

A low-angle, upward-looking perspective of several modern skyscrapers with glass facades, reaching towards a bright blue sky with scattered white clouds. The perspective creates a sense of height and architectural grandeur. The buildings are dark in the foreground, with the sky and clouds becoming more prominent as they recede into the distance.A solid orange horizontal bar located in the top right corner of the image.

# Salesforce

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## Company Background

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- Salesforce is known as a customer relationship management platform (CRM) that helps firms in managing different operations such as marketing and customer service
- The company was founded in 1999 and has since grown to become one of the most popular CRM platforms in the world
- Salesforce boasts an extensive range of different tools to help businesses work closely alongside each other, by simplifying the ability to email clients, social media presence and analytical tools
- As of April 28, 2023, Salesforce's net worth is measured at approximately \$195.94bn

# Service Details

- **Reports and Analytics** – The platform includes an extensive range of tools to help track customer service performance, as well as providing details on areas of improvement. This has proven extremely useful optimizing experience for all customer types.
- **Cross-channel support** – The platform also allows businesses to support clients through a wide variety of channels such as phone, email, social media and SMS. This allows for a consistent customer experience regardless of how clients choose to communicate
- **Client case management** – Salesforce provides a centralized system to help manage clientele at a case-by-case level. This helps with customer inquiries and allows businesses to target and prioritize individual cases that may be more important than others.

# SWOT

## Strengths

- **Brand Recognition:** The International Data Corporation (IDC) has ranked Salesforce as the #1 CRM provider in its latest Worldwide Semi-annual Software Tracker (Salesforce, 2023).
- **Large Customer Base:** Salesforce has a sizable and varied customer base that includes both small and large organisations from a variety of sectors.
- **Strong Product Offerings:** Salesforce provides a variety of goods and services to meet the demands of its customers in the areas of sales, marketing, customer support, and e-commerce.

## Weaknesses

- **High pricing:** Salesforce's goods and services can be costly particularly for small and medium-sized organisations. Their marketing cloud account engagement costs \$1,250pm (Salesforce, n.d.).
- **Complexity:** The Salesforce platform can be challenging to use, especially for novice users or those with little prior knowledge of CRM platforms.

# SWOT

## Opportunities

- **Growing demand for CRM software:** The need for CRM software is anticipated to increase as businesses work to enhance customer engagement and experience. Revenue is expected to show an annual growth rate (CAGR 2023-2028) of 10.68%, resulting in a market volume of US\$131.90bn by 2028 (Statista, n.d.).
- **Investment in A.I. and Machine Learning (M.L.):** AI-powered CRM systems enable brands to gain actionable insights and better understand customer needs and preferences (Hein, 2023).

## Threats

- **Data privacy and security concerns:** Despite Salesforce's comprehensive security precautions, many companies and people continue to have serious concerns about data privacy and security.
- **Increasing competition:** The number of enterprises providing CRM solutions to businesses of all sizes and sectors has increased in recent years, resulting in an increasingly saturated CRM market.

# Upcoming Pipeline/News

- In 2020, Salesforce completed the acquisition of the work-chat service Slack for \$27.7 billion. With it being the largest acquisition in the company's history, the platforms both now hope to be able to compete with industry titan Microsoft.
- April 2023, Salesforce has made a step forward in the currently popular AI wave. The company announced that Einstein GPT and Data cloud features will be added to their 'Cloud' service. These new AI additions will allow for more complex customer automation tools.
- Also, in April of this year, the platform announced their new public sector compliance certifications. This enables US government agencies to make use of the platforms' CRM, data analytics and AI tools to boost productivity, improve citizen engagement and reduce overall costs.



# ESG (Salesforce FY2023 Impact Report)

Environmental	Social	Governance
Emissions: Salesforce have already achieved net zero residual emissions and 100% renewable energy for its operations.	Diversity & Inclusion: Salesforce's U.S workforce has achieved their target of having 50% personnel from underrepresented groups, ahead of their end of FY-2024 target.	Committee: Salesforce have set up an Audit Committee, Compensation Committee and a Nominating and Governance Committee made up of board members independent of Salesforce to ensure integrity.
Climate Action Plan: Salesforce have set out a detailed Climate Action Plan, with six sustainability priorities: emissions reduction, carbon removal, trillion trees & ecosystem restoration, education & mobilisation, innovation, and regulation & policy.	Human Rights: Salesforce is committed to respecting and promoting all human rights. They support the Universal Declaration of Human Rights as a global standard and the United Nations Global Compact's principles-based approach to doing business.	Supply Chain: Salesforce have set out a Global Supplier Code of Conduct to ensure all suppliers meet strict criteria and comply with their ESG morals and ethics.
Support for Ecopreneurs: Salesforce have worked with the World Economic Forum and Deloitte to create 'UpLink', a platform to support Ecopreneurs, providing \$1.5 billion in funding.	Supporting Communities: Salesforce is committed to supporting the communities in which they operate: the company commits 1% of their equity, technology and employees time to build a more equitable and sustainable world.	Government Affairs: Salesforce advocates for public policies that serve stakeholders, including shareholders, customers, employees, partners, communities, the planet, and society.

# ESG (Sustainalytics , 2023)

## ESG Risk Rating

COMPREHENSIVE



12.8 Low Risk



## Ranking

Industry Group (1st = lowest risk)

Software & Services

20 out of 1084

Universe

Global Universe

781 out of 15231

## Industry Comparison

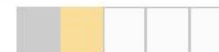
Company

ESG Risk Rating

Industry Rank

SAP SE

10.8

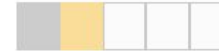


Low

9 out of 1084

Salesforce, Inc.

12.8



Low

20 out of 1084

Adobe, Inc.

13.2

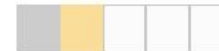


Low

27 out of 1084

Oracle Corp.

13.9



Low

36 out of 1084

Microsoft Corp.

15.3



Low

75 out of 1084



# Revenue Streams



MAIN SOURCE OF REVENUE  
STREAMS IS SUBSCRIPTIONS.



PROFESSIONAL SERVICES IS AN  
ADDITIONAL SOURCE OF REVENUE  
FOR THE COMPANY



ANOTHER REVENUE STREAM IS  
THROUGH SALES OF THIRD-PARTY  
APPLICATIONS

# Balance Sheet

Ratios	Meaning	Salesforce Result
Current Ratio  (Current Assets / Current Liabilities)	<p>A liquidity ratio that measures if a firm has enough capital to meet its short-term obligations.</p> <p>As a general rule, &gt; 1.5 or above industry average is seen as strong</p>	<p>2023 – 1.02 2022 - 1.04 2021 - 1.23 2020 - 1.07</p>
Quick ratio	<p>This measures the ability of a company to use any cash or quick assets to extinguish its current liabilities immediately</p> <p>As a general rule, a good quick ratio is 1 or above</p>	<p>As salesforce is a service company it is difficult to calculate an accurate quick ratio due to there being little or no physical product.</p>

# Cash Flow

- Salesforce's operating cash flow has remained positive and has steadily grown over the past 4 years.
- The consistent negative investing cash flow indicates that Salesforce have been investing over the past few years with the aim to reap rewards in the future.
- Salesforce's financing cash flow has been mixed over recent years, most recently being negative indicating difficulties raising capital.
- Salesforce have seen a healthy free cash flow, remaining positive since 2020.

## Cash Flow

All numbers in thousands

Breakdown	TTM	1/31/2023	1/31/2022	1/31/2021	1/31/2020
> Operating Cash Flow	7,111,000	7,111,000	6,000,000	4,801,000	4,331,000
> Investing Cash Flow	-1,989,000	-1,989,000	-14,536,000	-3,971,000	-2,980,000
> Financing Cash Flow	-3,562,000	-3,562,000	7,838,000	1,194,000	164,000
> End Cash Position	7,016,000	7,016,000	5,464,000	6,195,000	4,145,000
Income Tax Paid Supplemental Data	510,000	510,000	196,000	216,000	129,000
Interest Paid Supplemental Data	275,000	275,000	187,000	96,000	106,000
Capital Expenditure	-798,000	-798,000	-717,000	-710,000	-643,000
Issuance of Debt	0	0	7,906,000	-	0
Repayment of Debt	-423,000	-423,000	-1,357,000	-127,000	-676,000
Repurchase of Capital Stock	-4,000,000	-4,000,000	-	-	-
Free Cash Flow	6,313,000	6,313,000	5,283,000	4,091,000	3,688,000



# Income Statement

- Salesforce's Total Revenue has been steadily increasing from \$17m in 2020 to \$31.3m
- The same can also be said for Salesforce's Gross Profit, which has increased from \$12.8m in 2020 to \$22.9m in 2023
- Based on Salesforce's Profit Margins, it shows that since 2020, Salesforce has managed to effectively reduce their business expenses

YEAR	GROSS PROFIT MARGIN (%)
2020	75.23
2021	74.41
2022	73.47
2023	73.33

## Income Statement

All numbers in thousands

Breakdown	TTM	1/31/2023	1/31/2022	1/31/2021	1/31/2020
> Total Revenue	31,352,000	31,352,000	26,492,000	21,252,000	17,098,000
Cost of Revenue	8,360,000	8,360,000	7,026,000	5,438,000	4,235,000
Gross Profit	22,992,000	22,992,000	19,466,000	15,814,000	12,863,000
> Operating Expense	21,134,000	21,134,000	18,918,000	15,359,000	12,400,000
Operating Income	1,858,000	1,858,000	548,000	455,000	463,000
> Other Income Expense	-1,198,000	-1,198,000	984,000	2,106,000	243,000
Pretax Income	660,000	660,000	1,532,000	2,561,000	706,000
Tax Provision	452,000	452,000	88,000	-1,511,000	580,000
> Net Income Common Stockhold...	208,000	208,000	1,444,000	4,072,000	126,000
Diluted NI Available to Com Stock...	208,000	208,000	1,444,000	4,072,000	126,000
Basic EPS	-	0.21	1.51	4.48	0.15

Source: Yahoo Finance (2023)

# Valuation Metrics

- P/E ratio:
  - Salesforce P/E ratio is 72.14
  - Competitors Ratio:
    - Microsoft (32.60)
    - SAP (63.56)
- P/B ratio:
  - Salesforce P/B ratio is 3.36
  - Competitor Ratio:
    - Microsoft (11.64)
    - SAP (63.56)



Source: Macro Trends

# Competitor Comparison

- Zoho being their biggest competitor
- Salesforce has user friendly interface
- Salesforce benefits the most through the use of third-party applications





# Risk 1

- Subscription fees as their main source of revenue
- The constant need of internet connectivity for salesforce to operate normally





## Risk 2

- Competitive market meaning competition is always present
- The need to always innovate in order to stay on top of their competition



## Risk 3

- currency exchange rate fluctuations has the potential to negatively impact the company



# Market Reaction to Earnings & News



# Forecast

## FORECAST



DCF Analysis model to calculate the company's expected return

<-- Past 12 Months

Next 12 Months -->

# External Analyst Forecasts



High – \$325.00  
Medium – \$225.00  
Low – \$146.00



High – \$320.00  
Medium – \$223.21  
Low – \$145.00



High – \$325.00  
Medium – \$221.03  
Low – \$145.00



# Recommendation



SALESFORCE'S STOCK PRICE HAS REMAINED  
RELATIVELY CONSISTENT FOR THE PAST 2 MONTHS



WE BELIEVE OVER THE SHORT-TERM THE PRICE IS  
LIKELY TO REMAIN STAGNANT OR POTENTIALLY  
DECLINE SLIGHTLY



DUE TO OAKWOOD'S LONG-STRATEGY AND  
SALESFORCE'S STRONG LIKELIHOOD OF  
LONG-TERM CONSISTENT GROWTH, WE BELIEVE  
SALESFORCE IS AT AN IDEAL TIME TO BUY

# Summary



We recommend Salesforce as a great investment opportunity, due to their strong ESG focus in addition to high potential for growth within their market



Sound financials and promising forecasts provide great opportunity for growth



Investing in Salesforce means investing in the world's #1 customer relationship management platform. Its cloud-based CRM applications for sales, service, marketing, and more have helped to make it a leader in the industry

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