

US Satellite*

Recommended since 19.12.2019

28.03.2023



Country	US	Market capitalization (bn)	USD	197,5	Perf. since reco. (%)	
Sector	Technology	Free float		96,5%	Salesforce, Inc.	17,1
Factset	CRM-US	Closing price	USD	191,26	Sector	63,7
ISIN	US79466L3024	ESG Risk score*	13,2	Low risk		



Profile

The digital transition is the main driver of growth and Salesforce (founded in 1999) is ranked number one in the world (with 18.5% market share) in its speciality: CRM (Customer Relationship Management) software in the Cloud (SaaS). The addressable market for this specialised segment of enterprise software is \$ 176 billion (2024e). The Group is organised around four business lines/solution groups: Sales Cloud (28% of revenues), the Group's core business (sales of CRM software solutions in the Cloud); Cloud Services (27%); Salesforce Platform (30%); Marketing & Commerce Cloud (15%).

Strengths/opportunities

- CRM is the software line with the strongest growth (+14% per year). CRM is at the centre of the digital transformation.
- Supported by Cloud solutions, this market is 1.6 times larger than the on-premises market (on-premise software).

Weaknesses/threats

- Potential risks related to technological breakthroughs; gradual market slowdown.
- Risks related to possible acquisitions (and expansion into new areas); very high valuation.

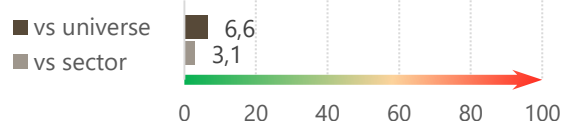
Investment case

- A dynamic market, CRM software in the Cloud (in SaaS mode), is growing faster than the other business lines, as companies' digital transformation projects most often revolve around customer relations (collection and usage of customer data). Several growth drivers can be highlighted:
- The replacement market and new markets (extension to new segments and users for large companies; new customers and new projects for SMEs/SMIs). Development of multi-Cloud and cross-selling services as well.
- New technologies, such as Artificial Intelligence (AI), Internet of Things (IoT), Blockchain, Advanced Analytics, etc., which are already heralding the next generation of CRM. These product/solution suites are at the centre of the digital projects of an increasing number of companies, enabling a more complete analysis of customers during the product lifecycle, reducing integration costs, and providing support for revenues and margins.
- Over the past five years, the Group has been steadily gaining market share and is expected to double its revenues by 2024.
- On the guidance of the Q4 FY2023, Salesforce targets a turnover of \$7.98 billion. The EBIT margin is estimated at 20.4% and the EPS at \$1.36. Cash flow and margins will be slightly under pressure with the integration of Slack (acquisition of \$27.7 billion).

Valuation

Salesforce continues to benefit from a strong structural trend, and is now reaching an affordable valuation level (PER 2022e ratio higher than 27x). With its strong balance sheet (\$11.9 billion in cash), the Group is pursuing an effective M&A policy.

ESG risk vs. universe & sector (percentile)*



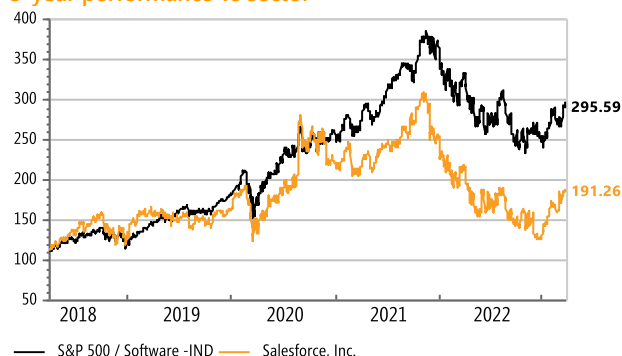
USD	01/2023	01/2024e	01/2025e
Sales revenue (mio)	31 352	34 545	38 422
Sales growth	18,3%	10,2%	11,2%
EBIT adjusted (mio)	1 858	9 191	11 321
% of sales	5,9%	26,6%	29,5%
Net income (mio)	208	7 025	8 791
Net income growth	-85,6%	3277,6%	25,1%
FCF/Sales	22,4%	21,5%	25,2%
Net debt/Ebitda	0,3x	-0,5x	-0,9x
Dividend yield	0,0%	0,0%	0,0%
PE	805,2x	26,9x	21,5x
P/BV	2,9x	3,0x	2,7x

Factset estimates

ESG - risks and key points

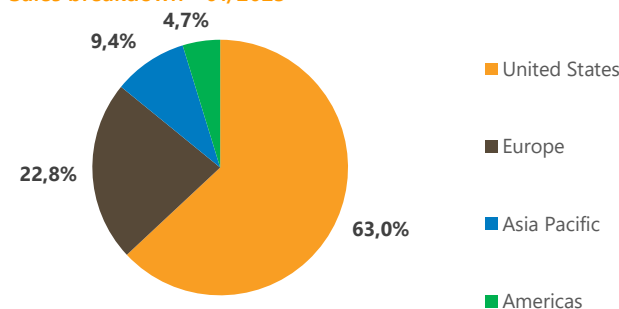
- Salesforce has a very high ESG (low risk) rating and is even considered a very active Group in this area.
- The company culture has enabled the implementation of a 1-1-1 Model (1% of its product, 1% of the company's equity, 1% of employees' time), dedicated to philanthropic activities.
- The HR policy is essentially linked to R&D (16% of revenues) and acquisitions (63 transactions completed).

5-year performance vs sector



Source: FactSet

Sales breakdown - 01/2023



Glossary

Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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