Scaling to $20B and Beyond

Salesforce Investor Day
October 4, 2016
Safe Harbor

Safe harbor statement under the Private Securities Litigation Reform Act of 1995:

This presentation contains forward-looking statements about our financial and operational results. The achievement or success of the matters covered by such forward-looking statements involves risks, uncertainties and assumptions. If any such risks or uncertainties materialize or if any of the assumptions prove incorrect, our results could differ materially from the results expressed or implied by the forward-looking statements we make.

The risks and uncertainties referred to above include -- but are not limited to -- risks associated with past and future acquisitions; risks associated with possible fluctuations in our financial and operating results, such as our rate of growth and anticipated revenue run rate, including our ability to convert deferred revenue and unbilled deferred revenue into revenue and, as appropriate, cash flow, and ability to maintain continued growth of deferred revenue and unbilled deferred revenue; foreign currency exchange rates; errors, interruptions or delays in our services or our Web hosting; breaches of our security measures; the nature of our business model; our ability to continue to release, and gain customer acceptance of, new and improved versions of our services; successful customer deployment and utilization of our existing and future services; changes in our sales cycle; competition; various financial aspects of our subscription model; unexpected increases in attrition or decreases in new business; our ability to realize benefits from strategic partnerships and strategic investments; the emerging markets in which we operate; unique aspects of entering or expanding in international markets, our ability to hire, retain and motivate employees and manage our growth; changes in our customer base; technological developments; regulatory developments; litigation related to intellectual property and other matters, and any related claims, negotiations and settlements; unanticipated changes in our effective tax rate; factors affecting our outstanding convertible notes and revolving credit facility; fluctuations in the number of our shares outstanding and the price of such shares; collection of receivables; interest rates; factors affecting our deferred tax assets and ability to value and utilize them; the potential negative impact of indirect tax exposure; the risks and expenses associated with our real estate and office facilities space; and general developments in the economy, financial markets, and credit markets.

Further information on these and other factors that could affect the financial results of salesforce.com, inc. is included in the reports on Forms 10-K, 10-Q and 8-K and in other filings we make with the Securities and Exchange Commission, available on the SEC Filings section of the Investor Information section of our Investor Relations website.
Competitive Advantage with Strong Core

MARK HAWKINS
CFO
Growth/Margin Framework is Our Compass...
Balancing growth with improving profitability

**HIGH GROWTH**
- Top Line
  - > 30%

**GROWTH**
- Top & Bottom Line
  - 20%-30%
  - +100-300 bps ≈ Revenue Growth

**LOW GROWTH**
- Bottom Line
  - < 20%
  - +200-400 bps

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1 All references to operating margin refer to non-GAAP operating margin. Non-GAAP operating margin excludes the effects of stock-based compensation, amortization of purchased intangibles, lease termination resulting from purchase of office building, and the potential impact of FX and M&A. A complete reconciliation of GAAP to non-GAAP measures can be found in the Appendix and at www.salesforce.com.
...and We’re on the Right Path

Strong core performance

REVENUE
FY14 – FY17E
FY14: $4,071M, 8.9%
FY15: $5,374M, 10.7%
FY16: $6,667M, 12.4%
FY17E: $8,275M-$8,325M, 13.1% EST.

OCF
FY14 – FY17E
FY14: $884M
FY15: $1,181M
FY16: $1,672M
FY17E: $2,000M+

Note: FY17 estimates represent guidance ranges provided August 31, 2016. Non-GAAP operating margin excludes the effects of stock-based compensation, amortization of purchased intangibles, and lease termination resulting from purchase of office building. A complete reconciliation of GAAP to non-GAAP measures can be found in the Appendix and at www.investors.com.
Positioned for $20 Billion and Beyond
Fourth largest enterprise software company

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>FY17 Consensus</th>
<th>FY18 Consensus</th>
<th>YoY Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Microsoft</td>
<td>$93.3 B</td>
<td>$97.2 B</td>
<td>4%</td>
</tr>
<tr>
<td>2</td>
<td>Oracle</td>
<td>$37.5 B</td>
<td>$38.2 B</td>
<td>2%</td>
</tr>
<tr>
<td>3</td>
<td>SAP</td>
<td>$24.3 B</td>
<td>$25.8 B</td>
<td>6%</td>
</tr>
<tr>
<td>4</td>
<td>Salesforce</td>
<td>$8.3 B</td>
<td>$10.1 B</td>
<td>22%</td>
</tr>
<tr>
<td>5</td>
<td>VMware</td>
<td>$7.0 B</td>
<td>$7.3 B</td>
<td>4%</td>
</tr>
</tbody>
</table>

Note: Salesforce consensus based on FY17 and FY18 analyst estimates per FactSet. All other consensus estimates represent annualized CY2016 and CY2017 per FactSet.
Current Products Support $20 Billion Objective
Massive and growing TAM

2016: $70B
2017: $78B
2018: $86B
2019: $95B
2020: $105B

CAGR % CY16-20
Total Market 11%

COMMERCE 15%
ANALYTICS 8%
MARKETING 19%
APP & OTHER 8%
SERVICE 13%
SALES 12%

Calculations performed by Salesforce and charts/graphics created by Salesforce based on Gartner research. Source: Gartner Forecast Enterprise Software Markets, Worldwide, 2013-2020, 3Q16 Update; Sales Cloud market defined as Sales; Service Cloud market defined as Customer Service and Support; Marketing Cloud market defined as Marketing; Commerce Cloud market defined as Digital Commerce Platforms; Analytics Cloud market defined as Modern BI Platforms, Traditional BI Platforms, Analytic Applications and Performance Management, and Advanced Analytics Platforms; App & Other market defined as Application Platform Software, Other AD, Application Platform as a Service (APaaS), Business Process Management Suites, Data Integration Tools, Identity Governance and Administration, Mobile App Development Platforms, Testing, Web Access Management (WAM), Application Services Governance, Collaboration/Social Software Suites, and Portal and Digital Engagement Technologies. Annual totals and CAGRs are based on actual numbers and not on rounded numbers shown above.
Consistent Share Gain
Extending our #1 CRM market share position

Source: Industry analysts, market research and Salesforce estimates. CRM market includes sales, customer service and support, and marketing software.
Competitive Advantage

Product Strength and Innovation

Large, Loyal Installed Base

World-Class Team and Culture
17 Years of Unmatched Customer Innovation
Leader in capitalizing on key technology shifts

- Cloud
- Social
- Mobile
- IoT
- AI
- Multi-tenant Cloud
- AppExchange
- Chatter
- Salesforce1
- Lightning Platform
- Wave Analytics Cloud
- Salesforce IQ
- Thunder IoT Cloud
- Salesforce Einstein
Undisputed CRM Product Leader

Industry-Leading Products

- Sales Cloud
- Service Cloud
- Marketing Cloud
- Community Cloud
- App Cloud
- Commerce Cloud

Innovator of the Decade
Forbes
MT. PRODUCT

Sources: Industry analyst reports.
Strategy Focused on the Front Office
Everything we do is about the customer
M&A Strategy is Two-Fold

Augments existing clouds or accelerates new product initiatives
The World’s Smartest CRM Platform

Applications

Sales  Service  Marketing Community  Analytics  Apps  Commerce  IoT  Quip

Platform

AppExchange  force.com  Heroku

Einstein

Pitched Analytics  Machine & Deep Learning  Natural Language Processing & Generation

Thunder

IoT Events  CRM Data  Email, Calendar & Social Data

Lightning
We Own The Top Three Pure-Play Clouds
Multiple drivers of customer and shareholder value

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Annual Revenue Run Rate</th>
<th>Growth Rate YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sales Cloud</td>
<td>$3,020 M</td>
<td>13%</td>
</tr>
<tr>
<td>2</td>
<td>Service Cloud</td>
<td>$2,302 M</td>
<td>29%</td>
</tr>
<tr>
<td>3</td>
<td>App Cloud &amp; Other</td>
<td>$1,414 M</td>
<td>43%</td>
</tr>
<tr>
<td>4</td>
<td>Workday</td>
<td>$1,225 M</td>
<td>37%</td>
</tr>
<tr>
<td>5</td>
<td>ServiceNow</td>
<td>$1,163 M</td>
<td>45%</td>
</tr>
<tr>
<td>6</td>
<td>Marketing Cloud</td>
<td>$810 M</td>
<td>28%</td>
</tr>
<tr>
<td>7</td>
<td>NetSuite</td>
<td>$721 M</td>
<td>28%</td>
</tr>
<tr>
<td>8</td>
<td>Ultimate Software</td>
<td>$634 M</td>
<td>27%</td>
</tr>
<tr>
<td>9</td>
<td>Veeva</td>
<td>$421 M</td>
<td>40%</td>
</tr>
<tr>
<td>10</td>
<td>Medidata Solutions</td>
<td>$387 M</td>
<td>15%</td>
</tr>
</tbody>
</table>

Our clouds represent 4 of the top 10 pure-play public cloud companies by revenue as of Q2 2016.

1Figures represent annualized subscription and support revenue run rate for the most recently completed quarterly filings as of Q2 CY2016. All amounts in millions. Source: FactSet.
Unparalleled Cloud Ecosystem
Partners accelerate our value and opportunity

4M
Appexchange installations

49%
Partner involvement in new business

+30%
Number of certified consultants

1 Represents percentage of new business in which partners were involved during H1 17.
2 Represents the increase in certified consultants during FY16.
Competitive Advantage

Product Strength and Innovation

Large, Loyal Installed Base

World-Class Team and Culture
Trailhead Creates Customer Advocacy
Trailhead makes it fun and easy to learn Salesforce

67 TRAILS

201 MODULES

1.2M Completed Badges
Customer Loyalty Drives Declining Attrition

Attrition rate is down 45% since FY11

Note: Chart of dollar attrition as a percentage of revenue when compared to the year-ago period for Sales Cloud, Service Cloud and the Force.com Platform. Numbers represent the second quarter for each respective year. $500 million run-rate savings is calculated by applying the difference in attrition rate from Q211 to Q217 by FY16 annual revenue.
Installed Base is an Important Growth Asset
150K+ customers and growing

Note: Ratios are based on annual revenue contribution for the four fiscal quarters ending Q217.
Core Strength Reflected in Top Accounts...
Customer count and value continue to increase

$1M+ Annual Revenue

$10M+ Annual Revenue

30% Y/Y increase in value of all contracts over $1 million

66% CAGR FY13-FY17

Customer Count
Q213 Q214 Q215 Q216 Q217
~500 ~700 ~800 ~1,000 ~1,300

Customer Count
Q213 Q214 Q215 Q216 Q217
11 20 39 57 84

Note: Amounts represent annual revenue contribution, or expected annual revenue for FY17, as of Q2 for the respective fiscal year.
...and is Matched by Strength in SMB
Revenue from SMB customers has grown >30% annually

SMB Annual Revenue Contribution

- Proportion of Revenue from Customers Paying >$1M annually
- Proportion of Revenue from Customers Paying <$1M annually

Q217: 22% (78%)
Q216: 19% (81%)
Q215: 15% (85%)
Q214: 11% (89%)
Q213: 8% (92%)

Note: Amounts represent annual revenue contribution, or expected annual revenue for FY17, as of Q2 for the respective fiscal year. Q217 SMB annual revenue contribution more than three times larger than Q213 SMB annual revenue contribution. SMB is defined as customers with up to 3,500 employees.
Portfolio Fuels Customer Success and Growth

More customers are using more clouds

Q2’13
Top 40 customers

Q2’16
Top 100 customers

Q2’17
Top 200 customers

13% using 4+ clouds
3+ clouds: 46%
2+ clouds: 76%

20% using 4+ clouds
3+ clouds: 75%
2+ clouds: 97%

75% using 4+ clouds
3+ clouds: 95%
2+ clouds: 99%
Competitive Advantage

- Product Strength and Innovation
- Large, Loyal Installed Base
- World-Class Team and Culture
Salesforce Core Values
Our culture is a competitive advantage

“Salesforce has its customers in its DNA. The laser focus on customer value is unrelenting. I love it.”
SAIDEEP RAJ
MANAGING DIRECTOR, ACCENTURE

“We wouldn’t be able to serve this many communities if it weren’t for Salesforce.”
JAY BANFIELD
EXECUTIVE DIRECTOR, YEAR UP BAY AREA

“This place oozes energy and passion ... that energy makes this place different.”
TAYLOR HILFICKER
BUSINESS MANGER, BRAND, SALESFORCE

“It’s an awesome product that helps you do awesome things.”
GITA BOROVSKY
DIRECTOR OF CRM, AMERICAN RED CROSS
Unique Investments in Our Culture...

Creates customer and employee advocacy

Equality for All

Tony Prophet as new Chief Equality Officer

glaad

Women's Leadership

Women in tech | Equal pay

$3M salary adjustment for equal pay

Environment

98% more carbon efficient | Net-Zero by 2020

1% Time | 1% Equity | 1% Product
...Make us a Destination Employer...
San Francisco’s largest technology employer

FORTUNE 100 BEST COMPANIES TO WORK FOR® 2016

Full-Time Headcount

Q211 Q212 Q213 Q214 Q215 Q216 Q217
4K 6K 9K 13K 15K 18K 23K
... and a Magnet for Proven and Visionary Leaders

Neelie Kroes
Former VP of the European Commission, Board Member

Bret Taylor
CEO, Quip

Bob Stutz
CEO, Marketing Cloud & Chief Analytics Office

Richard Socher
Chief Scientist

Tony Prophet
Chief Equality Officer
Scaling to $20B and Beyond

$100B TAM
Industry Leading Products
Track Record of Innovation
Large, Loyal Installed Base
Customer Focused Culture
Benefits of Scale with Strong Economics

DAVID HAVLEK
EVP, Finance
Benefits of Scale

- P&L
- Balance Sheet & Cash Flow
- Long-term Economics
Growth/Margin Framework is Our Compass
Balancing growth with improving profitability

**HIGH GROWTH**
Top Line
- > 30%

**GROWTH**
Top & Bottom Line
- 20%-30%
  - +100-300 bps
  - ≈ Revenue Growth

**LOW GROWTH**
Bottom Line
- < 20%
  + 200-400 bps

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Sustained Growth at Scale
Forms the foundation for $20 billion objective

FY11: $1,657M 37% $4,071M 34%
FY12: $2,267M 35% $5,374M 33%
FY13: $3,050M 27% $27%
FY14: $4,071M 27%
FY15: $5,374M 27%
FY16: $6,667M 27%
FY17E: $8,275M-$8,325M

Note: FY17 estimate represents revenue guidance range provided August 31, 2016. The FY17 constant currency growth rate represents the constant currency growth rate for the first half of fiscal 2017. Non-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.
Scale Benefits Margin Improvement
Absorbing M&A and investing in growth

Note: Non-GAAP operating margin excludes the effects of stock-based compensation, amortization of purchased intangibles, and lease termination resulting from purchase of office building. A complete reconciliation of GAAP to non-GAAP measures can be found in the Appendix and at www.salesforce.com.
Scale Helps Navigate Through Variability
Managing through FX volatility

EUR / USD

GBP / USD

USD / JPY
International Growth Outpacing Americas
Increasing investment in datacenters and headcount

**Americas**
- 1999
- 24% Q217 revenue growth
- 21% 3 year headcount CAGR

**EMEA**
- 2014
- 32% Q217 revenue growth
- 30% 3 year headcount CAGR

**APAC**
- 2011
- 29% Q217 revenue growth
- 27% 3 year headcount CAGR

Note: Revenue growth rates represent constant currency revenue growth. Non-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.
Foreign Currency Landscape

- 4 Regional Hubs
- 3 Functional Currencies
- Multiple Billing Currencies
FX Impacts to Growth and Margin
Example of a European contract

- Expenses
- DR and Revenue

Billing Currency

TRANSACTIONAL FX

Functional Currency

TRANSLATIONAL FX

Consolidated Currency

GBP
EUR
USD
Benefits of Scale

- P&L
- Balance Sheet & Cash Flow
- Long-term Economics
Subscription Model Strength
Creates revenue visibility and predictability

Q210: $1.3B
Q211: $1.3B
Q212: $1.3B
Q213: $1.3B
Q214: $1.3B
Q215: $1.3B
Q216: $1.3B
Q217: $11.8B

- ~80% annual revenue under contract at start of the year
- ~95% quarterly revenue under contract at start of the quarter
Multiple Factors Impact Deferred Revenue

Creates growing invoicing seasonality as we scale

- Compounding (Seasonality)
- Co-terming (Seasonality)
- Amortization (Consistent)
Scale Impacts Deferred Revenue Seasonality
Q1 seasonality evolving
Scale Impacts Deferred Revenue Seasonality
Q2 seasonality evolving
Scale Impacts Deferred Revenue Seasonality
Q3 seasonality evolving

Sequential growth

Q305 Q306 Q307 Q308 Q309 Q310 Q311 Q312 Q313 Q314 Q315 Q316 Q317

\(^1\)Q3 17 deferred revenue guidance as of August 31st, 2016.
Scale Impacts Deferred Revenue Seasonality

Q4 seasonality evolving

Impact of 1% change in sequential DR

~$1M

~$7M

~$28M

*Company implemented annual invoicing policy and benefitted from a multi-year invoice.
Deferred Revenue Seasonality Continues to Deepen

Result of invoice compounding and amortization of larger and larger base
Cash Flow Seasonality Also Evolving

Result of collections compounding and quarterly cash expenses on larger base

Note: chart represents indexed sequential growth since Q405.
Benefits of Scale

P&L

Balance Sheet & Cash Flow

Long-term Economics
BACK TO SCHOOL

PROF. HAVLEK
OFFICE HOURS: M-W-F, 8:00AM-10:00AM
Lifetime Unit Economics 301
Subscription economics applied to the business lifecycle

2014: Lifetime Unit Economics

2015: Lifetime Unit Economics

<table>
<thead>
<tr>
<th></th>
<th>Acme</th>
<th>XYZ CORP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Revenue</td>
<td>$1,000</td>
<td>$1,000</td>
</tr>
<tr>
<td>Less Attrition</td>
<td>($250)</td>
<td>($250)</td>
</tr>
<tr>
<td>Plus New Business</td>
<td>$850</td>
<td>$270</td>
</tr>
<tr>
<td>= Ending Revenue</td>
<td>$1,600</td>
<td>$1,020</td>
</tr>
</tbody>
</table>

**Attrition:**
Defines expected life of $1 of annuity

**Lifetime Revenue (LTR):**
Cumulative value of $1 annuity over expected life (Value = $1 / attrition)

**Cost to Book (CTB):**
Cost to acquire $1 annuity

**Cost to Serve (CTS):**
Cost to serve $1 annuity over expected life
Lifecycle Stage Impacts Growth and Margin

At maturity, companies approach their life-time margin potential.
Example: Acme Cloud Company
Example: Acme Cloud Company

Velocity = \( \frac{b_r}{r_k} \) where \( b_r \) = New Business Rate and \( r_k \) = Revenue Rate

New Business

Revenue
Example: Acme Cloud Company

Velocity = \( \frac{b_r}{r_k} \), where \( b_r \) = new business rate and \( r_k \) = revenue rate.

- New Business
- Revenue

Graph showing growth rate over time.

T, T', and T^0 are points on the time axis.
Example: Acme Cloud Company

If CTB is flat, S&M expense grows at the same rate as new business.
Example: Acme Cloud Company
Example: Acme Cloud Company

- CTB Margin Pressure
- S&M Expense (CTB Flat)
- Revenue

Graph showing growth rate over time.
Example: Acme Cloud Company
Example: Acme Cloud Company
Margin Leverage Reinvestment Sustains Growth

Reinvestment is critical to sustaining growth.

- New Innovation
- New Verticals
- New Geos
- New Clouds
Scale Benefits Near- and Long-Term Performance
Fueling top and bottom line performance

- **High Growth**
  - Top line: >30%
  - Non-GAAP op. margin: Flat to up
  - OCF growth: < revenue growth

- **Growth**
  - Top & bottom line: 20% - 30%
  - OCF growth: +100-300 BPS

- **Low Growth**
  - Bottom line: < 20%
  - OCF growth: +200-400 BPS

**Mid-30s Long-Term Op. Margin at Maturity**

**Time**
Appendix
## GAAP to Non GAAP Reconciliation

<table>
<thead>
<tr>
<th>(in 000's)</th>
<th>1H FY17</th>
<th>FY16</th>
<th>FY15</th>
<th>FY14</th>
<th>FY13</th>
<th>FY12</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-GAAP income from operations</strong></td>
<td>$84,537</td>
<td>$114,923</td>
<td>$(145,633)</td>
<td>$(286,074)</td>
<td>$(110,710)</td>
<td>$(35,085)</td>
</tr>
<tr>
<td><strong>Plus:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization of purchased intangibles</td>
<td>86,296</td>
<td>158,070</td>
<td>154,973</td>
<td>146,535</td>
<td>88,171</td>
<td>67,319</td>
</tr>
<tr>
<td>Stock-based expenses</td>
<td>371,229</td>
<td>593,628</td>
<td>564,765</td>
<td>503,280</td>
<td>379,350</td>
<td>229,258</td>
</tr>
<tr>
<td><strong>Less:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating lease termination resulting from purchase of 50 Fremont</td>
<td>0</td>
<td>$(36,617)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Non-GAAP income from operations</strong></td>
<td>$542,062</td>
<td>$830,004</td>
<td>$574,105</td>
<td>$363,741</td>
<td>$356,811</td>
<td>$261,492</td>
</tr>
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</table>

### As Margin %

<table>
<thead>
<tr>
<th></th>
<th>1H FY17</th>
<th>FY16</th>
<th>FY15</th>
<th>FY14</th>
<th>FY13</th>
<th>FY12</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total revenues</strong></td>
<td>$3,953,221</td>
<td>$6,667,216</td>
<td>$5,373,586</td>
<td>$4,071,003</td>
<td>$3,050,195</td>
<td>$2,266,539</td>
</tr>
<tr>
<td><strong>Non-GAAP operating margin</strong></td>
<td>13.7%</td>
<td>12.4%</td>
<td>10.7%</td>
<td>8.9%</td>
<td>11.7%</td>
<td>11.5%</td>
</tr>
</tbody>
</table>