

Salesforce (CRM US)

Conservative guidance weighs on sentiment; strong Data Cloud & AI momentum

Salesforce reported 4QFY25 results: total revenue grew by 9% YoY in constant currency to US\$10.0bn, in line with Bloomberg consensus estimate; non-GAAP net income was up by 20% YoY to US\$2.7bn, 6% ahead of consensus estimate thanks to enhanced operating efficiency. For FY26E, management guided total revenue of US\$40.5-40.9bn (+7-8% YoY in constant currency), which is slightly below the consensus estimate of US\$41.5bn and raise investor concerns, as management expected the strong momentum of Data Cloud and Agentforce to be partially offset by weakness in Marketing and Commerce Cloud. We slightly lower our FY26-27E total revenue forecast by 0-1%, and trim our target price to US\$388.0 based on 21x FY26E EV/EBITDA (previous: US\$410.0 based on 24x FY25E EV/EBITDA). We remain upbeat on Salesforce AI application development and monetization in FY26, underpinned by its differentiated proposition and unified platform approach. Maintain BUY.

- **4QFY25 results largely in line with consensus.** cRPO increased by 9% YoY (+11% YoY on constant currency) in 4QFY25, in line with management guidance. By segment, sales/service/platform & other/marketing & commerce/integration & analytics cloud revenue grew by 8/8/12/7/5% YoY in 4QFY25. Multi-cloud momentum continued, with the top-100 deals in 4QFY25 averaging 6 clouds per deal. Industry Cloud also delivered solid performance, with ARR up by 20% YoY to US\$5.7bn in 4QFY25. For 1QFY26E, management expected total revenue to grow by 6-7% YoY to US\$9.71-9.76bn, and cRPO to increase by 10% YoY.
- **Expect strong momentum of Data Cloud & AI to sustain in FY26E.** Data Cloud & AI ARR reached US\$900mn in 4QFY25, up by 120% YoY. Since its launch in Oct 2024, Agentforce has accumulated over 3,000 paid customers. The AI solution also drives cross-selling of its core and Data Cloud products. c.50% of Fortune 100 are both Data Cloud & AI customers of Salesforce, and all of the top 10 deals in 4QFY25 included Data Cloud. Management expected the Data Cloud & AI momentum to sustain in FY26E, but only assumed a modest revenue contribution of Agentforce in FY26E and a more meaningful revenue contribution in FY27E.
- **AI solutions support efficiency gains and margin expansion.** Salesforce also leverages Agentforce to enhance its own efficiency. Agentforce has handled over 380k conversations on Salesforce website, achieving an 84% resolution rate. Non-GAAP operating margin rose by 1.6ppt YoY to 33.1% in 4QFY25. Management also saw 30% productivity increase on engineering with its AI solutions and expected not to hire any new engineers in FY26; but the company plans to grow its go-to-market team in FY26 to drive up AI product sales. Management guided FY26E operating margin to rise by 1ppt YoY to 34.0%, driven by the enhanced efficiency.

Earnings Summary

(YE 31 Jan)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (US\$ mn)	34,857	37,895	40,933	43,970	46,985
YoY growth (%)	11.2	8.7	8.0	7.4	6.9
Adjusted net profit (US\$ mn)	8,087.0	9,930.0	10,990.8	12,237.5	13,450.5
YoY growth (%)	54.8	22.8	10.7	11.3	9.9
EPS (Adjusted) (US\$)	8.30	10.32	11.30	12.58	13.82
Consensus EPS (US\$)	8.30	10.32	11.20	12.75	14.56
P/E (x)	70.1	46.2	41.8	35.8	31.5

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price US\$388.00
 (Previous TP) US\$410.00
Up/Downside 30.3%
Current Price US\$297.85

US Software & IT Services

Saiyi HE, CFA
 (852) 3916 1739
 hesaiyi@cmbi.com.hk

Wentao LU, CFA
 luwentao@cmbi.com.hk

Ye TAO, CFA
 franktao@cmbi.com.hk

Joanna Ma
 (852) 3761 8838
 joannama@cmbi.com.hk

Stock Data

Mkt Cap (US\$ mn)	289,808.1
Avg 3 mths t/o (US\$ mn)	2,351.3
52w High/Low (US\$)	367.87/218.01
Total Issued Shares (mn)	973.0

Source: FactSet

Shareholding Structure

The Vanguard Group	8.6%
BlackRock	7.5%

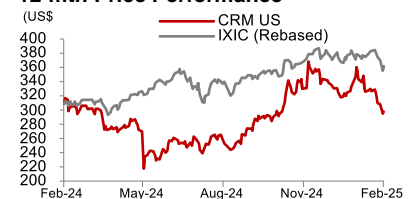
Source: Company data

Share Performance

	Absolute	Relative
1-mth	-12.8%	-9.2%
3-mth	-9.7%	-8.0%
6-mth	17.8%	10.7%

Source: FactSet

12-mth Price Performance



Source: FactSet

Business forecasts update and valuation

Figure 1: Salesforce: forecast revision

US\$ bn	Current			Previous			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY27E	FY28E	FY28E
Revenue	40.9	44.0	47.0	41.0	44.2	NA	-0.2%	-0.5%	NA
Gross profit	32.0	34.5	37.0	32.0	34.6	NA	-0.1%	-0.4%	NA
Non-GAAP OP	13.9	15.5	17.1	14.2	15.9	NA	-2.0%	-2.8%	NA
Non-GAAP NP	11.0	12.2	13.5	11.0	12.3	NA	-0.1%	-0.5%	NA
EPS (US\$)	11.3	12.6	13.8	11.5	12.8	NA	-1.8%	-1.7%	NA
Gross margin	78.1%	78.4%	78.7%	78.0%	78.3%	NA	0.1 ppt	0.1 ppt	NA
Non-GAAP OPM	34.0%	35.1%	36.3%	34.6%	35.9%	NA	-0.6 ppt	-0.8 ppt	NA
Non-GAAP NPM	26.9%	27.8%	28.6%	26.9%	27.8%	NA	0.0 ppt	0.0 ppt	NA

Source: CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

US\$ bn	CMBIGM			Consensus			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	40.9	44.0	47.0	41.5	45.5	49.7	-1.3%	-3.3%	-5.4%
Non-GAAP OP	13.9	15.5	17.1	14.0	16.0	18.0	-0.9%	-3.4%	-5.3%
Non-GAAP NP	11.0	12.2	13.5	10.9	12.5	14.3	0.4%	-2.3%	-6.2%
EPS (US\$)	11.3	12.6	13.8	11.2	12.7	14.6	0.9%	-1.3%	-5.1%
Non-GAAP OPM	34.0%	35.1%	36.3%	33.8%	35.2%	36.3%	0.1 ppt	-0.1 ppt	0.1 ppt
Non-GAAP NPM	26.9%	27.8%	28.6%	26.4%	27.6%	28.9%	0.5 ppt	0.3 ppt	-0.2 ppt

Source: Bloomberg, CMBIGM estimates

Valuation

We value Salesforce at US\$388.0 per share based on 21x FY26E EV/EBITDA. Our target EV/EBITDA is at a discount to the sector average (23x), given Salesforce earnings growth has entered a more mature stage.

Figure 3: Salesforce: target valuation

EV/EBITDA Valuation (US\$mnn)	FY25E
Adjusted EBITDA	17,520
Target FY25E EV/EBITDA	21
Target EV	367,927
Net cash	9,939
Target equity valuation	377,866
Valuation per share (USD)	388.0

Source: Company data, CMBIGM estimates

Figure 4: SaaS: valuation comparison

Companies	Ticker	Price (Local)	EV/Sales (x)		EV/EBITDA (x)		Rev CAGR 24-26E
			2025E	2026E	2025E	2026E	
CRM							
HubSpot	HUBS US	713.2	10.3	8.7	45.0	34.7	16%
Five9	FIVN US	36.6	2.4	2.1	11.4	9.3	11%
ITSM							
ServiceNow	NOW US	921.0	11.9	9.9	33.7	27.3	20%
Atlassian	TEAM US	278.5	11.5	9.6	45.0	36.0	20%
Security							
CrowdStrike	CRWD US	380.2	19.1	15.6	75.5	57.3	24%
Okta	OKTA US	89.2	5.1	4.7	na	19.6	11%
ERP							
SAP	SAP US	274.6	7.8	6.8	23.8	20.0	13%
Oracle	ORCL US	164.8	8.4	7.3	16.0	13.9	12%
Collaboration							
Twilio	TWLO US	117.2	3.2	2.9	14.5	11.8	8%
Ring Central	RNG US	28.6	1.5	1.4	5.4	5.3	6%

Zoom	ZM US	72.9	3.0	2.8	7.6	7.5	3%
Average			7.8	6.7	28.1	22.6	

Source: Bloomberg, CMBIGM
Note: data are as of 27 Feb

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Jan (US\$ mn)						
Revenue	31,352	34,857	37,895	40,933	43,970	46,985
Cost of goods sold	(8,360)	(8,541)	(8,643)	(8,970)	(9,494)	(10,015)
Gross profit	22,992	26,316	29,252	31,964	34,476	36,970
Operating expenses	(21,962)	(21,305)	(22,047)	(23,127)	(24,212)	(25,218)
Selling expense	(13,526)	(12,877)	(13,257)	(14,122)	(14,714)	(15,252)
Admin expense	(3,381)	(3,522)	(3,297)	(3,397)	(3,595)	(3,784)
R&D expense	(5,055)	(4,906)	(5,493)	(5,608)	(5,903)	(6,182)
Operating profit	1,030	5,011	7,205	8,836	10,263	11,753
Other expense	(131)	216	354	(205)	(220)	(235)
Other gains/(losses)	(239)	(277)	(121)	(312)	(335)	(470)
Pre-tax profit	660	4,950	7,438	8,320	9,708	11,048
Income tax	(452)	(814)	(1,241)	(1,389)	(1,621)	(1,845)
After tax profit	208	4,136	6,197	6,930	8,087	9,203
Net profit	208	4,136	6,197	6,930	8,087	9,203
Adjusted net profit	5,224	8,087	9,930	10,991	12,238	13,450

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Jan (US\$ mn)						
Current assets	26,395	29,074	29,727	31,861	36,118	41,113
Cash & equivalents	7,016	8,472	8,848	9,939	13,161	17,135
Account receivables	10,755	11,414	11,945	12,903	13,860	14,810
Prepayment	1,356	1,561	1,779	1,864	1,942	2,013
Financial assets at FVTPL	5,492	5,722	5,184	5,184	5,184	5,184
Other current assets	1,776	1,905	1,971	1,971	1,971	1,971
Non-current assets	72,454	70,749	73,201	72,545	72,114	72,177
PP&E	3,702	3,689	3,236	3,273	3,262	3,247
Deferred income tax	2,800	3,433	4,770	4,770	4,770	4,770
Investment in JVs & assos	4,672	4,848	4,852	4,852	4,852	4,852
Intangibles	7,125	5,278	4,428	3,736	3,315	3,392
Goodwill	48,568	48,620	51,283	51,283	51,283	51,283
Other non-current assets	5,587	4,881	4,632	4,632	4,632	4,632
Total assets	98,849	99,823	102,928	104,406	108,231	113,290
Current liabilities	25,891	26,631	27,980	26,919	26,968	27,129
Account payables	6,486	6,111	6,658	5,873	5,284	5,407
Other current liabilities	1,182	999	0	0	0	0
Lease liabilities	847	518	579	579	579	579
Contract liabilities	17,376	19,003	20,743	20,467	21,105	21,143
Non-current liabilities	14,599	13,546	13,775	13,775	13,775	13,775
Long-term borrowings	9,419	8,427	8,433	8,433	8,433	8,433
Other non-current liabilities	5,180	5,119	5,342	5,342	5,342	5,342
Total liabilities	40,490	40,177	41,755	40,694	40,743	40,904
Share capital	1	1	1	1	1	1
Capital surplus	55,047	59,841	64,576	60,185	55,874	51,569
Retained earnings	7,585	11,721	16,369	23,299	31,386	40,589
Other reserves	(4,274)	(11,917)	(19,773)	(19,773)	(19,773)	(19,773)
Total shareholders equity	58,359	59,646	61,173	63,713	67,488	72,386
Total equity and liabilities	98,849	99,823	102,928	104,406	108,231	113,290

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Jan (US\$ mn)						
Operating						
Profit before taxation	660	4,950	7,438	8,320	9,708	11,048
Depreciation & amortization	3,786	3,959	3,477	3,608	3,653	3,446
Tax paid	(452)	(814)	(1,241)	(1,389)	(1,621)	(1,845)
Change in working capital	(1,830)	(2,573)	(1,860)	(2,104)	(986)	(861)
Others	4,947	4,712	5,278	3,438	3,518	3,524
Net cash from operations	7,111	10,234	13,092	11,873	14,272	15,312
Investing						
Capital expenditure	(798)	(736)	(658)	(1,023)	(1,099)	(1,175)
Acquisition of subsidiaries/ investments	(439)	(82)	(2,734)	0	0	0
Net proceeds from disposal of short-term investments	(3,006)	(2,250)	(2,736)	0	0	0
Others	2,254	1,741	2,965	(1,929)	(2,122)	(2,335)
Net cash from investing	(1,989)	(1,327)	(3,163)	(2,953)	(3,222)	(3,509)
Financing						
Net borrowings	(4)	(1,182)	(1,000)	0	0	0
Share repurchases	(4,000)	(7,620)	(7,829)	(7,829)	(7,829)	(7,829)
Others	442	1,325	(600)	0	0	0
Net cash from financing	(3,562)	(7,477)	(9,429)	(7,829)	(7,829)	(7,829)
Net change in cash						
Cash at the beginning of the year	5,464	7,016	8,472	8,848	9,939	13,161
Exchange difference	(8)	26	(124)	0	0	0
Cash at the end of the year	7,016	8,472	8,848	9,939	13,161	17,135
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Jan						
Revenue	18.3%	11.2%	8.7%	8.0%	7.4%	6.9%
Gross profit	18.1%	14.5%	11.2%	9.3%	7.9%	7.2%
Operating profit	88.0%	386.5%	43.8%	22.6%	16.1%	14.5%
Net profit	(85.6%)	1,888.5%	49.8%	11.8%	16.7%	13.8%
Adj. net profit	12.1%	54.8%	22.8%	10.7%	11.3%	9.9%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Jan						
Gross profit margin	73.3%	75.5%	77.2%	78.1%	78.4%	78.7%
Operating margin	3.3%	14.4%	19.0%	21.6%	23.3%	25.0%
Adj. net profit margin	16.7%	23.2%	26.2%	26.9%	27.8%	28.6%
Return on equity (ROE)	0.4%	7.0%	10.3%	11.1%	12.3%	13.2%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Jan						
Current ratio (x)	1.0	1.1	1.1	1.2	1.3	1.5
Receivable turnover days	125.2	119.5	115.1	115.1	115.1	115.1
Payable turnover days	(283.2)	(261.2)	(281.2)	(239.0)	(203.1)	(197.1)
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Jan						
P/E	1,420.5	70.1	46.2	41.8	35.8	31.5
P/E (diluted)	1,427.7	70.9	46.8	42.3	36.3	31.9
P/B	5.1	4.9	4.7	4.5	4.3	4.0

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

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CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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