

Salesforce

Q1 FY17 Financial Update

NYSE: CRM
@Salesforce_ir

The Salesforce logo, which consists of the word "salesforce" in a white, lowercase, sans-serif font, centered within a white, cloud-like shape. This logo is positioned in the bottom right corner of the slide, set against a background of several overlapping, semi-transparent blue cloud shapes.

salesforce

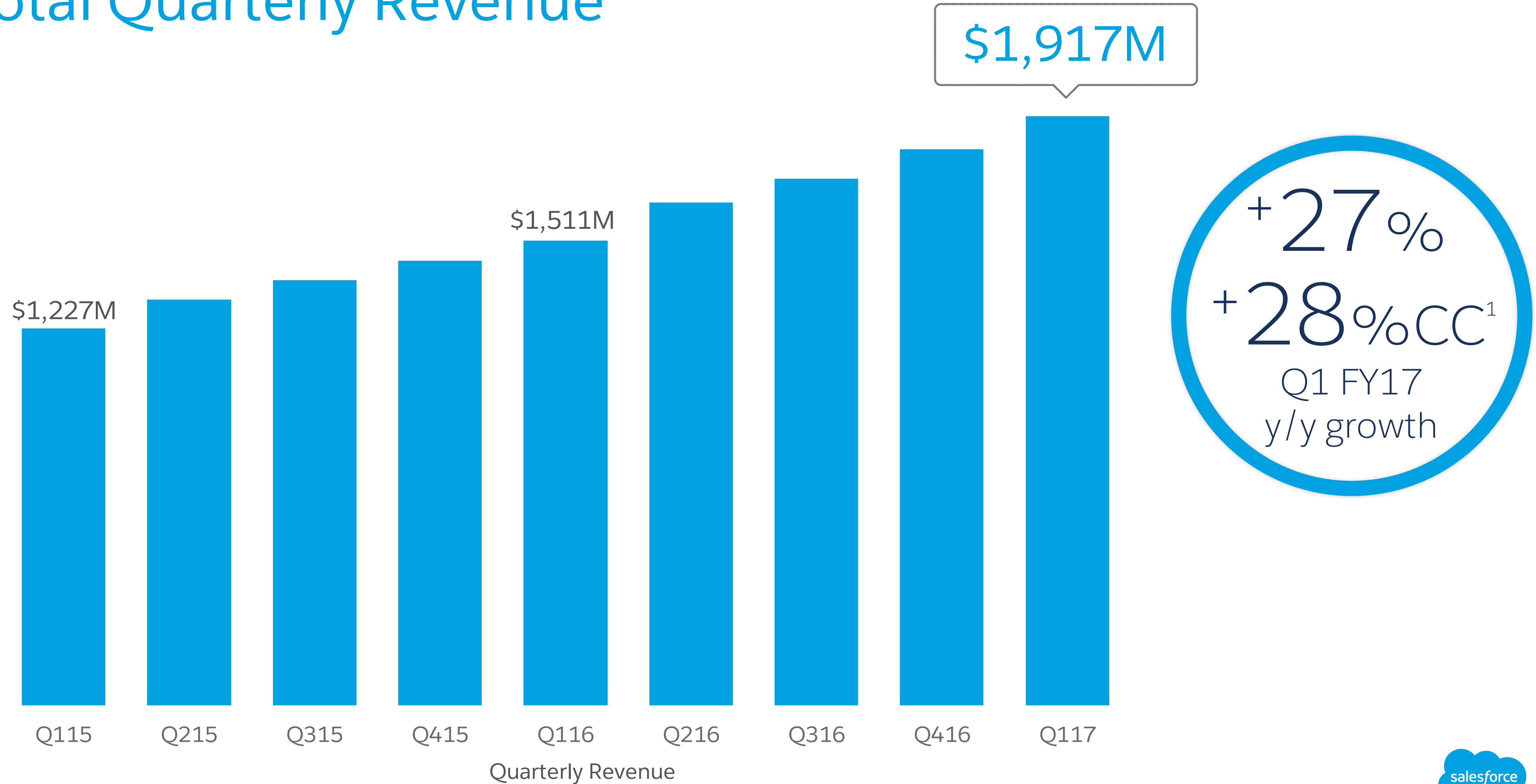
Q1 FY17 Financial Summary

	GAAP		Non-GAAP ¹	
	Results	Growth Y/Y	Results	Growth Y/Y
Revenue	\$1,917M	+27%	\$1,937M CC	+28% CC
Deferred Revenue	\$4,007M	+31%	\$4,017M CC	+32% CC
Unbilled Deferred Revenue	N/A	N/A	\$7,600M	+27%
Operating Margin	2.7%	+65 bps	14.5%	+283 bps
Diluted Earnings Per Share	\$0.06 cents	+500%	\$0.24 cents	+50%
Operating Cash Flow	\$1,051M	+43%	N/A	N/A

¹The table presents only non-GAAP financial metrics and the related non-GAAP growth rates as compared to prior periods. Non-GAAP revenue and non-GAAP deferred revenue represent constant currency (“CC”) results. Refer to slide 5 for an explanation of constant currency revenue and to slide 6 for an explanation of constant currency deferred revenue. Unbilled Deferred Revenue is a non-GAAP metric. Refer to slide 6 for further explanation. Non-GAAP operating margin and non-GAAP EPS are non-GAAP financial measures. Refer to the Appendix for an explanation of non-GAAP financial measures, and why we believe these measures can be useful, as well as a reconciliation of non-GAAP financial measures to the most comparable GAAP measures, when applicable.



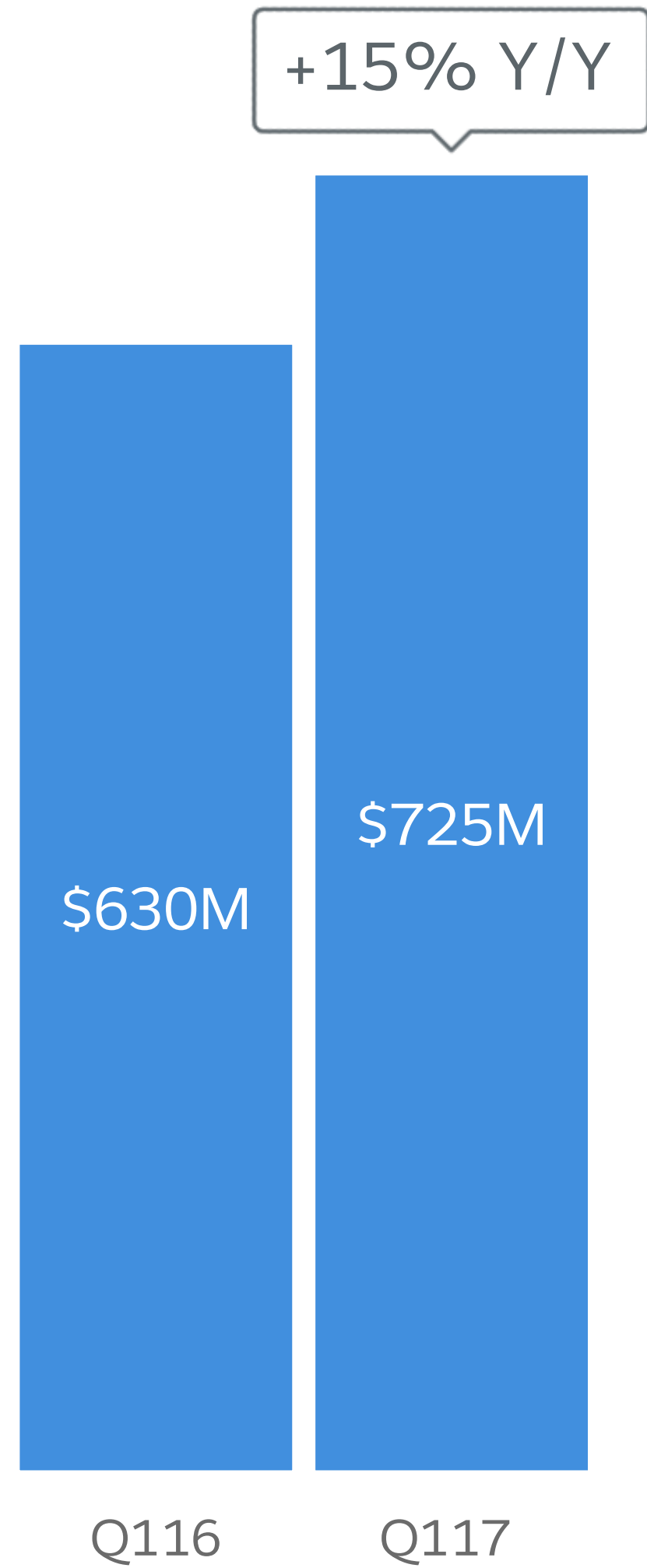
Total Quarterly Revenue



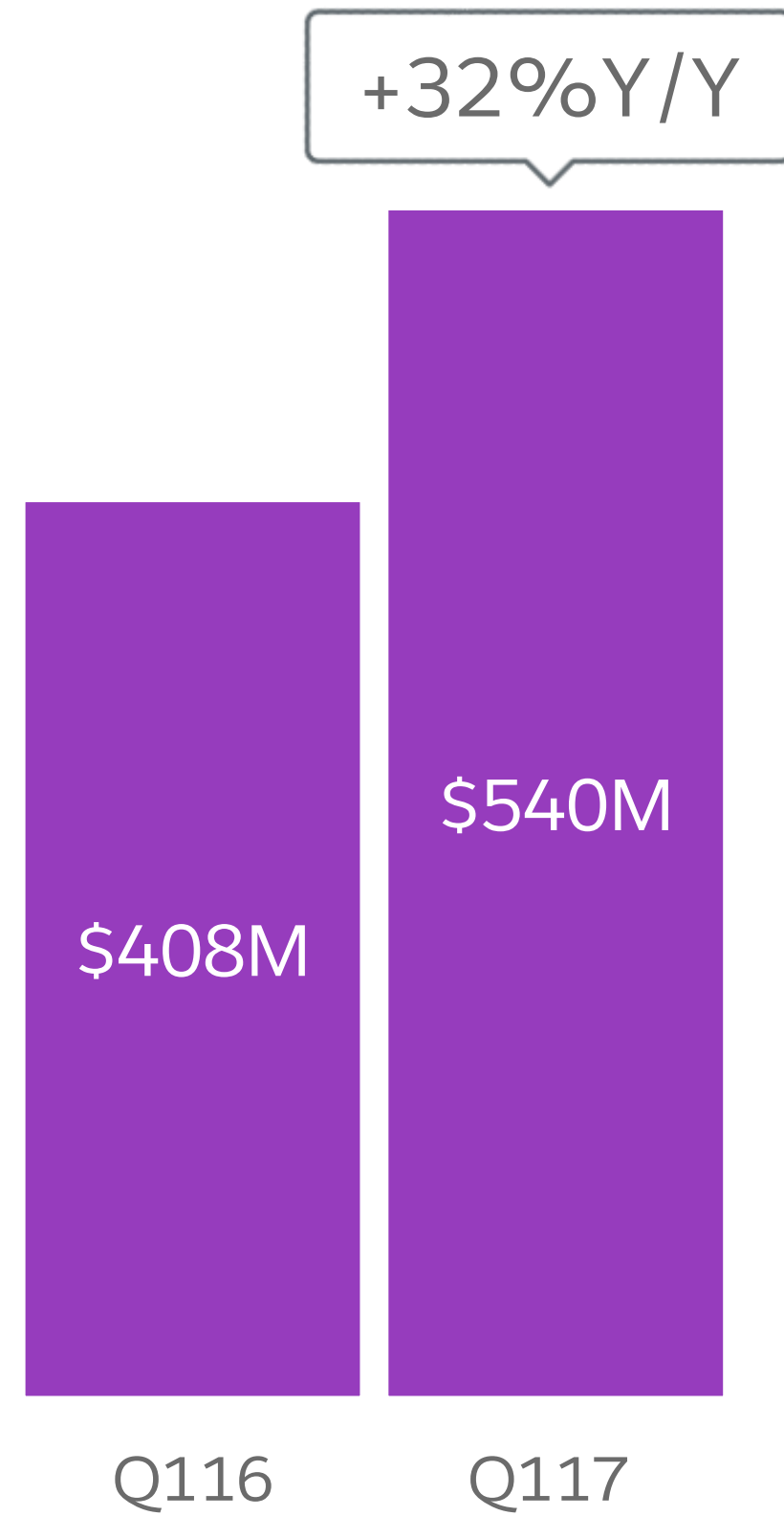
¹Non-GAAP constant currency growth rate as compared to the comparable prior period. Refer to slide 5 for an explanation of constant currency revenue.



Quarterly Revenue by Cloud



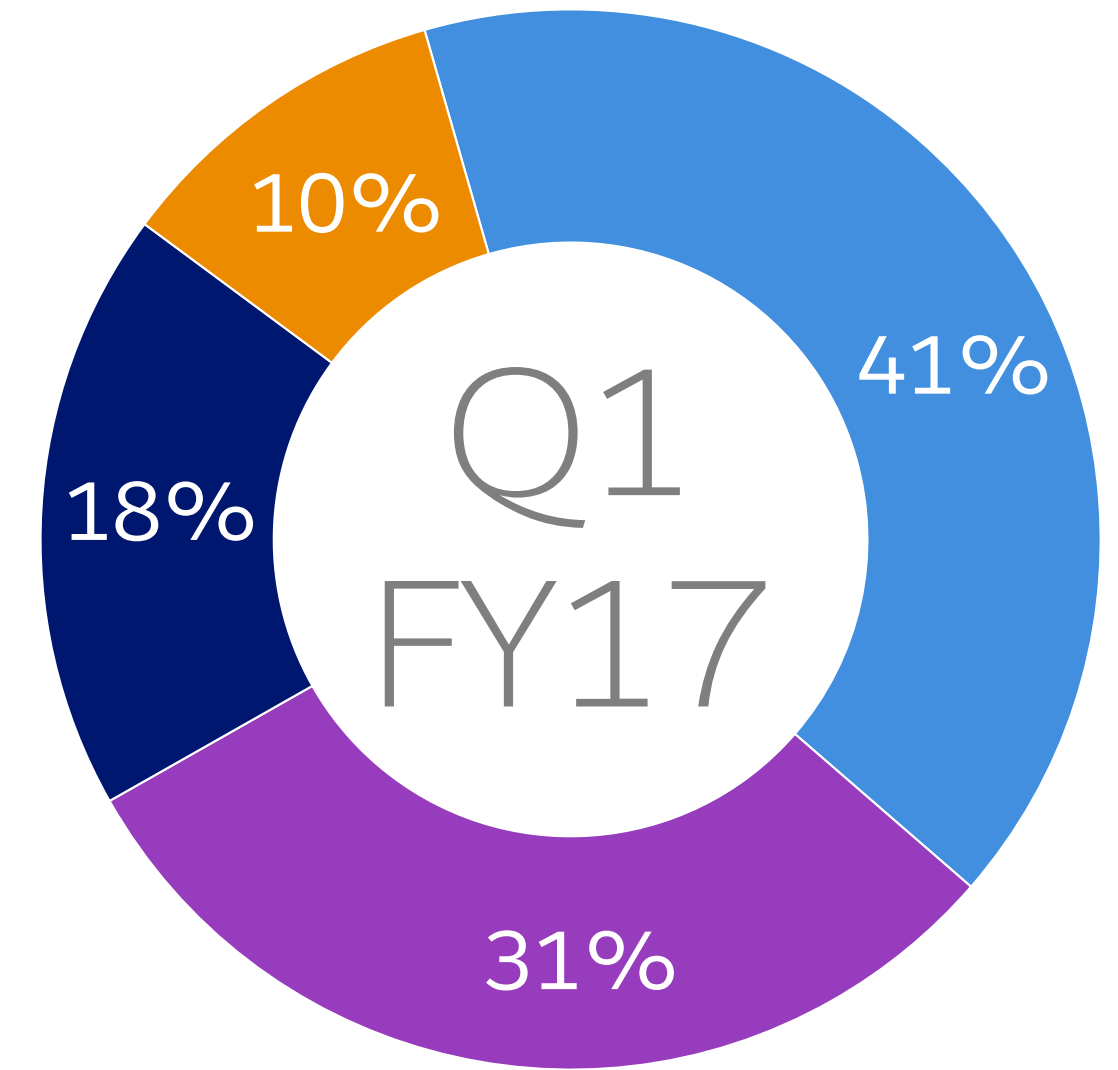
Sales Cloud



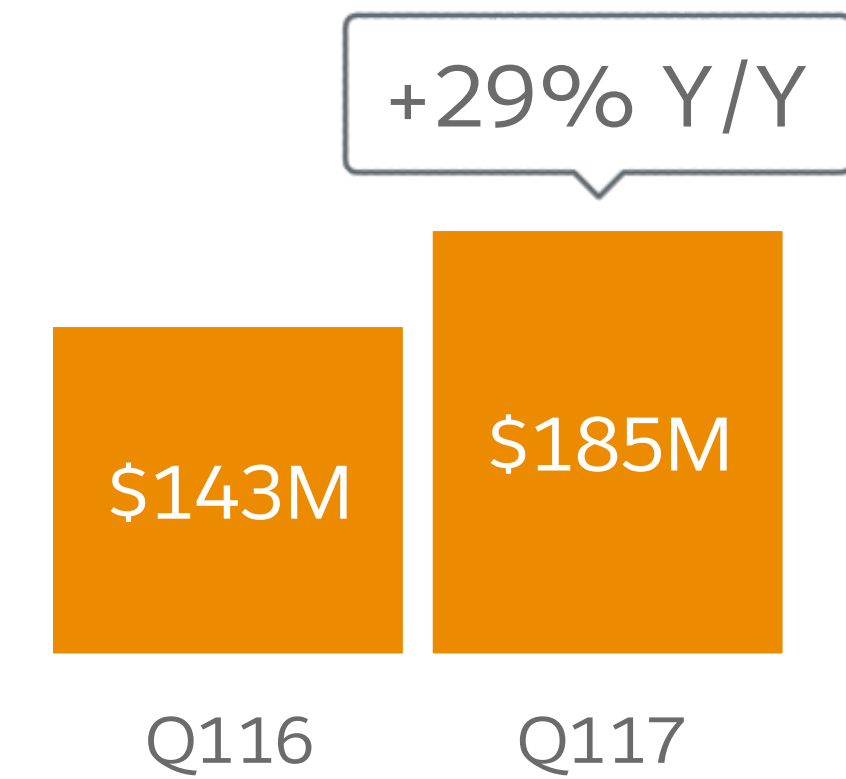
Service Cloud



App Cloud & Other



Subscription and Support Revenue by Cloud¹



Marketing Cloud

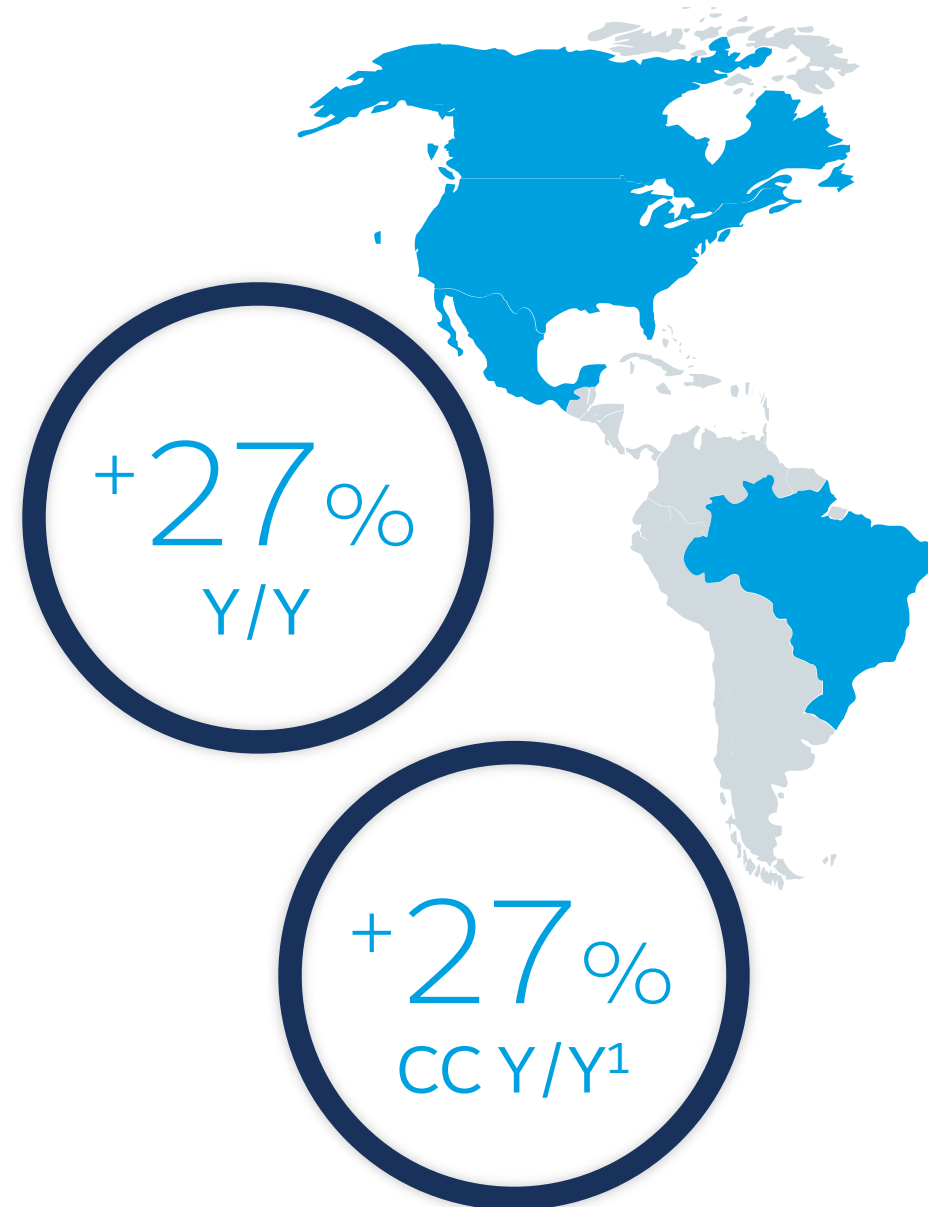


¹Percentages represent Q1 FY17 cloud revenues as a proportion of total Q1 FY17 Subscription and Support revenue.

Q1 FY17 Revenue by Region

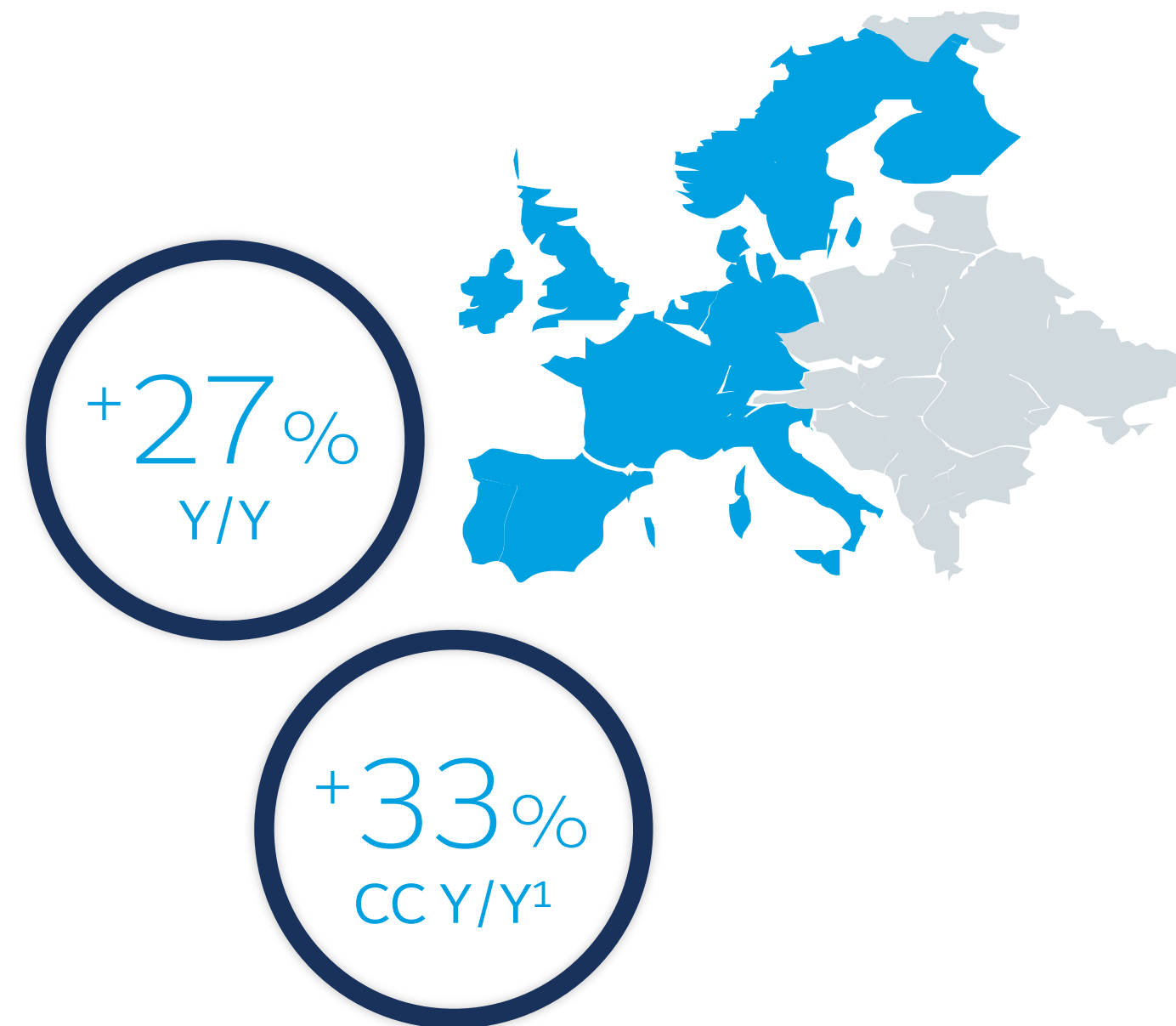
AMERICAS

\$1,413M



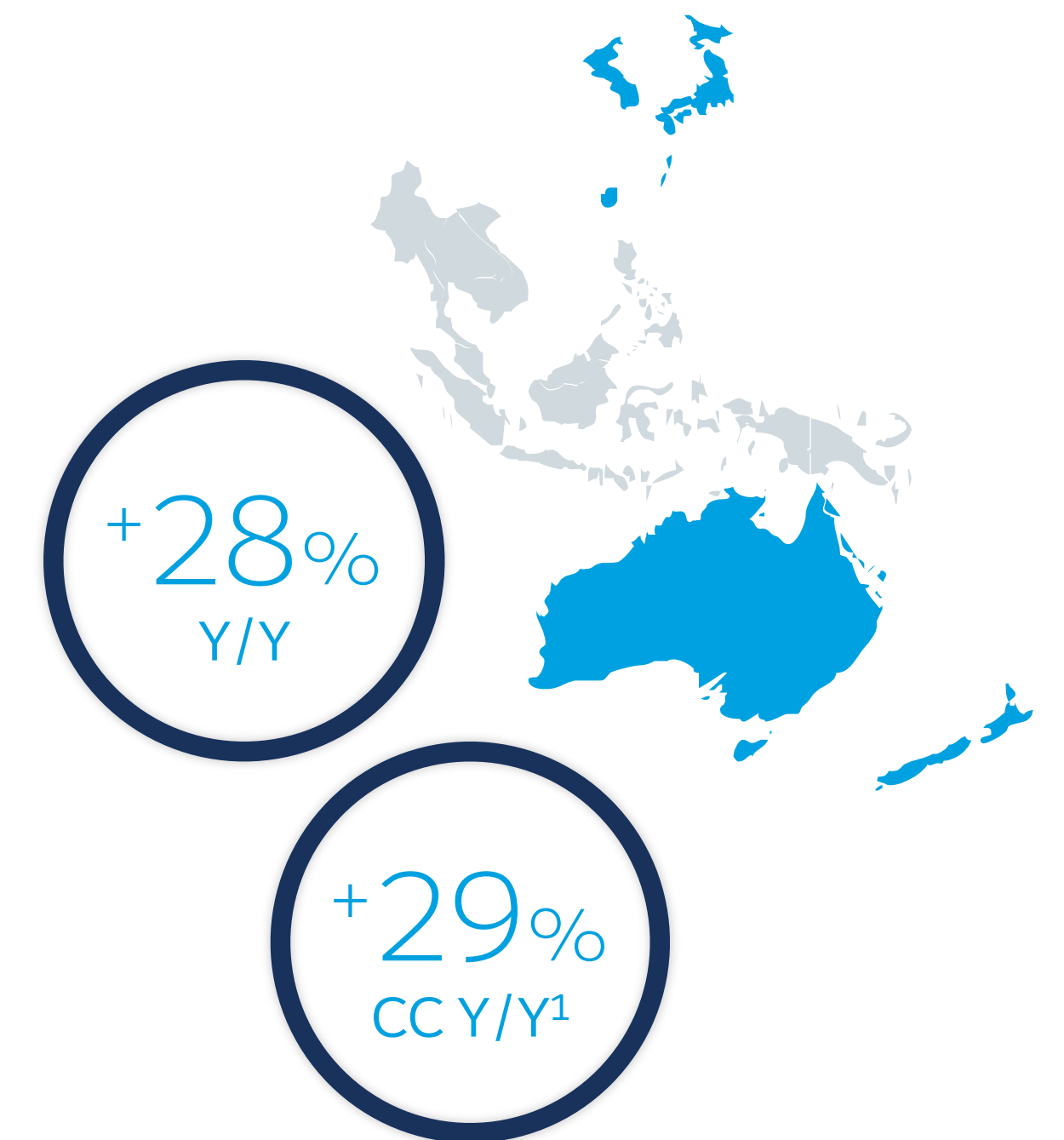
EMEA

\$328M



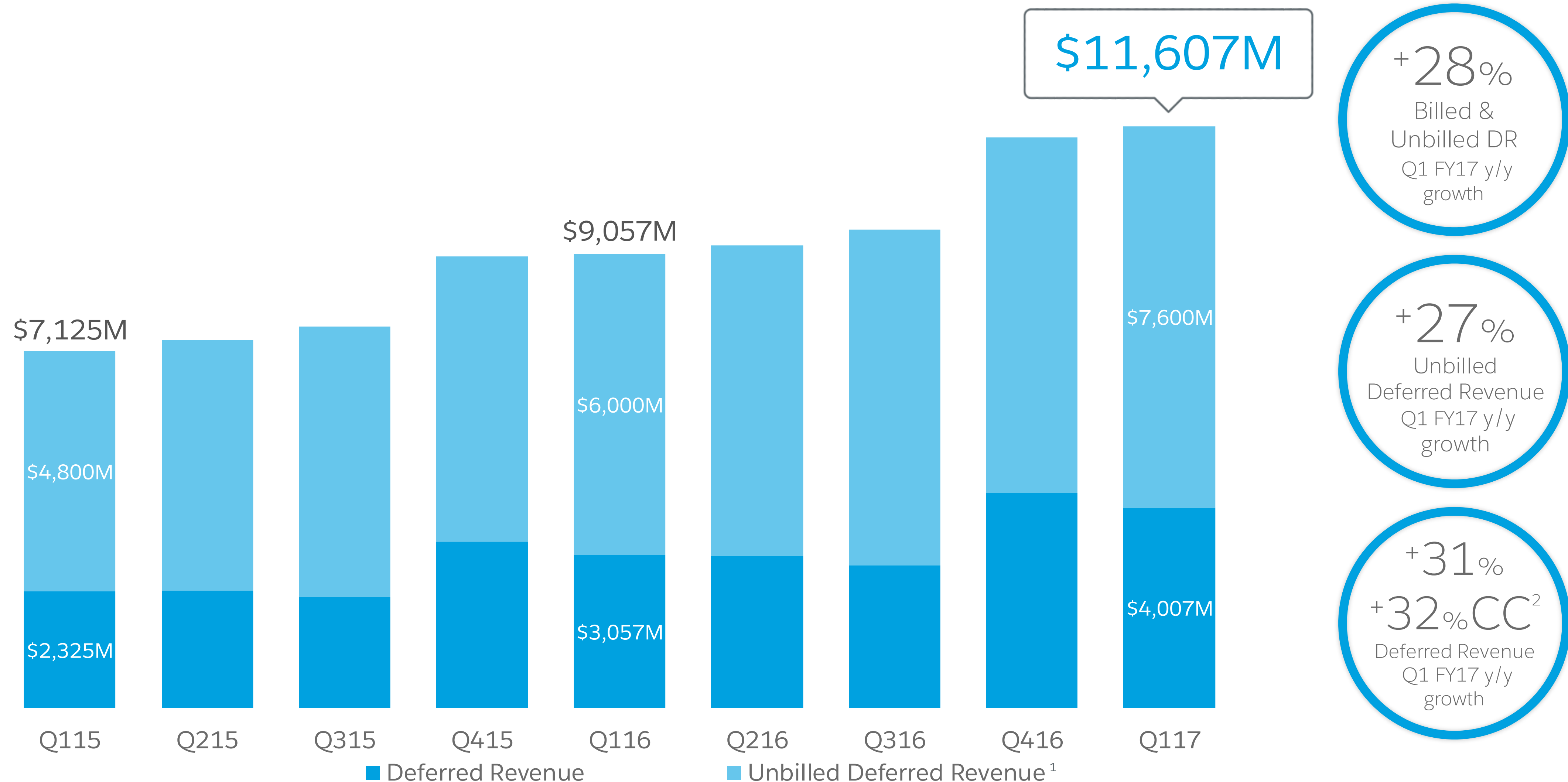
APAC

\$176M



¹Non-GAAP revenue constant currency growth rates as compared to the comparable prior period. We present constant currency information for revenue to provide a framework for assessing how our underlying business performed excluding the effects of foreign currency rate fluctuations. To present constant currency revenue, current and comparative prior period results for entities reporting in currencies other than United States dollars are converted into United States dollars at the weighted average exchange rate for the quarter being compared to for growth rate calculations presented, rather than the actual exchange rates in effect during that period.

Quarterly Deferred Revenue: Billed and Unbilled

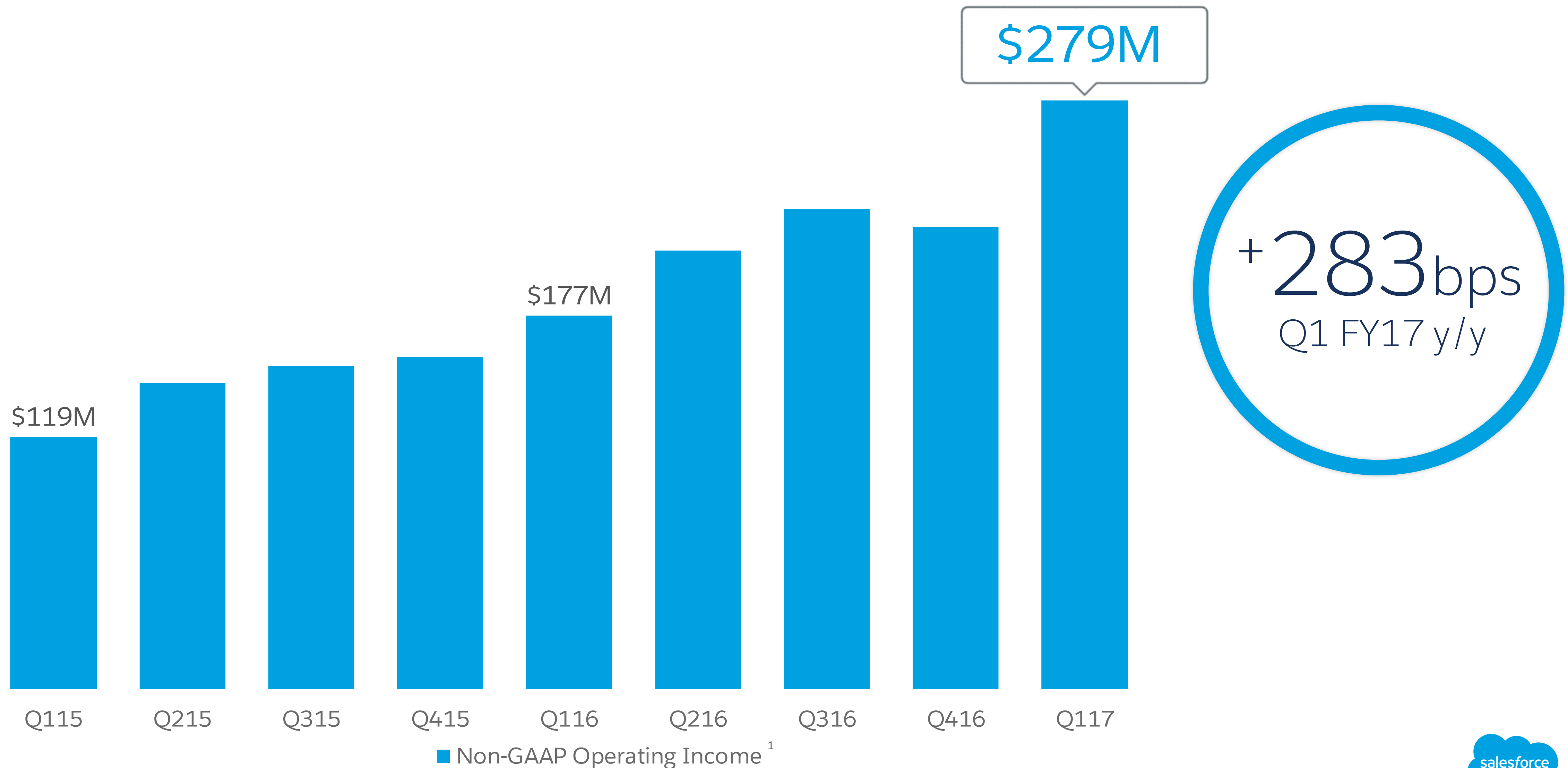


¹Unbilled Deferred Revenue is a non-GAAP metric and represents future billings under our non-cancelable subscription agreements that have not been invoiced and, accordingly, are not recorded in deferred revenue.

²Non-GAAP constant currency growth rates as compared to the comparable prior periods. We present constant currency information for deferred revenue, current and noncurrent, to provide a framework for assessing how our underlying business performed excluding the effects of foreign currency rate fluctuations. To present constant currency deferred revenue, we convert the deferred revenue balances in local currencies in previous comparable periods using the United States dollar currency exchange rate as on the most recent balance sheet date.

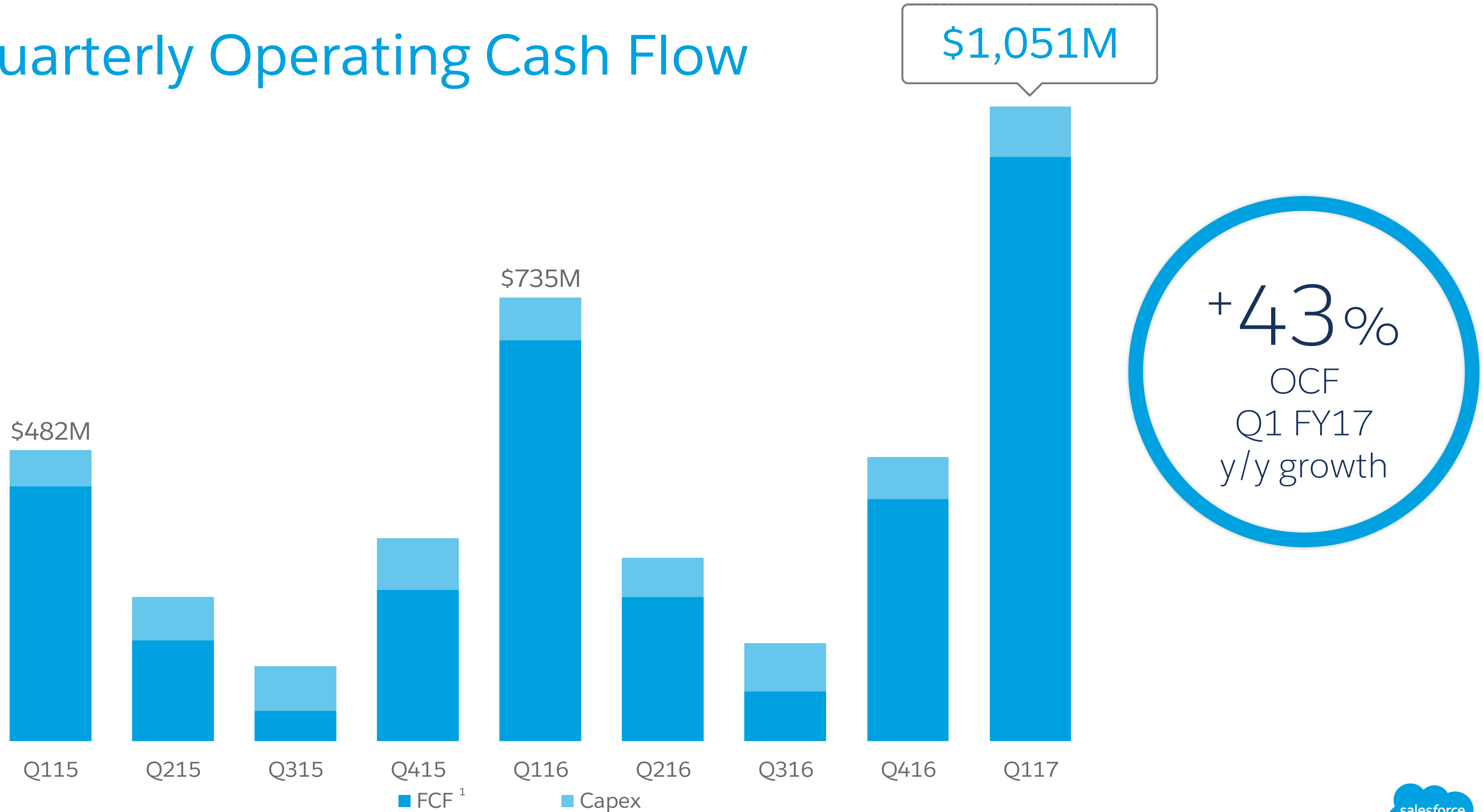


Non-GAAP Operating Income and Margin Improvement



¹Non-GAAP Income from Operations is a non-GAAP financial measure. Refer to the Appendix for an explanation of which items are excluded from our non-GAAP financial measures, and why we believe these measures can be useful, as well as a reconciliation of non-GAAP financial measures to the most comparable GAAP measures, when applicable.

Quarterly Operating Cash Flow

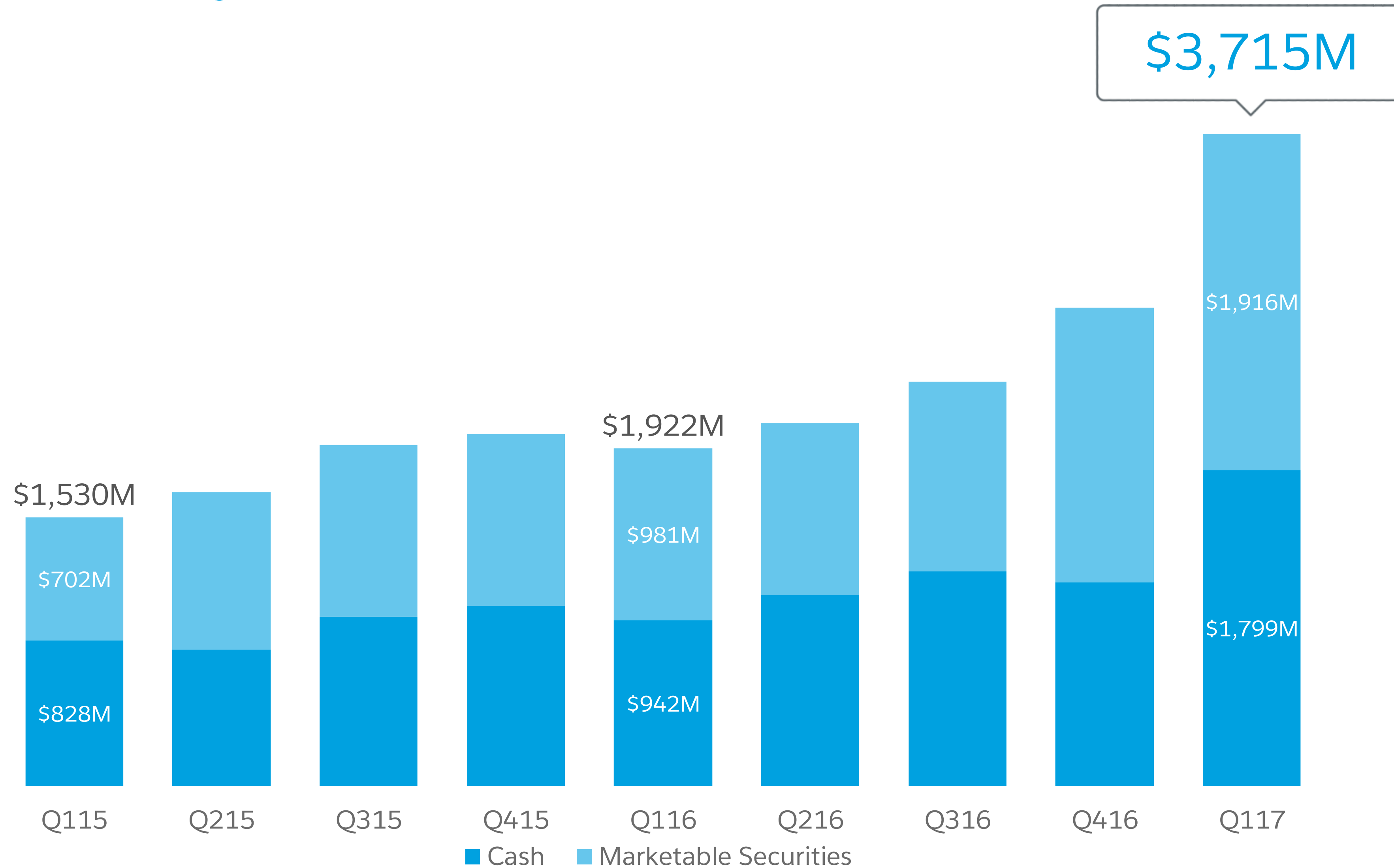


During the three months ended April 30, 2016, we early adopted Accounting Standards Update No. 2016-09. The changes relating to the early adoption have been applied to the GAAP net cash provided by operating activities for all periods presented above. Refer to the appendix for additional information.

¹FCF is a non-GAAP financial measure. Refer to the Appendix for further explanation.



Quarterly Cash and Marketable Securities



+95%
Marketable Securities
Q1 FY17 y/y
growth

+91%
Cash
Q1 FY17 y/y
growth

thank you

Appendix

Non-GAAP Financial Measures

This presentation includes information about non-GAAP earnings per share, non-GAAP income from operations, and non-GAAP free cash flow (collectively the “non-GAAP financial measures”). These non-GAAP financial measures are measurements of financial performance that are not prepared in accordance with U.S. generally accepted accounting principles and computational methods may differ from those used by other companies. Non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures and should be read only in conjunction with the company’s consolidated financial statements prepared in accordance with GAAP. Management uses both GAAP and non-GAAP measures when planning, monitoring, and evaluating the company’s performance.

The primary purpose of using non-GAAP measures is to provide supplemental information that may prove useful to investors who wish to consider the impact of certain non-cash or non-recurring items on the company’s operating performance and to enable investors to evaluate the company’s results in the same way management does. These non-cash or non-recurring items generally consist of one-time items resulting from strategic decisions that affect multiple periods or periods unrelated to when the actual items were incurred. Management believes that supplementing GAAP disclosure with non-GAAP disclosure that excludes items that are not directly related to performance in any particular period provides investors with a more complete view of the company’s operational performance and allows for meaningful period-to-period comparisons and analysis of trends in the company’s business. Further, to the extent that other companies use similar methods in calculating non-GAAP measures, the provision of supplemental non-GAAP information can allow for a comparison of the company’s relative performance against other companies that also report non-GAAP operating results.

Non-GAAP earnings per share excludes the impact of the following items: stock-based compensation, amortization of acquisition-related intangibles, amortization of acquired leases, the net amortization of debt discount on the company’s convertible senior notes, gains/losses on sales of land and building improvements, gains on sales of strategic investments, and termination of office leases, as well as income tax adjustments. These items are excluded because the decisions which gave rise to these items were not made to increase revenue in a particular period, but were made for the company’s long-term benefit over multiple periods. Refer to the next slide for GAAP to non-GAAP reconciliations of diluted earnings per share for the periods presented in this presentation.

Non-GAAP income from operations excludes the impact of the following items: stock-based compensation, amortization of acquisition-related intangibles, and termination of office leases. Refer to the next slide for GAAP to non-GAAP reconciliations of income for operations for the periods presented in this presentation.

The company defines the non-GAAP measure free cash flow as GAAP net cash provided by operating activities, less capital expenditures. For this purpose, capital expenditures does not include our strategic investments, nor does it include any costs or activities related to our purchase of 50 Fremont land and building, and building - leased facilities. Refer to the next slide for a reconciliation of GAAP net cash provided by operating activities to free cash flow for the periods presented in this presentation.

GAAP to Non-GAAP Financial Reconciliation

Non-GAAP diluted earnings per share	Three Months Ended	
	April 30, 2016	April 30, 2015
GAAP diluted income per share	\$ 0.06	\$ 0.01
Plus:		
Amortization of purchased intangibles	0.05	0.06
Amortization of acquired lease intangible	0.00	0.00
Stock-based expense	0.28	0.21
Amortization of debt discount, net	0.01	0.01
Less:		
Operating Lease termination resulting from purchase of 50 Fremont	0.00	(0.06)
Gains on sales of strategic investments	(0.02)	0.00
Income tax effects and adjustments	(0.14)	(0.07)
Non-GAAP diluted earnings per share	\$ 0.24	\$ 0.16
Shares used in computing diluted net income per share	686,799	664,310

(in thousands)

Non-GAAP income from operations	Three Months Ended								
	April 30, 2016	January 31, 2016	October 31, 2015	July 31, 2015	April 30, 2015	January 31, 2015	October 31, 2014	July 31, 2014	April 30, 2014
GAAP income (loss) from operations	\$ 51,986	\$ 20,560	\$ 43,434	\$ 19,824	\$ 31,105	\$ (34,816)	\$ (22,042)	\$ (33,434)	\$ (55,341)
Plus:									
Amortization of purchased intangibles	37,601	39,250	39,262	39,841	39,717	39,971	35,446	35,919	43,637
Stock-based expense	188,919	158,972	144,317	147,779	142,560	151,802	139,460	142,411	131,092
Less:									
Operating lease termination resulting from purchase of 50 Fremont	0	0	0	0	(36,617)	0	0	0	0
Non-GAAP income from operations	\$ 278,506	\$ 218,782	\$ 227,013	\$ 207,444	\$ 176,765	\$ 156,957	\$ 152,864	\$ 144,896	\$ 119,388

(in thousands)

Free cash flow analysis, a non-GAAP measure	Three Months Ended								
	April 30, 2016	January 31, 2016	October 31, 2015	July 31, 2015	April 30, 2015	January 31, 2015	October 31, 2014	July 31, 2014	April 30, 2014
Operating cash flow (1)									
GAAP net cash provided by operating activities	\$ 1,051,294	\$ 470,208	\$ 162,514	\$ 304,278	\$ 735,081	\$ 336,506	\$ 123,732	\$ 239,078	\$ 482,128
Less:									
Capital expenditures	(83,301)	(68,495)	(80,041)	(64,883)	(71,087)	(85,354)	(73,426)	(71,576)	(60,098)
Free cash flow	\$ 967,993	\$ 401,713	\$ 82,473	\$ 239,395	\$ 663,994	\$ 251,152	\$ 50,306	\$ 167,502	\$ 422,030

(1) During the three months ended April 30, 2016, the Company early adopted Accounting Standards Update No. 2016-09, "Improvements to Employee Share-Based Payment Accounting (Topic 718)" ("ASU 2016-09"), which addresses among other items, updates to the presentation and treatment of excess tax benefits related to stock based compensation. Excess tax benefits are no longer classified as a reduction of operating cash flows. The Company has adopted changes to the consolidated statements of cash flows on a retrospective basis. The changes relating to the early adoption have been applied to the GAAP net cash provided by operating activities for all periods presented above.

