

salesforce

# Financial Update Q4 FY20

NYSE: CRM  
@Salesforce\_ir



# Safe Harbor



"Safe harbor" statement under the Private Securities Litigation Reform Act of 1995. This presentation contains forward-looking statements about the company's financial and operating results, which may include expected GAAP and non-GAAP financial and other operating and non-operating results, including revenue, net income, diluted earnings per share, operating cash flow growth, operating margin improvement, expected revenue growth, expected current remaining performance obligation growth, expected tax rates, stock-based compensation expenses, amortization of purchased intangibles, shares outstanding, market growth, environmental, social and governance goals and expected capital allocation, including mergers and acquisitions, capital expenditures and other investments. 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, the company's results could differ materially from the results expressed or implied by the forward-looking statements it makes.

The risks and uncertainties referred to above include -- but are not limited to -- risks associated with the effect of general economic and market conditions; the impact of geopolitical events; the impact of foreign currency exchange rate and interest rate fluctuations on our results; our business strategy and our plan to build our business, including our strategy to be the leading provider of enterprise cloud computing applications and platforms; the pace of change and innovation in enterprise cloud computing services; the seasonal nature of our sales cycles; the competitive nature of the market in which we participate; our international expansion strategy; the demands on our personnel and infrastructure resulting from significant growth in our customer base and operations, including as a result of acquisitions; our service performance and security, including the resources and costs required to avoid unanticipated downtime and prevent, detect and remediate potential security breaches; the expenses associated with our data centers and third-party infrastructure providers; additional data center capacity; real estate and office facilities space; our operating results and cash flows; new services and product features, including any efforts to expand our services beyond the CRM market; our strategy of acquiring or making investments in complementary businesses, joint ventures, services, technologies and intellectual property rights; the performance and fair value of our investments in complementary businesses through our strategic investment portfolio; our ability to realize the benefits from strategic partnerships, joint ventures and investments; the impact of future gains or losses from our strategic investment portfolio, including gains or losses from overall market conditions that may affect the publicly traded companies within our strategic investment portfolio; our ability to execute our business plans; our ability to successfully integrate acquired businesses and technologies; our ability to continue to grow unearned revenue and remaining performance obligation; our ability to protect our intellectual property rights; our ability to develop our brands; our reliance on third-party hardware, software and platform providers; our dependency on the development and maintenance of the infrastructure of the Internet; the effect of evolving domestic and foreign government regulations, including those related to the provision of services on the Internet, those related to accessing the Internet, and those addressing data privacy, cross-border data transfers and import and export controls; the valuation of our deferred tax assets and the release of related valuation allowances; the potential availability of additional tax assets in the future; the impact of new accounting pronouncements and tax laws; uncertainties affecting our ability to estimate our tax rate; uncertainties regarding our tax obligations in connection with potential jurisdictional transfers of intellectual property, including the tax rate, the timing of the transfer and the value of such transferred intellectual property; the impact of expensing stock options and other equity awards; the sufficiency of our capital resources; factors related to our outstanding debt, revolving credit facility and loan associated with 50 Fremont; compliance with our debt covenants and lease obligations; current and potential litigation involving us; and the impact of climate change, natural disasters and actual or threatened public health emergencies.

Further information on these and other factors that could affect the company's financial results is included in the reports on Forms 10-K, 10-Q and 8-K and in other filings it makes with the Securities and Exchange Commission from time to time. These documents are available on the SEC Filings section of the Investor Information section of the company's website at [www.salesforce.com/investor](http://www.salesforce.com/investor).

Salesforce.com, inc. assumes no obligation and does not intend to update these forward-looking statements, except as required by law.



# Company Overview

salesforce

## Delivering durable growth at scale

- Salesforce is the **#1 CRM software provider** based on total software revenue worldwide in 2018<sup>1</sup>
- CRM is the **fastest growing segment in Enterprise Application Software** (projected CAGR of 12% 2019 – 2023)<sup>2</sup>
- **Consistently delivering durable revenue growth**, more than doubling from \$8.4 billion in FY17 to \$17.1 billion in FY20
- Driving towards a **long-term revenue goal of \$34 billion to \$35 billion in FY24**
- Uniquely positioned to help our customers **drive broad-based digital transformation**

**FORTUNE**

Top 10  
100 Best Companies  
to Work For®

MEMBER OF  
**Dow Jones**  
**Sustainability Indices**  
In Collaboration with RobecoSAM

HUMAN  
RIGHTS  
CAMPAIGN  
Best Places to Work  
for LGBTQ Equality

**People**  
#1 Top 50  
Companies that Care

**Forbes**  
World's Most  
Innovative Companies

<sup>1</sup>Source: Gartner, Market Share: All Software Markets, Worldwide, 2018, April 2019.

<sup>2</sup>Source: Gartner, Forecast: Enterprise Application Software, Worldwide, 2017-2023, 4Q19 Update, 24 Dec 2019.



# Financial Overview

## Quarterly Results





# Q4 FY20 Results Highlights

## Durable top-line and operating cash flow growth

- **Fourth Quarter Revenue of \$4.85 Billion**, up 35% year-over-year, 34% in constant currency<sup>1</sup>
- **FY20 Revenue of \$17.1 Billion**, up 29% year-over-year, 29% in constant currency<sup>1</sup>
- **Fourth Quarter Operating Cash Flow of \$1.63 Billion**, up 23% year-over-year
- **Current Remaining Performance Obligation of approximately \$15.0 Billion**, up 26% year-over-year, 27% in constant currency<sup>1</sup>
- **Remaining Performance Obligation of approximately \$30.8 Billion**, up 20% year-over-year
- **Guidance**<sup>2</sup>
  - Raises **FY21 Revenue** to \$21.0 Billion to \$21.1 Billion, approximately 23% year-over-year growth
  - Raises **Q1 FY21 Revenue** of \$4.875 Billion to \$4.885 Billion, approximately 30% to 31% year-over-year growth
  - Initiates **FY21 GAAP EPS** of \$0.12 to \$0.14
  - Initiates **FY21 Non-GAAP EPS** of \$3.16 to \$3.18<sup>3</sup>
  - Initiates **FY21 Operating Cash Flow** growth of approximately 20%
  - Initiates **Q1 FY21 Current Remaining Performance Obligation** growth of approximately 23% to 24% year-over-year

<sup>1</sup>Refer to slides 9 and 10 for an explanation of non-GAAP constant currency (“CC”) growth rates for revenue and current remaining performance obligation, respectively.

<sup>2</sup>Guidance provided for Q1 FY21 Revenue and FY21 Revenue on December 3, 2019, updated on February 25, 2020. All other guidance provided February 25, 2020. This guidance does not reflect any potential future gains or losses on our strategic investment portfolio resulting from the future impact of ASU 2016-01 as it is not possible to forecast future gains and losses, and is based on estimated GAAP tax rates that reflect the company’s currently available information, and excludes forecasted discrete tax items such as excess tax benefits from stock-based compensation. The GAAP tax rates may fluctuate due to future acquisitions or other transactions.

<sup>3</sup>Non-GAAP EPS is a non-GAAP financial measure. 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.



# Q4 FY20 Financial Summary



	GAAP		Non-GAAP <sup>1</sup>	
	Quarterly Results	Increase (Decrease) Y/Y	Quarterly Results	Increase (Decrease) Y/Y
Revenue	\$4,851M	35%	\$4,836M	34%
Current Remaining Performance Obligation <sup>2</sup>	\$15B	26%	N/A	27%
Total Remaining Performance Obligation <sup>2</sup>	\$30.8B	20%	N/A	N/A
Operating Margin	(0.7)%	(450) bps	15.4% <sup>3</sup>	(110) bps
Diluted Earnings (Loss) Per Share <sup>4</sup>	\$(0.28)	(161)%	\$0.66	(6)%
Operating Cash Flow	\$1,632M	23%	N/A	N/A

<sup>1</sup>The Non-GAAP columns present only non-GAAP financial metrics and the related non-GAAP growth rates as compared to prior periods. Non-GAAP revenue and non-GAAP current remaining performance obligation (CRPO) represent CC results. Refer to slides 9 and 10 for explanations of non-GAAP CC revenue growth and non-GAAP CC CRPO growth, respectively. 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 a reconciliation of non-GAAP financial measures to the most comparable GAAP measures, when applicable.

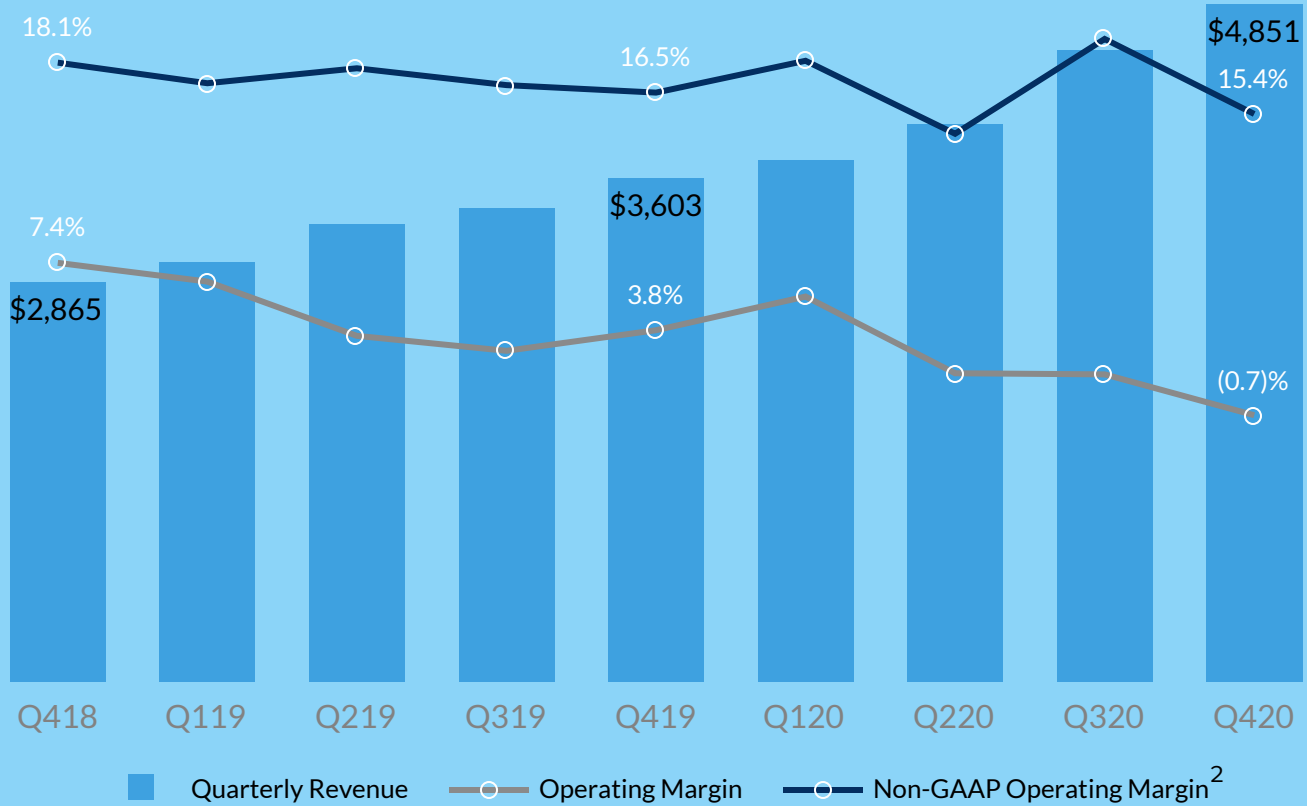
<sup>2</sup>Remaining Performance Obligation is a new disclosure effective Q1 FY19. Refer to slide 10 for additional discussion.

<sup>3</sup>Non-GAAP Operating Margin is the proportion of non-GAAP income from operations as a percentage of GAAP revenue.

<sup>4</sup>Diluted EPS is calculated using GAAP revenue.



# Total Quarterly Revenue and Operating Margin



**+35% / +34% CC<sup>1</sup>**  
Revenue

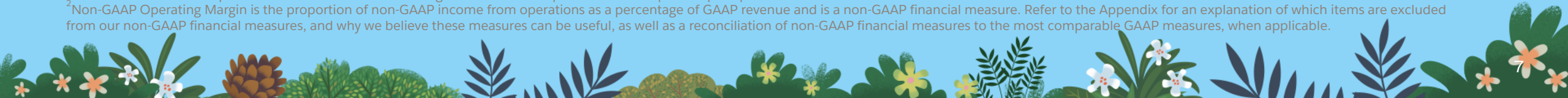
**(450) bps**  
GAAP Operating Margin

**(110) bps**  
Non-GAAP Operating Margin<sup>2</sup>

Note: FY18 information has been adjusted for the adoption of Topic 606. Refer to the appendix for additional information.

<sup>1</sup>Refer to slide 9 for an explanation of non-GAAP revenue CC growth rate as compared to the comparable prior period.

<sup>2</sup>Non-GAAP Operating Margin is the proportion of non-GAAP income from operations as a percentage of GAAP revenue and 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.



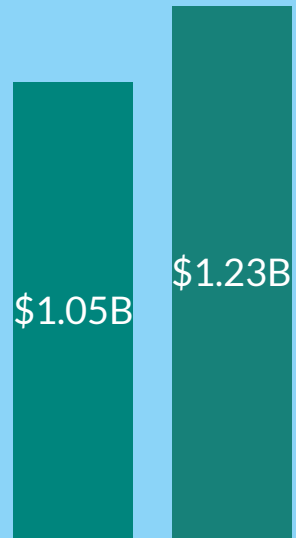


# Quarterly Subscription and Support Revenue by Cloud



Complete portfolio of CRM products

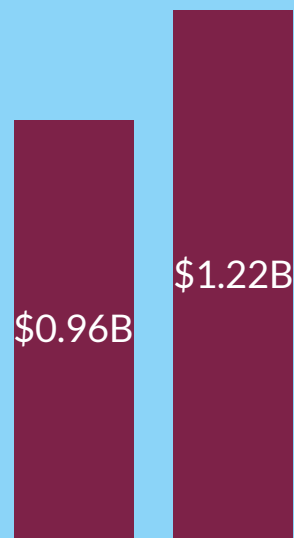
+17% Y/Y



Q419 Q420  
Sales Cloud



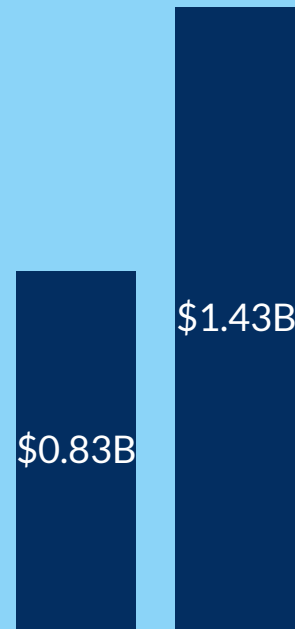
+26% Y/Y



Q419 Q420  
Service Cloud



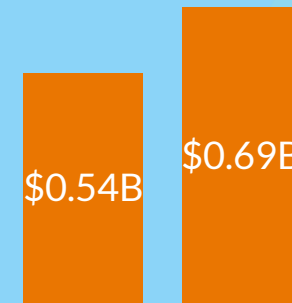
+74% Y/Y



Q419 Q420  
Salesforce  
Platform & Other



+28% Y/Y



Q419 Q420  
Marketing Cloud  
& Commerce Cloud



Note: growth rates are based on reported results in USD.

# Q4 FY20 Revenue by Region

Incremental investments in international markets driving growth

## AMERICAS



\$3,402M

+32% Y/Y

+32% Y/Y CC<sup>1</sup>

## EMEA



\$1,009M

+49% Y/Y

+47% Y/Y CC<sup>1</sup>

## APAC



\$440M

+28% Y/Y

+28% Y/Y CC<sup>1</sup>

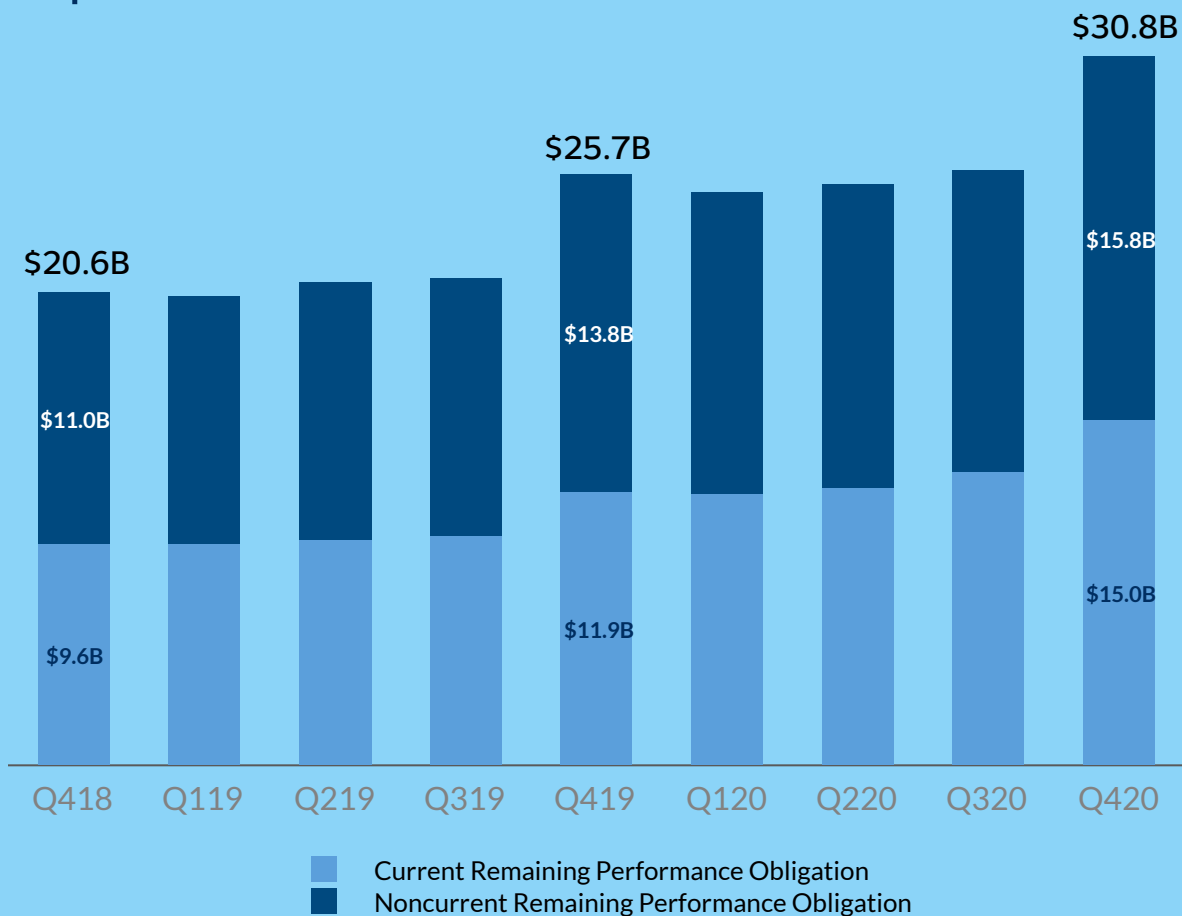
<sup>1</sup>Non-GAAP revenue CC growth rates as compared to the comparable prior period. We present CC information for revenue to provide a framework for assessing how our underlying business performed excluding the effects of foreign currency rate fluctuations. To present CC revenue, current and comparative 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.



# Remaining Performance Obligation



Represents future revenue under contract



Q4 FY20  
Y/Y Growth

+26% / +27% CC<sup>2</sup>

Current RPO (cRPO)

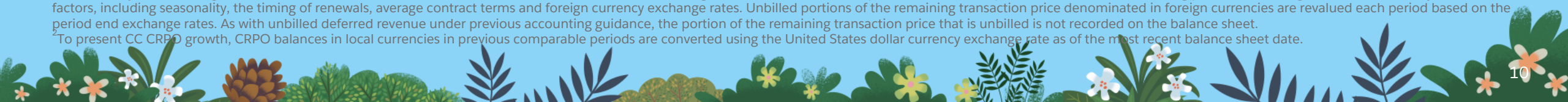
+20%

Total RPO

Remaining Performance Obligation (RPO) is a metric disclosed with the adoption of Topic 606<sup>1</sup>. RPO represents all future revenue under contract that has not yet been recognized as revenue. Current RPO represents future revenue under contract that is expected to be recognized as revenue in the next 12 months. RPO is influenced by several factors, including seasonality, the timing of renewals, average contract terms, and foreign currency exchange rates.

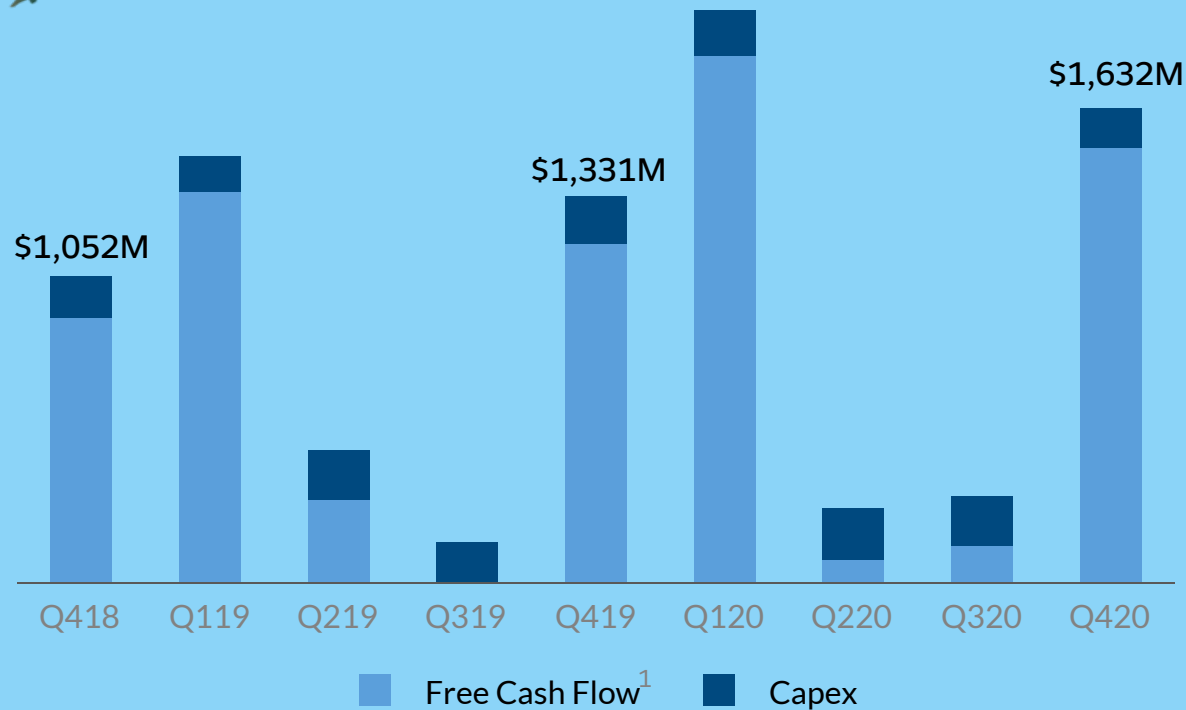
<sup>1</sup>Topic 606 introduced remaining transaction price, which is different than unbilled deferred revenue under previous accounting guidance. Transaction price allocated to the remaining performance obligations represents contracted revenue that has not yet been recognized, which includes unearned revenue and unbilled amounts that will be recognized as revenue in future periods. Transaction price allocated to the remaining performance obligation is influenced by several factors, including seasonality, the timing of renewals, average contract terms and foreign currency exchange rates. Unbilled portions of the remaining transaction price denominated in foreign currencies are revalued each period based on the period end exchange rates. As with unbilled deferred revenue under previous accounting guidance, the portion of the remaining transaction price that is unbilled is not recorded on the balance sheet.

<sup>2</sup>To present CC CRPO growth, CRPO balances in local currencies in previous comparable periods are converted using the United States dollar currency exchange rate as of the most recent balance sheet date.





# Quarterly Operating Cash Flow



Q4 FY20  
Y/Y Growth

29%

FCF<sup>1</sup>

23%

OCF

Our fourth quarter has historically been our strongest quarter for new business and renewals and we generally invoice our customers annually.

As a result, our first quarter and, increasingly, our fourth quarter are our largest collections and operating cash flow quarters. Our second quarter and third quarter are seasonally smaller in regards to collections and operating cash flow.



Note: FY18 information has been adjusted for the adoption of Topic 606. The net cash provided by operating activities during Q1 – Q4 FY18 did not change. Refer to the appendix for additional information.

<sup>1</sup>Free cash flow is a non-GAAP financial measure. 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 table including the components of Free cash flow.

# Cash, Cash Equivalents, and Marketable Securities



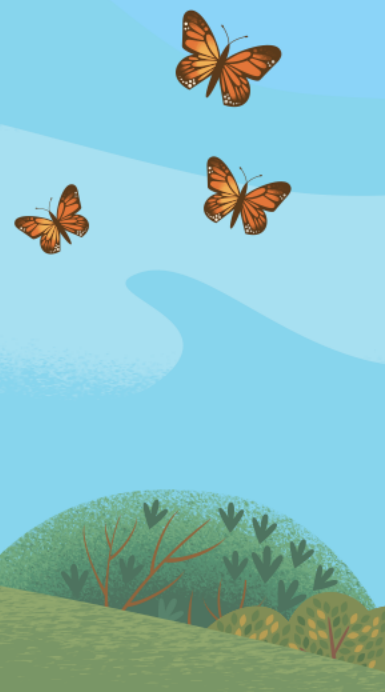
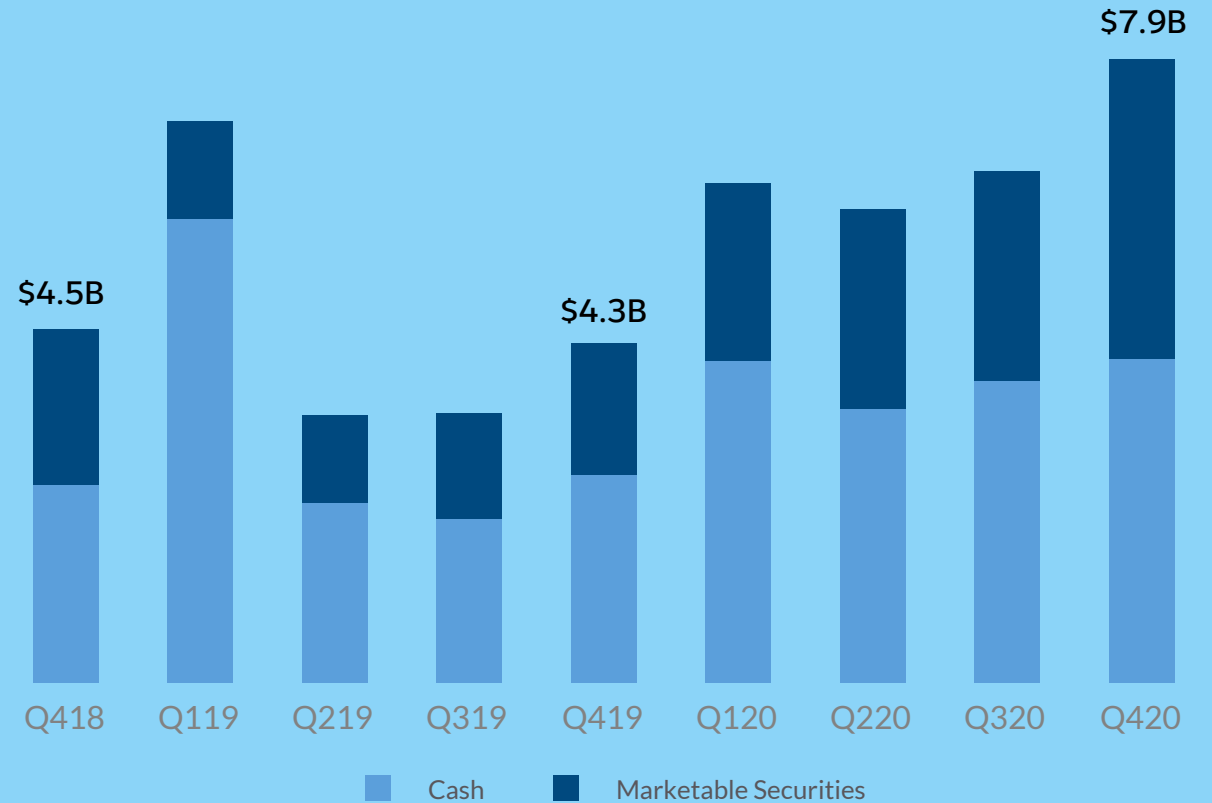
## Strengthening Cash Balances



Q4 FY20  
Y/Y Growth

83%

Total Cash and Marketable  
Securities Y/Y Growth



# Financial Overview

## Annual Results





# FY20 Financial Summary



	GAAP		Non-GAAP <sup>1</sup>	
	Annual Results	Increase (Decrease) Y/Y	Annual Results	Increase (Decrease) Y/Y
Revenue	\$17.1B	29%	\$17.2B	29% CC
Current Remaining Performance Obligation <sup>2</sup>	\$15B	26%	N/A	27% CC
Total Remaining Performance Obligation <sup>2</sup>	\$30.8B	20%	N/A	N/A
Operating Margin	1.7%	(230) bps	16.8% <sup>3</sup>	(24) bps
Diluted Earnings (Loss) Per Share <sup>4</sup>	\$0.15	(90)%	\$2.99	9%
Operating Cash Flow	\$4.33B	27%	N/A	N/A

<sup>1</sup>The Non-GAAP columns present only non-GAAP financial metrics and the related non-GAAP growth rates as compared to prior periods. Non-GAAP revenue and non-GAAP current remaining performance obligation (CRPO) represent CC results. Refer to slides 9 and 10 for explanations of non-GAAP CC revenue growth and non-GAAP CC CRPO growth, respectively. 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 a reconciliation of non-GAAP financial measures to the most comparable GAAP measures, when applicable.

<sup>2</sup>Remaining Performance Obligation is a new disclosure effective Q1 FY19. Refer to slide 10 for additional discussion.

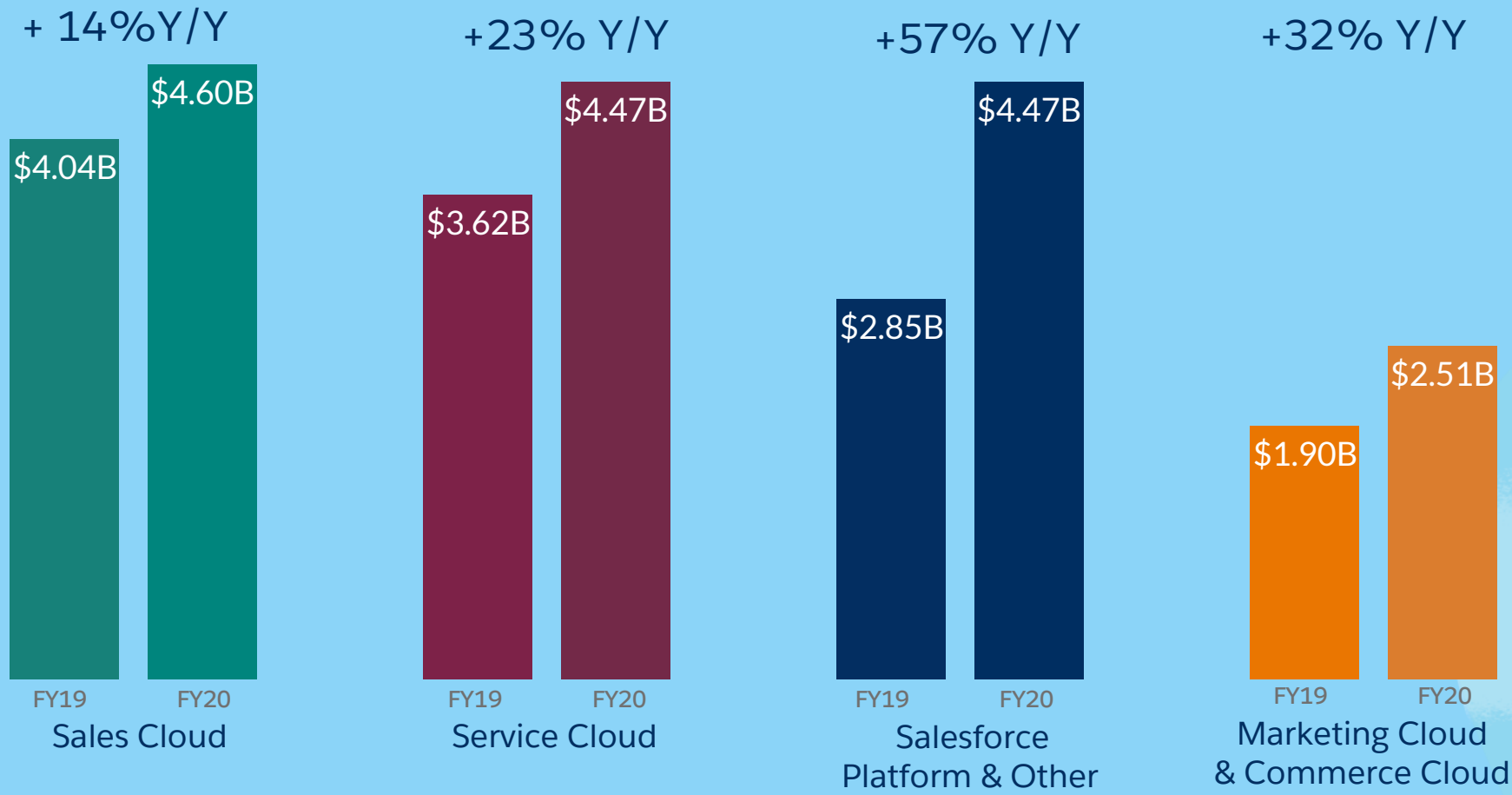
<sup>3</sup>Non-GAAP Operating Margin is the proportion of non-GAAP income from operations as a percentage of GAAP revenue.

<sup>4</sup>Diluted EPS is calculated using GAAP revenue.



# Annual Subscription and Support Revenue by Cloud

Complete portfolio of CRM products



Note: growth rates are based on reported results in USD.

# Black Friday and Cyber Monday Momentum



**\$2.7B**  
GMV

**677M**  
shoppers

**31.6M**  
commerce orders



**25B**  
emails sent

**1.56B**  
SMS & push notifications

**64B**  
Einstein engagement events



**497M**  
service cases

**33M**  
chat messages

**Q4 FY20**  
*Holiday Season*



**\$14.5B**  
GMV

**33%**  
YoY Growth



# FY20 Revenue by Region

Incremental investments in international markets driving growth

## AMERICAS



\$12.05<sub>B</sub>

+28% Y/Y

+28% Y/Y CC<sup>1</sup>

## EMEA



\$3.43<sub>B</sub>

+34% Y/Y

+37% Y/Y CC<sup>1</sup>

## APAC



\$1.62<sub>B</sub>

+26% Y/Y

+27% Y/Y CC<sup>1</sup>

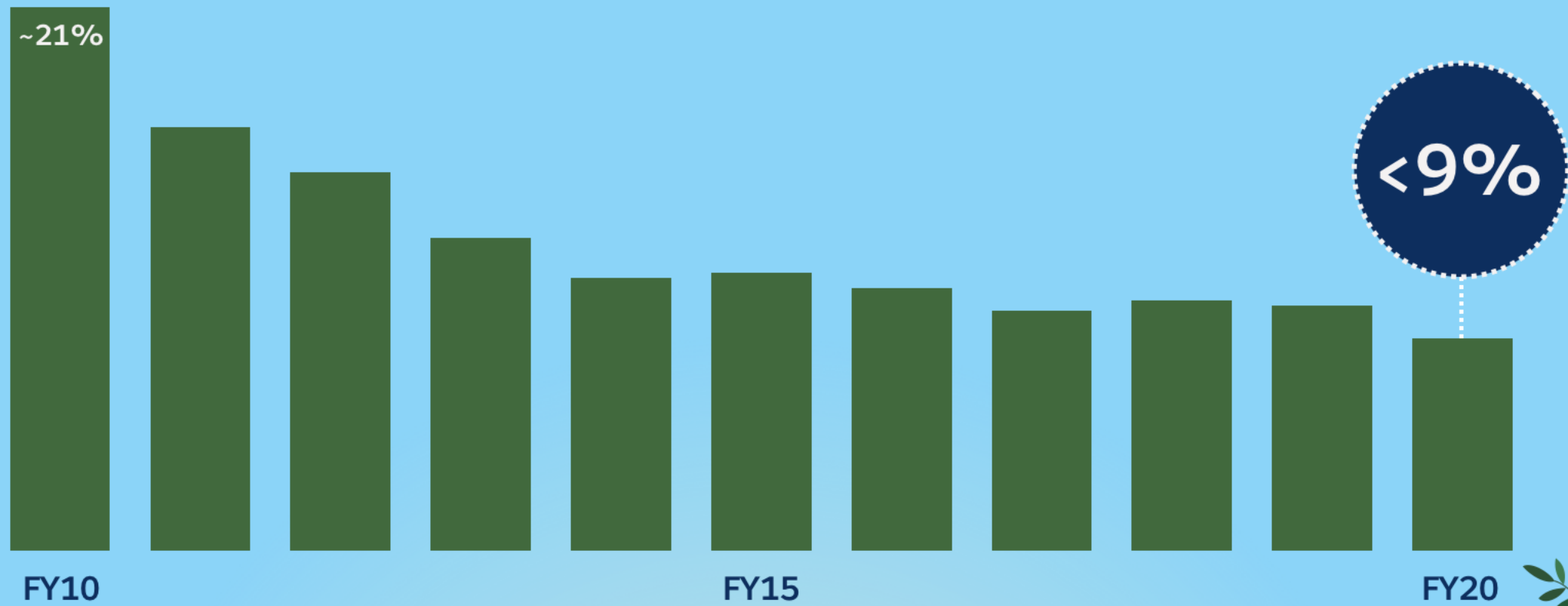
<sup>1</sup>Non-GAAP revenue CC growth rates as compared to the comparable prior period. We present CC information for revenue to provide a framework for assessing how our underlying business performed excluding the effects of foreign currency rate fluctuations. To present CC revenue, current and comparative 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.



# History of Declining Attrition

Continuous improvement sustains growth and long term value

## Revenue Attrition Rate



Note: Chart of dollar attrition as a percentage of revenue when compared to the year-ago period for Salesforce through FY16. Represents Q2 of the Fiscal Years Mentioned, except for FY20 which represents Q4 ending attrition. Excludes recent acquisitions including ClickSoftware and Tableau.

# Business Overview

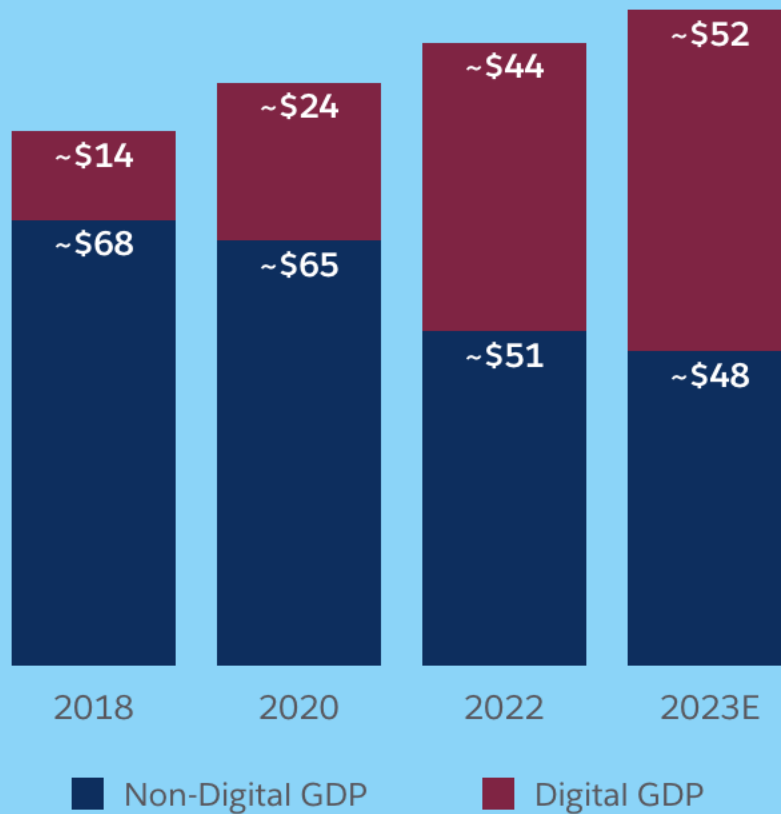


# Secular Tailwind



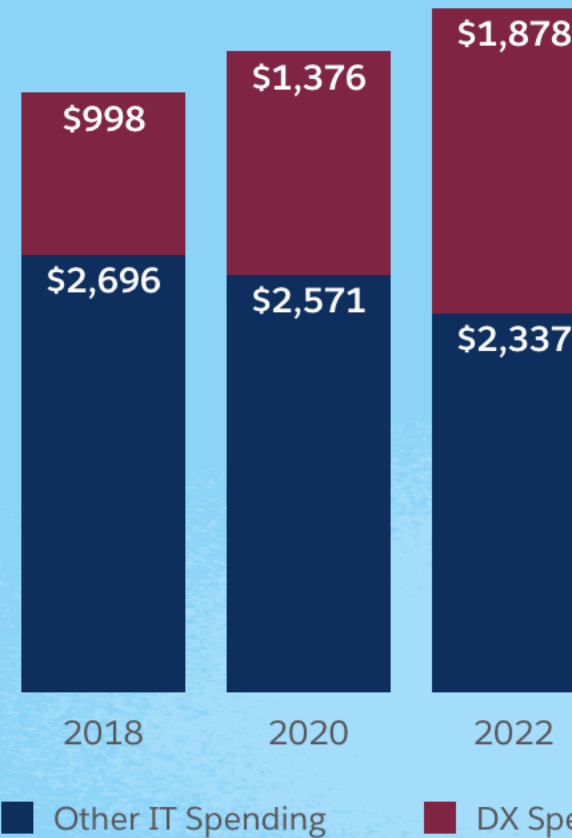
Digital transformation is accelerating and capturing spend

### Worldwide Nominal GDP Driven by Digitally Transformed vs Other Enterprises (\$T)



Source: IDC FutureScape: Worldwide IT Industry 2020 Predictions

### Worldwide DX Spending vs Other (\$B)



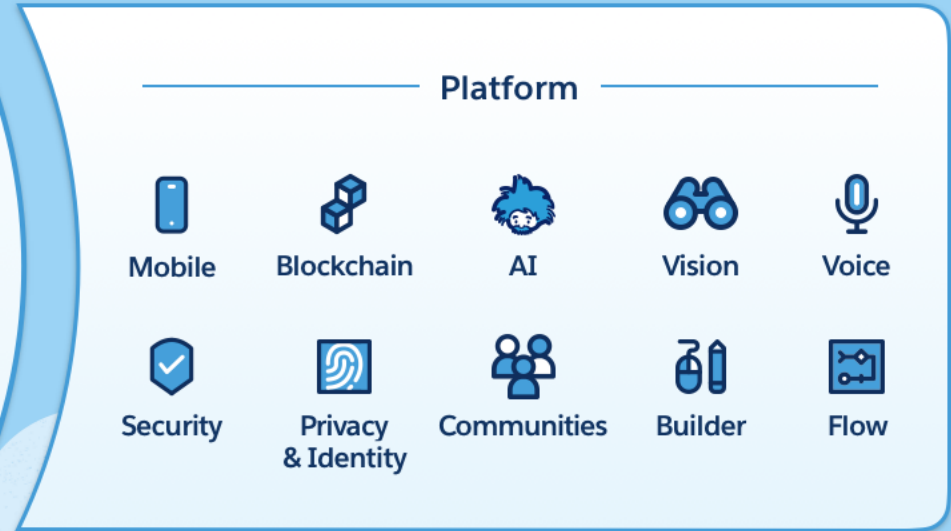
Source: IDC Worldwide Semiannual Digital Transformation Spending Guide 2018H1.



# Salesforce Customer 360

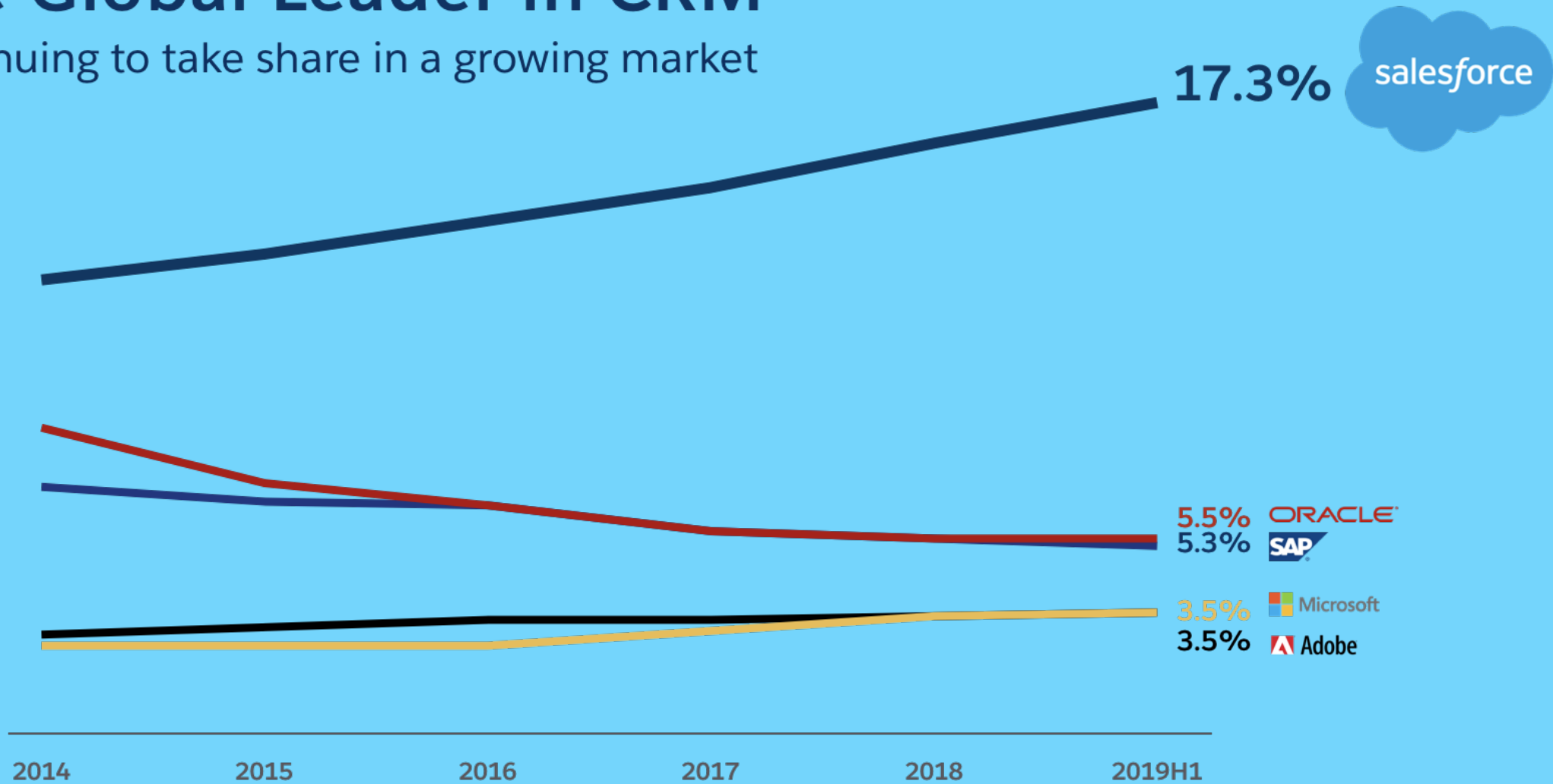
Trusted · Smart · Flexible · Sustainable

salesforce



# The Global Leader in CRM

Continuing to take share in a growing market



Ranked #1 for CRM Applications based on IDC 2019H1 Revenue Market Share Worldwide.

# Innovation Drives Growth

Serving customers with the most complete portfolio of products

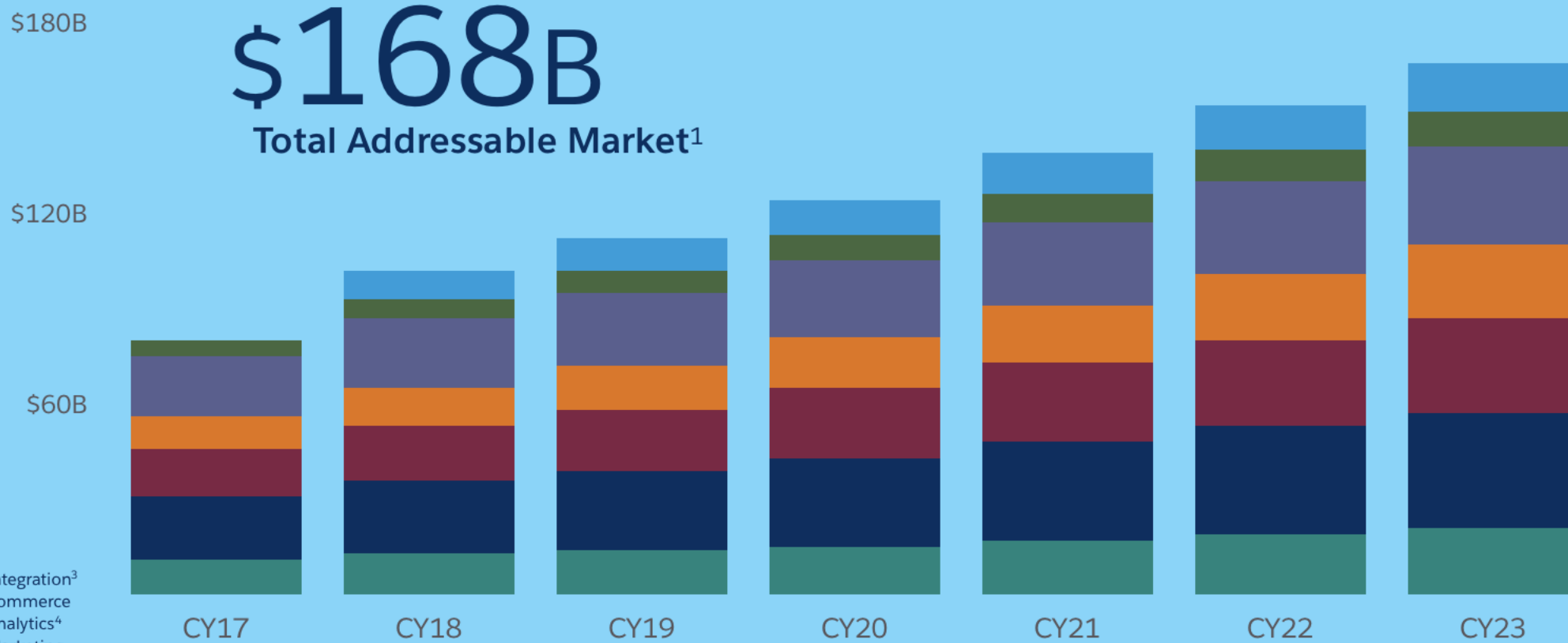


Portfolio as of July 31 2019 . Excludes recent acquisitions, including Tableau and ClickSoftware

# Large and Growing Addressable Markets



Total Addressable Market growth from CY17-CY23



CY17-CY23

6YR CAGR<sup>2</sup>

- 12%
- 13%
- 8%
- 14%
- 12%
- 10%
- 11%

- Integration<sup>3</sup>
- Commerce
- Analytics<sup>4</sup>
- Marketing
- Service
- Platform & Other<sup>5</sup>
- Sales

Calculations performed by Salesforce and graphics created by Salesforce based on Gartner research.

1. Calculations for Analytics, Commerce, Marketing, Sales and Service are based on Gartner, Forecast: Enterprise Application Software, Worldwide, 2017-2023, 4Q19 Update, 26 Dec 2019. Calculations for Integration and Platform & Other are based on Gartner, Forecast: Enterprise Infrastructure Software, Worldwide, 2017-2023, 4Q19 Update, 26 Dec 2019.

2. 6 Year CAGR performed based on total TAM inclusive of acquisitions not yet completed during CY17. The CY17 TAM presented on a chart does not include Integration as acquisition of the company offering those capabilities was completed in CY18

3. Integration market defined as Full Life Cycle API Management, Integration Platform as a Service (iPaaS), Application Integration Suite, Data Integration Tools.

4. Analytics defined as Modern BI Platforms, Traditional BI Platforms, Analytic Applications, Data Science Platforms, Location Intelligence.

5. Platform & Other defined as High Productivity aPaaS, High Control aPaaS, Application Platform Software, Business Process Management Suites, Portal and Digital Engagement Technologies, Create, Verify.



# Values Drive Value

Doing well and doing good



**Leader in  
Innovation**

**FAST COMPANY**

Best Workplaces  
for Innovators

**FORTUNE**

Future 50 Top 10

**FORTUNE**

100 Fastest Growing  
Companies

**LinkedIn**

2019 Top  
Companies



**Leader in  
Philanthropy**

**People**

#1 Company  
that Cares

**FORTUNE**

Change the World

**SAN FRANCISCO  
BUSINESS TIMES**

Top 75 Corporate  
Philanthropists



**Leader in  
Culture**

**Great  
Place  
To  
Work.**

World's Best  
Workplace

**FORTUNE**

Best Companies  
to Work For

**indeed**

Top Companies  
to Work For





# Continued ESG Leadership

## 1-1-1 Model

## Environmental - Social - Governance



BARRON'S  
MOST SUSTAINABLE  
COMPANIES

MEMBER OF  
**Dow Jones**  
Sustainability Indices  
in collaboration with **SAM**



**4.8M+** Hours    **\$300M+** Grants    **46K** Non-profits

**\$90M** Public education    **Net-zero** Emissions  
**\$10M** Equal pay    **100%** Renewable energy by 2022  
**1M jobs** "Pledge to America's Workers"

# Values Attract Top Talent

Unmatched scale focused on CRM

~800

FY05 FY06 FY07 FY08 FY09 FY10 FY11 FY12 FY13 FY14 FY15 FY16 FY17 FY18 FY19 Q420

Total Company Headcount

49,703



Headcount  
Growth  
Y/Y Q4 FY20

38%

# Strategic Technology Partners

Extending the capabilities of the Salesforce Customer 360



# Ecosystem Advantage: SIs



Partners and ISVs are aligned by industry

The monitor displays the following information:

- Partner Certified Individuals:** +30% (represented by a cat head icon)
- Industry Focused Partners:** ~100 (represented by a trophy icon). Note: (1000+ Total Partners)
- Consulting Partners:** A grid of logos including Accenture, Capgemini, Infosys, WPP, Appirio (a Wipro company), Cognizant, PwC, Publicis Worldwide, Bluewolf (an IBM Company), Deloitte, TATA Consultancy Services, and Dentsu.

1 Growth stats based on FY20 H1 compared to FY19 H1  
2 AppExchange listings based on 10/18/2019



# Ecosystem Advantage: ISVs

Largest B2B app exchange in the world supports our innovation

salesforce

## Independent Software Vendors

APTTUS<sup>®</sup>

Cerner<sup>®</sup>

conga<sup>®</sup>

DocuSign<sup>®</sup>

FINANCIALFORCE<sup>®</sup>

IQVIA<sup>™</sup>

ncino.

veeva

Vlocity<sup>™</sup>



5,000+

App Exchange Listings



+20%

FY20 Installs

<sup>1</sup> Growth stats based on FY20 H1 compared to FY19 H1

<sup>2</sup> AppExchange listings based on 10/18/2019



thank  
you

BLAZE  
YOUR  
TRAIL

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# Appendix



# Notes on our Financial Results



## Topic 606 Accounting Standards

- Salesforce retrospectively adopted new accounting standard Topic 606 on February 1, 2018 (Q1 FY19)
- Topic 606 includes changes to accounting policies for revenue recognition and costs capitalized to acquire revenue contracts (primarily commissions)
- All financial results and guidance in this presentation reflect Topic 606. Historical results for FY17, FY18 and Q1-Q4 of FY18 are adjusted to reflect the adoption of new standard
- Refer to the Q1 FY19 [press release](#) for additional information, including adjusted historical Statements of Operations and Balance Sheets
- Adjusted information is based on best available information and reflects management's best estimate of the potential impact as a result of the adoption of the new standard
- Reconciliations to prior standards will not be provided



# Non-GAAP Financial Measures

This presentation includes information about non-GAAP diluted earnings per share, non-GAAP income from operations, non-GAAP operating margin, free cash flow, and constant currency revenue and constant currency current remaining performance obligation growth rates (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 and to enable investors to evaluate the company’s results in the same way management does. Management believes that supplementing GAAP disclosure with non-GAAP disclosure 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 diluted earnings per share excludes, to the extent applicable, the impact of the following items: stock-based compensation, amortization of purchased intangibles, gains on strategic investments, and previously the net amortization of debt discount on the company’s convertible senior notes, as well as income tax adjustments. These items are excluded because the decisions that give rise to them are not made to increase revenue in a particular period, but instead for the company’s long-term benefit over multiple periods.

Non-GAAP Operating Margin is the proportion of non-GAAP income from operations as a percentage of GAAP revenue. Non-GAAP income from operations excludes the impact of the following items: stock-based compensation, and amortization of acquisition-related intangibles.

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.

Constant currency information is provided as a framework for assessing how our underlying business performed excluding the effect 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. To present current remaining performance obligation on a constant currency basis, we convert the current remaining performance obligation balances in local currencies in previous comparable periods using the United States dollar currency exchange rate as of the most recent balance sheet date.





# GAAP to Non-GAAP Financial Reconciliation



(in millions)

Non-GAAP income from operations	Three Months Ended January 31,			Fiscal Year Ended January 31,		
	2018	2019	2020	2018	2019	2020
GAAP income (loss) from operations	\$ 211	\$ 137	\$ (36)	\$ 454	\$ 535	\$ 297
Plus:						
Amortization of purchased intangibles	\$ 69	130	270	\$ 287	447	792
Stock-based expense	238	329	511	997	1,283	1,785
Non-GAAP income from operations	<u>\$ 518</u>	<u>\$ 596</u>	<u>\$ 745</u>	<u>\$ 1,738</u>	<u>\$ 2,265</u>	<u>\$ 2,874</u>

(in millions)

Components of Free cash flow, a non-GAAP measure	Three Months Ended January 31,			Fiscal Year Ended January 31,		
	2018*	2019	2020	2018*	2019	2020
GAAP net cash provided by operating activities	\$ 1,052	\$ 1,331	\$ 1,632	\$ 2,738	\$ 3,398	\$ 4,331
Less:						
Capital expenditures	\$ 138	\$ 167	\$ 136	\$ 534	\$ 595	\$ 643
Free cash flow	<u>\$ 914</u>	<u>\$ 1,164</u>	<u>\$ 1,496</u>	<u>\$ 2,204</u>	<u>\$ 2,803</u>	<u>\$ 3,688</u>

Non-GAAP diluted earnings per share	Three Months Ended January 31,			Fiscal Year Ended January 31,		
	2018*	2019	2020	2018*	2019	2020
GAAP diluted net income (loss) per share	\$ 0.28	\$ 0.46	\$ (0.28)	\$ 0.49	\$ 1.43	\$ 0.15
Plus:						
Amortization of purchased intangibles	0.09	0.17	0.30	0.39	0.58	0.93
Stock-based expense	0.32	0.42	0.56	1.36	1.66	2.10
Amortization of debt discount, net	0.01	0.00	0.00	0.04	0.00	0.00
Less:						
Income tax effects and adjustments	(0.23)	(0.35)	0.08	(0.74)	(0.92)	(0.19)
Non-GAAP diluted earnings per share	<u>\$ 0.47</u>	<u>\$ 0.70</u>	<u>\$ 0.66</u>	<u>\$ 1.54</u>	<u>\$ 2.75</u>	<u>\$ 2.99</u>
Shares used in computing Non-GAAP diluted net income	749	786	911	735	775	850

\*Prior period information has been adjusted for the adoption of Topic 606.

