

Price (USD)	Annual Revenue	EPS	Historic Returns	Outstanding Shares
Current: 260.63 52-Week High: 369.00 52-Week Low: 230.00	2024: 34.86B 2025: 37.90B 2026E: 40.7B	Current: 6.36 2026E: 7.36	1M: -9.38% 3M: -6.30% 6M: -23.92% 1Yr: 13.27%	Current: 962M Diluted: 974M Inst. Holding: 82%
Target Price (USD)	Profitability Margins FY25/A, (FY26E)	P/E	Projected Returns	Miscellaneous
348.36	OPM: 19 (20.6) NPM: 16.4 (17.5) EBITDAM: 28.2 (30.6)	Current: 41.0 2026E: 47.6	Upside Potential: 33.7% Dividend Yield: 0.64% Total Projected returns*: 34.3% *includes Div Yield	Avg. Daily Vol: 7.27M Market Cap: 251.82B Beta (5 Yr): 1.38 Fiscal Year: Ending Jan 31

SECTOR OVERVIEW

Sector	Sector Rating	Total % of S&P 500 Market Cap	1M Return	3M Return	6M Return	1Yr Return
Information Technology	Over Weight	28.74%	3.13%	13.18%	0.60%	5.13%

RECOMMENDATION

STRONG SELL

SELL

HOLD

BUY

STRONG BUY

INVESTMENT THESIS

Salesforce dominates the CRM market; the company has already turned Agentforce into a revenue-generating product, with over 8,000 deals. Their Data cloud is processing over 22T records with rapid growth, furthering AI insights and consumption-based revenue opportunities. By integrating CRM with Slack and Tableau, Salesforce will be operating on a unified platform, reducing churn. The sales and internal adoption of AI tools will support margin expansion through both sales and cost discipline.

CRM's market leadership, AI integration, a sticky ecosystem, strong financials, a robust moat, a steady CEO with a clear long-term strategy, and recession resilience justify a recommendation to **STRONG BUY, with an estimated upside potential of 33.7%.**

SALESFORCE STOCK PRICE CHART



Figure 1: Salesforce Stock Price Data from market close 06/20/2025

COMPANY DESCRIPTION

Salesforce, Inc. is a provider of customer relationship management (CRM) technology. A CRM is a cloud-based platform that helps companies track and manage customer interactions through a suite of applications that cover sales, service, marketing, and other core business functions. A CRM is essential for firms of all sizes to manage customer relationships and drive business growth. Founded in 1999, Salesforce, Inc. is the most widely known and popular CRM provider. As of 2025, Salesforce serves nearly 150,000 customers worldwide, including almost half of all Fortune 100 companies. Salesforce's CRM has a robust ecosystem that empowers customers to centralize and streamline all their business processes in one place, thereby minimizing the risk of customer attrition. The company's subscription-based and consumption-based hybrid revenue model generates stable and predictable cash flows. Salesforce Inc. reported \$37.9 billion in revenue for fiscal 2025, a 9% year-over-year increase, with operating margins improving to 19%. Approximately 38.3% of Salesforce's revenues are generated outside the United States. After introducing the SaaS delivery model to the world, Salesforce continues to innovate today with the introduction of AgentForce, its platform for building AI agents to automate tasks without human intervention. AgentForce will help improve customer experiences through 24/7 support and more intelligent automation, presenting a good long-term opportunity for the company.

RISKS

- Intense competitive pressure:** Competition from Microsoft, Oracle, Adobe, and niche AI providers poses a threat to market share, particularly in the cloud and AI segments. Unless Salesforce can significantly differentiate itself in product features, pricing pressure may intensify.
- Acquisition integration failures:** To help drive growth, Salesforce has been acquisitive. Acquisitions have also brought in threats from competitors from their acquired markets. The operational disruption risks and resource strains from their acquisitions of Slack, Tableau, and Informatica have caused Investor concerns.
- AI execution risks:** Agentforce is Salesforce's "buzzword" to keep the market interested. Any delay or defects in Agentforce or its AI agents could trigger scrutiny. Since AI products are a result of high R&D costs, the risks are compounded.
- Infrastructure cost risks:** As Salesforce scales up its AI and cloud capabilities, Infrastructure requirements and costs may increase due to its reliance on external infrastructure providers, such as AWS. If Salesforce fails to prepare for its infrastructure needs or if third-party providers raise prices or experience outages, it could result in service disruptions and increased costs, posing a threat to its reputation.
- Macroeconomic sensitivity:** Salesforce generates approximately 38% of its revenues outside of the United States. Changes in international trade policies and geopolitical events may impact Salesforce's overseas revenues or drive down international IT spending, which in turn may affect the company's new subscriptions and renewals. Global conflicts exacerbate uncertainty.

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COMPANY OVERVIEW

BUSINESS DESCRIPTION

Salesforce, Inc. is a provider of customer relationship management (CRM) technology. A CRM is a cloud-based platform that helps companies track and manage customer interactions through a suite of applications that cover sales, service, marketing, and other core business functions. A typical customer relationship management application (either standalone or as a platform) manages confidential customer information, tracks order statuses and other queries, enables customer support, supports targeted marketing opportunities, facilitates sales automation, and provides performance tracking. All this information is collected and integrated into the platform, providing marketing and product teams with actionable insights that promote customer satisfaction and drive profitability. A CRM is, therefore, essential for firms of all sizes to manage customer relationships and drive business growth.

Founded in 1999, Salesforce, Inc. is the most widely known and popular CRM provider. As of 2025, Salesforce serves nearly 150,000 customers worldwide, including almost half of all Fortune 100 companies. Salesforce generates revenues of approximately 38.3% outside the United States. Salesforce sells its software on a subscription basis, both directly and through consulting firms and distributors.

Financially, Salesforce reported \$37.9 billion in revenue for fiscal 2025, a 9% year-over-year increase, with operating margins improving to 19%. Similar to other firms in its sector, Salesforce’s subscription-based and consumption-based hybrid revenue model generates stable and predictable cash flows. Free cash flow reached \$10.65 billion in FY25, with further growth projections expected as margins expand and costs are optimized.

After introducing the SaaS delivery model to the world, Salesforce continues to innovate today with the introduction of AgentForce, its platform for building autonomous AI agents that can automate tasks, make decisions, and take action across sales, service, and marketing without human intervention. Agentforce is gaining traction, with over 8,000 deals signed with revenue prospects from Data Cloud and AI-related products. AgentForce will help improve customer experiences through 24/7 support and more intelligent automation, presenting a good long-term opportunity for the company.

Salesforce’s ecosystem includes popular acquisitions like Slack (for workplace collaboration) and Tableau (for analytics), both of which are now integrated into its unified platform. Integrations like these empower customers to centralize and streamline all their business processes in one place, minimizing the risk of customer attrition. The company is expanding its global presence through international expansion. It is also extending its reach with the planned acquisition of Informatica, aimed at strengthening its data and AI capabilities.

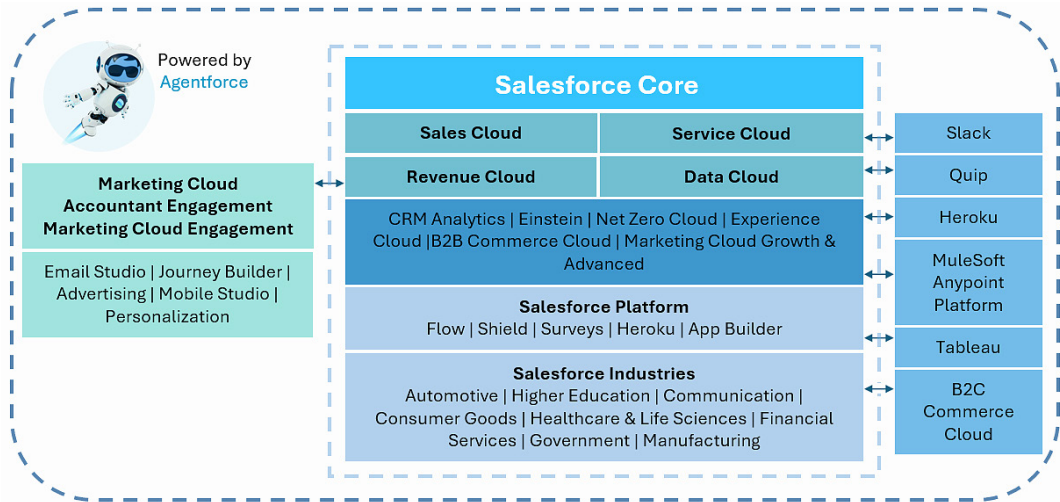


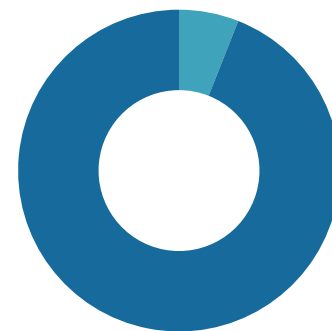
Figure 2: Salesforce Products Landscape in 2025

BUSINESS SEGMENTS

Although Salesforce organizes its products into distinct “clouds” for operational purposes, for SEC financial reporting, and on its 10-K, the company consolidates its revenues from two major Business segments.

Subscription and support: This segment encompasses all core product offerings from Salesforce, including cloud-based software subscriptions and related support. It covers products such as Sales Cloud, Service Cloud, Marketing Cloud, Commerce Cloud, Slack, Tableau, MuleSoft, and others. This segment accounts for roughly 94% of total revenues.

Professional Services and Other: This segment includes revenues from consulting, implementation, training, and other professional services.



Professional Services and Other (6%)

Subscription and Support (94%)

Figure 3: Salesforce Inc., Revenues By Segment

COMPETITIVE ADVANTAGES OF SALESFORCE

Every organization has resources and capabilities. For a resource or capability to qualify as a competitive advantage, it must meet two conditions: the resource or capability must be both Valuable and Rare. For a resource or capability to be valuable, (V) it must allow a firm to exploit opportunities or neutralize threats in a competitive environment. Similarly, a resource or capability is rare (R) if it is not widely available in the industry by the firm's competitors. However, the long-term profitability of a firm is only possible if a firm has resources or capabilities that are imperfectly imitable (I) by rivals and are non-substitutable (S) with strategic equivalents.

By evaluating CRM's resources and capabilities using the VRIS framework (Hitt, Ireland and Hoskisson, 2005), below are the firms' competitive advantages:

Competitive Advantage	V	R	I	S	Competitive Consequence	Performance Implication	Justification
Unified AI-Powered Platform	✓	✓	✓	✓	Sustainable Comp. Adv.	Above Avg. Returns	Integrated CRM, Slack, Tableau, and AI (AgentForce) on one architecture. Rare due to technical complexity; inimitable due to ecosystem lock-in; no direct substitutes.
Market Leadership & Brand	✓	✓	✓	✓	Sustainable Comp. Adv.	Above Avg. Returns	#1 CRM provider for 12+ years (20.7% share). Brand trust and scale are rare and inimitable due to the first-mover advantage; there are no full substitutes for ecosystem depth.
Recurring Revenue Model	✓	✗	✗	✗	Competitive Parity	Avg. Returns	94% of subscription revenue provides stability, but it is not rare (it is common in SaaS). Imitable and substitutable via hybrid models.
Ecosystem (AppExchange)	✓	✓	✓	✗	Temporary Comp. Adv.	Above Avg. Returns	7,000+ apps create switching costs. Rare due to network effects; inimitable due to scale. Substitutable by custom development or niche platforms.
Continuous Innovation	✓	✗	✗	✗	Competitive Parity	Avg. Returns	AgentForce and AI investments are valuable but not rare (competitors like Microsoft innovate). Imitable via R&D; substitutable by third-party AI tools.
Global Scale	✓	✗	✗	✗	Competitive Parity	Avg. Returns	A 38% international revenue share is valuable but not rare (Oracle and Microsoft have a global reach). Imitable via expansion; substitutable by local players.
Company Culture	✓	✓	✓	✓	Sustainable Comp. Adv.	Above Avg. Returns	Ranked top employer globally (Fortune's Most Admired). Rare due to values alignment; inimitable (social complexity); no substitutes for talent retention and trust.

Key Insights from VRIS Analysis

- Unified Platform, Market Leadership, and Company Culture are Salesforce's sustainable competitive advantages. These deep moats create barriers to competition and supporting long-term, above-average returns.
- Ecosystem (AppExchange) scores 3/4 (lacks non-substitutability). While hard to copy, competitors may build alternatives (e.g., Microsoft's AppSource). If Salesforce could scale up these capabilities, there is potential to turn them into a sustainable competitive advantage. However, these temporary advantages create some level of entry barrier and may yield above-average short-term returns.
- Recurring revenue, innovation, and global scale are valuable but not rare or inimitable. Although there are no competitive advantages, these competitive parities are required to do business in the industry and yield average returns.

Considering CRM's moats, it is safe to conclude that Salesforce is undervalued and trading at a discount. Therefore, CRM presents a buying opportunity, and Investors can expect above-average returns compared to the consensus target around \$350.

MARKET ANALYSIS FOR SALESFORCE

Using TAM-SAM-SOM as our analysis tool, we are assessing the market potential for CRM.

Total Addressable Market (TAM): TAM is the total revenue opportunity available if Salesforce captures 100% of the global market for its products and services. The global CRM market is estimated to be over \$180B. The broader market for AI-driven business applications (including CRM, data analytics, and automation) could exceed \$300B. Key drivers include digital transformation, AI adoption, and cloud migration across various industries. Projections show ~10% global IT spending increase through 2025, which includes a 3.9% increase from the Americas region alone.

Serviceable Addressable Market (SAM): SAM is the portion of the TAM that Salesforce can realistically target with its current products, services, and geographic reach. For Salesforce, SAM encompasses the segments of the CRM and enterprise cloud software market where it offers a competitive solution, including sales/service automation, marketing, commerce, and collaboration tools. SAM is smaller than TAM as it excludes markets or regions that Salesforce does not serve, as well as product categories it does not offer. Salesforce's TAM, which is integrated CRM, AI, and data analytics, is estimated at \$90B–\$100B in industry-specific verticals (such as healthcare, finance, and retail).

Serviceable Obtainable Market (SOM): Salesforce is the #1 global CRM with a market share of 20.7% (maintained for over 12 years). CRM's current revenue is \$37.9B in FY2025, targeting \$43.9B by FY2027 (8–9% YoY growth). Salesforce's CRM revenues are greater than all their next three rivals combined – Microsoft, Oracle, and Adobe. CRM is also awarded the #1 global CRM vendor for Marketing for the 6th consecutive year and in Sales for the 13th straight year. Keeping up with the current trend, CRM is expected to capture ~35% of the Market share (\$65 B)

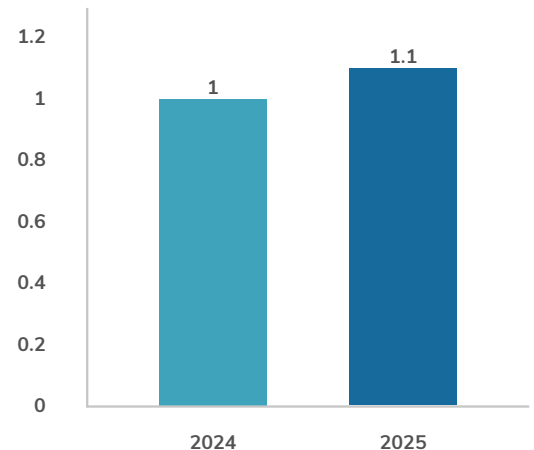


Figure 4: Global IT Spending Forecast in Trillion USD
Source: HG Insights data

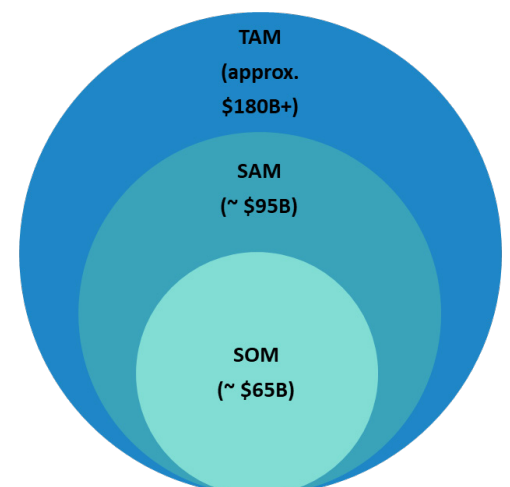


Figure 5: CRM Market Analysis

GROWTH DRIVERS

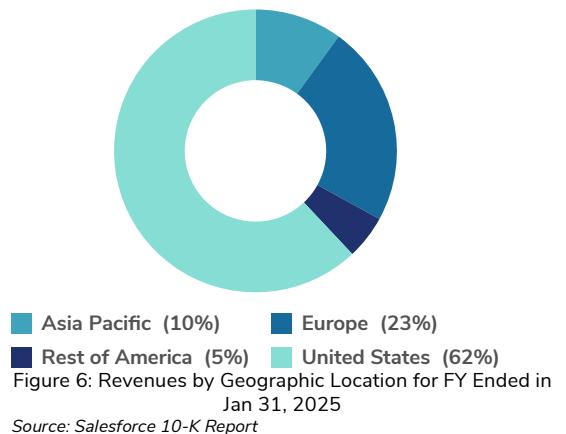
Continuous AI and Cloud Integration: Agentforce automates sales and service workflows, driving over \$ 100M in annual revenue growth. Data Cloud, unified with enterprise data for AI-driven insights, can fuel growth in this segment.

Acquisitions and Integrations to expand competitive offering: Acquisitions that can add value to CRM's suite, such as Informatica's \$8B deal to enhance data governance for AI agents. Integration of Slack and Tableau into a unified platform to reduce turnover.

Industry-specific Solutions: CRM has further potential by developing tailored AI CRM solutions for healthcare, finance, and retail (e.g., Industries AI suite).

Global Expansion: The United States is Salesforce's largest market, accounting for 62% of its revenue, followed by Europe, the Asia Pacific, and the rest of the Americas. CRM could target expanding to 45% or more international revenue by 2027 (vs. 38% in FY2025). This expansion could come from EMEA and APAC regions.

If CRM can minimize its risks related to Cloud infrastructure costs due to its reliance on AWS, differentiate its product to reduce pricing pressures, and focus on its AI execution timeline, CRM is well positioned for growth with its moats to further its footing in this market.



ISSUES INFLUENCING CRM's STOCK PRICE

Valuation concerns in an uncertain economic environment is unjustified:

Salesforce is currently trading at a discount compared to the S&P 500 Tech in valuation metrics (CRM P/E is stretched at 41, compared to the S&P 500 Information Technology's 44.85); this discount, trading within its sector, is unjustified by the company's AI leadership. Furthermore, the company's impressive profit margin of 16.4% at its scale of operations is higher than the sector average of 15.37%, which is commendable. The company's forward growth projections of 8-9% are in line with Global IT spending insights from HG of 10.1%, therefore any investor concerns over CRM's growth are unwarranted. Considering the higher interest rates and volatile foreign exchange markets, the company is making realistic growth projections, which present a great buying opportunity for investors with a long-term focus.

Moats not under threat from a diversified competition, CRM continues to be market leader:

Salesforce is the market leader and has a significant market share over its rivals. Its competitors – Microsoft, Oracle, and Adobe are also investing in their AI-powered CRM platforms; Such moves by competitors with deeper R&D budgets and broader ecosystems may cause concerns for investors. However, by introspecting the R&D budgets of CRM against those of its competitors, it is evident that CRM spends ~15.3% of its revenues on AI. However, its investors not only have lower R&D intensity (MSFT 12%, ORCL 13.4%) but are also diluted across cloud infrastructure and other markets. Such diversified competition gives CRM the edge to focus and re-invest in its core value propositions, which allows it to further dominate its market and retain its leadership.

Leadership changes (CFO Departure):

Salesforce (CRM) stock price declined following CFO Amy Weaver's departure, sparking typical short-term investor concerns about stability. Market reaction typically includes an immediate 1% drop and a potential 3% decline over the next 30 days, reflecting uncertainty surrounding the financial leadership transitions. Investors shouldn't overreact as the company is planning a smooth succession planning for Weaver, who will continue to stay on until Robin Washington assumes CFO responsibilities. Robin Washington is yet another seasoned finance executive and a current board member. Additionally, Weaver will operate as a special adviser through April 2026, ensuring continuity in financial management.

CRM’s proven resilience during downturns:

Salesforce has demonstrated excellent resilience and bounced back from downturns, even when its volatility has been greater than that of the market. For instance, during the 2022 inflation shock, CRM’s stock fell 58.6%, which is significantly greater than the S&P 500’s 25.4% decline, but it recovered to pre-shock levels by Q4 2023. This decline was observed across all high-growth tech stocks due to the Fed’s rate hikes and was not specific to CRM. Similarly, during the 2008 financial crisis, CRM’s stock plummeted by over 70% and rebounded by late 2009. This sharp decline is indicative of the high-risk, high-return nature of the sector in which CRM operates, and CRM’s strong financials have historically mitigated these volatilities.

RECENT EVENTS

The general press tone on Salesforce over the past 60 days has been mostly neutral to positive, with upbeat coverage of financial results and AI strategy outweighing concerns about growth. Most analysts maintain a “Buy” or “Moderate Buy” outlook, but the market remains watchful for continued execution. The most notable events are:

Salesforce Delivers Record Q1 FY2026 Results, exceeding guidance across all metrics

- Salesforce posted Q1 FY2026 revenue of \$9.83 billion, up roughly 8% year-over-year, surpassing analyst expectations.
- Operating cash flow reached \$6.3 billion, a 4% increase from last year.
- Salesforce raised its full-year revenue guidance by \$400 million to \$41.3 B, citing *"a strong AI platform that is unmatched in the industry."*

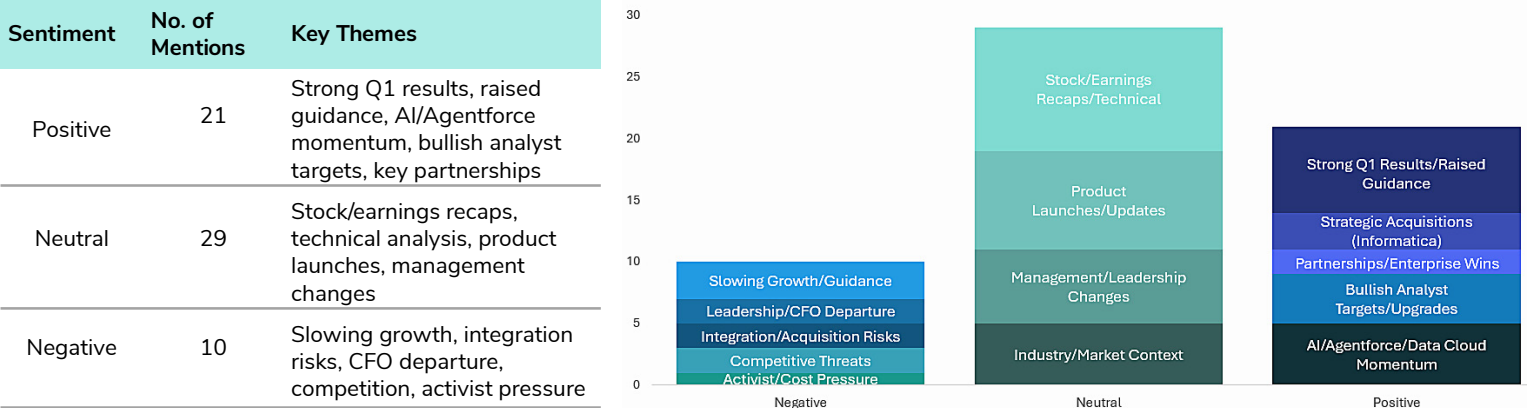
Salesforce Announces \$8 Billion Acquisition of Informatica

- Salesforce signed an agreement to acquire Informatica, a cloud data management leader, for \$8 billion in cash, expected to close in the first quarter of FY 2027.
- The acquisition will be a transformative asset for the company. With Informatica’s abilities, CRM’s AI agents would go beyond simply seeing data points to understanding their full context — enabling businesses to automate more complex processes.
- By combining Informatica’s data expertise with Salesforce’s Data Cloud and Agentforce, CRM’s AI agents can operate safely, responsibly, and at scale, governing data to drive advanced insights while ensuring regulatory compliance.

Summer 2025 Product Release Highlights AI and Productivity

- The Summer ’25 release brings significant AI enhancements, including new Agentforce features. The most notable of these is Agentforce instruction adherence, which enables users to verify an AI agent’s adherence to instructions, ensuring its behavior aligns with expectations.
- Data Cloud now processes real-time data across 22 trillion records, improving analytics and personalization.
- Slack AI introduces automated meeting summaries and workflow triggers, streamlining collaboration and enhancing productivity.

Sources: Salesforce investor relations, press releases, and product announcements (May 2025).



INVESTMENT THESIS

FUNDAMENTAL DRIVERS FOR SALESFORCE (CRM)

Enterprise Shift to AI and Cloud: Salesforce is leading a major transformation in how businesses use technology, driven by the rapid adoption of AI and cloud platforms. The company's goal is to deploy one billion AI agents by the end of year 2025, a target announced by CEO Marc Benioff. Already, AI handles up to 50% of Salesforce's internal workload, automating tasks across customer service, data analysis, and marketing. This isn't just about internal efficiency—these AI agents are now central to Salesforce's product suite, powering solutions like Agentforce and Data Cloud. Agentforce has experienced explosive growth, with more than \$1 billion in annual recurring revenue from its AI and Data Cloud products. In Q4 FY25 alone, Agentforce closed 5,000 deals (3,000 paid), and Salesforce's Data Cloud processing is doubling year-over-year. These tools are helping clients automate up to 84% of customer service cases, freeing human teams for higher-value work and driving measurable productivity gains. As more businesses shift their IT budgets toward AI and automation, Salesforce's leadership in this area empowers it to capture a growing share of enterprise spending.

Subscription and Consumption Revenue: Salesforce's business model is built for resilience and growth. 94% of its revenue comes from subscriptions and support, providing a stable, predictable cash flow base even in uncertain economic times. In Q1 2025, subscription and support revenue reached \$9.3 billion, representing a 9% year-over-year increase. This recurring revenue stream is a key reason why Salesforce can consistently raise its full-year guidance and maintain strong free cash flow. But Salesforce isn't standing still. The company is now rolling out consumption-based pricing for its AI and Data Cloud products. Instead of charging just by user seats, Salesforce now lets customers pay based on actual usage—such as the number of AI conversations or data processed. This model aligns pricing with customer value, lowers entry barriers, and encourages clients to scale their use of Salesforce as their needs grow. It also helps Salesforce capture more revenue from heavy users and expand wallet share within existing accounts. As AI-driven automation reduces the need for human seats, usage-based pricing ensures that Salesforce's revenue continues to grow alongside customer adoption and business value.

Marc Benioff: The Steady Hand Behind Salesforce's Success: Marc Benioff has led Salesforce since he started the company in 1999. He's kept the business focused on cloud software and steady growth, even as the tech world changed around him. His long run as CEO means investors don't have to worry about sudden shifts or surprises in strategy. The market sees Benioff as a reliable leader. He's handled pressure from activist investors and kept the company's margins strong. His approval ratings are high, and Salesforce stock tends to recover quickly after any management shake-ups. Benioff's impact goes beyond profits. He pushed for responsible business with the 1-1-1 giving model, and made big moves like buying Slack and launching AI tools. He's written books like Trailblazer and won awards from Yale and Fortune. With Benioff at the top, Salesforce's direction stays clear and steady.

MACRO ECONOMIC DRIVERS

Corporate IT Spending Trends

Salesforce's revenue model directly depends on corporate IT budgets. When companies increase spending on cloud software, CRM benefits. Slower growth in 2024 was attributed to "increased scrutiny on customer spending" amid economic uncertainty. As previously discussed, when analysts predict rising enterprise software spending (e.g., HG Insights' data projecting a 10% growth forecast for 2025), CRM stock typically reacts positively. Morningstar explicitly cites "*enterprise IT spending trends*" as a key driver in CRM valuation models.

Geopolitical Risks

CRM's stock price has generally moved in the opposite direction of US geopolitical risk index this year. To contextualize this, when headlines cover increased global uncertainty or risk (such as conflicts, political instability, or trade tensions), investors tend to sell or avoid CRM stock. When those risks have eased, CRM's stock has tended to recover or perform better.

This is expected because Salesforce is a global tech company with about a third of its revenue coming from outside the U.S. Rising global geopolitical risks can hurt business confidence, slow IT spending, and increase currency and regulatory risks—all of which can weigh on Salesforce's growth and investor sentiment. In conclusion, A negative correlation highlights the company's sensitivity to global uncertainty and helps explain some of its stock's recent volatility.

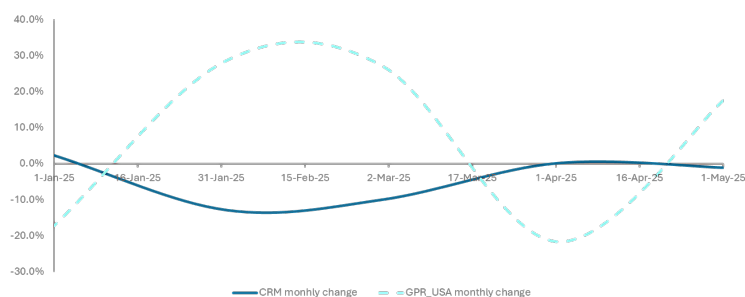


Figure 8: Change in CRM stock vs Geopolitical Risk Index (USA)

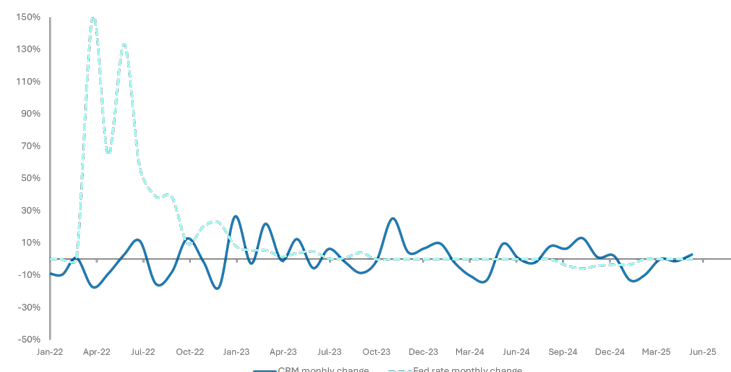


Figure 9: CRM stock price fluctuation vs Fed rate

Fed rate hikes

Over the long haul, there hasn't been much of a connection between CRM and Fed rates. In the company's early days, the two barely moved together at all. As Salesforce grew and the tech sector matured, a mild negative relationship began to emerge—when rates increased, CRM tended to struggle a bit more. This became clearer after 2020, as rising rates put more pressure on tech stocks and made future growth less appealing to investors.

The last three years continued that pattern, with the link between higher rates and weaker CRM performance growing. But since 2025, Salesforce's stock has risen in tandem with interest rates. That's a shift from the past, and it probably reflects more about Salesforce's strong results and the market's optimism around its AI business than about the broader macro backdrop.

In short, CRM's correlation with interest rates was weak or negative for most of its history, reflecting tech's sensitivity to higher rates. Recently, strong business results have helped CRM decouple from this trend.

Source : Table Data - Federal Funds Effective Rate | FRED | St. Louis Fed

US dollar Strength

The relationship between CRM and U.S. dollar strength has evolved with time, based on Market dynamics. In the initial years following CRM's IPO in 2004, there was a very weak negative correlation when Salesforce's revenue was predominantly U.S.-focused, reducing sensitivity to dollar strength. At the same time, the strengthening of the U.S. dollar was weakening the international earnings of other tech stocks. In the last 12 months, Recent dollar strength (e.g., 2024–2025) coincided with geopolitical tensions and rate hikes, driving capital toward safe-haven assets. This hurt growth stocks like CRM, creating a positive correlation between them.

In 2025, CRM's raised guidance, margin expansion, and Informatica acquisition shifted investor focus away from currency moves. In the current environment, AI execution and margin expansion are now bigger stock drivers than forex fluctuations.

Period	Correlation	Primary Driver
2004 – 2014	-0.22	CRM as U.S.-centric growth stock; Weak negative correlation; inverse to the US dollar as dollar strength = lower international earnings
TTM	+0.496	Global revenue exposure. Recent dollar strength (e.g., 2024–2025) coincided with geopolitical tensions and rate hikes, driving capital toward safe-haven assets. This hurt growth stocks like CRM, creating a positive correlation.
YTD 2025	+0.02	Company-specific out-performance (AI, margins) outweighing dollar moves. No correlation.

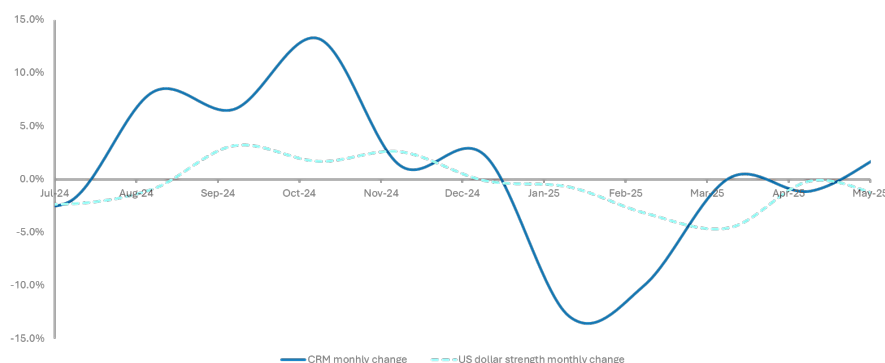


Figure 10: CRM stock price change vs change in US dollar strength

Sector

Based on the chart showing daily percentage changes in CRM stock versus the S&P 500 Information Technology sector index for 2025, it is observable that CRM and the sector index track each other closely throughout the year. Most spikes and dips occur simultaneously and with similar magnitude, indicating that CRM's short-term performance is in line with sector trends.

There are no lags between CRM and its sector, indicating no under-performance compared to its peers. Additionally, the volatility of CRM matches that of its peers, swinging both positively and negatively. Such a consistent pattern further assures that the volatility is not unusual and that the risk profile is typical for the sector for this year.

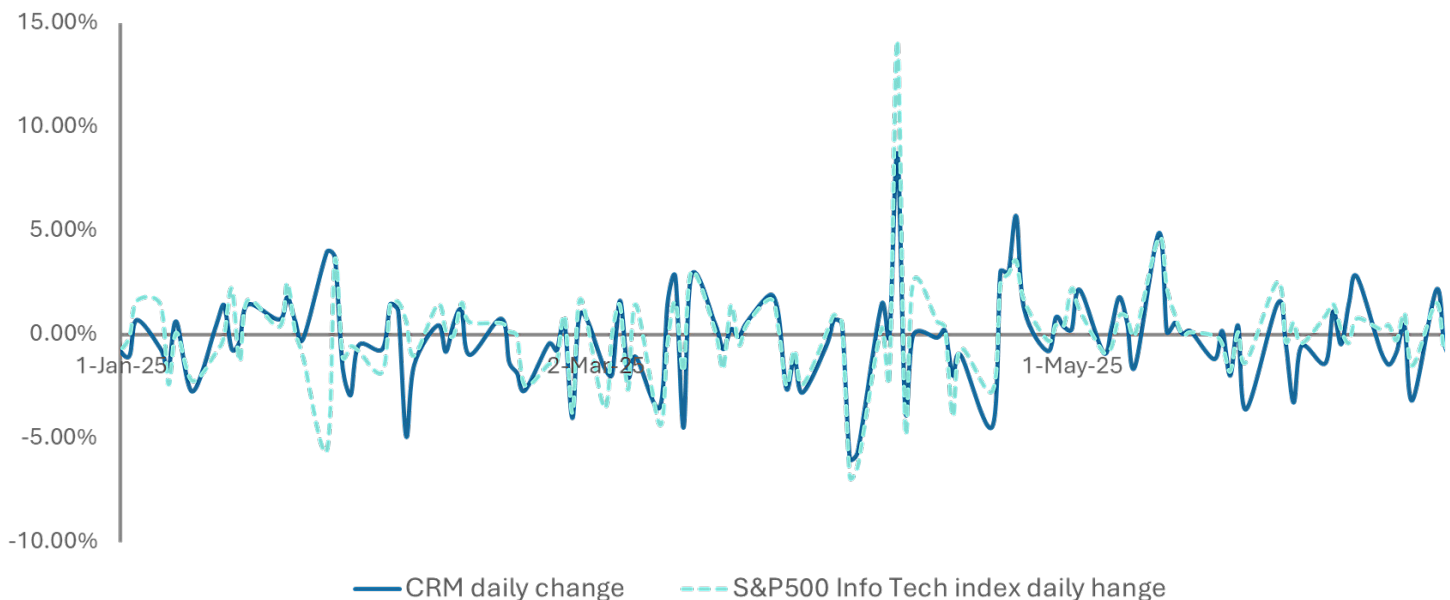


Figure 11: Change in CRM stock vs change in S&P 500 Sector Index YTD 2025

Source : Data from Yahoo Finance S&P 500 Info-Tech sector

FINANCIALS

OPERATIONAL METRICS

Unlike its competitors, Salesforce has minimal exposure to the hardware and consumer segments. Revenue growth is subscription-led (94% recurring), with Agentforce and Data Cloud adding to its substantial revenues. Microsoft is a dominant player in cloud infrastructure (Azure), but its growth is tempered by challenges in hardware (Surface) and gaming volatility. Adobe is reliant on a saturated creative software segment while its adoption of AI for revolutionizing use cases lags.

While its competitors have diverse strengths, Salesforce's pure-play SaaS model stands out for its stability amid fluctuations in IT spending. AI products (Agentforce) scale without inventory risk.

It is noteworthy that Salesforce has achieved an operating margin expansion from 3.3% → 19% in 2 years, which stems from AI-driven efficiency. While their S&M spending is high (35% of revenue), it may be attributed to the adoption of Agentforce. Adobe's R&D focuses on generative AI (Firefly), but ROI lags, and they have not been able to monetize their investments as effectively as Salesforce has. Salesforce's Rapid margin improvement shows operational discipline. R&D targets high-impact AI (Agentforce), unlike peers' scattered investments.

Metric	Salesforce (CRM)	Microsoft (MSFT)	Oracle Corp. (ORCL)	Adobe (ADBE)
Total Revenue	\$37.9B	\$245.12B	\$52.96B	\$21.50B
YoY Growth	8.7%	13.27%	11.31%	10.62%
Operating Margin	19.0%	45.23%	31.45%	36.37%
R&D Expense (% rev)	\$5.49B (14.5%)	\$29.5B (12%)	\$8.91B (17%)	\$3.94B (18.3%)
S&M Expense (% rev)	\$13.26B (35%)	\$24.5 (10%)	\$8.27B (15.6%)	\$5.76B (26.7%)
Key Segments (% rev)	Subscription (94%)	Azure Cloud (35%)	Cloud Services & license(74%)	Digital Media (78%)
Growth Engine	Agentforce AI, Data Cloud	Azure AI Infrastructure	Oracle Cloud Infrastructure (OCI)	Firefly AI
CRM Product Offering	Salesforce CRM	Dynamics CRM/ Dynamic 365	Oracle CRM/ Peoplesoft/ Siebel	Adobe Experience Cloud/ Marketing Cloud
CRM Market Share % (Approx no.)	20.7	6.0	4.7	3.7

VALUATION METRICS

A lower EV/EBITDA ratio indicates a reduced level of debt and/or efficient profit generation relative to total value. Similarly, a lower EV/Revenue ratio signifies a diminished debt level and/or robust revenues. CRM's notably lower debt of \$11.4 billion, when compared with MCFT and ORCL, coupled with faster and sustainable EBITDA growth driven by artificial intelligence, results in an EV/EBITDA of 19.4x. Moreover, owing to resilient recurring revenue models combined with lower debt levels, the EV/Revenue ratio is 6.55x. Consequently, in terms of both EV metrics, the stock of CRM is presently undervalued and presents a compelling value investment opportunity.

CRM's P/E ratio of 41.0x is slightly higher but still attractive and considered best-in-class, supported by rapid margin expansion and scalable AI monetization strategies. Additionally, CRM's higher margins (19.0% operating margin) and recurring revenue streams justify a premium over Adobe (ADBE). While Microsoft demonstrates elevated multiples (P/S 13.8x, P/EB 11.5x), and offers less scope for growth at the current price level. CRM's P/B ratio of 4.3x is sustainable and asset-efficient owing to its zero inventory model inherent in SaaS, unlike Adobe's P/B of 14.3x, which is heavily reliant on intangible assets. Adobe's high P/B ratio indicates dependence on intangible assets such as creative software, with monetization of Generative AI (GenAI) lagging behind.

Metric	Salesforce (CRM)	Microsoft (MSFT)	Oracle Corp. (ORCL)	Adobe (ADBE)
EV/EBITDA	19.4x	24.51x	29.57x	17.54x
EV/Revenue	6.55x	13.62x	12.32x	7.30x
P/E	41.0x	38.44x	50.38x	24.78x
P/S	6.70x	13.76x	10.92x	7.52x
P/B	4.30x	11.49x	30.03x	14.34x

BALANCE SHEET & LIQUIDITY

Cash & Equivalents:

CRM and its competitors maintain substantial cash and cash equivalents, attributable to their high free cash flow. This financial robustness indicates robust fiscal health, thereby providing flexibility and stability. CRM's robust cash and cash equivalents balance enhances the company's capacity to capitalize on opportunities such as strategic investments, acquisitions, or to withstand economic downturns; consequently, the recent acquisition of Informatica at \$8 billion is unlikely to pose significant challenges for CRM.

Metric	Salesforce (CRM)	Microsoft (MSFT)	Oracle Corp. (ORCL)	Adobe (ADBE)
Cash & Equivalents	\$14.0B	\$75.5B	\$11.2B	\$7.9B
Total Debt	\$11.4B	\$67.1B	\$104.1B	\$6.1B
Current Assets	\$29.7B	\$159.7B	\$24.6B	\$11.2B
Current Liabilities	\$28.0B	\$125.3B	\$32.6B	\$10.5B
Current Ratio	1.06x	1.27x	0.75x	1.07x
Total Equity	\$61.2B	\$268.5B	\$20.5B	\$14.1B
Debt/Equity (D/E)	0.19	0.25	5.07	0.43
FCF	\$10.6B	\$74.1B	-\$0.39B	\$7.9B
FY Ending	01/31/2025	06/30/2024	05/31/2025	11/30/2024

Debt Maturities & Liquidity:

Salesforce (CRM) possesses minimal debt obligations in the near term. Only \$1.2B is due in 2026, with an additional \$0.9B payable in 2027. The company maintains a robust net cash position of \$2.6B, calculated as \$14.0B in cash minus \$11.4B in total debt. CRM's current ratio of 1.06 signifies sufficient liquid assets to meet its short-term liabilities. CRM's low leverage, reflected by a debt-to-equity ratio of 0.19, denotes a sound financial standing, indicating a greater reliance on equity financing rather than debt. This minimizes financial risk and enhances stability. Consequently, CRM benefits from operational flexibility and increased resilience in the face of economic downturns or unforeseen challenges. Additionally, the company's free cash flow of \$10.6B enables reinvestment, thereby supporting innovation, expansion, and enhancing stock valuation during periods of growth.

Microsoft (MSFT) has over \$10 billion in debt payable by 2025. Nonetheless, MSFT operates on a markedly larger scale compared to CRM, which alleviates liquidity concerns while fulfilling its debt commitments. Furthermore, its substantial cash reserves of \$75.5B mitigate debt levels, and it maintains a comfortable current ratio of 1.27x relative to CRM. Free Cash Flow (FCF) covers debt approximately 0.25 times, indicating a robust position given its scale. Both CRM and MSFT hold net cash positions, thereby providing strategic flexibility.

Adobe's debt maturity scheduled for 2025 amounts to \$1.5B, which is manageable given the company's cash reserves of \$7.9 billion. The company's debt-to-equity ratio of 0.43 surpasses that of both Microsoft and Salesforce, yet it possesses the potential to enhance its Return on Equity (ROE). Furthermore, its free cash flow (FCF) comfortably exceeds its debt obligations, with \$7.9 billion in FCF compared to \$6.1 billion in debt.

Oracle's D/E ratio of 5.07 is alarmingly high compared to Salesforce's 0.19, potentially exposing the firm to risks during economic downturns. Its current ratio of 0.75x indicates that Oracle cannot cover its short-term obligations with its current assets alone; this contrasts sharply with Salesforce's 1.06x. Moreover, Oracle has the highest debt load in this comparison. Combined with a negative free cash flow for FY 2025, this signals potential cash flow timing issues for Oracle. Unlike Salesforce's conservative balance sheet, Oracle operates with significant financial risk.

Salesforce's balance sheet is well-positioned for growth and investment, with minimal debt, substantial liquidity, and strong cash flow that supports aggressive growth options and dividends without financial strain.

INCOME STATEMENT PROJECTIONS

The Fiscal Year concludes on January 31 (in million \$, except per share data)		FY 2028E	FY 2027E	FY 2026E	FY 2025A	FY 2024A	FY 2023A	FY 2022A	FY 2021A
Revenues									
	Subscription and support	45,195	41,654	38,462	35,679	32,537	29,023	24,666	20,013
	Professional services and other	2,238	2,216	2,238	2,216	2,320	2,329	1,826	1,239
1	Total Revenues	47,433	43,870	40,700	37,895	34,857	31,352	26,492	21,252
Cost of revenues (1) (2)									
	Subscription and support	8,635	8,070	7,686	6,198	6,177	5,879	4,860	3,818
	Professional services and other	3,573	3,308	3,007	2,445	2,364	2,481	2,166	1,620
2	Total Cost of Revenues	12,207	11,378	10,693	8,643	8,541	8,360	7,026	5,438
3	Gross Profit	35,225	32,492	30,007	29,252	26,316	22,992	19,466	15,814
Operating Expenses									
	Research and Development	6,261	5,922	5,617	5,493	4,906	5,055	4,465	3,598
	Sales and marketing	15,605	14,389	13,431	13,257	12,877	13,526	11,855	9,674
	General and administrative	2,846	2,632	2,442	2,836	2,534	2,553	2,598	2,087
	Restructuring	237	219	122	461	988	828	-	-
	Total operating expenses	24,950	23,163	21,612	22,047	21,305	21,962	18,918	15,359
	Income from Operations	10,276	9,329	8,395	7,205	5,011	1,030	548	455
	Gains (losses) on strategic investments, net	237	-	204	(121)	(277)	(239)	1,211	2,170
	Other income (Expense)	237	-	204	354	216	(131)	(227)	(64)
	Income before provision for income taxes	10,750	9,329	8,802	7,438	4,950	660	1,532	2,561
	Benefit from (provision for) income taxes	(1,935)	(1,493)	(1,672)	(1,241)	(814)	(452)	(88)	1,511
4	Net Income	8,815	7,836	7,130	6,197	4,136	208	1,444	4,072
	Basic net income per share	\$ 8.99	\$ 7.92	\$ 7.06	\$ 6.44	\$ 4.25	\$ 0.21	\$ 1.51	\$ 4.48
	Diluted net income per share	\$ 8.88	\$ 7.82	\$ 6.97	\$ 6.36	\$ 4.20	\$ 0.21	\$ 1.48	\$ 4.38
	Shares used in computing basic net income per share	980	990	1,010	962	974	968	955	908
	Shares used in computing diluted net income per share	992	1,002	1,023	974	985	979	974	930

- Salesforce's income statement projections are based on steady corporate IT spending growth, driven by AI adoption and global expansion; Agentforce has already begun monetizing revenues for Salesforce. Salesforce's revised Guidance for FY2026 (ending January 2026) revenue is projected at \$41.3 billion (up 8- 9% YoY). However, for our analysis, we have estimated the revenues at \$40.7 billion (~7.5% YoY). Per our projections, revenue is expected to reach \$43.9 billion for FY 2027 (~7.9% YoY) and \$47.43 billion for FY 2028 (~8.1% YoY). Although we are in line with the consensus, our projections are cautiously optimistic, as Agentforce revenues cannot be directly attributed to a specific number of users or based on the number of deals closed.
- We expect the cost of revenues to increase substantially in FY2026, as this will be the first full year of Agentforce rollout. As with any large-scale product launch, we anticipate the upfront cost to be high before the firm can achieve economies of scale and normalize to its usual levels.
- Stemming from increased sales and guidance in FY 2026, operating margins are also expected to improve. The key differentiator of Agentforce incomes versus CRM's core subscription revenues is that it uses consumption-based pricing (e.g., per AI conversation, data processed, or transaction). i.e., Revenue scales with customer usage, not fixed seats. Agentforce also helps CRM achieve higher incremental margins (low delivery costs), improving overall profitability as adoption scales from key customers. Recent price hikes are also expected to contribute to CRM's margin expansion. CRM will justify its increased prices based on its industry-leading position, branding, and innovation, which are designed to enhance customer profitability without compromising its market share. While CRM's FY 2026 guidance estimates a GAAP operating margin of 21.6%, we are optimistic that the operating margin will improve from 19.0% in FY 2025 to 20.6% in FY 2026, primarily driven by price hikes and the internal adoption of automation tools in areas such as user support and customer query resolution.
- CRM has historically issued new shares annually from 2012 to 2022. Since 2023, the company has started aggressively repurchasing shares. With Agentforce becoming a popular product in the market, we expect an increase in the number of shares due to employees exercising stock options and potentially the firm selling its shares from the last three years to increase its retained earnings and cash position. Even with a conservative estimate of outstanding shares, CRM will be able to deliver on its EPS, resulting from lower S&M expenses due to usage-driven revenues, combined with lower R&D expenses and lower restructuring and General administrative expenses, thanks to a flatter organizational structure resulting from internal AI adoption.

ANALYSIS AND DISCUSSIONS USING DCF

(in millions)											
Year	2025 (A)	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Revenues	37,895	40,700	43,870	47,433	50,753	53,798	56,488	58,748	60,510	62,326	64,195
% Growth		7.4%	7.8%	8.1%	7.0%	6.0%	5.0%	4.0%	3.0%	3.0%	3.0%
Operating Income	7,205	8,395	9,329	10,276	10,912	11,298	12,145	12,925	13,312	13,712	14,123
Operating Margin	19.0%	20.6%	21.3%	21.7%	21.5%	21.0%	21.5%	22.0%	22.0%	22.0%	22.0%
Gains (losses) on strategic investments	-121	204	-	237	152	161	169	176	182	187	193
Gains (losses) % of Sales	-0.3%	0.5%	0.0%	0.5%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Other Income	354	204	-	237	152	161	169	176	182	187	193
Other income % of Sales	0.9%	0.5%	0.0%	0.5%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Income Before Taxes	7438	8,802	9,329	10,750	11,216	11,620	12,484	13,277	13,675	14,086	14,508
Provision for income taxes	-1241	(1,672)	(1,493)	(1,935)	(2,019)	(2,092)	(2,247)	(2,390)	(2,462)	(2,535)	(2,611)
Tax Rate		19.0%	16.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%
Net Income	6197	7,130	7,836	8,815	9,197	9,529	10,237	10,887	11,214	11,550	11,897
% Growth			9.9%	12.5%	4.3%	3.6%	7.4%	6.4%	3.0%	3.0%	3.0%
D&A	5,572	6,431	6,931	7,589	8,121	9,146	9,603	10,575	10,892	11,842	12,197
% of Sales	14.7%	15.8%	15.8%	16.0%	16.0%	17.0%	17.0%	18.0%	18.0%	19.0%	19.0%
Plus/(minus) Changes WC	(1,695)	(909)	601	(904)	(1,134)	737	(1,077)	(1,312)	829	(1,188)	(1,434)
% of Sales	-4.5%	-2.2%	1.4%	-1.9%	-2.2%	1.4%	-1.9%	-2.2%	1.4%	-1.9%	-2.2%
Subtract Cap Ex	2,815	3,531	3,999	4,520	5,075	5,380	5,649	5,875	6,051	6,233	6,420
Capex % of sales	7.4%	8.7%	9.1%	9.5%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Free Cash Flow	10,649	10,939	10,168	12,788	13,376	12,558	15,268	16,899	15,226	18,347	19,108
% Growth		2.7%	-7.0%	25.8%	4.6%	-6.1%	21.6%	10.7%	-9.9%	20.5%	4.1%

Revenues were projected to increase by roughly 6-8% until 2030, which is lower than CRM's historical growth. To ensure realistic projects past 2030, we expect the firm to mature, thereby dropping its growth to lower single digits. With the same analogy, we also expect the GAAP operating margins to peak at 22%, even when the firm is well-positioned to achieve better performance. Since Gains on strategic investments and other income streams are difficult to project, we have maintained the numbers fairly consistent with historical trends.

Discussing the D&A and CapEx for CRM, a SaaS business

Historically, D&A for CRM has been higher than its CapEx due to its nature to grow by acquisitions. CRM likes to acquire companies like Tableau, Slack, and, more recently, Informatica, which adds Goodwill to its books that amortizes over time. Due to the firm's SaaS model, which focuses on software rather than hardware, this trend is expected to continue, as CRM will continue to prioritize efficiency in its infrastructure. Unlike Microsoft Azure or Amazon AWS, CRM will not make extended capital expenditures or physical asset investments; instead, it will leverage its infrastructure vendors by tightening contractual negotiations. Additionally, due to the SaaS business model, which relies on long-term subscriptions, the costs to acquire these contracts are large and recurring; therefore, they are capitalized as assets to amortize over their contract life. This approach, which is intrinsic for SaaS firms, signals customer acquisition and not underinvestment. This practice also boosts near-term margins but creates long-term amortization. Working capital is expected to fluctuate through the years since acquisitions bring AR into their books, and Salesforce would have to optimize the acquired until they adopt financial practices.

From the Net income, D&A, Change in WC, and CapEx, we estimated the FCF projections.

TARGET PRICE

Since the S&P 500 was benchmarked at a 9.5% discount rate and 5.0% TGR, with a P/E multiple of 23.3, we expect CRM's SaaS model of recurring revenues with constant cash flow and minimal cyclicity to be safer than the market, requiring a lower discount rate of 9.0%. Moreover, the company's substantial investments in AI and Cloud are expected to provide returns in the form of accelerated growth, faster than the market, which requires a TGR of 5.6%.

TARGET PRICE	Discount Rate: 9.0% and TGR: 5.6% growing faster than S&P 500 while simultaneously reducing business risks. 33.7% upside potential <i>(Consensus Revenue and Operating %)</i>	Salesforce dominates the CRM market; the company has already turned Agentforce into a revenue-generating product, with over 8,000 deals. Their Data cloud is processing over 22T records with rapid growth, furthering AI insights and consumption-based revenue opportunities. By integrating CRM with Slack and Tableau, Salesforce will be operating on a unified platform, reducing churn. The sales and internal adoption of AI tools will support margin expansion through both sales and cost discipline. CRM's market leadership, AI integration, a sticky ecosystem, strong financials, a robust moat, and recession resilience justify a recommendation to STRONG BUY, with an estimated upside potential of 33.7% at \$ 348.36
BULL CASE	Discount rate at 9.0% and TGR at 6.0%, growing much faster than S&P 500 while simultaneously reducing business risks. 47.3% upside potential <i>(Optimistic Revenue and Operating %)</i>	If Agentforce can penetrate the market, customers will quickly adopt it. Informatica's acquisition provides additional contextual depth for the product, promoting user satisfaction. Due to increased growth, CRM can justify its increased prices and is also able to negotiate with its vendors to minimize their risk exposure on quality and cost; the stock price is expected to be at \$383.79
BEAR CASE	Discount rate at 9.50% and TGR at 5.0%, in tandem with S&P 500. 4.9% upside potential <i>(Cautiously optimistic Revenue and Operating %)</i>	If the increased dependence on AWS causes price pressures for CRM with poor execution of Agentforce, resulting in riskier revenues with cyclical revenues, then the stock price is expected to be at \$273.51

Current Price:

Current price of \$260.63 is not an indicative of the firm's strong performance – both operationally or financially. It is indicative of the macro-economic conditions that is negatively affecting the firms stock performance in the market.

TECHNICAL ANALYSIS

On June 20, 2025, CRM closed at \$260.63 while the 50-day moving average was approximately \$269. The 8-point gap below the MA indicated that the stock was in a short-term downtrend, typically generating negative investor sentiment and suggesting that selling pressure was dominant. With CRM trading at \$260.63, the stock was positioned in the lower portion of the 2-standard deviation Bollinger Bands. This placement suggests the stock was oversold and potentially due for a mean reversion bounce. Historically, when stocks trade near the lower Bollinger Band, it often presents a contrarian buying opportunity. If the technical picture improves above its 50-day moving average, it would indicate that June 20 was a tactical buying opportunity despite the bearish technical setup..

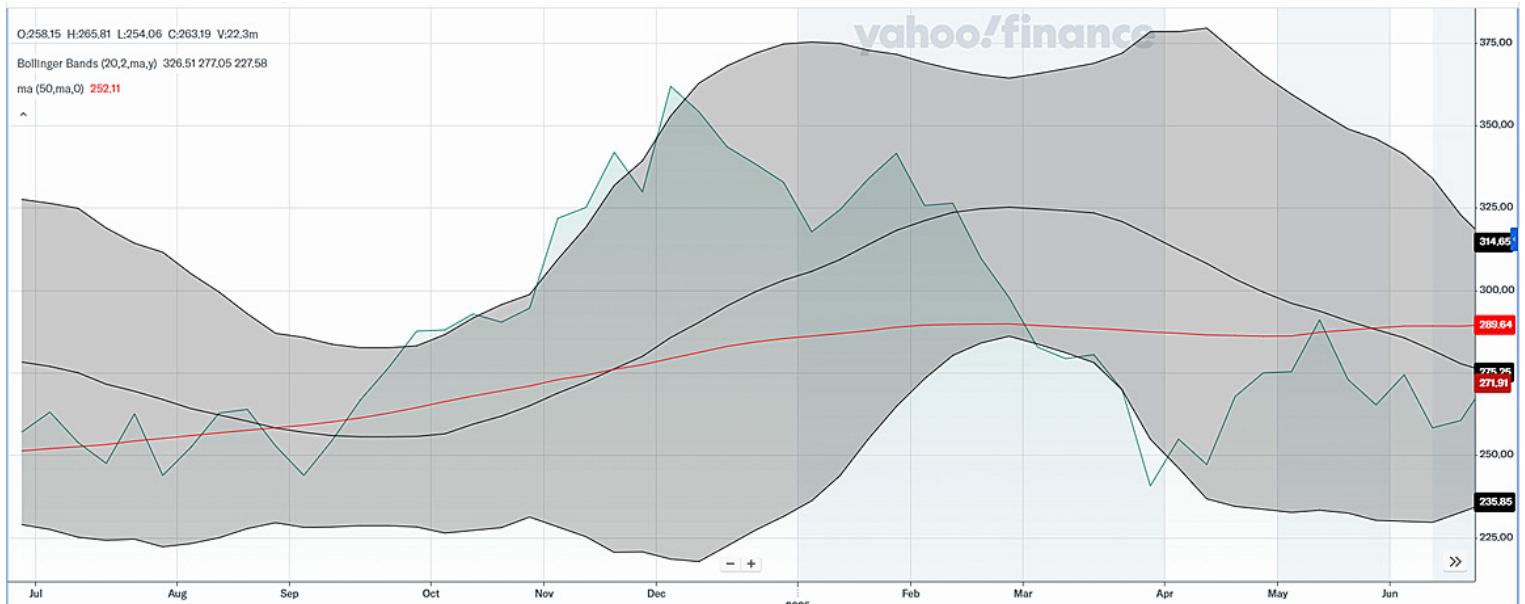


Figure 12: Technical Analysis

KEY RISKS TO INVESTMENT THESIS

Intense competitive pressure (Low risk)

Competition from Microsoft, Oracle, Adobe, and niche AI-powered CRM providers poses a threat to market share, particularly in the cloud and AI segments. Unless Salesforce can significantly differentiate its product features, pricing pressure may intensify. Salesforce is widening its market share to mitigate this risk, continuing to expand while offering distinct product differentiation to maintain a sticky ecosystem.

Acquisition integration failures (Medium risk)

To help drive growth, Salesforce has been acquisitive. Acquisitions have also brought in threats from competitors in their acquired markets. The operational disruption risks and resource strains from their acquisitions of Slack, Tableau, and Informatica have caused Investor concerns. However, Salesforce continues to acquire with clear long-term objectives and identifies value and synergies in every acquisition.

AI execution risks (Medium Risk)

Agentforce is Salesforce's "buzzword" to keep the market interested. Any delay or defects in Agentforce or its AI agents could trigger scrutiny. As of the report date, the likelihood of Agentforce or its AI agents failing is extremely low, given that it is already monetizing through a strong consumption-based revenue model with higher operating margins than its core products.

Infrastructure Cost Risk (Low risk)

As Salesforce scales up its AI and cloud capabilities, Infrastructure requirements and costs may increase due to its reliance on external infrastructure providers, such as AWS. If Salesforce fails to prepare for its infrastructure needs or if third-party providers raise prices or experience outages, it could result in service disruptions and increased costs, posing a threat to its reputation. However, like most of its SaaS peers, Salesforce leverages its strengths to ensure that its infrastructure costs and vendor partnerships are well-managed, thereby mitigating risk.

Macroeconomic sensitivity (Medium Risk)

Salesforce generates approximately 38% of its revenues outside of the United States. Changes in international trade policies and geopolitical events may impact Salesforce's overseas revenues or drive down international IT spending, which in turn may affect the company's new subscriptions and renewals. Global conflicts exacerbate uncertainty.

CONCLUSION & INVESTMENT DECISION

Salesforce dominates the CRM market; the company has already turned Agentforce into a revenue-generating product, with over 8,000 deals. Their Data cloud is processing over 22T records with rapid growth, furthering AI insights and consumption-based revenue opportunities. The acquisition of Informatica will help the company improve data transparency and governance for its AI offerings. By integrating CRM with Slack and Tableau, Salesforce will be operating on a unified platform, reducing churn. The sales and internal adoption of AI tools will support further margin expansion through both sales and cost discipline. Through our DCF model, we were able to project upside potential in Bear and Bull cases, showing Salesforce's robust resiliency during downturns.

CRM's market leadership, AI integration, a sticky ecosystem, strong financials, a robust moat, a steady CEO with a clear long-term strategy, and recession resilience justify a recommendation to **STRONG BUY**, with an estimated upside potential of 33.7%.

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