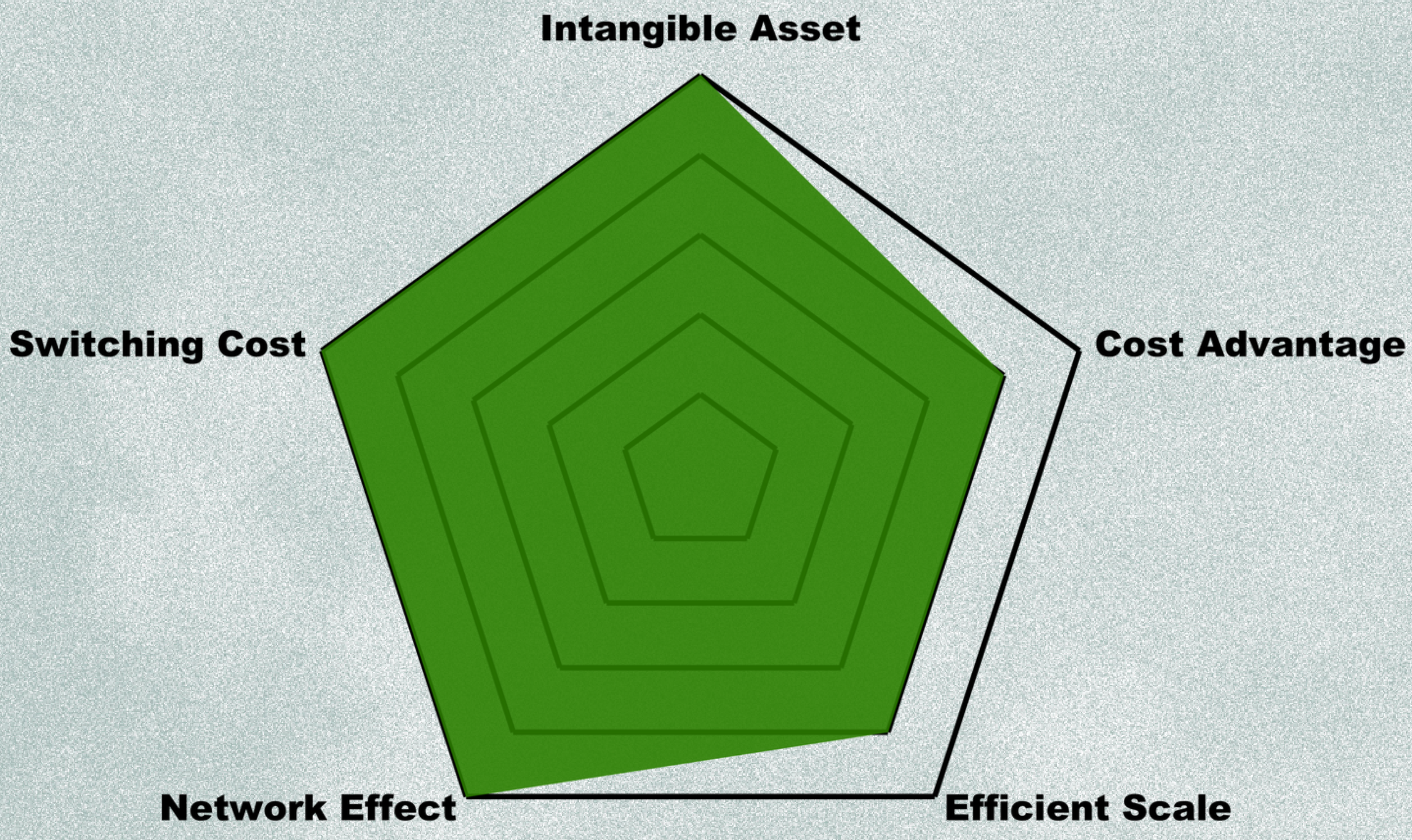
Economic Moat



Economic moat: **Wide**

There are many ways to identify a company's economic moat, but I focus on the above 5 types. The rating is purely subjective, and it is based on my in-depth understanding and analysis of the company.

Performance

	Yes	Inconsistent	No
Revenue growing YoY for the past 5 years consistently?	☑	☐	☐
Net income growing YoY for the past 5 years consistently?	☐	☑	☐
Cash flow from operating activities growing YoY for the past 5 years consistently?	☑	☐	☐
Free cash flow is positive for the past 5 years?	☑	☐	☐
Gross margin % is consistent/ growing for the past 5 years?	☐	☑	☐
EPS growing for the past 5 years?	☐	☐	☑

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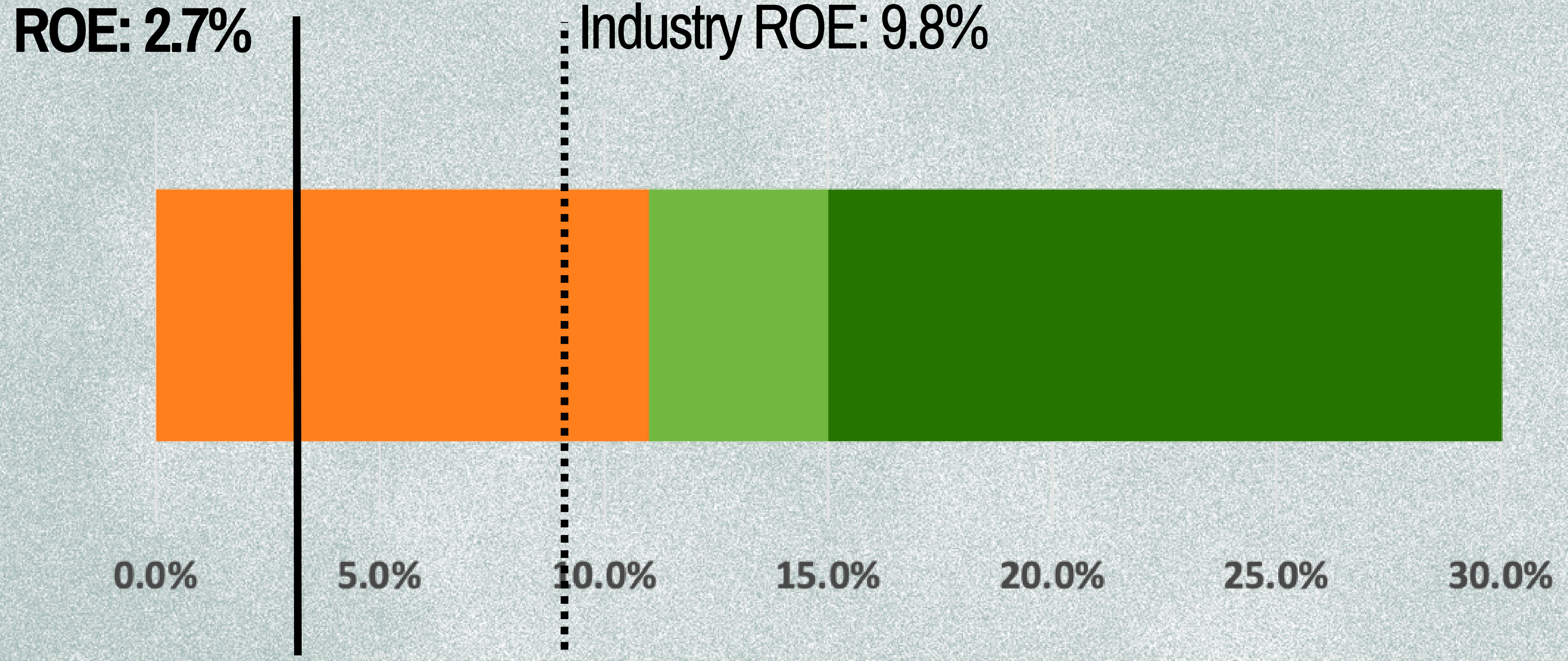
Management Effectiveness

	Yes	Inconsistent	No
ROE is consistently at 12%-15% YoY for the past 5 years?	☐	☐	☑



	Yes	Inconsistent	No
ROIC is consistently at 12%-15% YoY for the past 5 years?	☐	☐	☑

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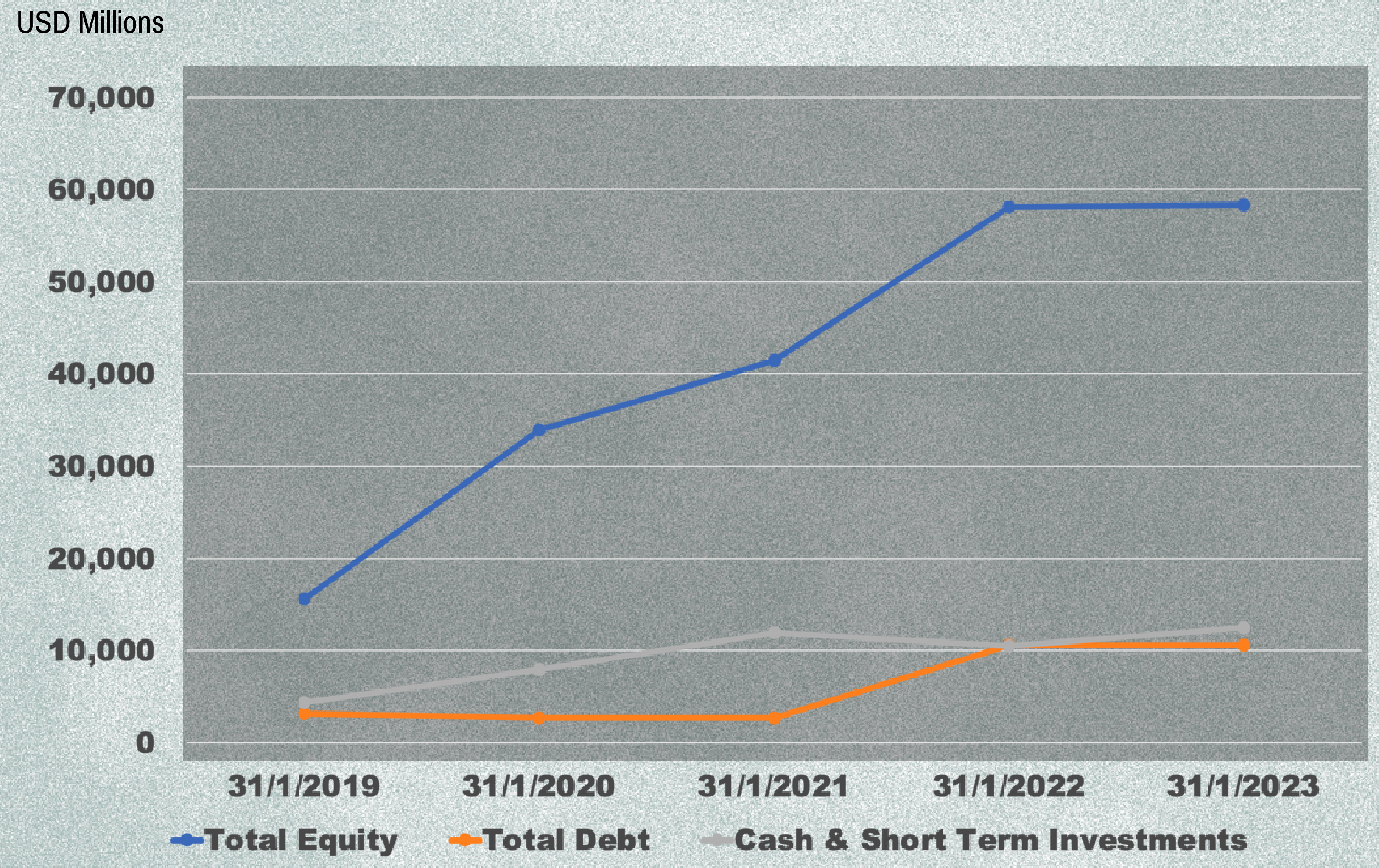
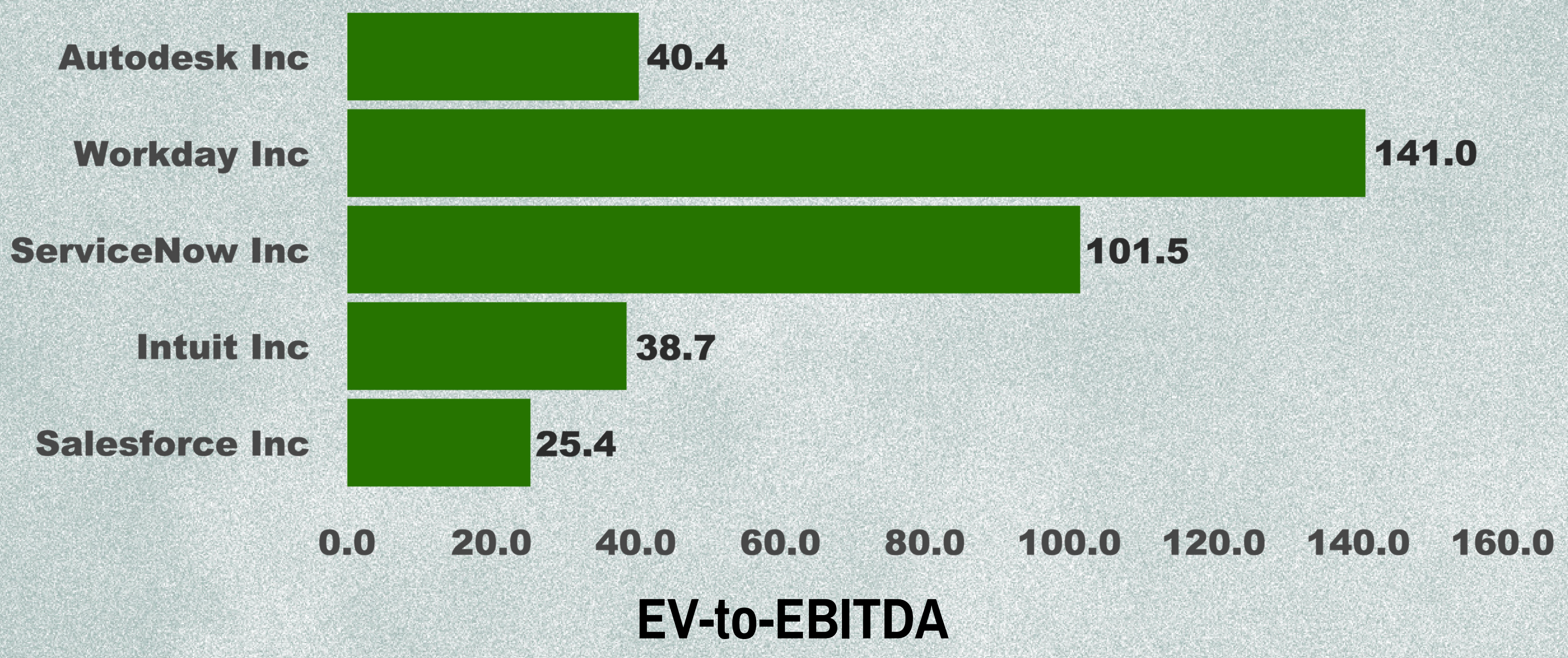
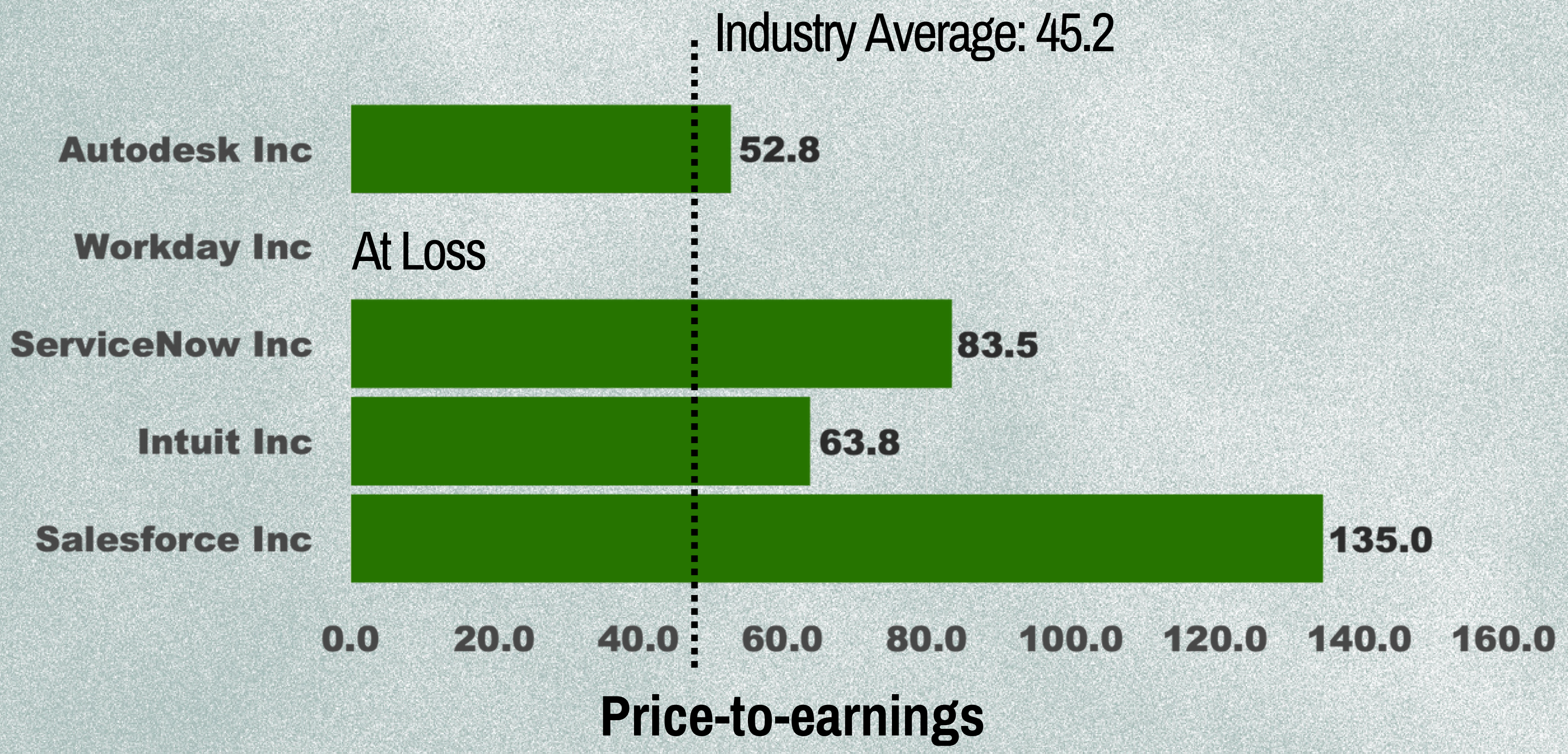
Financial Health



- Current Ratio: 1.0
- Debt-to-EBITDA: 1.5
- Interest Coverage: N/A
- Debt Servicing Ratio: 4.0%

Relative Valuation

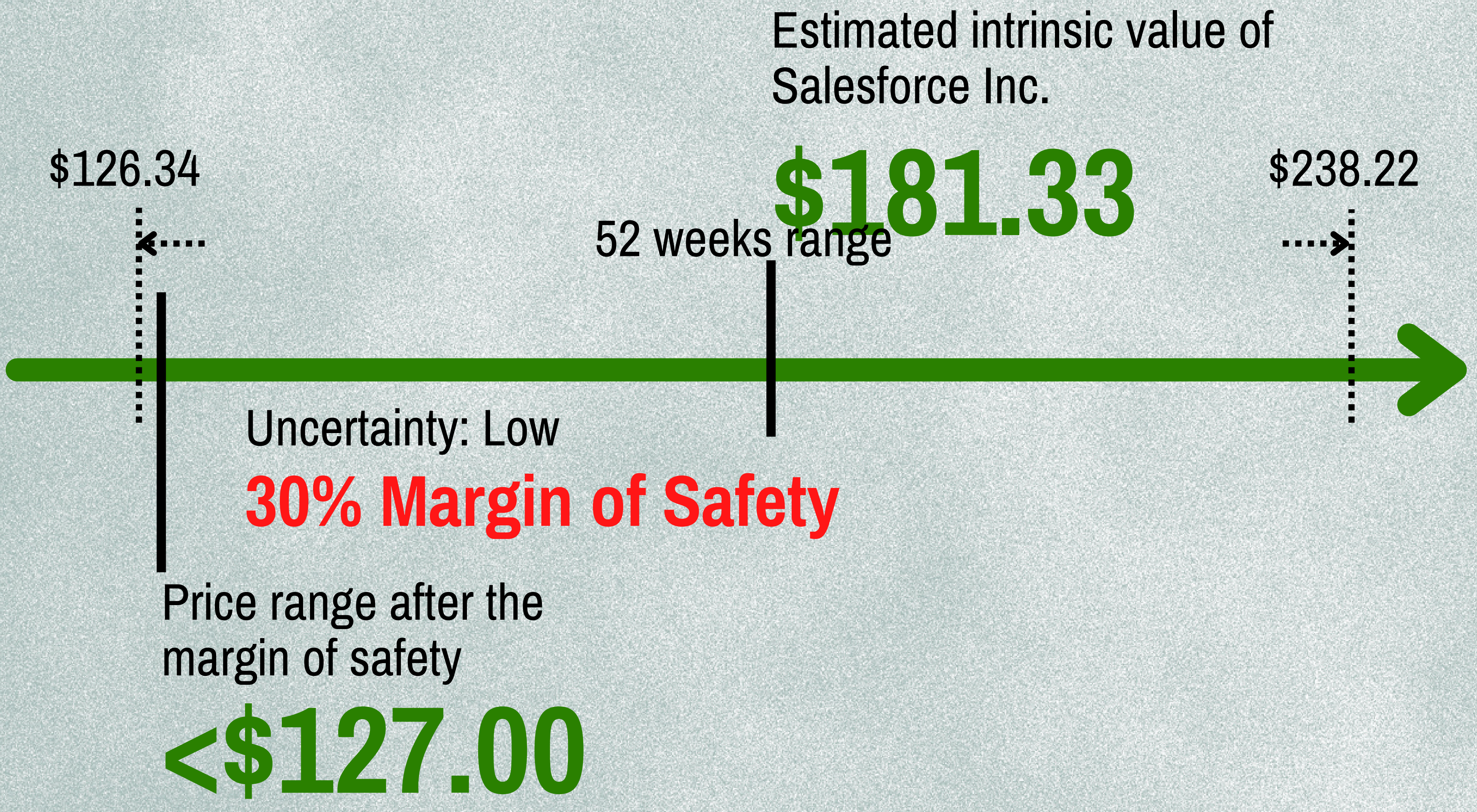




Intrinsic Valuation

Estimated intrinsic value: $181.33

Value is calculated using discounted cash flow method (taking into account their cash and debt) and scenario planning.
Average free cash flow used: USD$6,000M
Projected growth rate: 10% - 20%
Beta: 1.2
Discount rate: 9.0%
Date of calculation: 22 Sep 2023



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