




Div %	Div \$	Current Price	Current Multiple	Market Cap	Beta
NA	NA	\$237.38	143.45	\$917.7	1.1

Analyst Report: Salesforce.com

TICKER: CRM

EXECUTIVE SUMMARY

Salesforce.com, Inc. is a provider of enterprise software, delivered through the cloud, with a focus on customer relationship management (CRM). The Company focuses on cloud, mobile, social, Internet of Things (IoT) and artificial intelligence technologies. The Company's service offerings are configured and integrated with other platforms and enterprise applications. The Company delivers its service offerings via Internet browsers and on mobile devices. Its Customer Success Platform is a portfolio of service offerings providing sales force automation, customer service and support, marketing automation, digital commerce, community management, analytics, application development, IoT integration, collaborative productivity tools and its professional cloud services. Its cloud service offerings include Sales Cloud, Service Cloud, Marketing Cloud, Commerce Cloud, Community Cloud, Analytics Cloud, Salesforce Quip and Salesforce Platform.

Metric	InSight Score (out of 5)
Solvency Debt Service and Income	
Corporate Efficacy Return on Equity, Historic Growth	
Growth Revenue Growth, Cash Flow	
Return of Capital Dividend Growth, Buybacks	
Total Return Aggregate vs. Current P/E	

COMPANY HIGHLIGHTS

InSight is expecting the 2021 earnings to be +\$4.50 a share and anticipates the same in '22 with expanded margins. The acquisition of Slack will hamper earnings in '22 but we anticipate an expansion of earnings to expand 16% in '23. Revenue increased \$3.8B from 2019 to 2020, the largest single year increase in the company's history. Accelerating adoption from covid is part of the store, but the last 5 years have seen an increase in every year. Salesforce is growing in market share, wallet share, custom services, and penetration in the space. We think CRM is in the 3rd inning of a major shift in the enterprise client management space.

- CRM had a post of 2% higher gross margin
- InSight expects the 2021 operating margin at CRM to be ~20% in '21. We are increasing the expected gross margin to 22% by FY23 and to 25% in FY24.
- InSight wants to see 22% 3-yr. revenue CAGR, and expects a 6% Y/Y growth can be achieved.
- ~35% of the current instal base is the legacy CRM install, which we see as a great source of adoption to the higher margin cloud business. ~65% is the cloud subscriptions business.
- Covid-19 slowed spending growth in the space initially, but we expect a faster adoption to the cloud will be a continued effect of the virus. Flexibility and portability of the program among the work from home momentum will drive this transition.
- CRM captured more total share in '20 then in '19, emphasizing the adoption to the vendor is also strong.
- The Faster cloud migration is also a leading indicator for the cross-sell opportunity businesses.
- The acquisition of Slack is going to be a boom for CRM, the high priced cross sell brings both a product usage and revenue lawyer into the core offering of Salesforce.com



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SECTOR OVERVIEW

Salesforce.com is in the Information Technology index and the Software subcategory. The technology group is so distorted by the top end of the market (AAPL and MSFT) that the natural exposure of CRM in the space seems small at only 2.4%. Overweight ownership of CRM gets investors a pure play and high exposure to the software group and represents an exposure outside of technology. CRMs usage is core to retail, enterprise software, and GPD expansion in general making it a bellwether for growth. Correlation will increase as both the market cap rewards CRM with a greater piece of the technology sector make up. This company has truly become a seller of shovels and hammers into the wider goad rush that is the Technology group. Ownership of this stock outright represents a pure play in software and an overweight exposure to growth in an already growing sector.

IMPACT INSIGHT (ESG)

+A Rating (Climate Change Mitigator, Low Profile, Advocate)

Environmentally - Salesforce.com has committed to making their cloud and data facilities 100% powered by renewable energy and has committed both money and the CRM system to advocates for the environment. Salesforce laid out a 12 project to expand wind production in Texas and West Virginia to achieve it's 100% renewable goal. It is about 5 years from achieving the 100% renewable goal. In 2017 i achieved its goal of being a "net zero" company mitigating its greenhouse gas emissions to zero though the purchase of credits and cutting it consumption from high greenhouse gas emissions grids. The CRM system is at work at Life is On, the Sierra Club, and Pollinate Energy as partnerships to further the environmental awareness and expand the message of environmental sustainability.

Socially - CEO Marc Benioff has been committed to paying a higher wage in the places they do business, he has also championed several measures to tax the high earning tech companies in the bay area to provide more revenue to the cities and people where they do business. Hehas been an active manager, in investing in local communities, and has donated the CRM systems and money to improving the relationship Salesforce has in the places they do business.

Governance - Few red flags have been found regarding the companies reporting and transparency. The company is overseen by the NYSE and all US federal authorities. It represents something of a safehavens in a national discussion regarding the tech names that may have become "too big." Salesforce has been left out of the data mining and social media issues discussed in congress. In the decade of the 2000's some accounting questions arose surrounding the recognition of revenue as a SaaS provider and few resulted in anything material. Since then both the Salesforce reporting and the accounting practices for software companies have both changed to reflect the transition in accounting for service providers like salesforce.

DISCLAIMER:

Past performance is not an indication of the future performance and should not be relied upon as such

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