

US Satellite*

Recommended since 19.12.2019

04.07.2022



Country US
Sector Technology
Factset CRM-US
ISIN US79466L3024

Market capitalization (bn) USD 173,1
Free float 96,8%
Closing price USD 168,20
ESG Risk score* 13,2 Low risk

Perf. since reco. (%)
Salesforce, Inc. 3,0
Sector 51,6



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.

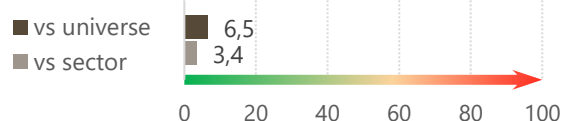
Investment case

- 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 FY2022, Salesforce targets a turnover of \$ 26.2-26.3 billion. The EBIT margin is estimated at 18.5% and the EPS between \$ 4.36-4.38. 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 34x). 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)*



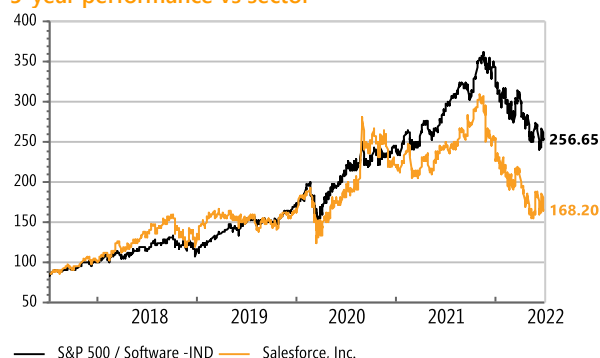
| USD | 01/2022 | 01/2023e | 01/2024e |
|---------------------|---------|----------|----------|
| Sales revenue (mio) | 26 492 | 31 814 | 37 451 |
| Sales growth | 24,7% | 20,1% | 17,7% |
| EBIT adjusted (mio) | 548 | 6 486 | 8 054 |
| % of sales | 2,1% | 20,4% | 21,5% |
| Net income (mio) | 1 444 | 4 838 | 6 144 |
| Net income growth | -64,5% | 235,0% | 27,0% |
| FCF/Sales | 23,0% | 20,7% | 21,4% |
| Net debt/Ebitda | 0,7x | -0,4x | -1,0x |
| Dividend yield | 0,0% | 0,0% | 0,0% |
| PE | 156,9x | 35,3x | 28,8x |
| P/BV | 4,0x | 2,7x | 2,5x |

Factset estimates

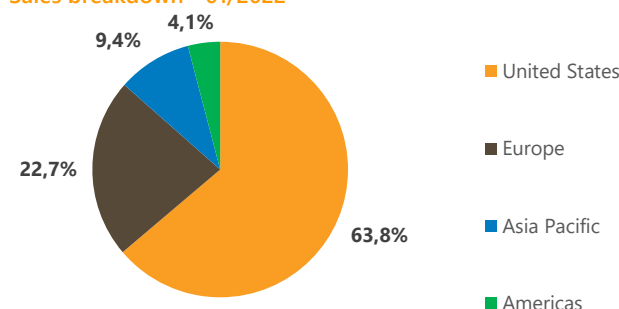
ESG - risks and key points

- 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



Sales breakdown - 01/2022



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.

Offices & Branches

Bordier & Cie Genève

Rue de Hollande 16
CH-1204 Genève
Case postale
CH-1211 Genève 3
T + 41 58 258 00 00
F + 41 58 258 00 40

Bordier & Cie Berne

Spitalgasse 40
Case postale
CH-3001 Berne
T + 41 58 258 07 00
F + 41 58 258 07 10

Bordier & Cie Nyon

Rue de la Porcelaine 13
CH-1260 Nyon
Case postale 1045
CH-1260 Nyon 1
T + 41 58 258 07 50
F + 41 58 258 07 70

Bordier & Cie Zurich

Talstrasse 83
CH-8001 Zürich
T + 41 58 258 05 00
F + 41 58 258 05 50

Bordier & Cie (France) S.A.

1, rue François 1er
75008 Paris – France
T + 33 1 55 04 78 78
F + 33 1 49 26 92 48

Bordier & Cie (Uruguay) S.A.

Edificio Beta 3, oficina 102
Zonamerica
91600 Montevideo
Uruguay
T + 598 2 518 2700
F + 598 2 518 2703

Bordier & Cie (Singapore) Ltd

CapitaGreen #14-00
138 Market Street
Singapore 048946
T + 65 6239 9999
F + 65 6239 9998

Bordier Bank (TCI) Ltd

Leeward Highway
Caribbean Place
Providenciales
Turks and Caicos
T + 1 649 946 45 35
F + 1 649 946 45 40

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