

Salesforce (CRM US)

4Q results in-line; eye on AI development

Salesforce reported 4QFY24 financial results: total revenue was up 10.8% YoY to US\$9.29bn, in line with consensus estimate of US\$9.22bn. FY24 total revenue was up 11.2% YoY to US\$34.9bn. Non-GAAP operating income grew by 19.3% YoY to US\$2.92bn in 4QFY24, also in line with consensus estimate. Full-year non-GAAP operating income delivered strong growth of 50.4% YoY to US\$10.6bn in FY24, mainly attributable to Salesforce's initiatives to drive productivity and efficiency across business lines. For FY25E, Salesforce guides total revenue to grow by 8-9% YoY to US\$37.7-38.0bn, below consensus estimate of US\$38.6bn due to impact from clients' measured buying process, which raised market concern. However, management expects efficiency gain to continue and guides non-GAAP OPM to rise by c.2ppt to 32.5% in FY25E. We trim FY25-26E revenue forecast by 1-4% on relatively soft guidance and macro outlook. We roll forward our target multiple and derive a TP of US\$350.0 on 22x FY25 EV/EBITDA (previous: US\$329.3 on 24x FY24 EV/EBITDA). Maintain BUY.

■ **Resilient growth across business lines.** cRPO ended at US\$27.6bn in 4QFY24, up 12% YoY, driven by strong execution on early renewals and incremental contribution from new product offerings like Einstein 1 Editions. Sales/Service cloud remained resilient and grew by 10/12% YoY to US\$2.0/2.2bn in 4QFY24. Integration and Analytics revenue delivered robust growth of 21% YoY to US\$1.6bn in 4QFY24, driven by strength in data cloud, MuleSoft and Tableau. Data cloud, as the integral part of Salesforce AI solutions, saw strong traction. In 4QFY24, Data cloud ARR grew by over 90% YoY. 25% of the deals were greater than US\$1mn including Data Cloud. Looking into 1QFY25E, management guides total revenue to grow by 10.6-11.2% YoY to US\$9.12-9.17bn, largely in line with consensus estimate (US\$9.16bn).

■ **Strong momentum of AI offerings.** Salesforce continues to see strength in Einstein 1 Editions, which bundle Data Cloud, AI, and CRM in a single offering. This offering drove significant average sales price uplift from existing customers and also attracted new customers. 15% of the companies that purchased Einstein 1 Editions in FY24 were net new logos. The company expects AI will make more meaningful financial contribution in FY25, but they have not factored in such contribution into the FY25 guidance, to be prudent. We expect the monetization of AI offerings to be a key catalyst of its business growth and valuation.

■ **Expect further margin improvement in FY25E.** Non-GAAP operating margin rose by 2.3ppt to 31.4% in 4QFY24E, driven by continuous efficiency gain. Non-GAAP sales and marketing expenses ratio was down by c.2ppt YoY to 32% in 4QFY24. Management guides another c.2ppt operating margin improvement in FY25E, mainly due to operating leverage from prudent headcount control. We expect operating leverage will support Salesforce's earnings growth in FY25E.

Earnings Summary

(YE 31 Jan)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (US\$ mn)	31,352	34,857	38,069	41,338	44,641
Adjusted net profit (US\$ mn)	5,224.0	8,087.0	9,433.4	10,702.2	12,171.3
YoY growth (%)	12.1	54.8	16.6	13.5	13.7
EPS (Adjusted) (US\$)	5.27	8.30	9.69	10.99	12.50
Consensus EPS (US\$)	5.27	8.30	9.63	11.13	12.69
P/E (x)	813.1	50.4	47.3	41.3	35.4

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	US\$350.00
(Previous TP)	US\$329.30
Up/Downside	16.8%
Current Price	US\$299.77

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Stock Data

Mkt Cap (US\$ mn)	291,976.0
Avg 3 mths t/o (US\$ mn)	1,489.9
52w High/Low (US\$)	300.39/167.35
Total Issued Shares (mn)	974.0

Source: FactSet

Shareholding Structure

The Vanguard Group	8.2%
BlackRock	7.1%

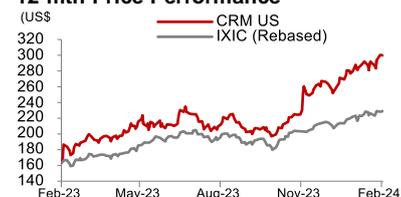
Source: Company data

Share Performance

	Absolute	Relative
1-mth	6.6%	0.9%
3-mth	19.0%	5.6%
6-mth	35.4%	18.5%

Source: FactSet

12-mth Price Performance



Source: FactSet

Business forecasts update and valuation

Figure 1: Salesforce: forecast revision

US\$ bn	Current			Previous			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	38.1	41.3	44.6	38.9	42.9	NA	-2.2%	-3.7%	NA
Gross Profit	28.9	31.7	34.4	29.0	32.2	NA	-0.1%	-1.5%	NA
Non-GAAP OP	12.5	14.2	16.1	12.5	15.0	NA	-0.6%	-5.1%	NA
Non-GAAP NP	9.4	10.7	12.2	9.6	11.4	NA	-2.0%	-6.4%	NA
EPS (US\$)	9.7	11.0	12.5	9.7	11.5	NA	-0.2%	-4.7%	NA
Gross Margin	76.0%	76.7%	77.1%	74.4%	75.0%	NA	1.6 ppt	1.7 ppt	NA
Non-GAAP OPM	32.7%	34.4%	36.1%	32.2%	34.9%	NA	0.5 ppt	-0.5 ppt	NA
Non-GAAP NPM	24.8%	25.9%	27.3%	24.7%	26.7%	NA	0.1 ppt	-0.8 ppt	NA

Source: CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

US\$ bn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	38.1	41.3	44.6	38.6	43.0	48.2	-1.4%	-3.9%	-7.4%
Gross Profit	28.9	31.7	34.4	30.4	33.9	38.0	-4.8%	-6.6%	-9.4%
Non-GAAP OP	12.5	14.2	16.1	12.2	14.3	16.8	1.8%	-1.0%	-4.3%
Non-GAAP NP	9.4	10.7	12.2	9.3	11.0	13.0	1.8%	-2.5%	-6.2%
EPS (US\$)	9.7	11.0	12.5	9.6	11.1	12.7	0.5%	-1.3%	-1.5%
Gross Margin	76.0%	76.7%	77.1%	78.7%	78.9%	78.7%	-2.7 ppt	-2.2 ppt	-1.7 ppt
Non-GAAP OPM	32.7%	34.4%	36.1%	31.7%	33.4%	34.9%	1.0 ppt	1.0 ppt	1.2 ppt
Non-GAAP NPM	24.8%	25.9%	27.3%	24.0%	25.5%	26.9%	0.8 ppt	0.4 ppt	0.4 ppt

Source: Bloomberg, CMBIGM estimates

Figure 3: Salesforce: quarterly financial

(US\$ bn)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	Cons.	Diff%
Sales	1,632	1,695	1,717	1,787	1,810	1,895	1,906	1,969	1,969	0.0%
YoY %	17.6%	14.8%	11.6%	12.7%	10.9%	11.8%	11.0%	10.2%		
Services	1,761	1,828	1,856	1,924	1,964	2,049	2,074	2,158	2,141	0.8%
YoY %	16.9%	14.3%	11.9%	12.5%	11.5%	12.1%	11.7%	12.2%		
Platform & Other	1,419	1,478	1,513	1,557	1,567	1,638	1,686	1,720	1,728	-0.5%
YoY %	55.4%	52.5%	18.5%	15.3%	10.4%	10.8%	11.4%	10.5%		
Marketing & Commerce	1,089	1,121	1,129	1,177	1,170	1,238	1,230	1,274	1,281	-0.5%
YoY %	21.7%	17.4%	12.2%	12.5%	7.4%	10.4%	8.9%	8.2%		
Integration and Analytics	955	1,021	1,018	1,344	1,131	1,186	1,245	1,627	1,500	8.5%
YoY %	14.5%	11.8%	13.1%	18.3%	18.4%	16.2%	22.3%	21.1%		
Total revenue	7,411	7,720	7,837	8,384	8,247	8,603	8,720	9,287	9,219	0.7%
YoY %	24.3%	21.8%	14.2%	14.4%	11.3%	11.4%	11.3%	10.8%		
Non-GAAP OP	1,308	1,536	1,777	2,447	2,274	2,721	2,717	2,920	2,907	0.4%
YoY %	8.5%	19.0%	30.9%	123.3%	73.9%	77.1%	52.9%	19.3%		
Non-GAAP OPM	17.6%	19.9%	22.7%	29.2%	27.6%	31.6%	31.2%	31.4%		
Non-GAAP NP	982	1,190	1,398	1,656	1,674	2,094	2,068	2,251	2,225	1.2%
YoY %	-13.9%	-15.1%	9.8%	96.4%	70.5%	76.0%	47.9%	35.9%		
Non-GAAP NPM	13.3%	15.4%	17.8%	19.8%	20.3%	24.3%	23.7%	24.2%		

Source: Company data, CMBIGM estimates

Valuation

We value Salesforce at US\$350.0 per share based on 22x FY25E EV/EBITDA (FY ends at 31 Jan 2025). Our target EV/EBITDA is at a discount to the sector average (28x), since Salesforce's earnings growth has entered a more mature stage.

Figure 4: Salesforce: target valuation

EV/EBITDA Valuation (US\$m)	FY25E
Adjusted EBITDA	15,097
Target FY25E EV/EBITDA	22
Target EV	332,126
Net cash	12,259
Target equity valuation	344,385
Valuation per share (USD)	350.0

Source: Company data, CMBIGM estimates

Figure 5: SaaS: valuation comparison

Companies	Ticker	Price (LC)	EV/Sales (x)		EV/EBITDA (x)		Rev CAGR 23-25E
			2024E	2025E	2024E	2025E	
CRM							
Salesforce	CRM US	299.8	6.8	6.1	19.3	17.2	15%
HubSpot	HUBS US	612.7	10.1	8.5	49.8	36.0	18%
Five9	FIVN US	60.7	3.6	3.0	19.1	14.2	18%
ITSM							
ServiceNow	NOW US	759.8	14.1	11.7	40.8	32.4	22%
Atlassian	TEAM US	207.1	10.3	8.4	45.3	35.0	21%
Security							
CrowdStrike	CRWD US	320.9	19.1	15.2	NA	54.3	30%
Okta	OKTA US	87.3	5.1	4.7	NA	21.3	10%
Datadog	DDOG US	130.5	13.0	10.0	58.9	38.3	25%
ERP							
SAP	SAP US	186.7	6.7	6.0	25.5	18.8	8%
Oracle	ORCL US	111.7	6.8	6.2	13.5	12.2	8%
Collaboration							
Twilio	TWLO US	59.8	1.7	1.6	10.4	11.9	7%
Ring Central	RNG US	33.0	1.7	1.6	6.8	6.8	8%
Zoom	ZM US	69.6	3.0	2.8	7.6	8.6	4%
Average			7.9	6.6	27.8	24.1	

Source: Bloomberg, CMBIGM

Note: data are as of 28 Feb 2024

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Jan (US\$ mn)						
Revenue	26,492	31,352	34,857	38,069	41,338	44,641
Cost of goods sold	(7,026)	(8,360)	(8,541)	(9,130)	(9,619)	(10,243)
Gross profit	19,466	22,992	26,316	28,939	31,719	34,399
Operating expenses	(18,918)	(21,962)	(21,305)	(21,129)	(22,675)	(23,864)
Selling expense	(11,855)	(13,526)	(12,877)	(13,134)	(13,834)	(14,491)
Admin expense	(2,598)	(3,381)	(3,522)	(2,855)	(3,054)	(3,248)
R&D expense	(4,465)	(5,055)	(4,906)	(5,139)	(5,787)	(6,125)
Operating profit	548	1,030	5,011	7,811	9,044	10,534
Other expense	(227)	(131)	216	190	207	223
Other gains/(losses)	1,211	(239)	(277)	(290)	(413)	(446)
Pre-tax profit	1,532	660	4,950	7,711	8,838	10,311
Income tax	(88)	(452)	(814)	(1,542)	(1,768)	(2,062)
After tax profit	1,444	208	4,136	6,169	7,070	8,249
Net profit	1,444	208	4,136	6,169	7,070	8,249
Adjusted net profit	4,659	5,224	8,087	9,433	10,702	12,171
BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Jan (US\$ mn)						
Current assets	22,850	26,395	29,074	33,382	39,452	45,676
Cash & equivalents	5,464	7,016	8,472	12,259	17,866	23,691
Account receivables	9,739	10,755	11,414	11,843	12,216	12,533
Prepayment	1,120	1,356	1,561	1,654	1,742	1,825
Financial assets at FVTPL	5,073	5,492	5,722	5,722	5,722	5,722
Other current assets	1,454	1,776	1,905	1,905	1,905	1,905
Non-current assets	72,359	72,454	70,749	70,287	70,312	70,626
PP&E	2,815	3,702	3,689	4,277	4,899	5,552
Deferred income tax	2,623	2,800	3,433	3,433	3,433	3,433
Investment in JVs & assos	4,784	4,672	4,848	4,848	4,848	4,848
Intangibles	8,978	7,125	5,278	4,228	3,631	3,292
Goodwill	47,937	48,568	48,620	48,620	48,620	48,620
Other non-current assets	5,222	5,587	4,881	4,881	4,881	4,881
Total assets	95,209	98,849	99,823	103,669	109,764	116,302
Current liabilities	21,788	25,891	26,631	26,127	26,595	26,062
Account payables	5,356	6,486	6,111	6,336	6,475	6,688
Other current liabilities	4	1,182	999	999	999	999
Lease liabilities	800	847	518	518	518	518
Contract liabilities	15,628	17,376	19,003	18,273	18,602	17,856
Non-current liabilities	15,290	14,599	13,546	13,546	13,546	13,546
Long-term borrowings	10,592	9,419	8,427	8,427	8,427	8,427
Other non-current liabilities	4,698	5,180	5,119	5,119	5,119	5,119
Total liabilities	37,078	40,490	40,177	39,673	40,141	39,608
Share capital	1	1	1	1	1	1
Capital surplus	50,919	55,047	59,841	58,022	56,579	55,401
Retained earnings	7,377	7,585	11,721	17,890	24,960	33,209
Other reserves	(166)	(4,274)	(11,917)	(11,917)	(11,917)	(11,917)
Total shareholders equity	58,131	58,359	59,646	63,996	69,623	76,694
Total equity and liabilities	95,209	98,849	99,823	103,669	109,764	116,302

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Jan (US\$ mn)						
Operating						
Profit before taxation	1,532	660	4,950	7,711	8,838	10,311
Depreciation & amortization	3,298	3,786	3,959	2,641	2,236	2,030
Tax paid	(88)	(452)	(814)	(1,542)	(1,768)	(2,062)
Change in working capital	(2,869)	(1,830)	(2,573)	(1,026)	6	(932)
Others	4,127	4,947	4,712	2,931	3,307	3,571
Net cash from operations	6,000	7,111	10,234	10,716	12,619	12,918
Investing						
Capital expenditure	(717)	(798)	(736)	(952)	(1,033)	(1,116)
Acquisition of subsidiaries/ investments	(14,876)	(439)	(82)	0	0	0
Net proceeds from disposal of short-term investments	(1,495)	(3,006)	(2,250)	0	0	0
Others	2,552	2,254	1,741	(1,228)	(1,228)	(1,228)
Net cash from investing	(14,536)	(1,989)	(1,327)	(2,179)	(2,261)	(2,344)
Financing						
Net borrowings	6,705	(4)	(1,182)	0	0	0
Share repurchases	0	(4,000)	(7,620)	(4,750)	(4,750)	(4,750)
Others	1,133	442	1,325	0	0	0
Net cash from financing	7,838	(3,562)	(7,477)	(4,750)	(4,750)	(4,750)
Net change in cash						
Cash at the beginning of the year	6,195	5,464	7,016	8,472	12,259	17,866
Exchange difference	(33)	(8)	26	0	0	0
Cash at the end of the year	5,464	7,016	8,472	12,259	17,866	23,691
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Jan						
Revenue	24.7%	18.3%	11.2%	9.2%	8.6%	8.0%
Gross profit	23.1%	18.1%	14.5%	10.0%	9.6%	8.4%
Operating profit	20.4%	88.0%	386.5%	55.9%	15.8%	16.5%
Net profit	(64.5%)	(85.6%)	1,888.5%	49.1%	14.6%	16.7%
Adj. net profit	1.7%	12.1%	54.8%	16.6%	13.5%	13.7%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Jan						
Gross profit margin	73.5%	73.3%	75.5%	76.0%	76.7%	77.1%
Operating margin	2.1%	3.3%	14.4%	20.5%	21.9%	23.6%
Adj. net profit margin	17.6%	16.7%	23.2%	24.8%	25.9%	27.3%
Return on equity (ROE)	2.9%	0.4%	7.0%	10.0%	10.6%	11.3%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Jan						
Current ratio (x)	1.0	1.0	1.1	1.3	1.5	1.8
Receivable turnover days	134.2	125.2	119.5	113.5	107.9	102.5
Payable turnover days	(278.2)	(283.2)	(261.2)	(253.3)	(245.7)	(238.3)
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Jan						
P/E	163.9	813.1	50.4	47.3	41.3	35.4
P/E (diluted)	167.2	817.2	50.9	47.8	41.7	35.8
P/B	4.1	2.9	3.5	4.6	4.2	3.8

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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