

Salesforce (CRM US)

1QFY26 cRPO growth beats expectation; Data Cloud & AI momentum continues

Salesforce announced 1QFY26 results: total revenue grew by 8% YoY to US\$9.8bn, and non-GAAP operating income increased by 8% YoY to US\$3.2bn, both in line with Bloomberg consensus estimate. cRPO was up by 12% YoY to US\$29.6bn, 2% ahead of the consensus estimate, thanks to the strong renewal trend and momentum in Data Cloud & AI businesses. Management raised FY26 total revenue guidance by US\$400mn to US\$41.0-41.3bn (+8-9% YoY), mainly driven by the currency tailwind. We maintain our FY26E total revenue forecast largely unchanged, but raise that for FY27-28E by 4-5% to factor in the acquisition of Informatica, which is expected to be finished in early FY27. We maintain our target price of US\$388.0 based on 21x FY26E EV/EBITDA. We are upbeat on Salesforce's AI monetization momentum, supported by its differentiated Agentforce solution and Data Cloud foundation. Maintain BUY.

- **1QFY26 cRPO exceeds expectation.** By segment, sales/service/platform & other/marketing & commerce/integration & analytics cloud revenue increased by 7/7/14/3/10% YoY in 1QFY26. cRPO was up by 12% YoY in 1QFY26, 2% ahead of consensus estimate. Small and medium market business achieved solid double-digit bookings growth in 1QFY26; and the Comms & Media and Health & Life Sciences also delivered a solid performance. Looking into 2QFY26E, management guides cRPO to grow by c.10% YoY, and total revenue to increase by 8-9% YoY to US\$10.11-10.16bn, both largely in line with consensus estimate.
- **Robust momentum of Data Cloud & AI solutions.** Data Cloud & AI ARR surpassed US\$1bn in 1QFY26, up by over 120% YoY. Around 60% of top 100 deals in 1QFY26 included Data Cloud and AI. The company has closed 8,000 Agentforce deals since its launch, half of which are paid customers. Management noted that 30% of the Agentforce new bookings came from the existing Agentforce customers in 1QFY26, showing strong consumption trend of Agentforce services. Agentforce also significantly boosted demand for Data Cloud, which ingested 22tn records in 1QFY26, up by 175% YoY.
- **Acquisition of Informatica.** Salesforce signed a definitive agreement to acquire Informatica for c.US\$8bn, which is expected to be finished in early FY27. Through the acquisition, Salesforce will leverage Informatica's strong data management capabilities to improve its Data Cloud solutions and lay a solid foundation for its Agentforce solutions. Management also expects the acquisition will be accretive to Salesforce's non-GAAP OPM/EPS/FCF within 2 years post-close.
- **Enhancing efficiency via AI.** Management maintains FY26E non-GAAP OPM of 34.0% (+1ppt YoY). We expect AI to drive the internal efficiency of Salesforce and margin in the long term. Agentforce has handled over 750k requests on Salesforce's customer help portal, cutting case volume by 7% YoY in 1QFY26, which allowed the company to redeploy 500 customer support employees to other roles and drive US\$50mn in cost savings.

Earnings Summary

(YE 31 Jan)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (US\$ mn)	34,857	37,895	41,116	46,123	49,228
YoY growth (%)	11.2	8.7	8.5	12.2	6.7
Adjusted net profit (US\$ mn)	8,087.0	9,930.0	10,972.9	12,731.0	14,071.3
EPS (Adjusted) (US\$)	8.22	10.20	11.30	13.11	14.49
Consensus EPS (US\$)	8.22	10.20	11.16	12.51	14.51
P/E (x)	65.0	42.8	38.1	31.4	27.4

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price US\$388.00
Up/Downside 40.6%
Current Price US\$276.03

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Stock Data

Mkt Cap (US\$ mn)	265,816.9
Avg 3 mths t/o (US\$ mn)	865.4
52w High/Low (US\$)	367.87/218.01
Total Issued Shares (mn)	963.0

Source: FactSet

Shareholding Structure

The Vanguard Group	8.7%
BlackRock	7.6%

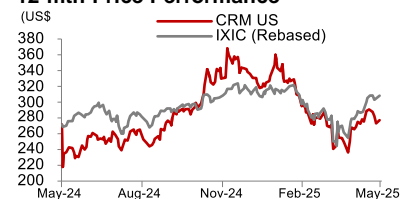
Source: Company data

Share Performance

	Absolute	Relative
1-mth	3.1%	-5.8%
3-mth	-7.3%	-8.6%
6-mth	-16.4%	-15.8%

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	FY26E	FY27E	FY28E
Revenue	41.1	46.1	49.2	40.9	44.0	47.0	0.4%	4.9%	4.8%
Gross profit	32.0	36.2	38.8	32.0	34.5	37.0	0.2%	5.0%	5.0%
Non-GAAP OP	14.0	16.1	18.0	13.9	15.5	17.1	0.4%	4.4%	5.4%
Non-GAAP NP	11.0	12.7	14.1	11.0	12.2	13.5	-0.2%	4.0%	4.6%
Non-GAAP EPS (US\$)	11.3	13.1	14.5	11.2	12.4	13.7	1.3%	5.5%	6.1%
Gross margin	77.9%	78.5%	78.8%	78.1%	78.4%	78.7%	-0.2 ppt	0.1 ppt	0.2 ppt
Non-GAAP OPM	34.0%	35.0%	36.5%	34.0%	35.1%	36.3%	0.0 ppt	-0.2 ppt	0.2 ppt
Non-GAAP NPM	26.7%	27.6%	28.6%	26.9%	27.8%	28.6%	-0.2 ppt	-0.2 ppt	0.0 ppt

Source: CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

US\$ bn	CMBIGM			Consensus			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	41.1	46.1	49.2	40.8	44.5	49.2	0.7%	3.7%	0.0%
Non-GAAP OP	14.0	16.1	18.0	13.9	15.5	18.0	0.6%	4.0%	0.1%
Non-GAAP NP	11.0	12.7	14.1	10.9	12.3	14.2	0.3%	3.3%	-0.7%
Non-GAAP EPS (US\$)	11.3	13.1	14.5	11.2	12.5	14.5	1.2%	4.8%	-0.1%
Non-GAAP OPM	34.0%	35.0%	36.5%	34.0%	34.9%	36.5%	0.0 ppt	0.1 ppt	0.0 ppt
Non-GAAP NPM	26.7%	27.6%	28.6%	26.8%	27.7%	28.8%	-0.1 ppt	-0.1 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 (24x), given that Salesforce's earnings growth has entered a more mature stage.

Figure 3: Salesforce: target valuation

EV/EBITDA Valuation (US\$mn)	FY26E
Adjusted EBITDA	17,580
Target FY26E EV/EBITDA	21
Target EV	369,172
Net cash	4,284
Target equity valuation	373,456
Valuation per share (USD)	388.0

Source: Company data, CMBIGM estimates

Figure 4: SaaS: valuation comparison

Companies	Ticker	Price (LC)	EV/Sales (x)			EV/EBITDA (x)			Rev CAGR
			+1FY	+2FY	+3FY	+1FY	+2FY	+3FY	FWD 3FY
CRM									
HubSpot	HUBS US	616.9	10.3	8.9	7.6	46.7	38.2	30.0	16%
Five9	FIVN US	27.1	2.0	1.8	1.7	9.7	8.3	7.0	10%
ITSM									
ServiceNow	NOW US	1021.3	16.0	13.4	11.3	45.6	37.5	31.1	19%
Atlassian	TEAM US	213.0	10.6	8.9	7.5	41.4	34.3	28.0	19%
Security									
CrowdStrike	CRWD US	468.8	23.6	19.5	15.8	NA	NA	NA	22%
Okta	OKTA US	105.2	5.9	5.4	4.8	NA	NA	17.9	10%
ERP									
SAP	SAP US	298.1	9.8	8.7	7.7	27.4	23.7	19.6	12%
Oracle	ORCL US	163.9	9.5	8.3	7.1	18.0	16.4	13.6	13%
Collaboration									
Twilio	TWLO US	117.9	3.5	3.2	3.0	16.7	14.5	12.1	8%

Ring Central	RNG US	26.0	1.5	1.4	1.3	5.4	5.0	4.9	5%
Zoom	ZM US	79.7	3.4	3.3	3.2	8.2	8.7	8.4	3%
Average			8.7	7.5	6.4	24.3	20.7	17.2	

Source: Bloomberg, CMBIGM
Note: data as of 28 May

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Jan (US\$ mn)						
Revenue	31,352	34,857	37,895	41,116	46,123	49,228
Cost of goods sold	(8,360)	(8,541)	(8,643)	(9,095)	(9,932)	(10,414)
Gross profit	22,992	26,316	29,252	32,021	36,191	38,814
Operating expenses	(21,962)	(21,305)	(22,047)	(23,148)	(25,497)	(26,388)
Selling expense	(13,526)	(12,877)	(13,257)	(14,103)	(15,250)	(15,800)
Admin expense	(3,381)	(3,522)	(3,297)	(3,207)	(3,812)	(3,794)
R&D expense	(5,055)	(4,906)	(5,493)	(5,838)	(6,434)	(6,794)
Operating profit	1,030	5,011	7,205	8,873	10,694	12,426
Other expense	(131)	216	354	380	231	98
Other gains/(losses)	(239)	(277)	(121)	(252)	(352)	(394)
Pre-tax profit	660	4,950	7,438	9,001	10,573	12,131
Income tax	(452)	(814)	(1,241)	(2,025)	(2,115)	(2,426)
After tax profit	208	4,136	6,197	6,976	8,459	9,705
Net profit	208	4,136	6,197	6,976	8,459	9,705
Adjusted net profit	5,224	8,087	9,930	10,973	12,731	14,071
BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Jan (US\$ mn)						
Current assets	26,395	29,074	29,727	35,114	40,222	47,446
Cash & equivalents	7,016	8,472	8,848	12,717	15,815	21,848
Account receivables	10,755	11,414	11,945	12,960	14,539	15,517
Prepayment	1,356	1,561	1,779	2,253	2,654	2,832
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	1,999	2,031	2,065
Non-current assets	72,454	70,749	73,201	72,386	79,343	79,298
PP&E	3,702	3,689	3,236	3,113	2,991	2,868
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	58,783	58,783
Other non-current assets	5,587	4,881	4,632	4,632	4,632	4,632
Total assets	98,849	99,823	102,928	107,499	119,564	126,744
Current liabilities	25,891	26,631	27,980	29,951	32,696	34,308
Account payables	6,486	6,111	6,658	6,866	7,123	7,319
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	22,506	24,994	26,410
Non-current liabilities	14,599	13,546	13,775	13,775	18,775	18,775
Long-term borrowings	9,419	8,427	8,433	8,433	13,433	13,433
Other non-current liabilities	5,180	5,119	5,342	5,342	5,342	5,342
Total liabilities	40,490	40,177	41,755	43,726	51,471	53,083
Share capital	1	1	1	1	1	1
Capital surplus	55,047	59,841	64,576	60,201	56,062	51,925
Retained earnings	7,585	11,721	16,369	23,345	31,803	41,508
Other reserves	(4,274)	(11,917)	(19,773)	(19,773)	(19,773)	(19,773)
Total shareholders equity	58,359	59,646	61,173	63,774	68,093	73,661
Total equity and liabilities	98,849	99,823	102,928	107,499	119,564	126,744

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Jan (US\$ mn)						
Operating						
Profit before taxation	660	4,950	7,438	9,001	10,573	12,131
Depreciation & amortization	3,786	3,959	3,477	3,608	3,634	3,413
Tax paid	(452)	(814)	(1,241)	(2,025)	(2,115)	(2,426)
Change in working capital	(1,830)	(2,573)	(1,860)	(1,820)	(1,815)	(2,301)
Others	4,947	4,712	5,278	5,727	6,240	6,414
Net cash from operations	7,111	10,234	13,092	14,491	16,517	17,231
Investing						
Capital expenditure	(798)	(736)	(658)	(863)	(969)	(1,034)
Acquisition of subsidiaries/ investments	(439)	(82)	(2,734)	0	(7,500)	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)	(2,793)	(10,591)	(3,368)
Financing						
Net borrowings	(4)	(1,182)	(1,000)	0	5,000	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)	(2,829)	(7,829)
Net change in cash						
Cash at the beginning of the year	5,464	7,016	8,472	8,848	12,717	15,815
Exchange difference	(8)	26	(124)	0	0	0
Cash at the end of the year	7,016	8,472	8,848	12,717	15,815	21,848
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Jan						
Revenue	18.3%	11.2%	8.7%	8.5%	12.2%	6.7%
Gross profit	18.1%	14.5%	11.2%	9.5%	13.0%	7.2%
Operating profit	88.0%	386.5%	43.8%	23.2%	20.5%	16.2%
Net profit	(85.6%)	1,888.5%	49.8%	12.6%	21.3%	14.7%
Adj. net profit	12.1%	54.8%	22.8%	10.5%	16.0%	10.5%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Jan						
Gross profit margin	73.3%	75.5%	77.2%	77.9%	78.5%	78.8%
Operating margin	3.3%	14.4%	19.0%	21.6%	23.2%	25.2%
Adj. net profit margin	16.7%	23.2%	26.2%	26.7%	27.6%	28.6%
Return on equity (ROE)	0.4%	7.0%	10.3%	11.2%	12.8%	13.7%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Jan						
Current ratio (x)	1.0	1.1	1.1	1.2	1.2	1.4
Receivable turnover days	125.2	119.5	115.1	115.1	115.1	115.1
Payable turnover days	283.2	261.2	281.2	275.5	261.8	256.5
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Jan						
P/E	1,316.5	65.0	42.8	38.1	31.4	27.4
P/E (diluted)	1,323.1	65.7	43.4	38.4	31.7	27.6
P/B	4.7	4.5	4.3	4.2	3.9	3.6

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

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