Salesforce operates as a software company which delivers the leading platform for managing customer relationships and sales data through a unified system that enables businesses to operate more efficiently while growing their operations. The company generates revenue through cloud-based software subscription sales which enable businesses to handle all customer interactions across sales and service and marketing and data and analytics functions. The company generated 95% of its $39 billion FY 2025 revenue from subscription and support fees while professional services made up the remaining portion. The platform provides businesses with centralized customer data management and workflow automation and scalable features and strict security protocols which makes it an essential operational system after initial adoption. The software platform provided by Salesforce uses to generate continuous revenue enables businesses to enhance their sales and service operations and marketing efforts through data analysis across their entire organization.

The extensive integration of Salesforce's ecosystem has established itself as the fundamental system which enables large organizations to handle customer relations. The company leads the CRM market through its 20% global market share which surpasses the combined market share of its four closest competitors because it delivers a complete operating system for sales and service and marketing and commerce that operates through Customer 360 data architecture. The system unifies all client interactions through a single database which produces unified data management and eliminates separate information systems. The established framework develops into a fundamental operational system for revenue generation which organizations find impossible to replace. Most Salesforce clients maintain long-term contracts yet their system dependency exceeds the duration of their agreements. The system contains extensive customized workflows and automated pipelines and analytics dashboards and multiple integrations with financial and human resources and marketing applications.

The process of switching vendors requires organizations to rebuild their essential business operations and train all staff members which results in substantial financial losses from decreased productivity and transition costs reaching into the tens or hundreds of millions. Salesforce has developed an extensive network of certified users worldwide which includes administrators and developers and consultants who maintain a continuous supply of platform experts. Salesforce has evolved into an industry standard because of its network effects which transformed it from a product into an essential business standard. Organizations that do not implement Salesforce CRM systems lose essential pipeline visibility and service performance and data-driven decision capabilities which makes them less competitive in markets that rely on AI analytics and predictive insights. The company has become so deeply integrated into its client base that it functions as fundamental business infrastructure rather than a simple tool.

Investors show skepticism about Salesforce because they question when and how well the company will execute its plans. The main issue stems from the delayed revenue growth of Agentforce and Data Cloud artificial intelligence and data initiatives which management has promoted as key company priorities. The company reports thousands of AI-related deals and fast data growth yet analysts continue to doubt the success of these initiatives until they generate sustainable high-margin sales. The market shows reduced confidence because Salesforce announced fiscal 2026 revenue growth between 8-9% which matches the market's expectation of AI-driven market acceleration but indicates potential deceleration in the company's top-line performance. The hesitation of customers to invest in AI solutions creates additional market resistance because they need assurance about their return on investment and data protection and pricing models.

The company maintains strong profit margins at 34% but investors question how long Salesforce can sustain its profitability because AI and usage-based products need significant initial capital outlays. The Informatica acquisition has brought back memories of past integration difficulties with Slack while Microsoft and ServiceNow along with other platform competitors continue to challenge Salesforce's market leadership which creates doubts about its future dominance. The stock faces a downturn because investors doubt Salesforce will achieve its next growth phase even though the company remains financially solid but lacks proof that its AI initiatives will drive double-digit expansion without hurting profitability.The FY26 guidance from Salesforce demonstrates the company's operational progress but investors fail to recognize these achievements.

The company maintains its full-year revenue projection between $41.1 billion and $41.3 billion with an 8.5-9% annual growth rate while subscription and support revenue will increase by 9.5%. The main focus of the report lies in profitability metrics. The company expects its non-GAAP operating margin to reach 34.1% which represents a 0.1 percentage point increase from the previous guidance and a 1000 basis point improvement from two years ago. The company achieved this significant margin growth through its operational efficiency improvements while maintaining its innovative approach and continued expansion. The company has successfully transformed its acquisition-driven platform into a cash-generating business with high profit margins through its cost management and process optimization efforts.

The stock price shows minimal reaction to this news. The market fails to recognize Salesforce's substantial efficiency transformation since 2023 because it still treats the company as if it operated at pre-2023 levels with low profit margins and slowing growth. The bear thesis predicts limited future growth because Salesforce reached its margin peak but it fails to recognize that operational control enables the company to redirect its resources toward future expansion. Operating cash flow growth now projects 12-13% annual expansion while free cash flow will maintain the same growth rate as reported revenue stabilizes.

Salesforce maintains its dominant market position in the industry. The company maintains its position as the worldwide leader in CRM while controlling front office data and workflow operations through Data Cloud and Agentforce which convert AI usage into recurring revenue streams. The company maintains pricing power above inflation rates because of its extensive customer base and administrator network and consultant partnerships and AppExchange partners which create near-zero switching risk. The company maintains pricing power through steady price increases and mix shifts which directly produce higher profits. The Informatica acquisition announcement by Salesforce enables the company to enhance its control over data governance and integration which strengthens its position in the enterprise data fabric that supports AI applications.

The current market skepticism about Salesforce appears unfounded based on these industry developments. Salesforce maintains its market share growth while achieving margin expansion and accelerating cash flow generation without needing AI adoption breakthroughs. The company will control customer data and workflow infrastructure when its AI CRM products achieve full commercialization because competitors are still developing these essential components. The company demonstrates three key indicators of transformation through its rising margins and accelerating cash flow and dominant market position which the market has not recognized.

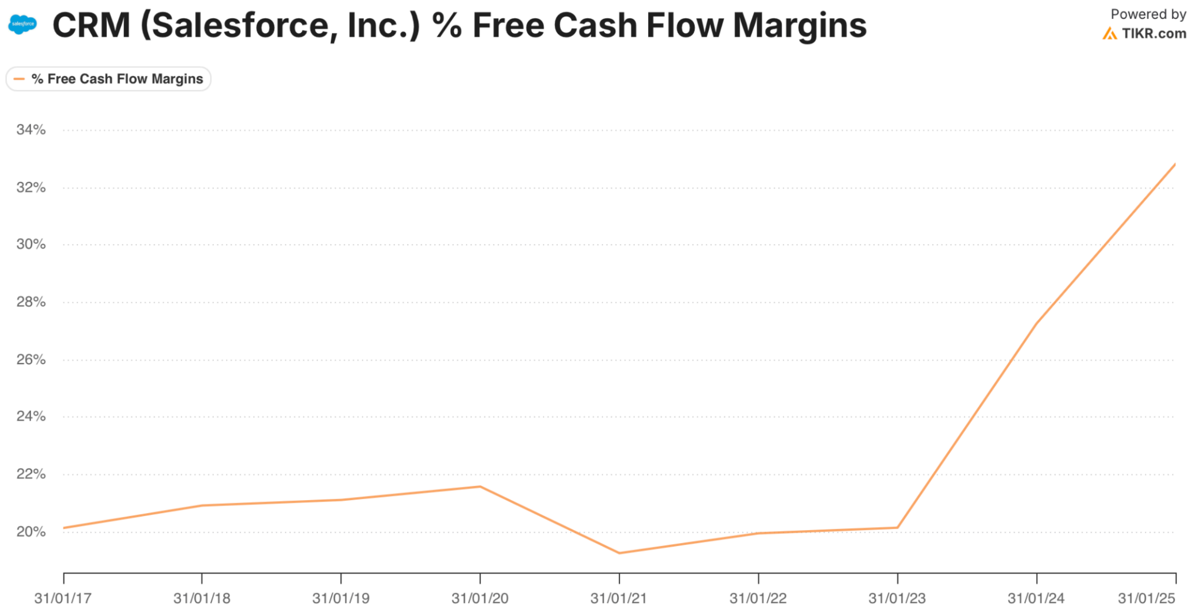
Valuation:

The Reverse DCF says that the market is pricing a 10.2% FCF growth for the next 10 years. This seems reasonable but I believe the market is not pricing in the improvement in FCF margin that the company has had in the past 2 years and the market has failed to realize how much that will improve the company's multiple valuation and capital allocation in the near future. Once the cloud of pessimism from the market passes over the next few quarters, I believe these improvements will quickly be realized.

B	C	D	E	F	G	H	I	J	K	L
Inputs										Inputs
Current stock price	$239.74	CRM								Formula
Shares outstanding (million)	967									
Perpetuity growth rate	2.0%									
Desired return (discount rate)	10.90%									
FCF year 1 (million)	12497.00									
Growth rate year 1-10	10.20%									
Cash flow estimates	***Year 1***	***Year 2***	***Year 3***	***Year 4***	***Year 5***	***Year 6***	***Year 7***	***Year 8***	***Year 9***	***Year 10***
FCF	12,497.00	13,771.69	15,176.41	16,724.40	18,430.29	20,310.18	22,381.82	24,664.76	27,180.57	29,952.99
Growth		10.20%	10.20%	10.20%	10.20%	10.20%	10.20%	10.20%	10.20%	10.20%
Discounted FCFs	***Year 1***	***Year 2***	***Year 3***	***Year 4***	***Year 5***	***Year 6***	***Year 7***	***Year 8***	***Year 9***	***Year 10***
FCF	12,497.00	13,771.69	15,176.41	16,724.40	18,430.29	20,310.18	22,381.82	24,664.76	27,180.57	29,952.99
Present value	11,268.71	11,197.58	11,126.90	11,056.67	10,986.88	10,917.53	10,848.62	10,780.14	10,712.10	10,644.49
Sum discounted CFs	109,539.63									
Terminal value										
TV	343,281.41									
Present Value TV	121,992.98									
Total equity value										
Total equity value	231,532.60									
Value per share										
Intrinsic Value	239.43									

When analyzing the company through a future multiple valuation, however, we can easily see that there is meaningful upside to be captured. Without making any large assumptions, just following the magins that the company has been able to sustain, at around 29%, and considering the “low” growth that the management team and the market have been expecting of only 9% per year, we arrive at a $17.6 billion FCF figure in year 5.

On the multiple and buyback front, the story is even more interesting. As mentioned before, the company was able to go from around 20% FCF margins to around 30% FCF margins in about 2 years just by optimizing operations. There is no evidence that shows that this margin increase is something cyclical.



This, however, hasn't translated into a meaningful multiple expansion for the company, even though they are significantly more profitable and they can deploy that extra cash in more buybacks or other forms of capital allocation.

As the company keeps performing well over the next few quarters and the fears of the market about their margins, their market dominance and their AI profitability go away, the significant operational performance and, consequentially, better capital allocation, will translate into a higher multiple and a higher buyback pace.

Considering that the company will keep being as dominant in their sector as they have ever been and considering their better performance, I believe a 30x exit multiple seems reasonable. Companies like Google, Microsoft and Adobe, who have similar market dominance and profitability in the office/productivity software market trade at around these multiples and this doesn't sound far fetched for a company like CRM that has already traded in such valuations. The difference from then to now is that now there are solid grounds for the company to be valued at 30x.

Considering also that all the excess FCF will be used in buybacks, we can estimate that the buyback rate will increase too.

- Returned $3.1 billion to shareholders, including $2.7 billion in share repurchases and $402 million in dividends

Given that the company has spent $2.7 billion in buybacks last quarter alone, which would represent a total of $10.8 billion per year, this would mean that CRM will buy back around 4.7% of their shares back (considering today's market cap of $228.8 billion). Being more conservative, we can assume that the company will repurchase 3% of their shares outstanding every year for the next 5 years.

Finally, they also paid $402 million in dividends, which would yield a 0.7% dividend yield.

Putting all of this together, we can assume that:

	Revenue (M)	Revenue Growth	FCF margin	Share count (M)	share change			
Y0	$39.502,00	9%	29%	967,5	-3%	Company	CRM	
Y1	$43.057,18	9%	29%	938,475	-3%			
y2	$46.932,33	9%	29%	910,32075	-3%			
y3	$51.156,24	9%	29%	883,0111275	-3%			
y4	$55.760,30	9%	29%	856,5207937	-3%	market cap (M)	228.889,35	
y5	$60.778,72	9%	29%	830,8251699	-3%	Future MKT Cap(M)	528.774,89	
						Multiple	30	
Y5 FCF	$17.625,83			current share price	$240,43	per share	636,445444	DY
						return (CAGR)	22,19%	0,70%

All these assumptions would lead to CRM returning 22.19% returns every year for the next 5 years. Considering that these assumptions are very feasible, as explained and justified before, and considering that the company is already established in the market as a great player adn with no great risk to investors, I believe an investment in CRM, at today's valuation and given the public information available, provides a great return for a value investor looking to compound his money over time.