

Salesforce (CRM US)

Inline 3QFY25 results; Agentforce as the key catalyst

Salesforce announced inline 3QFY25 results: total revenue was up by 8% YoY to US\$9.44bn, and non-GAAP net income grew by 12% YoY to US\$2.32bn, both in line with Bloomberg consensus estimate. cRPO was up by 10% YoY on constant currency basis in 3QFY25 and beat previous guidance (+9% YoY), thanks to the early renewal, solid booking performance and strong momentum of Agentforce. For 4QFY25E, the company guided total revenue to grow by 7-9% YoY to US\$9.90-10.10bn, in line with consensus estimate of US\$10.05bn. The company also slightly raised FY25E non-GAAP OPM guidance to 32.9% (previous: 32.8%). Leveraging Agentforce and Einstein, Salesforce is now one of the largest suppliers of enterprise AI in the world, with c.2tn Einstein transactions per week. We expect Salesforce will continue to benefit from the development of AI applications, and raise our target price to US\$410.0 based on 24x FY25E EV/EBITDA (previous: US\$336.5 on 20x FY25E EV/EBITDA). Maintain BUY.

- **cRPO momentum continues.** cRPO grew by 10% YoY on constant currency basis in 3QFY25 and was ahead of previous guidance (+9% YoY), mainly driven by early renewal favourability and strong momentum of AI-related deals. The number of newly-signed AI deals more than tripled YoY to 2,000 in 3QFY25, including over 200 Agentforce deals, which was just launched in Oct. The strong momentum of multi-cloud adoption also continues, with the top 25 deals averaging over 5 clouds each. By segment, sales/service/platform & other/marketing & commerce/integration & analytics cloud revenue grew by 11/10/8/8/5% YoY in 3QFY25.
- **Agentforce to unleash AI monetization opportunities.** Agentforce, Salesforce's AI agent platform, saw strong demand after its launch in Oct, with over 200 Agentforce deals closed in 3QFY25. While most of the Agentforce deals are still in the Service Cloud space, Salesforce plans to launch Agentforce 2.0 in Dec, which shall cover a wider spectrum of use cases and further unleash monetization opportunities. Enterprise AI transformation has also boosted demand for Salesforce's Data Cloud, which is the foundation to implement AI. Data Cloud was included in one-third of all the deals over US\$1mn and 8 of the top 10 deals in 3QFY25.
- **Enhanced margin on efficiency improvement and expense control.** Non-GAAP operating margin improved by 1.9ppt YoY to 33.1% in 3QFY25, and management guided FY25E operating margin to rise by 2.4ppt YoY to 32.9%, driven by enhanced efficiency and disciplined expense control, partially offset by the investment in growth opportunities like Agentforce and Data Cloud. Salesforce also leveraged its own AI capabilities like Agentforce to improve its operating efficiency, which we expect to support its long-term margin expansion.

Earnings Summary

(YE 31 Jan)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (US\$ mn)	31,352	34,857	37,938	41,049	44,169
Adjusted net profit (US\$ mn)	5,224.0	8,087.0	9,743.8	11,037.1	12,299.0
YoY growth (%)	12.1	54.8	20.5	13.3	11.4
EPS (Adjusted) (US\$)	5.27	8.30	10.16	11.50	12.82
Consensus EPS (US\$)	5.27	8.30	10.10	11.16	12.74
P/E (x)	1,754.5	86.6	56.5	48.3	41.9

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price US\$410.00
 (Previous TP US\$336.50)
Up/Downside 11.5%
Current Price US\$367.87

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Stock Data

Mkt Cap (US\$ mn)	352,971.3
Avg 3 mths t/o (US\$ mn)	1,002.4
52w High/Low (US\$)	367.87/218.01
Total Issued Shares (mn)	959.5

Source: FactSet

Shareholding Structure

The Vanguard Group	8.6%
BlackRock	7.5%

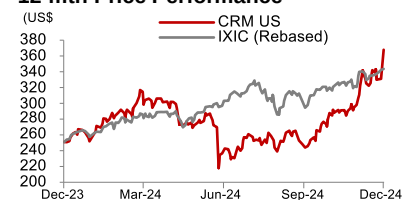
Source: Company data

Share Performance

	Absolute	Relative
1-mth	23.7%	17.0%
3-mth	49.5%	31.4%
6-mth	55.5%	37.2%

Source: FactSet

12-month 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	37.9	41.0	44.2	37.8	40.9	44.0	0.3%	0.4%	0.4%
Gross profit	29.2	32.0	34.6	28.8	31.4	33.9	1.6%	2.1%	2.2%
Non-GAAP OP	12.5	14.2	15.9	12.4	14.1	15.7	0.6%	0.8%	0.9%
Non-GAAP NP	9.7	11.0	12.3	9.7	10.9	12.2	0.6%	0.8%	0.9%
EPS (US\$)	10.2	11.5	12.8	9.9	11.2	12.5	2.1%	2.3%	2.5%
Gross margin	77.0%	78.0%	78.3%	76.0%	76.7%	77.0%	1.0 ppt	1.3 ppt	1.3 ppt
Non-GAAP OPM	32.9%	34.6%	35.9%	32.8%	34.4%	35.7%	0.1 ppt	0.1 ppt	0.2 ppt
Non-GAAP NPM	25.7%	26.9%	27.8%	25.6%	26.8%	27.7%	0.1 ppt	0.1 ppt	0.1 ppt

Source: CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

US\$ bn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	37.9	41.0	44.2	37.9	41.3	45.2	0.2%	-0.6%	-2.2%
Non-GAAP OP	12.5	14.2	15.9	12.4	14.1	16.0	0.5%	0.6%	-0.7%
Non-GAAP NP	9.7	11.0	12.3	9.9	10.9	12.5	-1.2%	1.1%	-1.4%
EPS (US\$)	10.2	11.5	12.8	10.1	11.2	12.7	0.5%	3.1%	0.6%
Non-GAAP OPM	32.9%	34.6%	35.9%	32.8%	34.2%	35.4%	0.1 ppt	0.4 ppt	0.5 ppt
Non-GAAP NPM	25.7%	26.9%	27.8%	26.0%	26.4%	27.6%	-0.4 ppt	0.5 ppt	0.2 ppt

Source: Bloomberg, CMBIGM estimates

Figure 3: Salesforce: quarterly financials

(US\$ bn)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	Cons.	Diff%
Sales	1,787	1,810	1,895	1,906	1,969	1,998	2,071	2,119		
YoY %	12.7%	10.9%	11.8%	11.0%	10.2%	10.4%	9.3%	11.2%		
Services	1,924	1,964	2,049	2,074	2,158	2,182	2,257	2,288		
YoY %	12.5%	11.5%	12.1%	11.7%	12.2%	11.1%	10.2%	10.3%		
Platform & Other	1,557	1,567	1,638	1,686	1,720	1,718	1,786	1,825		
YoY %	15.3%	10.4%	10.8%	11.4%	10.5%	9.6%	9.0%	8.2%		
Marketing & Commerce	1,177	1,170	1,238	1,230	1,274	1,282	1,308	1,334		
YoY %	12.5%	7.4%	10.4%	8.9%	8.2%	9.6%	5.7%	8.5%		
Integration and Analytics	1,344	1,131	1,186	1,245	1,627	1,405	1,342	1,313		
YoY %	18.3%	18.4%	16.2%	22.3%	21.1%	24.2%	13.2%	5.5%		
Total revenue	8,384	8,247	8,603	8,720	9,287	9,133	9,325	9,444	9,351	1.0%
YoY %	14.4%	11.3%	11.4%	11.3%	10.8%	10.7%	8.4%	8.3%		
Non-GAAP OP	2,447	2,274	2,721	2,717	2,920	2,928	3,144	3,123	3,015	3.6%
YoY %	123.3%	73.9%	77.1%	52.9%	19.3%	28.8%	15.5%	14.9%		
Non-GAAP OPM	29.2%	27.6%	31.6%	31.2%	31.4%	32.1%	33.7%	33.1%		
Non-GAAP NP	1,656	1,674	2,094	2,068	2,251	2,407	2,495	2,321	2,372	-2.2%
YoY %	96.4%	70.5%	76.0%	47.9%	35.9%	43.8%	19.1%	12.2%		
Non-GAAP NPM	19.8%	20.3%	24.3%	23.7%	24.2%	26.4%	26.8%	24.6%		

Source: Company data, Bloomberg, CMBIGM

Valuation

We value Salesforce at US\$410.0 per share based on 24x FY25E EV/EBITDA. Our target EV/EBITDA is at a discount to the sector average (31x), given Salesforce earnings growth has entered a more mature stage.

Figure 4: Salesforce: target valuation

EV/EBITDA Valuation (US\$m)		FY25E
Adjusted EBITDA		15,984
Target FY25E EV/EBITDA		24
Target EV		383,606
Net cash		14,108
Target equity valuation		397,714
Valuation per share (USD)		410.0

Source: Company data, CMBIGM estimates

Figure 5: SaaS: valuation comparison

Companies	Ticker	Price (Local)	2024E	EV/Sales (x)			2024E	EV/EBITDA (x)		Rev CAGR 24-26E
				2025E	2026E		2025E	2026E		
CRM										
HubSpot	HUBS US	719.4	14.1	12.2	10.4	67.4	56.3	44.0	17%	
Five9	FIVN US	41.5	3.1	2.8	2.5	16.8	14.3	12.1	11%	
ITSM										
ServiceNow	NOW US	1057.3	19.6	16.2	13.5	61.8	48.8	38.8	21%	
Atlassian	TEAM US	268.4	13.5	11.2	9.4	55.9	44.7	35.2	19%	
Security										
CrowdStrike	CRWD US	350.0	21.3	17.6	14.4	86.3	69.3	52.3	24%	
Okta	OKTA US	81.7	5.1	4.6	4.2	na	na	17.1	11%	
ERP										
SAP	SAP US	243.9	8.8	7.9	7.0	34.0	23.9	20.4	11%	
Oracle	ORCL US	182.9	10.2	9.1	8.0	19.9	17.4	15.1	12%	
Collaboration										
Twilio	TWLO US	107.3	3.1	2.9	2.7	16.2	15.0	13.4	7%	
Ring Central	RNG US	37.1	2.0	1.8	1.7	8.0	6.9	6.3	8%	
Zoom	ZM US	82.6	4.0	3.9	3.7	9.6	9.4	9.2	3%	
Average			9.5	8.2	7.0	37.6	30.6	24.0		

Source: Bloomberg, CMBIGM

Note: data are as of 3 Dec 2024

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Jan (US\$ mn)						
Revenue	26,492	31,352	34,857	37,938	41,049	44,169
Cost of goods sold	(7,026)	(8,360)	(8,541)	(8,728)	(9,028)	(9,574)
Gross profit	19,466	22,992	26,316	29,210	32,021	34,595
Operating expenses	(18,918)	(21,962)	(21,305)	(21,701)	(23,124)	(24,249)
Selling expense	(11,855)	(13,526)	(12,877)	(13,203)	(14,142)	(14,761)
Admin expense	(2,598)	(3,381)	(3,522)	(3,035)	(3,235)	(3,428)
R&D expense	(4,465)	(5,055)	(4,906)	(5,463)	(5,747)	(6,060)
Operating profit	548	1,030	5,011	7,510	8,897	10,346
Other expense	(227)	(131)	216	379	328	265
Other gains/(losses)	1,211	(239)	(277)	(76)	(82)	(88)
Pre-tax profit	1,532	660	4,950	7,813	9,144	10,523
Income tax	(88)	(452)	(814)	(1,563)	(1,829)	(2,105)
After tax profit	1,444	208	4,136	6,250	7,315	8,418
Net profit	1,444	208	4,136	6,250	7,315	8,418
Adjusted net profit	4,659	5,224	8,087	9,744	11,037	12,299

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Jan (US\$ mn)						
Current assets	22,850	26,395	29,074	35,806	41,517	49,318
Cash & equivalents	5,464	7,016	8,472	14,108	19,390	26,832
Account receivables	9,739	10,755	11,414	12,423	12,770	13,053
Prepayment	1,120	1,356	1,561	1,648	1,730	1,805
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	69,421	68,756	68,768
PP&E	2,815	3,702	3,689	3,764	3,804	4,168
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	3,874	3,171	2,818
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	105,227	110,273	118,085
Current liabilities	21,788	25,891	26,631	27,347	26,463	27,073
Account payables	5,356	6,486	6,111	5,495	4,832	4,355
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	20,335	20,114	21,201
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	40,893	40,009	40,619
Share capital	1	1	1	1	1	1
Capital surplus	50,919	55,047	59,841	58,278	56,894	55,677
Retained earnings	7,377	7,585	11,721	17,971	25,286	33,705
Other reserves	(166)	(4,274)	(11,917)	(11,917)	(11,917)	(11,917)
Total shareholders equity	58,131	58,359	59,646	64,333	70,264	77,466
Total equity and liabilities	95,209	98,849	99,823	105,227	110,273	118,085

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Jan (US\$ mn)						
Operating						
Profit before taxation	1,532	660	4,950	7,813	9,144	10,523
Depreciation & amortization	3,298	3,786	3,959	3,504	2,918	2,321
Tax paid	(88)	(452)	(814)	(1,563)	(1,829)	(2,105)
Change in working capital	(2,869)	(1,830)	(2,573)	(380)	(1,313)	251
Others	4,127	4,947	4,712	3,187	3,366	3,534
Net cash from operations	6,000	7,111	10,234	12,562	12,287	14,524
Investing						
Capital expenditure	(717)	(798)	(736)	(948)	(1,026)	(1,104)
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)	(2,176)	(2,254)	(2,332)
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	14,108	19,390
Exchange difference	(33)	(8)	26	0	0	0
Cash at the end of the year	5,464	7,016	8,472	14,108	19,390	26,832
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Jan						
Revenue	24.7%	18.3%	11.2%	8.8%	8.2%	7.6%
Gross profit	23.1%	18.1%	14.5%	11.0%	9.6%	8.0%
Operating profit	20.4%	88.0%	386.5%	49.9%	18.5%	16.3%
Net profit	(64.5%)	(85.6%)	1,888.5%	51.1%	17.0%	15.1%
Adj. net profit	1.7%	12.1%	54.8%	20.5%	13.3%	11.4%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Jan						
Gross profit margin	73.5%	73.3%	75.5%	77.0%	78.0%	78.3%
Operating margin	2.1%	3.3%	14.4%	19.8%	21.7%	23.4%
Adj. net profit margin	17.6%	16.7%	23.2%	25.7%	26.9%	27.8%
Return on equity (ROE)	2.9%	0.4%	7.0%	10.1%	10.9%	11.4%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Jan						
Current ratio (x)	1.0	1.0	1.1	1.3	1.6	1.8
Receivable turnover days	134.2	125.2	119.5	119.5	113.5	107.9
Payable turnover days	(278.2)	(283.2)	(261.2)	(229.8)	(195.3)	(166.0)
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Jan						
P/E	243.3	1,754.5	86.6	56.5	48.3	41.9
P/E (diluted)	248.1	1,763.3	87.5	57.1	48.8	42.4
P/B	6.0	6.3	6.0	5.5	5.0	4.6

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

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