

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

☒ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended April 30, 2024

OR

☐ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to .

Commission File Number: 001-32224

Salesforce, Inc.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

94-3320693
(IRS Employer
Identification No.)

Salesforce Tower
415 Mission Street, 3rd Fl
San Francisco, California 94105
(Address of principal executive offices)

Telephone Number: (415) 901-7000
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act

Title of each class
Common Stock, par value \$0.001 per share

Trading Symbol(s)
CRM

Name of each exchange on which registered
New York Stock Exchange

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒
Non-accelerated filer ☐

Accelerated filer ☐
Smaller reporting company ☐
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of May 24, 2024, there were approximately 969 million shares of the Registrant's Common Stock outstanding.

INDEX

		<u>Page No.</u>
	<u>PART I FINANCIAL INFORMATION</u>	
Item 1.	<u>Financial Statements:</u>	
	<u>Condensed Consolidated Balance Sheets as of April 30, 2024 and January 31, 2024</u>	<u>3</u>
	<u>Condensed Consolidated Statements of Operations for the three months ended April 30, 2024 and 2023</u>	<u>4</u>
	<u>Condensed Consolidated Statements of Comprehensive Income for the three months ended April 30, 2024 and 2023</u>	<u>5</u>
	<u>Condensed Consolidated Statements of Stockholders' Equity for the three months ended April 30, 2024 and 2023</u>	<u>6</u>
	<u>Condensed Consolidated Statements of Cash Flows for the three months ended April 30, 2024 and 2023</u>	<u>7</u>
	<u>Notes to Condensed Consolidated Financial Statements</u>	<u>9</u>
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>29</u>
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>40</u>
Item 4.	<u>Controls and Procedures</u>	<u>43</u>
	<u>PART II OTHER INFORMATION</u>	
Item 1.	<u>Legal Proceedings</u>	<u>44</u>
Item 1A.	<u>Risk Factors</u>	<u>44</u>
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>68</u>
Item 3.	<u>Defaults Upon Senior Securities</u>	<u>68</u>
Item 4.	<u>Mine Safety Disclosures</u>	<u>68</u>
Item 5.	<u>Other Information</u>	<u>68</u>
Item 6.	<u>Exhibits</u>	<u>68</u>
	<u>Signatures</u>	<u>70</u>

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

Salesforce, Inc.
Condensed Consolidated Balance Sheets
(in millions)

	April 30, 2024 (unaudited)	January 31, 2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,958	\$ 8,472
Marketable securities	7,712	5,722
Accounts receivable, net	4,273	11,414
Costs capitalized to obtain revenue contracts, net	1,865	1,905
Prepaid expenses and other current assets	1,796	1,561
Total current assets	25,604	29,074
Property and equipment, net	3,506	3,689
Operating lease right-of-use assets, net	2,255	2,366
Noncurrent costs capitalized to obtain revenue contracts, net	2,286	2,515
Strategic investments	4,978	4,848
Goodwill	48,940	48,620
Intangible assets acquired through business combinations, net	4,869	5,278
Deferred tax assets and other assets, net	3,742	3,433
Total assets	\$ 96,180	\$ 99,823
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable, accrued expenses and other liabilities	\$ 5,520	\$ 6,111
Operating lease liabilities, current	568	518
Unearned revenue	16,061	19,003
Debt, current	1,000	999
Total current liabilities	23,149	26,631
Noncurrent debt	8,429	8,427
Noncurrent operating lease liabilities	2,519	2,644
Other noncurrent liabilities	2,400	2,475
Total liabilities	36,497	40,177
Stockholders' equity:		
Common stock	1	1
Treasury stock, at cost	(13,860)	(11,692)
Additional paid-in capital	60,946	59,841
Accumulated other comprehensive loss	(270)	(225)
Retained earnings	12,866	11,721
Total stockholders' equity	59,683	59,646
Total liabilities and stockholders' equity	\$ 96,180	\$ 99,823

See accompanying Notes.

Salesforce, Inc.
Condensed Consolidated Statements of Operations
(in millions, except per share data)
(unaudited)

	Three Months Ended April 30,	
	2024	2023
Revenues:		
Subscription and support	\$ 8,585	\$ 7,642
Professional services and other	548	605
Total revenues	9,133	8,247
Cost of revenues (1)(2):		
Subscription and support	1,560	1,510
Professional services and other	602	615
Total cost of revenues	2,162	2,125
Gross profit	6,971	6,122
Operating expenses (1)(2):		
Research and development	1,368	1,207
Sales and marketing	3,239	3,154
General and administrative	647	638
Restructuring	8	711
Total operating expenses	5,262	5,710
Income from operations	1,709	412
Gains (losses) on strategic investments, net	37	(141)
Other income	121	55
Income before provision for income taxes	1,867	326
Provision for income taxes	(334)	(127)
Net income	\$ 1,533	\$ 199
Basic net income per share	\$ 1.58	\$ 0.20
Diluted net income per share	\$ 1.56	\$ 0.20
Shares used in computing basic net income per share	970	980
Shares used in computing diluted net income per share	985	988

(1) Amounts include amortization of intangible assets acquired through business combinations, as follows:

	Three Months Ended April 30,	
	2024	2023
Cost of revenues	\$ 238	\$ 248
Sales and marketing	223	223

(2) Amounts include stock-based compensation expense, as follows:

	Three Months Ended April 30,	
	2024	2023
Cost of revenues	\$ 119	\$ 103
Research and development	260	241
Sales and marketing	290	263
General and administrative	81	73
Restructuring	0	16

See accompanying Notes.

Salesforce, Inc.
Condensed Consolidated Statements of Comprehensive Income
(in millions)
(unaudited)

	Three Months Ended April 30,	
	2024	2023
Net income	\$ 1,533	\$ 199
Other comprehensive income (loss), net of reclassification adjustments:		
Foreign currency translation and other gains (losses)	(23)	6
Unrealized gains (losses) on marketable securities and privately held debt securities	(30)	16
Other comprehensive income (loss), before tax	(53)	22
Tax effect	8	(3)
Other comprehensive income (loss), net	(45)	19
Comprehensive income	<u>\$ 1,488</u>	<u>\$ 218</u>

See accompanying Notes.

Salesforce, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(in millions)
(unaudited)

Three Months Ended April 30, 2024

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at January 31, 2024	1,035	\$ 1	(64)	\$ (11,692)	\$ 59,841	\$ (225)	\$ 11,721	\$ 59,646
Common stock issued	7	0	0	0	352	0	0	352
Common stock repurchased	0	0	(7)	(2,168)	0	0	0	(2,168)
Stock-based compensation	0	0	0	0	753	0	0	753
Other comprehensive loss, net of tax	0	0	0	0	0	(45)	0	(45)
Cash dividends declared	0	0	0	0	0	0	(388)	(388)
Net income	0	0	0	0	0	0	1,533	1,533
Balance at April 30, 2024	1,042	\$ 1	(71)	\$ (13,860)	\$ 60,946	\$ (270)	\$ 12,866	\$ 59,683

Three Months Ended April 30, 2023

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at January 31, 2023	1,009	\$ 1	(28)	\$ (4,000)	\$ 55,047	\$ (274)	\$ 7,585	\$ 58,359
Common stock issued	7	0	0	0	283	0	0	283
Common stock repurchased	0	0	(11)	(2,144)	0	0	0	(2,144)
Stock-based compensation	0	0	0	0	696	0	0	696
Other comprehensive income, net of tax	0	0	0	0	0	19	0	19
Net income	0	0	0	0	0	0	199	199
Balance at April 30, 2023	1,016	\$ 1	(39)	\$ (6,144)	\$ 56,026	\$ (255)	\$ 7,784	\$ 57,412

See accompanying Notes.

Salesforce, Inc.
Condensed Consolidated Statements of Cash Flows
(in millions)
(unaudited)

	Three Months Ended April 30,	
	2024	2023
Operating activities:		
Net income	\$ 1,533	\$ 199
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (1)	879	1,254
Amortization of costs capitalized to obtain revenue contracts, net	517	470
Stock-based compensation expense	750	696
(Gains) losses on strategic investments, net	(37)	141
Changes in assets and liabilities, net of business combinations:		
Accounts receivable, net	7,162	6,123
Costs capitalized to obtain revenue contracts, net	(248)	(275)
Prepaid expenses and other current assets and other assets	(514)	(291)
Accounts payable and accrued expenses and other liabilities	(755)	(1,403)
Operating lease liabilities	(85)	(168)
Unearned revenue	(2,955)	(2,255)
Net cash provided by operating activities	6,247	4,491
Investing activities:		
Business combinations, net of cash acquired	(338)	0
Purchases of strategic investments	(203)	(105)
Sales of strategic investments	53	9
Purchases of marketable securities	(3,252)	(368)
Sales of marketable securities	616	269
Maturities of marketable securities	636	785
Capital expenditures	(163)	(243)
Net cash provided by (used in) investing activities	(2,651)	347
Financing activities:		
Repurchases of common stock	(2,133)	(2,054)
Proceeds from employee stock plans	533	449
Principal payments on financing obligations	(120)	(110)
Repayments of debt	0	(1,001)
Payments of dividends	(388)	0
Net cash used in financing activities	(2,108)	(2,716)
Effect of exchange rate changes	(2)	17
Net increase in cash and cash equivalents	1,486	2,139
Cash and cash equivalents, beginning of period	8,472	7,016
Cash and cash equivalents, end of period	<u>\$ 9,958</u>	<u>\$ 9,155</u>

(1) Includes amortization of intangible assets acquired through business combinations, depreciation of fixed assets and amortization and impairment of right-of-use assets.

See accompanying Notes.

Salesforce, Inc.
Condensed Consolidated Statements of Cash Flows
Supplemental Cash Flow Disclosure
(in millions)

	Three Months Ended April 30,	
	2024	2023
Supplemental cash flow disclosure:		
Cash paid during the period for:		
Interest	\$ 28	\$ 46
Income taxes, net of tax refunds	\$ 94	\$ 122

See accompanying Notes.

Salesforce, Inc.
Notes to Condensed Consolidated Financial Statements

1. Summary of Business and Significant Accounting Policies

Description of Business

Salesforce, Inc. (the “Company”) is a global leader in customer relationship management technology that brings companies and customers together. With the Customer 360 platform, the Company delivers a single source of truth, connecting customer data with integrated artificial intelligence across systems, apps and devices to help companies sell, service, market and conduct commerce from anywhere. Since its founding in 1999, the Company has pioneered innovations in cloud, mobile, social, analytics and artificial intelligence, enabling companies of every size and industry to transform their businesses in the all-digital, work-from-anywhere era.

Fiscal Year

The Company’s fiscal year ends on January 31. References to fiscal 2025, for example, refer to the fiscal year ending January 31, 2025.

Basis of Presentation

The accompanying condensed consolidated balance sheet as of April 30, 2024 and the condensed consolidated statements of operations, comprehensive income, statements of stockholders' equity and statements of cash flows for the three months ended April 30, 2024 and 2023, respectively, are unaudited.

These financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial information. Accordingly, they do not include all of the financial information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of the Company’s management, the unaudited condensed consolidated financial statements include all adjustments necessary for the fair presentation of the Company’s balance sheet as of April 30, 2024 and its results of operations, including its comprehensive income, stockholders' equity and cash flows for the three months ended April 30, 2024 and 2023. All adjustments are of a normal recurring nature. The results for the three months ended April 30, 2024 are not necessarily indicative of the results to be expected for any subsequent quarter or for the fiscal year ending January 31, 2025.

These unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2024, filed with the Securities and Exchange Commission (the “SEC”) on March 6, 2024.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions in the Company’s condensed consolidated financial statements and notes thereto.

Significant estimates and assumptions made by management include the determination of:

- the standalone selling price (“SSP”) of performance obligations for revenue contracts with multiple performance obligations;
- the valuation of privately-held strategic investments;
- the fair value of assets acquired and liabilities assumed for business combinations;
- the recognition, measurement and valuation of current and deferred income taxes and uncertain tax positions;
- the useful lives of intangible assets; and
- the fair value of certain stock awards issued.

Actual results could differ materially from these estimates. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable, which forms the basis for making judgments about the carrying values of assets and liabilities as well as income and expenses to be recognized.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Segments

The Company operates as one operating segment. Operating segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the chief operating decision maker ("CODM") in deciding how to allocate resources and assess performance. Over the past few years, the Company has completed a number of acquisitions which have allowed the Company to expand its offerings, presence and reach in various market segments of the enterprise cloud computing market. While the Company has offerings in multiple enterprise cloud computing market segments, including as a result of the Company's acquisitions, and operates in multiple countries, the Company's business operates in one operating segment because most of the Company's service offerings operate on the Customer 360 Platform and are deployed in a nearly identical manner, and the Company's CODM evaluates the Company's financial information and resources, and assesses the performance of these resources, on a consolidated basis.

Concentrations of Credit Risk, Significant Customers and Investments

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, marketable securities and accounts receivable. The Company monitors and manages the overall exposure of its cash balances to individual financial institutions on an ongoing basis. The Company's marketable securities portfolio consists primarily of investment-grade securities and the Company's policies limit the amount of credit exposure to any one issuer. The Company does not require collateral for accounts receivable. The Company maintains an allowance for its doubtful accounts receivable for estimated credit losses. This allowance is based upon historical loss patterns, the number of days that billings are past due, an evaluation of the potential risk of loss associated with delinquent accounts and current market conditions and reasonable and supportable forecasts of future economic conditions to inform adjustments to historical loss patterns. The Company records the allowance against bad debt expense through the condensed consolidated statements of operations, included in general and administrative expense, up to the amount of revenues recognized to date. Any incremental allowance is recorded as an offset to unearned revenue on the condensed consolidated balance sheets. Receivables are written off and charged against the recorded allowance when the Company has exhausted collection efforts without success.

No single customer accounted for ten percent or more of accounts receivable as of April 30, 2024 and January 31, 2024. No single customer accounted for ten percent or more of total revenue during the three months ended April 30, 2024 and 2023. As of April 30, 2024 and January 31, 2024, assets located outside the Americas were 14 percent and 16 percent of total assets, respectively. As of April 30, 2024 and January 31, 2024, assets located in the United States were 84 percent and 82 percent of total assets, respectively.

The Company is also exposed to concentrations of risk in its strategic investment portfolio, including within specific industries, as the Company primarily invests in enterprise cloud companies, technology startups and system integrators. As of April 30, 2024, the Company held two investments, both privately held, with carrying values that were individually greater than five percent of its total strategic investments portfolio and represented approximately 15 percent of the portfolio in the aggregate. As of January 31, 2024, the Company held two investments, both privately held, with carrying values that were individually greater than five percent of its strategic investments portfolio and represented approximately 16 percent of the portfolio in the aggregate.

Revenue Recognition

The Company derives its revenues from two sources: (1) subscription and support revenues and (2) professional services and other revenues. Subscription and support revenues include subscription fees from customers accessing the Company's enterprise cloud computing services (collectively, "Cloud Services"), software license revenues from the sales of term software licenses and support revenues from the sales of support and updates beyond the basic subscription or software license sales. Professional services and other revenues include professional and advisory services for process mapping, project management and implementation services and training services.

Revenue is recognized upon transfer of control of promised products and services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. If the consideration promised in a contract includes a variable amount, for example, overage fees, contingent fees or service level penalties, the Company includes an estimate of the amount it expects to receive for the total transaction price if it is probable that a significant reversal of cumulative revenue recognized will not occur.

The Company determines the amount of revenue to be recognized through the application of the following steps:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue when or as the Company satisfies the performance obligations.

Subscription and Support Revenues

Subscription and support revenues are comprised of fees that provide customers with access to Cloud Services, software licenses and related support and updates during the term of the arrangement.

Cloud Services allow customers to use the Company's multi-tenant software without taking possession of the software. Revenue is generally recognized ratably over the contract term. Substantially all of the Company's subscription service arrangements are noncancellable and do not contain refund-type provisions.

Subscription and support revenues also include revenues associated with term software licenses that provide the customer with a right to use the software as it exists when made available. Revenues from term software licenses are generally recognized at the point in time when the software is made available to the customer. Revenue from software support and updates is recognized as the support and updates are provided, which is generally ratably over the contract term.

The Company typically invoices its customers annually and its payment terms provide that customers pay within 30 days of invoice. Amounts that have been invoiced are recorded in accounts receivable and in unearned revenue or revenue, depending on whether transfer of control to customers has occurred.

Professional Services and Other Revenues

The Company's professional services contracts are either on a time and materials, fixed price or subscription basis. These revenues are recognized as the services are rendered for time and materials contracts, on a proportional performance basis for fixed price contracts or ratably over the contract term for subscription professional services contracts. Other revenues consist primarily of training revenues recognized as such services are performed.

Significant Judgments - Contracts with Multiple Performance Obligations

The Company enters into contracts with its customers that may include promises to transfer multiple performance obligations such as Cloud Services, software licenses, support and updates and professional services. A performance obligation is a promise in a contract with a customer to transfer products or services that are concluded to be distinct. Determining whether products and services are distinct performance obligations that should be accounted for separately or combined as one unit of accounting may require significant judgment.

Cloud Services, software licenses and support and updates services are generally concluded to be distinct because such offerings are often sold separately. In determining whether professional services are distinct, the Company considers the following factors for each professional services agreement: availability of the services from other vendors, the nature of the professional services, the timing of when the professional services contract was signed in comparison to the subscription start date and the contractual dependence of the service on the customer's satisfaction with the professional services work. To date, the Company has concluded that professional services included in contracts with multiple performance obligations are distinct.

The Company allocates the transaction price to each performance obligation on a relative SSP basis. The SSP is the price at which the Company would sell a promised product or service separately to a customer. Judgment is required to determine the SSP for each distinct performance obligation.

The Company determines SSP by considering its overall pricing objectives and market conditions. Significant pricing practices taken into consideration include the Company's discounting practices, the size and volume of the Company's transactions, the customer demographic, the geographic area where services are sold, price lists, the Company's go-to-market strategy, historical and current sales and contract prices. In instances where the Company does not sell or price a product or service separately, the Company maximizes the use of observable inputs by using information that may include market conditions. As the Company's go-to-market strategies evolve, the Company may modify its pricing practices in the future, which could result in changes to SSP.

In certain cases, the Company is able to establish SSP based on observable prices of products or services sold or priced separately in comparable circumstances to similar customers. The Company uses a single amount to estimate SSP when indicated by the distribution of its observable prices.

Alternatively, the Company uses a range of amounts to estimate SSP when the pricing practices or distribution of the observable prices are highly variable. The Company typically has more than one SSP for individual products and services due to the stratification of those products and services by customer size and geography.

Costs Capitalized to Obtain Revenue Contracts

The Company capitalizes incremental costs of obtaining revenue contracts related to noncancellable Cloud Services subscription, ongoing Cloud Services support and license support and updates. For contracts with term software licenses where revenue is recognized upfront when the software is made available to the customer, costs allocable to those licenses are expensed as they are incurred. Capitalized amounts consist primarily of sales commissions paid to the Company's direct sales force. Capitalized amounts also include (1) amounts paid to employees other than the direct sales force who earn incentive

payouts under annual compensation plans that are tied to the value of contracts acquired, (2) commissions paid to employees upon renewals of subscription and support contracts, (3) the associated payroll taxes and fringe benefit costs associated with the payments to the Company's employees and (4) to a lesser extent, success fees paid to partners in emerging markets where the Company has a limited presence.

Costs capitalized related to new revenue contracts are amortized on a straight-line basis over four years, which is longer than the typical initial contract period, but reflects the estimated average period of benefit, including expected contract renewals. In arriving at this average period of benefit, the Company evaluates both qualitative and quantitative factors which included the estimated life cycles of its offerings and its customer attrition. Additionally, the Company amortizes capitalized costs for renewals and success fees paid to partners over two years.

The capitalized amounts are recoverable through future revenue streams under all noncancellable customer contracts. The Company periodically evaluates whether there have been any changes in its business, the market conditions in which it operates or other events which would indicate that its amortization period should be changed or if there are potential indicators of impairment.

Amortization of capitalized costs to obtain revenue contracts is included in sales and marketing expense in the accompanying condensed consolidated statements of operations. There were no impairments of costs to obtain revenue contracts for the three months ended April 30, 2024 and 2023.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are stated at fair value.

Marketable Securities

The Company considers all of its marketable debt securities as available for use in current operations, including those with maturity dates beyond one year, and therefore classifies these securities within current assets on the condensed consolidated balance sheets. Securities are classified as available for sale and are carried at fair value, with the change in unrealized gains and losses, net of tax, reported as a separate component on the condensed consolidated statements of comprehensive income until realized. Fair value is determined based on quoted market rates when observable or utilizing data points that are observable, such as quoted prices, interest rates and yield curves. Securities with an amortized cost basis in excess of estimated fair value are assessed to determine what amount of the excess, if any, is caused by expected credit losses. Expected credit losses on securities are recognized in other income (expense) on the condensed consolidated statements of operations and any remaining unrealized losses, net of taxes, are included in accumulated other comprehensive income in stockholders' equity. For the purposes of computing realized and unrealized gains and losses, the cost of securities sold is based on the specific-identification method. Interest on securities classified as available for sale is included as a component of investment income within other income (expense) on the condensed consolidated statements of operations.

Strategic Investments

The Company holds strategic investments in privately held debt and equity securities and publicly held equity securities in which the Company does not have a controlling interest.

Privately held equity securities where the Company lacks a controlling financial interest but does exercise significant influence are accounted for under the equity method. Privately held equity securities not accounted for under the equity method are recorded at cost and adjusted only for observable transactions for same or similar investments of the same issuer or impairment events (referred to as the measurement alternative). All gains and losses on privately held equity securities, realized and unrealized, are recorded through gains (losses) on strategic investments, net on the condensed consolidated statements of operations. Privately held debt securities are recorded at fair value with changes in fair value recorded through accumulated other comprehensive loss on the condensed consolidated balance sheet. Other privately held investments not classified as debt or equity securities are recorded at cost and adjusted for impairment events, with any associated gains and losses recorded through gains (losses) on strategic investments, net on the consolidated statements of operations.

Valuations of privately held securities are inherently complex and require judgment due to the lack of readily available market data. In determining the estimated fair value of its strategic investments in privately held companies, the Company utilizes the most recent data available to the Company. The Company assesses its privately held strategic investments quarterly for impairment. The Company's impairment analysis encompasses an assessment of both qualitative and quantitative factors, including the investee's financial metrics, market acceptance of the investee's product or technology and the rate at which the investee is using its cash. If the investment is considered impaired, the Company estimates the fair value of the investment and recognizes any resulting impairment through the condensed consolidated statements of operations.

Publicly held equity securities are measured at fair value with changes recorded through gains (losses) on strategic investments, net on the condensed consolidated statements of operations.

The Company may enter into strategic investments or other investments that are considered variable interest entities (“VIEs”). If the Company is a primary beneficiary of a VIE, it is required to consolidate the entity. To determine if the Company is the primary beneficiary of a VIE, the Company evaluates whether it has (1) the power to direct the activities that most significantly impact the VIE’s economic performance and (2) the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. The assessment of whether the Company is the primary beneficiary of its VIE investments requires significant assumptions and judgments. VIEs that are not consolidated are accounted for under the measurement alternative, equity method, amortized cost, or other appropriate methodology based on the nature of the interest held. The Company did not consolidate any VIEs as of April 30, 2024 and April 30, 2023.

Fair Value Measurement

The Company measures its cash and cash equivalents, marketable securities, publicly held equity securities and foreign currency derivative contracts at fair value. In addition, the Company measures certain of its strategic investments, including its privately held debt and equity securities, at fair value on a nonrecurring basis when there has been an observable price change in a same or similar security or an impairment event. The additional disclosures regarding the Company’s fair value measurements are included in Note 4 “Fair Value Measurement.”

Derivative Financial Instruments

The Company enters into foreign currency derivative contracts with financial institutions to reduce foreign exchange risk associated with intercompany transactions and other monetary assets or liabilities denominated in currencies other than the functional currency of a subsidiary. The Company uses forward currency derivative contracts, which are not designated as hedging instruments, to minimize the Company’s exposure to balances primarily denominated in the Euro, British Pound Sterling, Canadian Dollar, Australian Dollar, Brazilian Real and Japanese Yen. The Company’s derivative financial instruments program is not designated for trading or speculative purposes. The Company generally enters into master netting arrangements with the financial institutions with which it contracts for such derivatives, which permit net settlement of transactions with the same counterparty, thereby reducing risk of credit-related losses from a financial institutions’ nonperformance. While the contract or notional amount is often used to express the volume of foreign currency derivative contracts, the amounts potentially subject to credit risk are generally limited to the amounts, if any, by which the counterparties’ obligations under the agreements exceed the obligations of the Company to the counterparties. The notional amount of outstanding foreign currency derivative contracts as of April 30, 2024 and January 31, 2024 was \$9.1 billion and \$8.6 billion, respectively.

Outstanding foreign currency derivative contracts are recorded at fair value on the condensed consolidated balance sheets. Unrealized gains or losses due to changes in the fair value of these derivative contracts, as well as realized gains or losses from their net settlement, are recognized as other income (expense) consistent with the offsetting gains or losses resulting from the remeasurement or settlement of the underlying foreign currency denominated receivables and payables.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful lives of those assets as follows:

Buildings and building improvements	10 to 40 years
Computers, equipment and software	3 to 5 years
Furniture and fixtures	5 years
Leasehold improvements	Shorter of the estimated lease term or 10 years

The Company estimates the useful lives of property and equipment upon initial recognition and periodically evaluates the useful lives and whether events or changes in circumstances warrant a revision to the useful lives.

When assets are retired or otherwise disposed of, the cost and accumulated depreciation and amortization are removed from their respective accounts and any loss on such retirement is reflected in operating expenses.

Leases

The Company determines if an arrangement is a lease at inception and classifies its leases at commencement. Operating leases are included in operating lease right-of-use (“ROU”) assets and current and noncurrent operating lease liabilities on the Company’s condensed consolidated balance sheets. Assets (also referred to as ROU assets) and liabilities recognized from finance leases are included in property and equipment, accrued expenses and other liabilities and other noncurrent liabilities, respectively, on the Company’s condensed consolidated balance sheets. ROU assets represent the Company’s right to use an underlying asset for the lease term. The corresponding lease liabilities represent its obligation to make lease payments arising from the lease. The Company does not recognize ROU assets or lease liabilities for leases with a term of 12 months or less for any asset classes.

Lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement, net of any future tenant incentives. The Company has lease agreements which contain both lease and non-lease components, which it has elected to combine for all asset classes. As such, minimum lease payments include fixed payments for non-lease components within a lease agreement but exclude variable lease payments not dependent on an index or rate, such as common area maintenance, operating expenses, utilities, or other costs that are subject to fluctuation from period to period. The Company's lease terms may include options to extend or terminate the lease. Periods beyond the noncancellable term of the lease are included in the measurement of the lease liability only when it is reasonably certain that the Company will exercise the associated extension option or waive the termination option. The Company reassesses the lease term if and when a significant event or change in circumstances occurs within the control of the Company. As most of the Company's leases do not provide an implicit rate, the net present value of future minimum lease payments is determined using the Company's incremental borrowing rate. The Company's incremental borrowing rate is an estimate of the interest rate the Company would have to pay to borrow on a collateralized basis with similar terms and payments, in the economic environment where the leased asset is located.

The lease ROU asset is recognized based on the lease liability, adjusted for any rent payments or initial direct costs incurred or tenant incentives received prior to commencement.

Lease expense for operating leases, which includes amortization expense of ROU assets, is recognized on a straight-line basis over the lease term. Amortization expense of finance lease ROU assets is recognized on a straight-line basis over the lease term and interest expense for finance lease liabilities is recognized based on the incremental borrowing rate. Expense for variable lease payments are recognized as incurred.

On the lease commencement date, the Company also establishes assets and liabilities for the present value of estimated future costs to retire long-lived assets at the termination or expiration of a lease. Such assets are included in property and equipment, net and are amortized over the lease term.

The Company has entered into subleases or has made decisions and taken actions to exit and sublease certain unoccupied leased office space. Similar to other long-lived assets discussed below, management tests ROU assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. For leased assets, such circumstances would include the decision to leave a leased facility prior to the end of the minimum lease term or subleases for which estimated cash flows do not fully cover the costs of the associated lease.

Intangible Assets Acquired through Business Combinations

Intangible assets are amortized over their estimated useful lives. Each period, the Company evaluates the estimated remaining useful life of its intangible assets and whether events or changes in circumstances warrant a revision to the remaining period of amortization.

Impairment Assessment

The Company evaluates intangible assets and other long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. This includes but is not limited to significant adverse changes in business climate, market conditions or other events that indicate an asset's carrying amount may not be recoverable. Recoverability of these assets is measured by comparing the carrying amount of each asset to the future undiscounted cash flows the asset is expected to generate. If the undiscounted cash flows used in the test for recoverability are less than the carrying amount of these assets, the carrying amount of such assets is reduced to fair value.

The Company evaluates and tests the recoverability of its goodwill for impairment at least annually during its fourth quarter of each fiscal year or more often if and when circumstances indicate that goodwill may not be recoverable.

Business Combinations

The Company uses its best estimates and assumptions to assign fair value to the tangible and intangible assets acquired and liabilities assumed at the acquisition date. The Company's estimates are inherently uncertain and subject to refinement. During the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the fair value of these tangible and intangible assets acquired and liabilities assumed, with the corresponding offset to goodwill. In addition, uncertain tax positions, tax-related valuation allowances and pre-acquisition contingencies are initially recorded in connection with a business combination as of the acquisition date. The Company continues to collect information and reevaluates these estimates and assumptions quarterly and records any adjustments to the Company's preliminary estimates to goodwill provided that the Company is within the measurement period. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the Company's condensed consolidated statements of operations.

In the event the Company acquires an entity with which the Company has a preexisting relationship, the Company will generally recognize a gain or loss to settle that relationship as of the acquisition date within operating income on the condensed

consolidated statements of operations. In the event that the Company acquires an entity in which the Company previously held a strategic investment, the difference between the fair value of the shares as of the date of the acquisition and the carrying value of the strategic investment is recorded as a gain or loss and recorded within net gains (losses) on strategic investments in the condensed consolidated statements of operations.

Restructuring

The Company generally recognizes employee severance costs when payments are probable and amounts are estimable or when notification occurs, depending on the region an employee works. Costs related to contracts without future benefit or contract termination are recognized at the earlier of the contract termination or the cease-use dates. Other exit-related costs are recognized as incurred.

Stock-Based Compensation Expense

Stock-based compensation expense is measured based on grant date at fair value using the grant date closing stock price for restricted stock units and restricted stock awards and using the Black-Scholes option pricing model for stock options. The Company recognizes stock-based compensation expense related to restricted stock units, restricted stock awards, and stock options and restricted stock awards on a straight-line basis, net of estimated forfeitures, over the requisite service period of the awards, which is generally the vesting term of four years. The estimated forfeiture rate applied is based on historical forfeiture rates.

The Company grants performance share awards to executive officers and other members of senior management, which may include a market condition, a performance condition, or both. Stock-based compensation expense related to awards with a market condition are measured at fair value using a Monte Carlo simulation model and the expense related to these awards is recognized on a graded-vesting basis, net of estimated forfeitures, over the requisite service period of the awards, which is generally the vesting term. Stock-based compensation expense related to awards with a performance condition are measured based on the grant date closing stock price and the expense related to these awards is recognized based on the requisite service period elapsed, as well as the probability of achievement and estimated attainment of the performance condition as of the end of our reporting period.

Stock-based compensation expense related to the Company's Amended and Restated 2004 Employee Stock Purchase Plan ("ESPP" or "2004 Employee Stock Purchase Plan") is measured based on grant date at fair value using the Black-Scholes option pricing model. The Company recognizes stock-based compensation expense related to shares issued pursuant to the 2004 Employee Stock Purchase Plan on a straight-line basis over the offering period, which is 12 months. The ESPP allows employees to purchase shares of the Company's common stock at a 15 percent discount from the lower of the Company's stock price on (i) the first day of the offering period or on (ii) the last day of the purchase period. The ESPP also allows employees to reduce their percentage election once during a six-month purchase period (December 15 and June 15 of each fiscal year), but not to increase that election until the next one-year offering period. The ESPP includes a reset provision for the purchase price if the stock price on the purchase date is less than the stock price on the offering date.

The Company, at times, grants unvested restricted shares to employee stockholders of certain acquired companies in lieu of cash consideration. These awards are generally subject to continued post-acquisition employment. Therefore, the Company accounts for them as post-acquisition stock-based compensation expense. The Company recognizes stock-based compensation expense equal to the grant date fair value of the restricted stock awards, based on the closing stock price on grant date, on a straight-line basis over the requisite service period of the awards, which is generally four years.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on temporary differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax laws is recognized in the condensed consolidated statements of operations in the period that includes the enactment date.

The Company's tax positions are subject to income tax audits by multiple tax jurisdictions throughout the world. The Company recognizes the tax benefit of an uncertain tax position only if it is more likely than not that the position is sustainable upon examination by the taxing authority, solely based on its technical merits. The tax benefit recognized is measured as the largest amount of benefit which is greater than 50 percent likely to be realized upon settlement with the taxing authority. The Company recognizes interest accrued and penalties related to unrecognized tax benefits in the income tax provision.

Valuation allowances are established when necessary to reduce deferred tax assets to the amounts that are more likely than not expected to be realized based on the weighting of positive and negative evidence. Future realization of deferred tax assets ultimately depends on the existence of sufficient taxable income of the appropriate character (for example, ordinary income or capital gain) within the carryback or carryforward periods available under the applicable tax law. The Company

regularly reviews the deferred tax assets for recoverability based on historical taxable income, projected future taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies. The Company's judgments regarding future profitability may change due to many factors, including future market conditions and the ability to successfully execute its business plans. Should there be a change in the ability to recover deferred tax assets, the tax provision would increase or decrease in the period in which the assessment is changed.

Foreign Currency Translation

The functional currency of the Company's major foreign subsidiaries is generally the local currency. All assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the exchange rate on the balance sheet date. Revenues and expenses are translated at the average exchange rate during the period. Equity transactions are translated using historical exchange rates. Adjustments resulting from translating foreign functional currency financial statements into U.S. dollars are recorded as a separate component on the condensed consolidated statements of comprehensive income. Foreign currency transaction gains and losses are included in other income (expense) in the condensed consolidated statements of operations for the period.

Warranties and Indemnification

The Company's enterprise cloud computing services are typically warranted to perform in a manner consistent with general industry standards that are reasonably applicable and materially in accordance with the Company's online help documentation under normal use and circumstances.

The Company's arrangements generally include certain provisions for indemnifying customers against liabilities if its products or services infringe a third party's intellectual property rights. To date, the Company has not incurred any material costs as a result of such obligations and has not accrued any material liabilities related to such obligations in the accompanying condensed consolidated financial statements.

The Company has also agreed to indemnify its directors and executive officers for costs associated with any fees, expenses, judgments, fines and settlement amounts incurred by any of these persons in any action or proceeding to which any of those persons is, or is threatened to be, made a party by reason of the person's service as a director or officer, including any action by the Company, arising out of that person's services as the Company's director or officer or that person's services provided to any other company or enterprise at the Company's request. The Company maintains director and officer insurance coverage that would generally enable the Company to recover a portion of any future amounts paid. The Company may also be subject to indemnification obligations by law with respect to the actions of its employees under certain circumstances and in certain jurisdictions.

New Accounting Pronouncement Pending Adoption

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures" ("ASU 2023-07"), which requires additional operating segment disclosures in annual and interim consolidated financial statements. ASU 2023-07 is effective for annual periods beginning after December 15, 2023 and for interim periods beginning after December 15, 2024 on a retrospective basis, with early adoption permitted. The Company is evaluating the effect that ASU 2023-07 will have on its financial statement disclosures.

In December 2023, the FASB issued Accounting Standards Update No. 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures" ("ASU 2023-09"), which requires disclosure of disaggregated income taxes paid, prescribes standard categories for the components of the effective tax rate reconciliation and modifies other income tax-related disclosures. ASU 2023-09 is effective for annual periods beginning after December 15, 2024 on a retrospective or prospective basis. The Company is evaluating the effect that ASU 2023-09 will have on its financial statement disclosures.

2. Revenues

Disaggregation of Revenue

Subscription and Support Revenue by the Company's Service Offerings

Subscription and support revenues consisted of the following (in millions):

	Three Months Ended April 30,	
	2024	2023
Sales	\$ 1,998	\$ 1,810
Service	2,182	1,964
Platform and Other	1,718	1,567
Marketing and Commerce	1,282	1,170
Integration and Analytics (1)	1,405	1,131
	<u>\$ 8,585</u>	<u>\$ 7,642</u>

(1) In the fourth quarter of fiscal 2024, the Company renamed the service offering previously referred to as Data to Integration and Analytics, which includes Mulesoft and Tableau.

Total Revenue by Geographic Locations

Revenues by geographical region consisted of the following (in millions):

	Three Months Ended April 30,	
	2024	2023
Americas	\$ 6,062	\$ 5,482
Europe	2,145	1,951
Asia Pacific	926	814
	<u>\$ 9,133</u>	<u>\$ 8,247</u>

Revenues by geography are determined based on the region of the Company's contracting entity, which may be different than the region of the customer. Americas revenue attributed to the United States was approximately 93 percent during the three months ended April 30, 2024 and 2023. No other country represented more than ten percent of total revenue during the three months ended April 30, 2024 and 2023.

Contract Balances

Contract Assets

The Company records a contract asset when revenue recognized on a contract exceeds the billings. Contract assets were \$828 million as of April 30, 2024 as compared to \$758 million as of January 31, 2024, and are included in prepaid expenses and other current assets and deferred tax assets and other assets, net on the condensed consolidated balance sheets.

Unearned Revenue

Unearned revenue represents amounts that have been invoiced in advance of revenue recognition and is recognized as revenue when transfer of control to customers has occurred or services have been provided. The unearned revenue balance does not represent the total contract value of annual or multi-year, noncancellable subscription agreements. The unearned revenue balance is influenced by several factors, including seasonality, the compounding effects of renewals, invoice duration, invoice timing, dollar size and new business linearity within the quarter.

The change in unearned revenue was as follows (in millions):

	Three Months Ended April 30,	
	2024	2023
Unearned revenue, beginning of period	\$ 19,003	\$ 17,376
Billings and other (1)	6,108	5,937
Contribution from contract asset	70	55
Revenue recognized over time	(8,571)	(7,837)
Revenue recognized at a point in time	(562)	(410)
Unearned revenue from business combinations	13	0
Unearned revenue, end of period	\$ 16,061	\$ 15,121

(1) Other includes, for example, the impact of foreign currency translation.

The majority of revenue recognized for these services is from the beginning of period unearned revenue balance.

Revenue recognized over time primarily includes Cloud Services subscription and support revenue, which is generally recognized ratably over time, and professional services and other revenue, which is generally recognized ratably or as delivered.

Revenue recognized at a point in time substantially consists of term software licenses.

Remaining Performance Obligation

Remaining performance obligation represents contracted revenue that has not yet been recognized and includes unearned revenue and unbilled amounts that will be recognized as revenue in future periods. The transaction price allocated to the remaining performance obligation is based on SSP. Remaining performance obligation is influenced by several factors, including seasonality, the timing of renewals, the timing of term license deliveries, average contract terms and foreign currency exchange rates. Remaining performance obligation is also impacted by acquisitions. Unbilled portions of the remaining performance obligation denominated in foreign currencies are revalued each period based on the period end exchange rates. Remaining performance obligation is subject to future economic risks, including bankruptcies, regulatory changes and other market factors.

The Company excludes amounts related to performance obligations from professional services contracts that are billed and recognized on a time and materials basis.

The majority of the Company's noncurrent remaining performance obligation is expected to be recognized in the next 13 to 36 months.

Remaining performance obligation consisted of the following (in billions):

	Current	Noncurrent	Total
As of April 30, 2024	\$ 26.4	\$ 27.5	\$ 53.9
As of January 31, 2024	\$ 27.6	\$ 29.3	\$ 56.9

3. Investments

Marketable Securities

At April 30, 2024, marketable securities consisted of the following (in millions):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Corporate notes and obligations	\$ 3,751	\$ 2	\$ (54)	\$ 3,699
U.S. treasury securities	552	0	(11)	541
Mortgage-backed obligations	272	0	(10)	262
Asset-backed securities	1,655	1	(11)	1,645
Municipal securities	137	0	(3)	134
Commercial paper	1,223	0	0	1,223
Covered bonds	72	0	(3)	69
Other	140	1	(2)	139
Total marketable securities	\$ 7,802	\$ 4	\$ (94)	\$ 7,712

At January 31, 2024, marketable securities consisted of the following (in millions):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Corporate notes and obligations	\$ 3,014	\$ 9	\$ (45)	\$ 2,978
U.S. treasury securities	583	0	(8)	575
Mortgage-backed obligations	244	1	(9)	236
Asset-backed securities	1,381	5	(7)	1,379
Municipal securities	139	0	(3)	136
Commercial paper	213	0	0	213
Covered bonds	81	0	(3)	78
Other	127	1	(1)	127
Total marketable securities	\$ 5,782	\$ 16	\$ (76)	\$ 5,722

The contractual maturities of the investments classified as marketable securities were as follows (in millions):

	As of	
	April 30, 2024	January 31, 2024
Due within 1 year	\$ 4,092	\$ 2,523
Due in 1 year through 5 years	3,613	3,180
Due in 5 years through 10 years	7	19
	\$ 7,712	\$ 5,722

Strategic Investments

Strategic investments by form and measurement category as of April 30, 2024 were as follows (in millions):

	Measurement Category			
	Fair Value	Measurement Alternative	Other	Total
Equity securities	\$ 83	\$ 4,629	\$ 133	\$ 4,845
Debt securities and other investments	0	0	133	133
Balance as of April 30, 2024	\$ 83	\$ 4,629	\$ 266	\$ 4,978

Strategic investments by form and measurement category as of January 31, 2024 were as follows (in millions):

	Measurement Category			
	Fair Value	Measurement Alternative	Other	Total
Equity securities	\$ 80	\$ 4,557	\$ 130	\$ 4,767
Debt securities and other investments	0	0	81	81
Balance as of January 31, 2024	\$ 80	\$ 4,557	\$ 211	\$ 4,848

The Company holds investments in, or management agreements with, VIEs which the Company does not consolidate because it is not considered the primary beneficiary of these entities. The carrying value of VIEs within strategic investments was \$436 million and \$382 million, as of April 30, 2024 and January 31, 2024, respectively.

Gains (Losses) on Strategic Investments, Net

The components of gains and losses on strategic investments were as follows (in millions):

	Three Months Ended April 30,	
	2024	2023
Unrealized gains recognized on publicly traded equity securities, net	\$ 3	\$ 0
Unrealized gains recognized on privately held equity securities, net	105	38
Impairments on privately held equity and debt securities	(130)	(177)
Unrealized losses, net	(22)	(139)
Realized gains (losses) on sales of securities, net	59	(2)
Gains (losses) on strategic investments, net	\$ 37	\$ (141)

Unrealized gains and losses recognized on privately held equity securities, net includes upward and downward adjustments from equity securities accounted for under the measurement alternative, as well as gains and losses from private equity securities in other measurement categories. For privately held securities accounted for under the measurement alternative, the Company recorded upward adjustments of \$116 million and \$46 million and impairments and downward adjustments of \$139 million and \$175 million for the three months ended April 30, 2024 and 2023, respectively.

Realized gains on sales of securities, net reflects the difference between the sale proceeds and the carrying value of the security at the beginning of the period or the purchase date, if later.

4. Fair Value Measurement

The Company uses a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1. Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2. Significant other inputs that are directly or indirectly observable in the marketplace.

Level 3. Significant unobservable inputs which are supported by little or no market activity.

All of the Company's cash equivalents, marketable securities and foreign currency derivative contracts are classified within Level 1 or Level 2 because these assets are valued using quoted market prices or alternative pricing sources and models utilizing observable market inputs.

The following table presents information about the Company's assets that were measured at fair value as of April 30, 2024 and indicates the fair value hierarchy of the valuation (in millions):

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
Cash equivalents (1):				
Time deposits	\$ 0	\$ 1,485	\$ 0	\$ 1,485
Money market mutual funds	5,652	0	0	5,652
Cash equivalent securities	0	1,046	0	1,046
Marketable securities:				
Corporate notes and obligations	0	3,699	0	3,699
U.S. treasury securities	0	541	0	541
Mortgage-backed obligations	0	262	0	262
Asset-backed securities	0	1,645	0	1,645
Municipal securities	0	134	0	134
Commercial paper	0	1,223	0	1,223
Covered bonds	0	69	0	69
Other	0	139	0	139
Strategic investments:				
Equity securities	83	0	0	83
Total assets	\$ 5,735	\$ 10,243	\$ 0	\$ 15,978

(1) Included in "cash and cash equivalents" in the accompanying condensed consolidated balance sheets in addition to \$1.8 billion of cash, as of April 30, 2024.

The following table presents information about the Company's assets that were measured at fair value as of January 31, 2024 and indicates the fair value hierarchy of the valuation (in millions):

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
Cash equivalents (1):				
Time deposits	\$ 0	\$ 1,337	\$ 0	\$ 1,337
Money market mutual funds	4,447	0	0	4,447
Cash equivalent securities	0	493	0	493
Marketable securities:				
Corporate notes and obligations	0	2,978	0	2,978
U.S. treasury securities	0	575	0	575
Mortgage-backed obligations	0	236	0	236
Asset-backed securities	0	1,379	0	1,379
Municipal securities	0	136	0	136
Commercial paper	0	213	0	213
Covered bonds	0	78	0	78
Other	0	127	0	127
Strategic investments:				
Equity securities	80	0	0	80
Total assets	\$ 4,527	\$ 7,552	\$ 0	\$ 12,079

(1) Included in "cash and cash equivalents" in the accompanying condensed consolidated balance sheets in addition to \$2.2 billion of cash, as of January 31, 2024.

Strategic Investments Measured and Recorded at Fair Value on a Non-Recurring Basis

Substantially all of the Company's privately held debt and equity securities and other investments are recorded at fair value on a non-recurring basis. The estimation of fair value for these investments requires the use of significant unobservable inputs, and as a result, the Company deems these assets as Level 3 within the fair value measurement framework. For privately held equity investments without a readily determinable fair value, the Company applies valuation methods based on information available, including the market approach and option pricing models ("OPM"). Observable transactions, such as the issuance of new equity by an investee, are indicators of investee enterprise value and are used to estimate the fair value of the privately held equity investments. An OPM may be utilized to allocate value to the various classes of securities of the investee, including classes owned by the Company. Such information, available to the Company from investee companies, is supplemented with estimates such as volatility, expected time to liquidity and the rights and obligations of the securities the Company holds. When indicators of impairment are observed for privately held equity securities, the Company generally uses the market approach to estimate the fair value of its investment, giving consideration to the latest observable transactions, as well as the investee's current and projected financial performance and other significant inputs and assumptions, including estimated time to exit, selection and analysis of guideline public companies and the rights and obligations of the securities the Company holds. The Company's privately held debt and equity securities and other investments amounted to \$4.9 billion and \$4.8 billion as of April 30, 2024 and January 31, 2024, respectively.

5. Leases and Other Commitments

Leases

The Company has leases for corporate offices, data centers and equipment under noncancellable operating and finance leases with various expiration dates.

Total operating lease costs were \$158 million and \$469 million for the three months ended April 30, 2024 and 2023, respectively. Included in operating lease costs are amounts related to restructuring charges, which are discussed in Note 9 "Restructuring."

As of April 30, 2024, the maturities of lease liabilities under noncancellable operating and finance leases were as follows (in millions):

	Operating Leases	Finance Leases
Fiscal Period:		
Remaining nine months of fiscal 2025	\$ 489	\$ 291
Fiscal 2026	587	340
Fiscal 2027	521	228
Fiscal 2028	456	53
Fiscal 2029	379	9
Thereafter	1,026	1
Total minimum lease payments	3,458	922
Less: Imputed interest	(371)	(46)
Total	\$ 3,087	\$ 876

Other Balance Sheet Accounts

Accounts payable, accrued expenses and other liabilities as of April 30, 2024 included approximately \$1.5 billion of accrued compensation as compared to \$2.5 billion as of January 31, 2024.

6. Business Combinations

In February 2024, the Company acquired all outstanding stock of Spiff, Inc. ("Spiff"), an incentive compensation management platform company. The acquisition date fair value of the consideration transferred for Spiff was \$419 million, which consisted primarily of \$374 million in cash. The Company recorded \$323 million of goodwill which is primarily attributed to the assembled workforce and expanded market opportunities. The goodwill associated with the acquisition of Spiff has no basis and is not deductible for U.S. income tax purposes. The Company also recorded approximately \$52 million of intangible assets for developed technology and customer relationships with useful lives of nine and five years, respectively. The fair values assigned to assets acquired and liabilities assumed are based on management's estimates and assumptions and may be subject to change as additional information is received and certain tax returns are finalized. The Company expects to finalize the valuation as soon as practicable, but not later than one year from the acquisition date. The Company has included the financial results of Spiff, which were not material, in its condensed consolidated financial statements from the date of acquisition. The transaction costs associated with the acquisition were also not material.

7. Intangible Assets Acquired Through Business Combinations and Goodwill

Intangible Assets Acquired Through Business Combinations

Intangible assets acquired through business combinations were as follows (in millions):

	Intangible Assets, Gross			Accumulated Amortization			Intangible Assets, Net			Weighted Average Remaining Useful Life (Years)
	January 31, 2024	Additions and retirements, net	April 30, 2024	January 31, 2024	Expense and retirements, net	April 30, 2024	January 31, 2024	April 30, 2024	April 30, 2024	
Acquired developed technology	\$ 4,624	\$ 44	\$ 4,668	\$ (3,208)	\$ (238)	\$ (3,446)	\$ 1,416	\$ 1,222		2.0
Customer relationships	6,674	8	6,682	(2,985)	(211)	(3,196)	3,689	3,486		4.5
Other (1)	303	0	303	(130)	(12)	(142)	173	161		3.2
Total	\$ 11,601	\$ 52	\$ 11,653	\$ (6,323)	\$ (461)	\$ (6,784)	\$ 5,278	\$ 4,869		3.9

(1) Included in Other are in-place leases, trade names, trademarks and territory rights.

Amortization of intangible assets resulting from business combinations for the three months ended April 30, 2024 and 2023 was \$461 million, and \$471 million, respectively.

The expected future amortization expense for intangible assets as of April 30, 2024 was as follows (in millions):

Fiscal Period:	
Remaining nine months of fiscal 2025	\$ 1,153
Fiscal 2026	1,372
Fiscal 2027	1,005
Fiscal 2028	628
Fiscal 2029	496
Thereafter	215
Total amortization expense	\$ 4,869

Goodwill

Goodwill represents the excess of the purchase price in a business combination over the fair value of net assets acquired.

The changes in the carrying amounts of goodwill, which is generally not deductible for tax purposes, were as follows (in millions):

Balance as of January 31, 2024	\$ 48,620
Acquisition of Spiff	323
Adjustments (1)	(3)
Balance as of April 30, 2024	\$ 48,940

(1) Adjustments include the effect of foreign currency translation.

8. Debt

The components of the Company's borrowings were as follows (in millions):

Instrument	Date of Issuance	Maturity Date	Contractual Interest Rate		Outstanding Principal as of April 30, 2024	Carrying Value as of April 30, 2024	Carrying Value as of January 31, 2024
2024 Senior Notes	July 2021	July 2024	0.625 %		1,000	1,000	999
2028 Senior Notes	April 2018	April 2028	3.70		1,500	1,495	1,495
2028 Senior Sustainability Notes	July 2021	July 2028	1.50		1,000	994	994
2031 Senior Notes	July 2021	July 2031	1.95		1,500	1,491	1,490
2041 Senior Notes	July 2021	July 2041	2.70		1,250	1,236	1,235
2051 Senior Notes	July 2021	July 2051	2.90		2,000	1,978	1,978
2061 Senior Notes	July 2021	July 2061	3.05		1,250	1,235	1,235
Total carrying value of debt				\$	9,500	9,429	9,426
Less current portion of debt						(1,000)	(999)
Total noncurrent debt						\$ 8,429	\$ 8,427

The Company was in compliance with all debt covenants as of April 30, 2024.

The total estimated fair value of the Company's outstanding senior unsecured notes (the "Senior Notes") above was \$7.4 billion and \$7.8 billion as of April 30, 2024 and January 31, 2024, respectively. The fair value was determined based on the closing trading price per \$100 of the Senior Notes as of the last day of trading of the first quarter of fiscal 2025 and the last day of trading of fiscal 2024, respectively, and are deemed Level 2 liabilities within the fair value measurement framework.

The contractual future principal payments for all borrowings as of April 30, 2024 were as follows (in millions):

Fiscal Period:	
Remaining nine months of fiscal 2025	\$ 1,000
Fiscal 2026	0
Fiscal 2027	0
Fiscal 2028	0
Fiscal 2029	2,500
Thereafter	6,000
Total principal outstanding	\$ 9,500

Revolving Credit Facility

In December 2020, the Company entered into a Credit Agreement with Citibank, N.A., as administrative agent, and certain other institutional lenders (the "Revolving Loan Credit Agreement") that provides for a \$3.0 billion unsecured revolving credit facility ("Credit Facility") and matures in December 2025. The Company may use the proceeds of future borrowings under the Credit Facility for general corporate purposes, which may include, without limitation, the consideration, fees, costs and expenses related to any acquisition. The Company amended the Revolving Loan Credit Agreement in April 2022 and May 2023, in each case to reflect certain administrative changes. There were no outstanding borrowings under the Credit Facility as of April 30, 2024.

9. Restructuring

In January 2023, the Company announced a restructuring plan (the "Restructuring Plan") intended to reduce operating costs, improve operating margins and continue advancing the Company's ongoing commitment to profitable growth. This plan included a reduction of the Company's workforce and select real estate exits and office space reductions within certain markets. The actions associated with the employee restructuring under the Restructuring Plan were substantially completed in fiscal 2024 and the actions associated with the real estate portion of the Restructuring Plan are expected to be substantially complete in fiscal 2026. In the first quarter of fiscal 2025, the Company approved an initiative focused on driving further operational efficiencies, optimizing our management structure and increasing cost optimization efforts to realize long-term sustainable growth through a targeted workforce reduction. The actions associated with this initiative are expected to be substantially complete in fiscal 2025.

The following tables summarize the activities related to the Company's restructuring initiatives for the three months ended April 30, 2024 and 2023 (in millions):

	Three Months Ended April 30, 2024		
	Workforce Reduction	Office Space Reductions	Total
Liability, beginning of the period	\$ 118	\$ 2	\$ 120
Charges	8	0	8
Payments	(68)	(2)	(70)
Non-cash items	(1)	0	(1)
Liability, end of the period	\$ 57	\$ 0	\$ 57

	Three Months Ended April 30, 2023		
	Workforce Reduction	Office Space Reductions	Total
Liability, beginning of the period	\$ 607	\$ 0	\$ 607
Charges	344	367	711
Payments	(320)	0	(320)
Non-cash items	(17)	(367)	(384)
Liability, end of the period	\$ 614	\$ 0	\$ 614

The liability for restructuring charges, which is related to workforce and office space reductions, is included in accounts payable, accrued expenses and other liabilities on the condensed consolidated balance sheets. The charges reflected in the tables above related to workforce reduction included charges for employee transition, severance payments, employee benefits and share-based compensation. The charges reflected in the tables above related to office space reductions included exit charges associated with those reductions.

10. Stockholders' Equity

Stock option activity for the three months ended April 30, 2024 was as follows:

	Options Outstanding		
	Outstanding Stock Options (in millions)	Weighted-Average Exercise Price	Aggregate Intrinsic Value (in millions)
Balance as of January 31, 2024	12	\$ 185.77	
Exercised	(1)	174.62	
Balance as of April 30, 2024	11	\$ 190.70	\$ 1,222
Vested or expected to vest	11	\$ 190.10	\$ 1,192
Exercisable as of April 30, 2024	7	\$ 175.19	\$ 874

Restricted stock activity for the three months ended April 30, 2024 was as follows:

	Restricted Stock Outstanding		
	Outstanding (in millions)	Weighted-Average Grant Date Fair Value	Aggregate Intrinsic Value (in millions)
Balance as of January 31, 2024	28	\$ 202.95	
Granted - restricted stock units and awards	10	306.39	
Granted - performance-based stock units	1	290.64	
Canceled	(1)	208.02	
Vested and converted to shares	(5)	197.41	
Balance as of April 30, 2024	33	\$ 239.08	\$ 8,801
Expected to vest	27		\$ 7,367

The aggregate expected stock-based compensation expense remaining to be recognized as of April 30, 2024 was as follows (in millions):

Fiscal Period:		
Remaining nine months of fiscal 2025	\$	2,483
Fiscal 2026		2,505
Fiscal 2027		1,670
Fiscal 2028		1,002
Fiscal 2029		106
Total stock-based compensation expense	\$	7,766

The aggregate expected stock-based compensation expense remaining to be recognized reflects only outstanding stock awards as of April 30, 2024 and assumes no forfeiture activity and no changes in the expected level of attainment of performance share grants based on the Company's financial performance relative to certain targets.

Share Repurchase Program

In August 2022, the Board of Directors authorized a program to repurchase up to \$10.0 billion of the Company's common stock (the "Share Repurchase Program"). In February 2023, the Board of Directors authorized an additional \$10.0 billion in repurchases under the Share Repurchase Program. In February 2024, the Board of Directors authorized an additional \$10.0 billion in repurchases under the Share Repurchase Program for an aggregate total authorization of \$30.0 billion. The Share Repurchase Program does not have a fixed expiration date and does not obligate the Company to acquire any specific number of shares. Under the Share Repurchase Program, shares of common stock may be repurchased using a variety of methods, including privately negotiated and or open market transactions, including under plans complying with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as part of accelerated share repurchases and other methods. The timing, manner, price and amount of any repurchases are determined by the Company in its discretion and depend on a variety of factors, including legal requirements, price and economic and market conditions. The Company accounts for treasury stock under the cost method.

The Company repurchased the following under its Share Repurchase Program (in millions, except average price per share):

	2024			2023		
	Shares	Average price per share	Amount	Shares	Average price per share	Amount
Three months ended April 30	7	\$ 293.00	\$ 2,168	11	\$ 188.17	\$ 2,143

All repurchases were made in open market transactions. As of April 30, 2024, the Company was authorized to purchase a remaining \$16.2 billion of its common stock under the Share Repurchase Program.

Dividends

In February 2024, the Company announced a cash dividend of \$0.40 per share of the Company's outstanding common stock to stockholders of record as of the close of business on March 14, 2024, which was paid on April 11, 2024 in the amount of approximately \$388 million.

11. Income Taxes

Effective Tax Rate

The Company computes its year-to-date provision for income taxes by applying the estimated annual effective tax rate to year-to-date pretax income or loss and adjusts the provision for discrete tax items recorded in the period. For the three months ended April 30, 2024, the Company reported a tax provision of \$334 million on pretax income of \$1.9 billion, which resulted in an effective tax rate of 18 percent. The Company's effective tax rate differed from the U.S. statutory rate of 21 percent primarily due to research and development credits and excess tax benefits from stock-based compensation.

For the three months ended April 30, 2023, the Company reported a tax provision of \$127 million on pretax income of \$326 million, which resulted in an effective tax rate of 39 percent. The Company's effective tax rate differed from the U.S. statutory rate of 21 percent primarily due to profitable jurisdictions outside of the United States subject to tax rates greater than 21 percent and withholding taxes.

Unrecognized Tax Benefits and Other Considerations

The Company records liabilities related to its uncertain tax positions. Tax positions for the Company and its subsidiaries are subject to income tax audits by multiple tax jurisdictions throughout the world. Certain prior year tax returns are currently being examined by various taxing authorities in countries including the United States, Germany, France, Israel, and India. The Company believes that it has provided adequate reserves for its income tax uncertainties in all open tax years. As the outcome of the tax audits cannot be predicted with certainty, if any issues arising in the Company's tax audits progress in a manner inconsistent with management's expectations, the Company could adjust its provision for income taxes in the future. In addition, the Company anticipates it is reasonably possible that an insignificant decrease of its unrecognized tax benefits may occur in the next 12 months, as the applicable statutes of limitations lapse, ongoing examinations are completed, or tax positions meet the conditions of being effectively settled.

12. Net Income Per Share

Basic earnings per share is computed by dividing net income by the weighted-average number of shares of common stock outstanding for the fiscal period. Diluted earnings per share is computed by giving effect to all potential weighted average dilutive common stock, including options and restricted stock units. The dilutive effect of outstanding awards is reflected in diluted earnings per share by application of the treasury stock method.

A reconciliation of the denominator used in the calculation of basic and diluted earnings per share is as follows (in millions):

	Three Months Ended April 30,	
	2024	2023
Numerator:		
Net income	\$ 1,533	\$ 199
Denominator:		
Weighted-average shares outstanding for basic earnings per share	970	980
Effect of dilutive securities:		
Employee stock awards	15	8
Weighted-average shares outstanding for diluted earnings per share	985	988

The weighted-average number of shares outstanding used in the computation of diluted earnings per share does not include the effect of the following potentially outstanding common stock. The effects of these potentially outstanding shares were not included in the calculation of diluted earnings per share because the effect would have been anti-dilutive (in millions):

	Three Months Ended April 30,	
	2024	2023
Employee stock awards	5	23

13. Legal Proceedings and Claims

In the ordinary course of business, the Company is or may be involved in various legal or regulatory proceedings, claims or purported class actions related to alleged infringement of third-party patents and other intellectual property rights, commercial, corporate and securities, labor and employment, wage and hour and other claims. The Company has been, and may in the future be, put on notice or sued by third parties for alleged infringement of their proprietary rights, including patent infringement.

In general, the resolution of a legal matter could prevent the Company from offering its service to others, could be material to the Company's financial condition or cash flows, or both, or could otherwise adversely affect the Company's reputation and future operating results.

The Company makes a provision for a liability relating to legal matters when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, estimated settlements, legal rulings, advice of legal counsel and other information and events pertaining to a particular matter. The outcomes of legal proceedings and other contingencies are, however, inherently unpredictable and subject to significant uncertainties. At this time, the Company is not able to reasonably estimate the amount or range of possible losses in excess of any amounts accrued, including losses that could arise as a result of application of non-monetary remedies, with respect to the contingencies it faces, and the Company's estimates may not prove to be accurate.

In management's opinion, resolution of all current matters, including those described below, is not expected to have a material adverse impact on the Company's financial statements. However, depending on the nature and timing of any such

dispute, payment or other contingency, the resolution of a matter could materially affect the Company's current or future results of operations or cash flows, or both, in a particular quarter.

Slack Litigation

Beginning in September 2019, seven purported class action lawsuits were filed against Slack, its directors, certain of its officers and certain investment funds associated with certain of its directors, each alleging violations of securities laws in connection with Slack's registration statement on Form S-1 (the "Registration Statement") filed with the SEC. All but one of these actions were filed in the Superior Court of California for the County of San Mateo, though one plaintiff originally filed in the County of San Francisco before refile in the County of San Mateo (and the original San Francisco action was dismissed). The remaining action was filed in the U.S. District Court for the Northern District of California (the "Federal Action"). In the Federal Action, captioned *Dennee v. Slack Technologies, Inc.*, Case No. 3:19-CV-05857-SI, Slack and the other defendants filed a motion to dismiss the complaint in January 2020. In April 2020, the court granted in part and denied in part the motion to dismiss. In May 2020, Slack and the other defendants filed a motion to certify the court's order for interlocutory appeal, which the court granted. Slack and the other defendants filed a petition for permission to appeal the district court's order to the Ninth Circuit Court of Appeals, which was granted in July 2020. Oral argument was heard in May 2021. On September 20, 2021, the Ninth Circuit affirmed the district court's ruling. Slack filed a petition for rehearing with the Ninth Circuit on November 3, 2021, which was denied on May 2, 2022. Slack filed a petition for a writ of certiorari with the U.S. Supreme Court on August 31, 2022, which was granted on December 13, 2022. On June 1, 2023, the Supreme Court issued a unanimous decision vacating the Ninth Circuit's decision and remanded for further proceedings. The Ninth Circuit ordered the parties to submit additional briefing in light of the Supreme Court's decision. That briefing has concluded, and the parties await rulings from the Ninth Circuit. The state court actions were consolidated in November 2019, and the consolidated action is captioned *In re Slack Technologies, Inc. Shareholder Litigation*, Lead Case No. 19CIV05370 (the "State Court Action"). An additional state court action was filed in San Mateo County in June 2020 but was consolidated with the State Court Action in July 2020. Slack and the other defendants filed demurrers to the complaint in the State Court Action in February 2020. In August 2020, the court sustained in part and overruled in part the demurrers, and granted plaintiffs leave to file an amended complaint, which they filed in October 2020. Slack and the other defendants answered the complaint in November 2020. Plaintiffs filed a motion for class certification on October 21, 2021, which remains pending. On October 26, 2022, the court stayed the State Court Action pending resolution of Slack's petition for a writ of certiorari in the Federal Action. The State Court Action remains stayed pending resolution of the appellate proceedings in the Federal Action. The Federal Action and the State Court Action seek unspecified monetary damages and other relief on behalf of investors who purchased Slack's Class A common stock issued pursuant and/or traceable to the Registration Statement.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact, which may consist of, among other things, trend analyses and statements regarding future events, future financial performance, anticipated growth, and industry prospects, are forward-looking. Words such as "aims," "anticipates," "assumes," "believes," "commitments," "could," "estimates," "expects," "forecasts," "foresees," "goals," "intends," "may," "plans," "predicts," "projects," "seeks," "should," "targets" and "would," and variations of such words and similar expressions are intended to identify such forward-looking statements. These forward-looking statements are inherently uncertain and based on management's current expectations and assumptions, which are subject to risks and uncertainties that are difficult to predict, including those described in Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," Part I, Item 3, "Quantitative and Qualitative Disclosures About Market Risk," Part II, Item 1A, "Risk Factors," and elsewhere in this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment and new risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results or outcomes to differ materially from those contained in any forward-looking statements.

In light of these and other risks and uncertainties, the future events and trends discussed in this Quarterly Report on Form 10-Q may not occur as we expect or at all, and our actual results or outcomes may differ materially and adversely from those expressed or implied in our forward-looking statements. Readers are cautioned not to place undue reliance on such forward-looking statements. Except as required by law, we undertake no obligation to revise or update publicly any forward-looking statements for any reason.

Overview

Salesforce is a global leader in customer relationship management ("CRM") technology that brings companies and customers together in the digital age. Founded in 1999, we enable companies of every size and industry to take advantage of powerful technologies to connect to their customers in a whole new way and help them transform their businesses around the customer in this digital-first world.

Our Customer 360 platform unites sales, service, marketing, commerce and IT teams by connecting customer data across systems, apps and devices to create a complete view of customers. With this single source of customer truth, teams can be more responsive, productive and efficient, deliver intelligent, personalized experiences across every channel and increase productivity. With Slack, we provide a digital headquarters where companies, employees, governments and stakeholders can create success from anywhere. We continue to invest for growth, including investing in generative AI across all products, which we believe will change how our customers help their customers, and continuously look to expand our leadership role in the cloud computing industry.

We continue to focus on several key growth levers, including driving multiple service offering adoption, increasing our penetration with enterprise and international customers and expanding our industry-specific reach with more vertical software solutions. These growth levers often require a more sophisticated go-to-market approach and, as a result, we may incur additional costs upfront to obtain new customers and expand our relationships with existing customers, including additional sales and marketing expenses specific to subscription and support revenue. As a result, we have seen that customers with many of these characteristics drive higher annual revenues and have lower attrition rates than our company average.

In addition to our focus on top line growth levers, we are also focused on reducing our operating expenses to improve our operating margin. For example, in January 2023, we announced a restructuring plan (the "Restructuring Plan") intended to reduce operating costs, improve operating margins and continue advancing our ongoing commitment to profitable growth which included a reduction of our workforce by approximately ten percent and office space reductions within certain markets. The employee actions associated with the Restructuring Plan were substantially completed in fiscal 2024 and the real estate actions associated with the Restructuring Plan are expected to be fully complete in fiscal 2026. In addition to the Restructuring Plan, we continued to evaluate and operationalize future programs to drive further operational efficiencies, optimize our management structure and increase cost optimization efforts to realize long-term sustainable growth, including a targeted workforce reduction that was initiated in the first quarter of fiscal 2025 and is expected to be substantially complete in fiscal 2025. We have started to see improvements in our operating expenses across all operating categories, with the most opportunity in sales and marketing expense and general and administrative expenses. Over the long term, we expect to see additional operating expense improvements, which could include various restructuring initiatives to drive operational efficiencies.

Highlights from First Quarter of Fiscal 2025

- **Revenue:** For the three months ended April 30, 2024, revenue was \$9.1 billion, an increase of 11 percent year-over-year.
- **Income from Operations:** For the three months ended April 30, 2024, income from operations was \$1.7 billion as compared to \$0.4 billion from a year ago. Operating margin, which represents income from operations as a percentage

of total revenue, increased to approximately 19 percent for the three months ended April 30, 2024 compared to approximately five percent for the same period in the prior year.

- **Earnings per Share:** For the three months ended April 30, 2024, diluted earnings per share was \$1.56 as compared to diluted earnings per share of \$0.20 from a year ago.
- **Cash:** Cash provided by operations for the three months ended April 30, 2024 was \$6.2 billion, an increase of 39 percent year-over-year. Total cash, cash equivalents and marketable securities as of April 30, 2024 was \$17.7 billion.
- **Remaining Performance Obligation:** Total remaining performance obligation, which represents all future revenue under contract yet to be recognized, as of April 30, 2024 was approximately \$53.9 billion, an increase of 15 percent year-over-year. Current remaining performance obligation as of April 30, 2024 was approximately \$26.4 billion, an increase of 10 percent year-over-year.
- **Share Repurchase Program:** During the three months ended April 30, 2024, we repurchased approximately 7 million shares of our common stock for approximately \$2.2 billion.
- **Dividend Program:** During the three months ended April 30, 2024, we paid approximately \$388 million in dividends.

We continue to see the impact of macroeconomic factors and the more measured buying behavior of our customers on our business and our customers' businesses in ways that are difficult to isolate and quantify. In the first quarter of fiscal 2025, we continued to experience elongated sales cycles, additional deal approval layers and deal compression. Slower growth in new and renewal business, particularly if sustained, impacts our remaining performance obligation, revenues and our ability to meet financial guidance and long-term targets.

In addition, the expanding global scope of our business and the heightened volatility of global markets expose us to the risk of fluctuations in foreign currency markets. Foreign currency fluctuations minimally impacted revenues in the three months ended April 30, 2024 compared to the three months ended April 30, 2023 and our current remaining performance obligation was minimally impacted as of April 30, 2024 compared to what we would have reported as of April 30, 2023 using constant currency rates. During fiscal 2024 and the first quarter of fiscal 2025, the United States Dollar strengthened significantly against certain foreign currencies in the markets in which we operate, particularly against the Euro, British Pound Sterling and Japanese Yen. The impact of foreign currency fluctuations could impact our near-term results and ability to accurately predict our future results and earnings. The impact of these fluctuations can also be compounded by the seasonality of our business in which our fourth quarter has historically been our strongest quarter for new business and renewals.

Fiscal Year

Our fiscal year ends on January 31. References to fiscal 2025, for example, refer to the fiscal year ending January 31, 2025.

Operating Segments

We operate as one segment. See Note 1 "Summary of Business and Significant Accounting Policies" to the condensed consolidated financial statements for further discussion.

Sources of Revenues

We derive our revenues from two sources: (1) subscription and support revenues and (2) professional services and other revenues. Subscription and support revenues accounted for approximately 94 percent of our total revenues for the three months ended April 30, 2024.

Subscription and support revenues include subscription fees from customers accessing our enterprise cloud computing services (collectively, "Cloud Services"), software license revenues from the sales of term software licenses, and support revenues from the sale of support and updates beyond the basic subscription fees or related to the sales of software licenses. Our Cloud Services allow customers to use our multi-tenant software without taking possession of the software. Revenue is generally recognized ratably over the contract term. Subscription and support revenues also include revenues associated with term software licenses that provide the customer with a right to use the software as it exists when made available. Revenues from term software licenses are generally recognized at the point in time when the software is made available to the customer. Revenue from support and updates is recognized as such support and updates are provided, which is generally ratably over the contract term. Changes in contract duration for multi-year term software licenses can impact the amount of revenues recognized upfront. Revenues from term software licenses represent less than ten percent of total subscription and support revenue for the three months ended April 30, 2024.

The revenue growth rates of each of our service offerings, as described below in "Results of Operations," fluctuate from quarter to quarter and over time. Additionally, we manage the total balanced product portfolio to deliver solutions to our customers and, as a result, the revenue result for each offering is not necessarily indicative of the results to be expected for any subsequent quarter. In addition, some of our Cloud Service offerings have similar features and functions. For example,

customers may use our Sales, Service or Platform service offerings to record account and contact information, which are similar features across these service offerings. Depending on a customer's actual and projected business requirements, more than one service offering may satisfy the customer's current and future needs. We record revenue based on the individual products ordered by a customer, not according to the customer's business requirements and usage.

Our growth in revenues is also impacted by attrition. Attrition represents the reduction or loss of the annualized value of our contracts with customers. We calculate our attrition rate at a point in time on a trailing twelve-month basis as of the end of each month. As of April 30, 2024, our attrition rate, excluding Slack self service, was approximately eight percent.

We continue to maintain a variety of customer programs and initiatives, which, along with increasing enterprise adoption, have helped keep our attrition rate consistent as compared to the prior year. Consistent attrition rates play a role in our ability to maintain growth in our subscription and support revenues.

Seasonal Nature of Unearned Revenue, Accounts Receivable and Operating Cash Flow

Unearned revenue primarily consists of billings to customers for our subscription service. Over 90 percent of the value of our billings to customers is for our subscription and support service. We generally invoice our customers in advance, in annual installments, and typical payment terms provide that our customers pay us within 30 days of invoice. Amounts that have been invoiced are recorded in accounts receivable and in unearned revenue or in revenue depending on whether transfer of control to customers has occurred. In general, we collect our billings in advance of the subscription service period. We typically issue renewal invoices in advance of the renewal service period, and depending on timing, the initial invoice for the subscription and services contract and the subsequent renewal invoice may occur in different quarters. There is a disproportionate weighting toward annual billings in the fourth quarter, primarily as a result of large enterprise account buying patterns. Our fourth quarter has historically been our strongest quarter for new business and renewals. The year-on-year compounding effect of this seasonality in both billing patterns and overall new and renewal business causes the value of invoices that we generate in the fourth quarter for both new business and renewals to increase as a proportion of our total annual billings. Accordingly, because of this billing activity, our first quarter is typically our largest collections and operating cash flow quarter. Generally, our third quarter has historically been our smallest operating cash flow quarter. Unearned revenues, accounts receivable and operating cash flow may also be impacted by acquisitions. For example, operating cash flows may be adversely impacted by acquisitions due to transaction costs, financing costs such as interest expense and lower operating cash flows from the acquired entity.

Remaining Performance Obligation

Our remaining performance obligation represents all future revenue under contract that has not yet been recognized as revenue and includes unearned revenue and unbilled amounts. Our current remaining performance obligation represents future revenue under contract that is expected to be recognized as revenue in the next 12 months.

Remaining performance obligation is not necessarily indicative of future revenue growth and is influenced by several factors, including seasonality, the timing of renewals, average contract terms, foreign currency exchange rates and fluctuations in new business growth. Remaining performance obligation is also impacted by acquisitions. Unbilled portions of the remaining performance obligation denominated in foreign currencies are revalued each period based on the period end exchange rates. For multi-year subscription agreements billed annually, the associated unbilled balance and corresponding remaining performance obligation are typically high at the beginning of the contract period, zero just prior to renewal, and increase if the agreement is renewed. Low remaining performance obligation attributable to a particular subscription agreement is often associated with an impending renewal but may not be an indicator of the likelihood of renewal or future revenue from such customer. Changes in contract duration or the timing of delivery of professional services can impact remaining performance obligation as well as the allocation between current and non-current remaining performance obligation.

Cost of Revenues and Operating Expenses

Cost of Revenues

Cost of subscription and support revenues primarily consists of expenses related to delivering our service and providing support, including the costs of data center capacity, certain fees paid to various third parties for the use of their technology, services and data, employee-related costs such as salaries and benefits, and allocated overhead. Our cost of subscription and support revenues also includes amortization of certain acquisition-related intangible assets, such as the amortization of the cost associated with an acquired company's research and development efforts. Also included in the cost of subscription and support revenues are expenses incurred supporting the free user base of Slack, including third-party hosting costs and employee-related costs, including stock-based compensation expense, specific to customer experience and technical operations.

Cost of professional services and other revenues consists primarily of employee-related costs associated with these services, including stock-based compensation expense, the cost of subcontractors, certain third-party fees and allocated overhead. We believe that our professional services organization facilitates the adoption of our service offerings, helps us to

secure larger subscription revenue contracts and supports our customers' success. The cost of professional services may exceed revenues from professional services in future fiscal periods.

Research and Development

Research and development expenses consist primarily of salaries and related expenses, including stock-based compensation expense for our engineering staff associated with product development, as well as allocated overhead.

Sales and Marketing

Sales and marketing expenses make up the majority of our operating expenses and consist primarily of salaries and related expenses, including stock-based compensation expense and commissions, for our sales and marketing staff, as well as payments to partners, marketing programs and allocated overhead. Marketing programs consist of advertising, events, corporate communications, brand building and product marketing activities. We capitalize certain costs to obtain customer contracts, such as commissions, and amortize these costs on a straight-line basis. As such, the timing of expense recognition for these commissions is not consistent with the timing of the associated cash payment.

Our sales and marketing expenses include amortization of certain acquisition-related intangible assets, such as the amortization of the cost associated with an acquired company's trade names, customer lists and customer relationships.

General and Administrative

General and administrative expenses consist primarily of salaries and related expenses, including stock-based compensation expense, for finance and accounting, legal, internal audit, human resources and management information systems personnel, as well as professional services fees and allocated overhead.

We allocate overhead such as information technology infrastructure, rent, occupancy charges and certain employee benefits based on headcount. As such, these types of expenses are reflected in each cost of revenue and operating expense category.

Restructuring

Restructuring, primarily related to the Restructuring Plan, consists of charges related to employee transition, severance payments, employee benefits and stock-based compensation as well as exit charges associated with office space reductions. The employee actions associated with the Restructuring Plan are substantially complete and the targeted workforce reduction initiated in the first quarter of fiscal 2025 is expected to be substantially complete in fiscal 2025. The real estate actions associated with the Restructuring Plan are expected to be fully complete in fiscal 2026. Restructuring excludes allocated overhead.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and related disclosures. On an ongoing basis, we evaluate our estimates and assumptions. Our actual results may differ from these estimates under different assumptions or conditions.

We believe that of our significant accounting policies, which are described in Note 1 "Summary of Business and Significant Accounting Policies" to our condensed consolidated financial statements, the following accounting policies and specific estimates involve a greater degree of judgment and complexity. Accordingly, these are the policies and estimates we believe are the most critical to aid in fully understanding and evaluating our consolidated financial condition and results of operations:

- the standalone selling price ("SSP") of performance obligations for revenue contracts with multiple performance obligations;
- the valuation of privately held strategic investments;
- the fair value of assets acquired and liabilities assumed for business combinations;
- the recognition, measurement and valuation of current and deferred income taxes and uncertain tax positions;
- the useful lives of intangible assets; and
- the fair value of certain stock awards issued.

These estimates may change, as new events occur and additional information is obtained, and such changes will be recognized in the condensed consolidated financial statements as soon as they become known. Actual results could differ from these estimates and any such differences may be material to our financial statements.

Additionally, refer to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended January 31, 2024 for further discussion with respect to these policies and estimates.

Recent Accounting Pronouncements

See Note 1 “Summary of Business and Significant Accounting Policies” to the condensed consolidated financial statements for our discussion about new accounting pronouncements.

Results of Operations

The following tables set forth selected data for each of the periods indicated (in millions):

	Three Months Ended April 30,			
	2024	% of Total Revenues	2023	% of Total Revenues
Revenues:				
Subscription and support	\$ 8,585	94 %	\$ 7,642	93 %
Professional services and other	548	6	605	7
Total revenues	9,133	100	8,247	100
Cost of revenues (1)(2):				
Subscription and support	1,560	17	1,510	18
Professional services and other	602	7	615	8
Total cost of revenues	2,162	24	2,125	26
Gross profit	6,971	76	6,122	74
Operating expenses (1)(2):				
Research and development	1,368	15	1,207	15
Sales and marketing	3,239	35	3,154	38
General and administrative	647	7	638	8
Restructuring	8	0	711	8
Total operating expenses	5,262	57	5,710	69
Income from operations	1,709	19	412	5
Gains (losses) on strategic investments, net	37	0	(141)	(2)
Other income	121	1	55	1
Income before provision for income taxes	1,867	20	326	4
Provision for income taxes	(334)	(3)	(127)	(2)
Net income	\$ 1,533	17 %	\$ 199	2 %

(1) Amounts related to amortization of intangible assets acquired through business combinations, as follows (in millions):

	Three Months Ended April 30,			
	2024	% of Total Revenues	2023	% of Total Revenues
Cost of revenues	\$ 238	3 %	\$ 248	3 %
Sales and marketing	223	2	223	3

(2) Amounts related to stock-based compensation expense, as follows (in millions):

	Three Months Ended April 30,			
	2024	% of Total Revenues	2023	% of Total Revenues
Cost of revenues	\$ 119	1 %	\$ 103	1 %
Research and development	260	3	241	3
Sales and marketing	290	3	263	3
General and administrative	81	1	73	1
Restructuring	0	0	16	0

The following table sets forth selected balance sheet data and other metrics for each of the periods indicated (in millions, except remaining performance obligation, which is presented in billions):

	As of	
	April 30, 2024	January 31, 2024
Cash, cash equivalents and marketable securities	\$ 17,670	\$ 14,194
Unearned revenue	16,061	19,003
Remaining performance obligation	53.9	56.9
Principal due on our outstanding debt obligations (1)	9,500	9,500

(1) Amounts do not include operating or financing lease obligations.

Remaining performance obligation 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.

Revenues

(in millions)	Three Months Ended April 30,		Variance	
	2024	2023	Dollars	Percent
Subscription and support	\$ 8,585	\$ 7,642	\$ 943	12 %
Professional services and other	548	605	(57)	(9) %
Total revenues	\$ 9,133	\$ 8,247	\$ 886	11 %

The increase in subscription and support revenues for the three months ended April 30, 2024 was primarily caused by volume-driven increases from new business, which includes new customers, upgrades and additional subscriptions from existing customers. Pricing was not a significant driver of the increase in revenues for the period. Revenues from term software licenses, which are recognized at a point in time, represented approximately seven percent and five percent of total subscription and support revenues for the three months ended April 30, 2024 and 2023, respectively. Subscription and support revenues accounted for approximately 94 percent and 93 percent of our total revenues for the three months ended April 30, 2024 and 2023, respectively.

The decrease in professional services and other revenues was due primarily to less demand for larger, multi-year transformation engagements and, in some cases, delayed projects. These trends may continue in the near term.

Subscription and Support Revenues by Service Offering

Subscription and support revenues consisted of the following (in millions):

	Three Months Ended April 30,				Growth Rate	
	2024	As a % of Total Subscription and Support Revenues	2023	As a % of Total Subscription and Support Revenues		
Sales	\$ 1,998	23 %	\$ 1,810	24 %	10	%
Service	2,182	26	1,964	26	11	
Platform and Other	1,718	20	1,567	20	10	
Marketing and Commerce	1,282	15	1,170	15	10	
Integration and Analytics (1)	1,405	16	1,131	15	24	
Total	\$ 8,585	100 %	\$ 7,642	100 %	12	%

(1) In the fourth quarter of fiscal year 2024, the Company renamed the service offering previously referred to as Data to Integration and Analytics, which includes Mulesoft and Tableau.

Our industry vertical service offerings revenue is included in one of the above service offerings depending on the primary service purchased.

Integration and Analytics subscription and support revenues include revenues from term software licenses, which are recognized at the point in time when the software is made available to the customer. Therefore, we expect Integration and Analytics to experience greater volatility in revenues period to period compared to our other service offerings and recent revenue trends may not be indicative of future performance. Additionally, as we transition customers within the Integration and Analytics offering from term software licenses to subscription based services, revenue associated with such customers will generally be recognized ratably over the contract term, which we expect may potentially result in less revenue in the period the customer transitions but incremental revenues over the remaining term.

Revenues by Geography

(in millions)	Three Months Ended April 30,				
	2024	As a % of Total Revenues	2023	As a % of Total Revenues	Growth Rate
Americas	\$ 6,062	66 %	\$ 5,482	66 %	11 %
Europe	2,145	24	1,951	24	10
Asia Pacific	926	10	814	10	14
Total	\$ 9,133	100 %	\$ 8,247	100 %	11 %

Revenues by geography are determined based on the region of the Salesforce contracting entity, which may be different than the region of the customer. The increase in revenues across all regions was due primarily to the continued execution of our business and growth strategy, including increasing our geographic reach primarily through extending our go-to-market capabilities globally. During the three months ended April 30, 2024, revenues outside of the Americas were negatively impacted by approximately one percent by foreign currency fluctuations compared to the three months ended April 30, 2023.

Cost of Revenues

(in millions)	Three Months Ended April 30,				
	2024	As a % of Total Revenues	2023	As a % of Total Revenues	Variance Dollars
Subscription and support	\$ 1,560	17 %	\$ 1,510	18 %	\$ 50
Professional services and other	602	7 %	615	8 %	(13)
Total cost of revenues	\$ 2,162	24 %	\$ 2,125	26 %	\$ 37

For the three months ended April 30, 2024, the increase in cost of revenues in absolute dollars was primarily due to an increase in employee-related costs, including stock-based compensation expense. Cost of revenues as a percentage of total revenues during the three months ended April 30, 2024 decreased by two percent from the same period a year ago due to a decrease in relative employee-related costs, including stock-based compensation expense, as well as reduced service delivery expenses. Our cost of revenues headcount increased by one percent during the three months ended April 30, 2024.

We intend to continue to invest additional resources in our enterprise cloud computing services and data center capacity to allow us to scale with our customers and continue to evolve our security measures. The timing of these expenses may cause our cost of revenues as a percentage of revenues to fluctuate in the near term due to changes in demand for our service offerings.

Operating Expenses

(in millions)	Three Months Ended April 30,				
	2024	As a % of Total Revenues	2023	As a % of Total Revenues	Variance Dollars
Research and development	\$ 1,368	15 %	\$ 1,207	15 %	\$ 161
Sales and marketing	3,239	35	3,154	38	85
General and administrative	647	7	638	8	9
Restructuring	8	0	711	8	(703)
Total operating expenses	\$ 5,262	57 %	\$ 5,710	69 %	\$ (448)

For the three months ended April 30, 2024, the increase in research and development expenses in absolute dollars was primarily due to an increase in employee-related costs, including stock-based compensation expense. Research and development expenses as a percentage of total revenues during the three months ended April 30, 2024 was consistent with the same period a year ago. Our research and development headcount increased by 16 percent during the three months ended April 30, 2024, primarily in lower cost regions.

We expect that research and development expenses will likely remain consistent as a percentage of revenue in the near term as we continue to invest in technology to support the development of new, and improve existing, technologies, including our AI technologies and our Data Cloud service offering, and the integration of acquired technologies combined with our anticipated revenue growth in line with these incremental expenses.

For the three months ended April 30, 2024, the increase in sales and marketing expenses in absolute dollars was primarily due to an increase in employee-related costs, including stock-based compensation expense. Sales and marketing expenses as a percentage of total revenues during the three months ended April 30, 2024 decreased by three percent from the same period a

year ago due to a decrease in relative employee-related costs, including stock-based compensation expense. Our sales and marketing headcount decreased by one percent during the three months ended April 30, 2024.

We expect that sales and marketing expenses will likely decrease as a percentage of revenues in the near term as we continue to focus on leveraging our self-serve and partner-led channels and increasing our sales productivity.

For the three months ended April 30, 2024, the increase in general and administrative expenses in absolute dollars was primarily due to an increase in professional services expenses. General and administrative expenses as a percentage of total revenues during the three months ended April 30, 2024 decreased by one percent from the same period a year ago due to a decrease in employee-related costs. Our general and administrative headcount decreased by 5 percent during the three months ended April 30, 2024.

We expect that general and administrative expenses will likely decrease as a percentage of revenues in the near term as we continue to invest in process efficiency initiatives.

In the three months ended April 30, 2024, approximately \$8 million of costs were incurred related to our restructuring initiatives, which primarily was related to employee transition, severance payments and employee benefits. We do not expect to incur significant additional charges in connection with our restructuring initiatives in the near term.

Other Income and Expenses

(in millions)	Three Months Ended April 30,		Variance Dollars
	2024	2023	
Gains (losses) on strategic investments, net	\$ 37	\$ (141)	\$ 178
Other income	121	55	66

Gains (losses) on strategic investments, net consists primarily of mark-to-market adjustments related to our publicly held equity securities, observable price adjustments related to our privately held equity securities and other adjustments including impairments. Our strategic investment portfolio continues to be affected by challenging market conditions for companies in which we hold private equity, debt or other investments, as well as high public equity market volatility. For the three months ended April 30, 2024, the gain on our strategic investment portfolio was primarily driven by unrealized gains on privately held equity investments of \$105 million and realized gains on sales of securities of \$59 million, partially offset by impairments of \$130 million. For the three months ended April 30, 2023, the loss on strategic investments was primarily driven by impairments on privately held equity and debt securities of \$177 million, partially offset by \$38 million in unrealized gains on privately held equity securities.

Other income primarily consists of interest income on our marketable securities portfolio, which is partially offset by interest expense on our debt as well as our finance leases. Other income increased primarily due to an increase in investment income from rising interest rates.

Provision For Income Taxes

(in millions)	Three Months Ended April 30,		Variance Dollars
	2024	2023	
Provision for income taxes	\$ (334)	\$ (127)	\$ (207)
Effective tax rate	18 %	39 %	

We recorded a tax provision of \$334 million on pretax income of \$1.9 billion for the three months ended April 30, 2024. Our tax provision increased from a year ago primarily due to higher pretax income. Our effective tax rate decreased from a year ago primarily due to excess tax benefits from stock based compensation. Our effective tax rate may fluctuate due to changes in our domestic and foreign earnings, or material discrete tax items, or a combination of these factors resulting from transactions or events, including acquisitions, changes to our operating structure and other macroeconomic factors.

Several countries have enacted legislation to implement the Organization for Economic Cooperation and Development's 15% global minimum tax regime effective January 1, 2024. We expect other countries to follow. We do not anticipate material changes to our income tax provision for fiscal 2025. We continue to evaluate the impacts of legislation in the jurisdictions in which we operate. Our effective tax rate and cash tax payment could increase in future years.

Liquidity and Capital Resources

At April 30, 2024, our principal sources of liquidity were cash, cash equivalents and marketable securities totaling \$17.7 billion and accounts receivable of \$4.3 billion. Our cash equivalents and marketable securities are comprised primarily of corporate notes and obligations, U.S. treasury securities, U.S. agency obligations, asset-backed securities, foreign government obligations, mortgage-backed obligations, covered bonds, time deposits, money market mutual funds and municipal securities. Our credit agreement (the "Revolving Loan Credit Agreement"), which as of April 30, 2024, provides the ability to borrow up to \$3.0 billion in unsecured financing (the "Credit Facility"), also serves as a source of liquidity.

Cash from operations could continue to be affected by various risks and uncertainties, including, but not limited to, the risks detailed in Part I, Item 1A, “Risk Factors.” We believe our existing cash, cash equivalents, marketable securities, cash provided by operating activities, unbilled amounts related to contracted noncancellable subscription agreements, which are not reflected on the balance sheet, and, if necessary, our borrowing capacity under our Credit Facility will be sufficient to meet our working capital, capital expenditure and debt maintenance needs over the next 12 months.

In the future, we may enter into arrangements to acquire or invest in complementary businesses, services, technologies and intellectual property rights. To facilitate these acquisitions or investments, we may seek additional equity or debt financing, which may not be available on terms favorable to us or at all, impacting our ability to complete subsequent acquisitions or investments.

Cash Flows

For the three months ended April 30, 2024 and 2023 our cash flows were as follows (in millions):

	Three Months Ended April 30,			
	2024		2023	
Net cash provided by operating activities	\$	6,247	\$	4,491
Net cash provided by (used in) investing activities		(2,651)		347
Net cash used in financing activities		(2,108)		(2,716)

Operating Activities

The net cash provided by operating activities during the three months ended April 30, 2024 was primarily comprised of net income of \$1.5 billion, adjusted for non-cash items, including \$879 million of depreciation and amortization and \$750 million of stock-based compensation expense. Cash provided by operating activities can be significantly impacted by factors such as growth in new business, timing of cash receipts from customers, vendor payment terms and timing of payments to vendors. Cash provided by operating activities during the three months ended April 30, 2024 was further benefited by the changes in accounts receivable, net of \$7.2 billion partially offset by the change in unearned revenue of \$3.0 billion and the change in accounts payable and accrued expenses and other liabilities of \$755 million. As our business continues to grow, and assuming our expenses remain in line with or less than our revenue growth, we expect to continue to see growth in net cash provided by operating activities.

The net cash provided by operating activities during the three months ended April 30, 2023 was comprised of net income of \$199 million, adjusted for non-cash items including \$1.3 billion of depreciation and amortization and \$696 million related to stock-based compensation expense. Cash provided by operating activities can be significantly impacted by factors such as growth in new business, timing of cash receipts from customers, vendor payment terms and timing of payments to vendors. Cash provided by operating activities during the three months ended April 30, 2023 was further benefited by the change in accounts receivable, net of \$6.1 billion due to cash collections and was partially offset by the change in unearned revenue of \$2.3 billion.

Investing Activities

The net cash used in investing activities during the three months ended April 30, 2024 was primarily related to net outflows from marketable securities activity of \$2.0 billion, net outflows for the acquisition of Spiff of \$338 million, net outflows from strategic investment activity of \$150 million and capital expenditures of \$163 million.

The net cash provided by investing activities during the three months ended April 30, 2023 was related to net inflows of \$686 million from marketable securities activity which was partially offset by capital expenditures of \$243 million and net outflows of \$96 million from strategic investment activity.

Financing Activities

Net cash used in financing activities during the three months ended April 30, 2024 consisted primarily of \$2.1 billion from repurchases of common stock and \$388 million related to payments of dividends, partially offset by \$533 million from proceeds from equity plans.

Net cash used in financing activities during the three months ended April 30, 2023 consisted primarily of \$2.1 billion from repurchases of common stock and \$1.0 billion related to the repayment of the 2023 Senior Notes, partially offset by \$449 million from proceeds from equity plans.

Debt

As of April 30, 2024, we had senior unsecured debt outstanding, with maturities starting in July 2024 and extending through July 2061 with a total carrying value of \$9.4 billion, of which \$1.0 billion was related to the 2024 Senior Notes due in the next 12 months. We were in compliance with all debt covenants as of April 30, 2024.

In December 2020, we entered into the Revolving Loan Credit Agreement, which provides for a \$3.0 billion unsecured revolving Credit Facility that matures in December 2025. There were no outstanding borrowings under the Credit Facility as of April 30, 2024. We may use the proceeds of future borrowings under the Credit Facility for general corporate purposes, which may include, without limitation, the consideration, fees, costs and expenses related to any acquisition. In April 2022 and May 2023, we amended the Revolving Loan Credit Agreement to reflect certain immaterial administrative changes.

We do not have any special purpose entities and we do not engage in off-balance sheet financing arrangements.

Share Repurchase Program

In August 2022, the Board authorized a program to repurchase up to \$10.0 billion of our common stock (the "Share Repurchase Program"). The Share Repurchase Program does not have a fixed expiration date and does not obligate us to acquire any specific number of shares. In February 2023, the Board authorized an additional \$10.0 billion in repurchases under the Share Repurchase Program. In February 2024, the Board of Directors authorized an additional \$10.0 billion in repurchases under the Share Repurchase Program for an aggregate total authorization of \$30.0 billion.

We repurchased the following under the Share Repurchase Program (in millions, except average price per share):

	2024			2023		
	Shares	Average price per share	Amount	Shares	Average price per share	Amount
Three months ended April 30	7	\$ 293.00	\$ 2,168	11	\$ 188.17	\$ 2,143

All repurchases were made in open market transactions. As of April 30, 2024, we were authorized to purchase a remaining \$16.2 billion of the Company's common stock under the Share Repurchase Program. Subsequent to April 30, 2024, we have paid approximately \$0.6 billion through May 24, 2024 for additional shares under the Share Repurchase Program.

The Inflation Reduction Act introduced a new one percent excise tax imposed on certain stock repurchases made after December 31, 2022. The excise tax is assessed on an annual fiscal year basis and generally paid in the subsequent fiscal year. However, we expect the timing of the fiscal 2024 payment to be determined by the anticipated final regulations. The excise tax may apply to our stock repurchases this fiscal year and could be impacted by factors including the Company's share price. In the event of an excise tax for fiscal 2025, next fiscal year's financing cash flow could be impacted.

Dividends

On February 28, 2024, we announced a quarterly dividend policy and the declaration of our first-ever cash dividend. In April 2024, we paid a cash dividend of \$0.40 per share of our outstanding common stock to stockholders of record as of the close of business on March 14, 2024, totaling approximately \$388 million.

The declaration and payment of future cash dividends is subject to our Board continuing to determine that the declaration of dividends is in the best interests of the Company and its stockholders, after giving consideration to continued capital availability, general economic and market conditions, and applicable laws and agreements.

Contractual Obligations

Our principal commitments consist of obligations under leases for office space, co-location data center facilities and our development and test data center, as well as leases for computer equipment, software, furniture and fixtures. As of April 30, 2024, the future noncancellable minimum payments under these commitments were approximately \$4.4 billion, with payments of \$780 million due in the next nine months and \$3.6 billion due thereafter. We generally expect to satisfy these commitments with cash on hand and cash provided by operating activities.

During the three months ended April 30, 2024 and in future years, we have made, and expect to continue to make, additional investments in our infrastructure to scale our operations to increase productivity and enhance our security measures. We plan to upgrade or replace various internal systems to scale with our overall growth. While we continue to make investments in our infrastructure, including offices, information technology and data centers, as well as investments with infrastructure service providers, to provide capacity for the growth of our business, our strategy may continue to change related to these investments and we may slow the pace of our investments.

Other Future Obligations

As of April 30, 2024, we expect approximately \$180 million to \$200 million in future cash payments related to our restructuring initiatives, primarily related to workforce costs such as severance payments. We generally expect to satisfy these commitments with cash on hand and cash provided by operating activities. Additionally, as we have utilized the majority of our net operating loss and tax credits carryforward, we expect an increase in cash taxes.

Environmental, Social and Governance

We believe that business is the greatest platform for change. By focusing on environmental, social and governance (“ESG”) excellence, Salesforce strives to be a leading example of an ethical, resilient company delivering value to stakeholders now and in the future. We aim to maintain our public commitments with the highest standards of integrity and transparency and enable compliance with global ESG regulations.

Guided by our values, we work to earn the trust of our stakeholders. Transparency is key to trust, which is why we have published an annual ESG report for over ten years to keep our stakeholders informed and to hold ourselves accountable to our ESG strategy, as well as our key programs, goals, commitments and metrics. Our ESG disclosures are also informed by relevant topics identified through ESG relevancy assessments and third-party ESG reporting organizations, frameworks and standards, such as the Sustainability Accounting Standards Board (“SASB”) Standards and the Task Force on Climate-Related Financial Disclosures (“TCFD”). Read more about these initiatives and view our Stakeholder Impact Report at <https://salesforce.com/stakeholder-impact-report>. Website references throughout this document are provided for convenience only, and the content on the referenced websites is not incorporated by reference into this report.

While we believe that our ESG goals align with our long-term growth strategy and financial and operational priorities, they are aspirational and may change, and there is no guarantee or promise that they will be met.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to financial market risks, including changes in foreign currency exchange rates, interest rates and equity investment risks. This exposure has increased due to recent financial market movements and changes to our expectations of near-term possible movements caused by the impact of the macroeconomic environment as discussed in more detail below.

Foreign Currency Exchange Risk

We primarily conduct our business in the following locations: the United States, Europe, Canada, Latin America, Asia Pacific and Japan. The expanding global scope of our business exposes us to the risk of fluctuations in foreign currency markets, including emerging markets. This exposure is the result of selling in multiple currencies, operating in countries where the functional currency is the local currency and growth in our international investments, including data center expansion, costs associated with third-party infrastructure providers and additional headcount in foreign countries. Specifically, our results of operations and cash flows are subject to fluctuations in the following currencies: the Euro, British Pound Sterling, Japanese Yen, Canadian Dollar, Australian Dollar and Brazilian Real against the United States Dollar ("USD"). These exposures may change over time as business practices evolve and economic conditions change. Changes in foreign currency exchange rates could have an adverse impact on our financial results and cash flows.

Foreign Currency Transaction Risk

Our foreign currency exposures typically arise from selling annual and multi-year subscriptions in multiple currencies, customer accounts receivable, intercompany transfer pricing arrangements and other intercompany transactions. Our foreign currency management objective is to minimize the effect of fluctuations in foreign exchange rates on selected assets or liabilities without exposing us to additional risk associated with transactions that could be regarded as speculative.

We pursue our objective by utilizing foreign currency forward contracts to offset foreign exchange risk. Our foreign currency forward contracts are generally short-term in duration. We neither use these foreign currency forward contracts for trading purposes nor do we currently designate these forward contracts as hedging instruments under the relevant accounting and financial reporting guidelines. Accordingly, we record the fair values of these contracts as of the end of our reporting period to our condensed consolidated balance sheets with changes in fair values recorded to our condensed consolidated statements of operations. Given the short duration of the forward contracts, the amount recorded is not significant. Our ultimate realized gain or loss with respect to foreign currency exposures will generally depend on the size and type of cross-currency transactions that we enter into, the currency exchange rates associated with these exposures and changes in those rates, the net realized gain or loss on our foreign currency forward contracts and other factors.

Foreign Currency Translation Risk

Fluctuations in foreign currencies impact the amount of total assets, liabilities, revenues, operating expenses and cash flows that we report for our foreign subsidiaries upon the translation of these amounts into USD. Total revenue during the three months ended April 30, 2024, was minimally impacted by fluctuations in foreign currencies compared to the three months ended April 30, 2023. In addition, fluctuations in USD against international currencies minimally impacted our current remaining performance obligation as of April 30, 2024 compared to what we would have reported as of April 30, 2023 using constant currency rates.

Interest Rate Sensitivity

As of April 30, 2024, we had cash, cash equivalents and marketable securities totaling \$17.7 billion. This amount was invested primarily in money market funds, time deposits, corporate notes and bonds, government securities and other debt securities with credit ratings of at least BBB or better. The cash, cash equivalents and marketable securities are held for general corporate purposes, including share repurchases, dividend payments, acquisitions of, or investments in, complementary businesses, services or technologies, working capital and capital expenditures. Our investments are made for capital preservation purposes. We do not enter into investments for trading or speculative purposes.

Our cash equivalents and our portfolio of marketable securities are subject to market risk due to changes in interest rates. Fixed-rate securities may have their market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fall short of expectations due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that decline in market value due to changes in interest rates. However, because we classify our debt securities as "available for sale," no gains or losses are recognized in our condensed consolidated statement of operations due to changes in interest rates. Gains or losses recognized in our condensed consolidated statement of operations are limited to those related to either the sale of securities prior to maturity or expected credit losses.

Our fixed-income portfolio is also subject to interest rate risk. An immediate increase or decrease in interest rates of 100 basis points at April 30, 2024 could result in a \$80 million market value reduction or increase of the same amount. This estimate is based on a sensitivity model that measures market value changes when changes in interest rates occur. Fluctuations

in the value of our investment securities caused by a change in interest rates (gains or losses on the carrying value) are recorded in other comprehensive income, net, and are realized only if we sell the underlying securities.

At January 31, 2024, we had cash, cash equivalents and marketable securities totaling \$14.2 billion. Changes in interest rates of 100 basis points would have resulted in market value changes of \$65 million.

Market Risk and Market Interest Risk

We deposit our cash with multiple financial institutions.

Debt

We maintain debt obligations that are subject to market interest risk, as follows (in millions):

Instrument	Maturity Date	Principal Outstanding as of April 30, 2024	Interest Terms	Contractual Interest Rate
2024 Senior Notes	July 2024	\$ 1,000	Fixed	0.625%
Credit Facility	December 2025	0	Floating	N/A
2028 Senior Notes	April 2028	1,500	Fixed	3.70
2028 Senior Sustainability Notes	July 2028	1,000	Fixed	1.50
2031 Senior Notes	July 2031	1,500	Fixed	1.95
2041 Senior Notes	July 2041	1,250	Fixed	2.70
2051 Senior Notes	July 2051	2,000	Fixed	2.90
2061 Senior Notes	July 2061	1,250	Fixed	3.05

Any borrowings under our Credit Facility bear interest, at our option, at a base rate plus a spread of 0.00% to 0.125% or an adjusted benchmark rate plus a spread of 0.50% to 1.125%, in each case with such spread being determined based on our credit rating. We are also obligated to pay an ongoing commitment fee on undrawn amounts. As of April 30, 2024, there was no outstanding borrowing amount under the Credit Facility.

The bank counterparties to our derivative contracts potentially expose us to credit-related losses in the event of their nonperformance. To mitigate that risk, we only contract with counterparties who meet the minimum requirements under our counterparty risk assessment process. We monitor ratings, credit spreads and potential downgrades on at least a quarterly basis. Based on our ongoing assessment of counterparty risk, we adjust our exposure to various counterparties. We generally enter into master netting arrangements, which reduce credit risk by permitting net settlement of transactions with the same counterparty. However, we do not have any master netting arrangements in place with collateral features.

Strategic Investments

As of April 30, 2024, our strategic investment portfolio consisted of investments in over 400 companies with a combined carrying value of \$5.0 billion, including two privately held investments with carrying values that were individually greater than five percent of the total strategic investments portfolio and represented 15 percent of the portfolio in aggregate.

The following table sets forth additional information regarding active equity investments within our strategic investment portfolio as of April 30, 2024 and excludes exited investments (in millions):

Investment Type	Capital Invested	Unrealized Gains (Cumulative)	Unrealized Losses (Cumulative)	Carrying Value as of April 30, 2024
Publicly held equity securities	\$ 26	\$ 57	\$ 0	\$ 83
Privately held equity securities	4,111	1,268	(617)	4,762
Total equity securities	\$ 4,137	\$ 1,325	\$ (617)	\$ 4,845

Fluctuations in the value of our privately held equity securities are only recorded when there is an observable transaction for a same or similar security of the same issuer, or in the event of impairment. We anticipate future volatility in our condensed consolidated statement of operations due to changes in market prices, observable price changes and impairments of our strategic investments. The resulting gains or losses could be material depending on market conditions and events, particularly in periods with economic uncertainty, inflation, volatile public equity markets or unsettled global market conditions.

Our investments in privately held equity securities are in various classes of equity with varying rights and preferences. The particular securities we hold, and their rights and preferences relative to other securities within the capital structure, may impact the magnitude by which our investment value moves in relation to movement in the total enterprise value of the company. As a result, the value of our investment in a specific company may move by more or less than a change in that company's overall value. Our ten largest privately held equity securities represent 38 percent of our total strategic investments.

as of April 30, 2024. If the enterprise value of the companies in which we hold those securities decreased by ten percent, the carrying value of our investment portfolio would have declined by approximately \$124 million.

We continually evaluate our investments in privately held and publicly traded companies. In certain cases, our ability to sell these investments may be impacted by contractual obligations to hold the securities for a set period of time after a public offering.

In addition, the financial success of our investment in any company is typically dependent on a liquidity event, such as a public offering, acquisition or other favorable market event reflecting appreciation to the cost of our initial investment. All of our investments, particularly those in privately held companies, are therefore subject to a risk of partial or total loss of invested capital.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of the end of the period covered by this report.

In designing and evaluating our disclosure controls and procedures, management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on management’s evaluation, our principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are designed to, and are effective to, provide assurance at a reasonable level, that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosures.

(b) Management’s Report on Internal Control Over Financial Reporting

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during our most recently completed fiscal quarter. Based on that evaluation, our principal executive officer and principal financial officer concluded that there has not been any material change in our internal control over financial reporting during the quarter covered by this report that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We evaluate all claims and lawsuits with respect to their potential merits, our potential defenses and counterclaims, settlement or litigation potential and the expected effect on us. Our technologies may be subject to an injunction if they are found to infringe the rights of a third party. In addition, many of our subscription agreements require us to indemnify our customers for third-party intellectual property infringement claims, which could increase the cost to us of an adverse ruling on such a claim.

The outcome of any claims or litigation, regardless of the merits, is inherently uncertain. Any claims and other lawsuits, and the disposition of such claims and lawsuits, whether through settlement or litigation, could be time-consuming and expensive to resolve, divert our attention from executing our business plan, result in efforts to enjoin our activities, lead to attempts by third parties to seek similar claims and, in the case of intellectual property claims, require us to change our technology, change our business practices, pay monetary damages or enter into short- or long-term royalty or licensing agreements.

For more information regarding legal proceedings see Note 13 “Legal Proceedings and Claims” to the condensed consolidated financial statements in Item 1 of Part I.

ITEM 1A. RISK FACTORS

The risks and uncertainties described below are not the only ones facing us. Other events that we do not currently anticipate or that we currently deem immaterial also may affect our business, financial condition, results of operations, cash flows, other key metrics and the trading price of our common stock.

Risk Factor Summary

Operational and Execution Risks

- Any breaches in our security measures or those of our third-party data center hosting facilities, cloud computing platform providers or third-party service partners, or the underlying infrastructure of the Internet that cause unauthorized access to a customer's data, our data or our IT systems, or the blockage or disablement of authorized access to our services.
- Any defects or disruptions in our services that diminish demand for our services.
- Any interruptions or delays in services from third parties, including data center hosting facilities, cloud computing platform providers and other hardware and software vendors, or from our inability to adequately plan for and manage service interruptions or infrastructure capacity requirements.
- An inability to realize the expected business or financial benefits of company and technology acquisitions.
- Strain on our personnel resources and infrastructure from supporting our existing and growing customer base or an inability to scale our operations and increase productivity.
- Customer attrition, or our inability to accurately predict subscription renewals and upgrade rates.
- Disruptions caused by periodic changes to our sales organization.
- Dependency of our services on the development and maintenance of the infrastructure of the Internet by third parties.
- Exposure to risks inherent in international operations from sales to customers outside the United States.
- A more time-consuming and expensive sales cycle, pricing pressure and implementation and configuration challenges as we target more of our sales efforts at larger enterprise customers.
- Any loss of key members of our management team or development and operations personnel, or inability to attract and retain employees necessary to support our operations and growth.
- Any failure in the delivery of high-quality professional and technical support services related to our online applications.

Strategic and Industry Risks

- An inability to compete effectively in the intensely competitive markets in which we participate.
- Any failure to expand our services and to develop and integrate our existing services in order to keep pace with technological developments.
- An inability to maintain and enhance our brands.
- Partial or complete loss of invested capital, or significant changes in the fair value, of our strategic investment portfolio.
- Any discontinuance by third-party developers and providers in embracing our technology delivery model and enterprise cloud computing services, or customers asking us for warranties for third-party applications, integrations, data and content.
- Social and ethical issues, including the use or capabilities of AI in our offerings.
- Risks related to our aspirations and disclosures related to ESG matters.

Legal and Regulatory Risks

- Privacy concerns and laws as well as evolving regulation of cloud computing, increased restriction of cross-border data transfers and other regulatory developments.
- Evolving industry-specific regulations, requirements, interpretive positions or standards.
- Lawsuits against us by third parties for various claims, including alleged infringement of proprietary rights.
- Any failure to obtain registration or protection of our intellectual property rights.
- Risks related to government contracts and related procurement regulations.
- Governmental sanctions and export and import controls that could impair our ability to compete in international markets and may subject us to liability.

Financial Risks

- Downturns or upturns in new business, which may not be immediately reflected in our operating results because we generally recognize revenue from subscriptions for our services over the term of the subscription.
- Significant fluctuations in our rate of anticipated growth and any failure to balance our expenses with our revenue forecasts.
- Unanticipated changes in our effective tax rate and additional tax liabilities and global tax developments.
- Fluctuations in currency exchange rates, particularly the U.S. Dollar versus local currencies.
- Our debt service obligations, lease commitments and other contractual obligations.
- Accounting pronouncements and changes in other financial and non-financial reporting standards.

Risks Related to Owning Our Common Stock

- Fluctuations in our quarterly results.
- Volatility in the market price of our common stock and associated litigation.
- Provisions in our certificate of incorporation and bylaws and Delaware law that might discourage, delay or prevent a change of control of the Company or changes in our management.

General Risks

- Volatile and significantly weakened global economic conditions.
- The occurrence of natural disasters and other events beyond our control.
- The long-term impact of climate change on our business.

Operational and Execution Risks

If our security measures or those of our third-party data center hosting facilities, cloud computing platform providers or third-party service partners, or the underlying infrastructure of the Internet are breached, and unauthorized access is obtained to a customer's data, our data or our IT systems, or authorized access is blocked or disabled, our services may be perceived as not being secure, customers may curtail or stop using our services, and we may incur significant reputational harm, legal exposure and liabilities, or a negative financial impact.

Our services involve the storage and transmission of our customers' and our customers' customers' proprietary and other sensitive data, including financial, health and other personal information. Our services and underlying infrastructure may in the future be materially breached or compromised as a result of the following:

- third-party attempts to fraudulently induce our employees, partners or customers to disclose sensitive information such as usernames, passwords or other information to gain access to our customers' data or IT systems, or our data or our IT systems;
- efforts by individuals or groups of hackers and sophisticated organizations, such as criminal organizations, state-sponsored organizations or nation-states, to launch coordinated attacks, including ransomware, destructive malware and distributed denial-of-service attacks;
- third-party attempts to abuse our marketing, advertising, messaging or social products and functionalities to impersonate persons or organizations and disseminate information that is false, misleading or malicious;
- cyberattacks on our internally built infrastructure on which many of our service offerings operate, or on third-party cloud-computing platform providers;
- vulnerabilities resulting from enhancements and updates to our existing service offerings;
- vulnerabilities in the products or components across the broad ecosystem that our services operate in conjunction with and are dependent on;
- vulnerabilities existing within new technologies and infrastructures, including those from acquired companies;
- attacks on, or vulnerabilities in, the many different underlying networks and services that power the Internet that our products depend on, most of which are not under our control or the control of our vendors, partners or customers; and
- employee or contractor errors or intentional acts that compromise our security systems.

These risks are mitigated, to the extent possible, by our ability to maintain and improve business and data governance policies, enhanced processes and internal security controls, including our ability to escalate and respond to known and potential risks. Our Board of Directors ("Board"), Cybersecurity and Privacy Committee and executive management are regularly briefed on our cybersecurity policies and practices and ongoing efforts to improve security, as well as updates on cybersecurity events. We can provide no assurances that our security measures, including implemented systems and processes designed to protect our customers' and our customers' customers' proprietary and other sensitive data, will provide absolute security or otherwise be

effective or that a material breach will not occur. For example, our ability to mitigate these risks may be impacted by the following:

- frequent changes to, and growth in complexity of, the techniques used to breach, obtain unauthorized access to, or sabotage IT systems and infrastructure, including as a result of the increased use of AI technologies by bad actors, which are generally not recognized until launched against a target, and could result in our being unable to anticipate or implement adequate measures to prevent such techniques;
- the continued evolution of our internal IT systems as we early adopt new technologies and new ways of sharing data and communicating internally and with partners and customers, which increases the complexity of our IT systems;
- the acquisition of new companies, requiring us to incorporate and secure different or more complex IT environments;
- authorization by our customers to third-party technology providers to access their customer data, which may lead to our customers' inability to protect their data that is stored on our servers; and
- our limited control over our customers or third-party technology providers, or the processing of data by third-party technology providers, which may not allow us to maintain the integrity or security of such transmissions or processing.

In the normal course of business, we are and have been the target of malicious cyberattack attempts and have experienced other security incidents. Although, to date, such identified security events have not been material or significant to us, including to our reputation or business operations, or had a material financial impact, there can be no assurance that future cyberattacks will not be material or significant. Additionally, as our market presence grows, we may face increased risks of cyberattack attempts or security threats, and as AI technologies, including generative AI models, develop rapidly, threat actors are starting to use these technologies to create new sophisticated attack methods that are increasingly automated, targeted and coordinated and more difficult to defend against.

A security breach or incident could result in unauthorized parties obtaining access to, or the denial of authorized access to, our IT systems or data, or our customers' systems or data, including intellectual property and proprietary, sensitive or other confidential information. A security breach could also result in a loss of confidence in the security of our services, damage our reputation, negatively impact our future sales, disrupt our business and lead to increases in insurance premiums and legal, regulatory and financial exposure and liability. Further, there can be no assurance that our insurance coverage will be sufficient to cover the financial, legal, business, or reputational losses that may result from a cybersecurity incident or breach of our IT systems. Finally, the detection, prevention and remediation of known or potential security vulnerabilities, including those arising from third-party hardware or software, may result in additional financial burdens due to additional direct and indirect costs, such as additional infrastructure capacity spending to mitigate any system degradation and the reallocation of resources from development activities.

For example, in April 2022, we learned a threat actor had obtained unauthorized access to several databases on Heroku, a Salesforce platform-as-a-service. The threat actor downloaded stored customer security credentials and passwords for logging into GitHub, a third-party code hosting service used by both Heroku and Heroku customers. The threat actor was also able to download passwords for a subset of customer user accounts and access the encryption key. While we do not believe this incident materially affected our business or financial results, there is no assurance that such circumstances or other similar incidents in the future could not result in a material adverse effect on our business.

Defects or disruptions in our services could diminish demand for our services and subject us to substantial liability.

Because our services are complex and incorporate a variety of hardware, proprietary software, third-party and open-source software, our services may have errors or defects that could result in unanticipated downtime for our subscribers and harm to our reputation and our business. Our customers may also use our services in unanticipated ways that may cause a disruption in services for other customers attempting to access their data. Across the industry, cloud services frequently contain undetected errors when first introduced or when new versions or enhancements are released. We may also encounter difficulties integrating acquired or licensed technologies into our services and in augmenting the technologies to meet the quality standards that are consistent with our brand and reputation. As a result, our services may contain errors or defects resulting from the complexities of integrating new technologies.

We have from time to time found defects in, and experienced disruptions to, our services and new defects or disruptions may occur in the future. Such defects could be the result of employee, contractor or other third-party acts or inaction, and could negatively affect our brand and reputation. We have experienced and may in the future experience defects in our products that created vulnerabilities that inadvertently permitted access to protected customer data. We can provide no assurance that such product defects or other vulnerabilities will not occur in the future that have a material adverse effect on our business or subject us to substantial liability. Vulnerabilities in open source or any proprietary or third-party product can persist even after security patches have been issued if customers have not installed the most recent updates, or if the attackers exploited the vulnerabilities before patching was complete. In some cases, vulnerabilities may not be immediately detected, which may make it difficult to recover critical services and lead to damaged assets.

Since our customers use our services for important aspects of their business, any errors, defects, disruptions in service or other performance problems could hurt our reputation and may damage our customers' businesses. As a result, customers could elect to not renew our services or delay or withhold payment to us. We could also lose future sales or customers may make warranty or other claims against us, which could result in an increase in our allowance for doubtful accounts, an increase in collection cycles for accounts receivable or the expense and risk of litigation.

Any interruptions or delays in services from third parties, including data center hosting facilities, cloud computing platform providers and other hardware and software vendors, or from our inability to adequately plan for and manage service interruptions or infrastructure capacity requirements, could impair the delivery of our services and harm our business.

We currently serve our customers from third-party data center hosting facilities and cloud computing platform providers located in the United States and other countries. We also rely on computer hardware purchased or leased from, software licensed from, and cloud computing platforms provided by, third parties in order to offer our services, including database software, hardware and data from a variety of vendors. Any disruption or damage to, or failure of our systems generally, including the systems of our third-party platform providers, could result in interruptions in our services and harm our business. We have from time to time experienced interruptions in our services and such interruptions may occur in the future. As we increase our reliance on these third-party systems, particularly with respect to third-party cloud computing platforms, our exposure to damage from service interruptions or other performance or quality issues may increase. Interruptions in our services or other performance or quality issues may cause us to issue credits or pay penalties, cause customers to make warranty or other claims against us or to terminate their subscriptions, and adversely affect our attrition rates and our ability to attract new customers, all of which would reduce our revenue. Our business and reputation would also be harmed if our customers and potential customers believe our services are unreliable.

For many of our offerings, our production environment and customers' data are replicated in a separate facility located elsewhere. Certain offerings, including some offerings of companies added through acquisitions, may be served through alternate facilities or arrangements. We do not control the operation of any of these facilities, and they may be vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures and similar events. They may also be subject to break-ins, sabotage, intentional acts of destruction or vandalism or similar misconduct, as well as local administrative actions (including shelter-in-place or similar orders), changes to legal or permitting requirements and litigation to stop, limit or delay operation. In addition, supply chain disruptions due to geopolitical developments in Europe may also lead to power disruptions in regions where our facilities are located. Despite precautions taken at these facilities, such as disaster recovery and business continuity arrangements, the occurrence of any of the foregoing events or risks, or a natural disaster or public health emergency, an act of terrorism, a decision to close the facilities without adequate notice or other unanticipated problems or operational failures at these facilities could result in lengthy interruptions in our services, and no assurance can be provided that any such interruptions would be remediated without significant cost or in a timely manner or at all.

The hardware, software, data and cloud computing platforms that we rely on, including, for example, the large language models leveraged in our AI offerings, may not continue to be available at reasonable prices, on commercially reasonable terms or at all. Any loss of the right to use any of these hardware, software, data or cloud computing platforms could significantly increase our expenses and disrupt or otherwise result in delays in the provisioning of our services until equivalent technology is either developed by us, or, if available, is identified, obtained through purchase or license and integrated into our services, and no assurance can be provided that such equivalent technology would be developed or obtained in a timely manner or at all.

As we scale our operations, the amount and type of information transferred on our offerings continues to evolve, including as a result of the deployment of AI technologies, and our infrastructure capacity requirements, including network capacity and computing power, may increase as a result. If we do not accurately plan for our infrastructure capacity requirements and we experience significant strains on our data center capacity, our customers could experience performance degradation or service outages that may subject us to financial liabilities, result in customer losses and harm our reputation and business. As we add data centers and capacity and continue to move to cloud computing platform providers, we move or transfer our data and our customers' data from time to time. Despite precautions taken during this process, any unsuccessful data transfers may impair the delivery of our services, which may damage our business.

As we acquire companies or technologies, we may not realize the expected business or financial benefits and the acquisitions could prove difficult to integrate, disrupt our business, dilute stockholder value and adversely affect our operating results and the market value of our common stock.

As part of our business strategy, we periodically acquire complementary businesses, joint ventures, services and technologies and intellectual property rights. We continue to evaluate such opportunities and expect to make such acquisitions in the future.

Acquisitions and other transactions and arrangements involve numerous risks and could create unforeseen operating difficulties and expenditures, including:

- potential failure to achieve the expected benefits on a timely basis or at all;
- potential identified or unknown security vulnerabilities in acquired products that expose us to additional security risks or delay our ability to integrate the product into our service offerings;
- difficulties in increasing or maintaining the security standards for acquired technology consistent with our other services, and related costs;
- difficulty of transitioning the acquired technology onto our existing platforms and customer acceptance of multiple platforms on a temporary or permanent basis;
- augmenting the acquired technologies and platforms to the levels that are consistent with our brand and reputation;
- brand or reputational harm associated with our acquired companies;
- challenges converting the acquired company's revenue recognition policies and forecasting the related revenues, including subscription-based revenues and term software license revenue, as well as appropriate allocation of the customer consideration to the individual deliverables;
- division of financial and managerial resources from existing operations;
- challenges entering into new markets in which we have little or no experience or where competitors may have stronger market positions;
- currency and regulatory risks associated with foreign countries and potential additional cybersecurity and compliance risks resulting from entry into new markets;
- difficulties and strain on resources in integrating acquired operations, technologies, services, platforms and personnel;
- regulatory challenges from antitrust or other regulatory authorities that may block, delay or impose conditions (such as divestitures, ownership or operational restrictions or other structural or behavioral remedies) on the completion of transactions or the integration of acquired operations;
- failure to fully assimilate, integrate or retrain acquired employees, which may lead to retention risk with respect to both key acquired employees and our existing key employees or disruption to existing teams;
- differences between our values and those of our acquired companies, as well as disruptions to our workplace culture;
- inability to generate sufficient revenue to offset acquisition costs;
- challenges with the acquired company's customers and partners, including the inability to maintain such relationships and changes to perception of the acquired business as a result of the acquisition;
- challenges with the acquired company's third-party service providers, including those that are required for ongoing access to third-party data;
- potential for acquired products to impact the profitability of existing products;
- unanticipated expenses related to acquired technology and its integration into our existing technology;
- known and potential unknown liabilities associated with the acquired businesses, including due to litigation;
- difficulties in managing, or potential write-offs of, acquired assets, and potential financial and credit risks associated with acquired customers;
- negative impact to our results of operations because of the depreciation and amortization of acquired intangible assets, fixed assets and operating lease right-of-use assets;
- the loss of acquired unearned revenue and unbilled unearned revenue;
- difficulties in and financial costs of addressing acquired compensation structures inconsistent with our compensation structure;
- additional stock-based compensation issued or assumed in connection with the acquisition, including the impact on stockholder dilution and our results of operations;
- delays in customer purchases due to uncertainty related to any acquisition;
- ineffective or inadequate controls, procedures and policies at the acquired company;
- in the case of foreign acquisitions, challenges caused by integrating operations over distance, and across different languages, cultures and political environments; and
- the tax effects related to integration and business operation changes, realizability of our deferred tax assets, and uncertain tax liabilities.

Any of these risks could hamper our business or negatively impact our results of operations. In addition, to facilitate acquisitions, we may seek additional equity or debt financing, which may not be available on terms favorable to us or at all, which may affect our ability to complete subsequent acquisitions, and which may affect the risks of owning our common stock. For example, if we finance acquisitions by issuing equity or convertible or other debt securities or loans, our existing

stockholders may be diluted, or we could face constraints related to the terms of, and repayment obligation related to, the incurrence of indebtedness that could affect the market price of our common stock.

Our ability to acquire other businesses or technologies, or integrate acquired businesses effectively, may be impaired by trade tensions and increased global scrutiny of foreign investments and acquisitions in the technology sector. For example, several countries, including the United States and countries in Europe and the Asia-Pacific region, are considering or have adopted restrictions of varying kinds on transactions involving foreign investments and acquisitions. Antitrust authorities in a number of countries have also reviewed acquisitions in the technology industry with increased scrutiny. Governments may continue to adopt or tighten restrictions of this nature, some of which may apply to acquisitions or integrations of businesses by us, and such restrictions or government actions could negatively impact our business and financial results.

Supporting our existing and growing customer base could strain our personnel resources and infrastructure, and if we are unable to scale our operations and increase productivity, we may not be able to successfully implement our business plan.

We continue to experience significant growth in our customer base, including through acquisitions, which has placed a strain on and in the future may stress the capabilities of our management, administrative, operational and financial infrastructure. We anticipate that significant additional investments, including in human capital software, will be required to scale our operations and increase productivity, to address the needs of our customers, to further develop and enhance our services, to expand into new geographic areas and to scale with our overall growth. The additional investments we are making will increase our cost base, which will make it more difficult for us to offset any future revenue shortfalls by reducing expenses in the short term. We may not be able to make these investments as quickly or effectively as necessary to successfully scale our operations.

We regularly upgrade or replace our various software systems and processes. If the implementations of these new applications are delayed, or if we encounter unforeseen problems with our new systems and processes or in migrating away from our existing systems and processes, our operations and our ability to manage our business could be negatively impacted. For example, our efforts to further automate our processes for customer contracts may be complicated by unanticipated operating difficulties.

Our success will depend in part upon the ability of our senior management to manage our projected growth effectively. To do so, we must continue to increase the productivity of our existing employees and to hire, train and manage new employees as needed. Additionally, recent changes in our work environment and workforce, including those arising from our Restructuring Plan or other restructuring actions or our return to office and remote work policies, may not meet the needs and expectations of our workforce or may create operational and workplace culture challenges, which could negatively impact our ability to increase employee productivity or attract and retain our employees and could adversely affect our operations. Further, reductions in our real estate portfolio resulting from our Restructuring Plan may impede our ability to adequately accommodate employees returning to the office or future headcount growth. To manage the expected domestic and international growth of our operations and personnel, we will need to continue to improve our operational, financial and management controls, our reporting systems and procedures and our utilization of real estate. If we fail to successfully scale our operations and increase productivity, we may be unable to execute our business plan and the value of our common stock could decline.

If our customers do not renew their subscriptions for our services or if they reduce the number of paying subscriptions at the time of renewal, our revenue and current remaining performance obligation could decline and our business may suffer. If we cannot accurately predict subscription renewals or upgrade rates, we may not meet our revenue targets, which may adversely affect the market price of our common stock.

Our customers have no obligation to renew their subscriptions for our services after the expiration of their contractual subscription period, which is typically 12 to 36 months, and in the normal course of business, some customers have elected not to renew. In addition, our customers may renew for fewer subscriptions, renew for shorter contract lengths or switch to lower cost offerings of our services, particularly in times of general economic uncertainty. Additionally, due to our largely subscription-based business model, the long-term impact of the COVID-19 pandemic and recent economic uncertainty may not be fully reflected in our results of operations until future periods. It is difficult to predict attrition rates given our varied customer base and the number of multi-year subscription contracts. Our attrition rates may increase or fluctuate as a result of various factors, including customer dissatisfaction with our services, customers' spending levels, mix of customer base, decreases in the number of users at our customers, competition, pricing increases or changes and deteriorating general economic conditions.

Our future success also depends in part on our ability to sell additional features and services, more subscriptions or enhanced editions of our services to our current customers. This may also require increasingly sophisticated and costly sales efforts that are targeted at senior management. Similarly, the rate at which our customers purchase new or enhanced services depends on a number of factors, including general economic conditions and customer receptiveness to any price changes related to these additional features and services.

If customers do not renew their subscriptions, do not purchase additional features or enhanced subscriptions or if attrition rates increase, we may not meet our revenue targets and our business could be harmed, which may adversely affect the market price of our common stock.

Periodic changes to our sales organization can be disruptive and may reduce our rate of growth.

We periodically change and make adjustments to our sales organization in response to market opportunities, competitive threats, management changes, product introductions or enhancements, acquisitions, sales performance, increases in sales headcount, cost levels and other internal and external considerations. Such sales organization changes have in some periods resulted in, and may in the future result in, a reduction of productivity, which could negatively impact our rate of growth in the current and future quarters and operating results, including revenue. For example, the Restructuring Plan and other restructuring actions involved such changes to our sales organization, which could negatively impact our productivity, growth rate and operating results, which may adversely affect the market price of our common stock. In addition, any significant change to the way we structure our compensation of our sales organization may be disruptive and may affect our revenue growth.

Our ability to deliver our services is dependent on the development and maintenance of the infrastructure of the Internet by third parties.

The Internet's infrastructure comprises many different networks and services that are highly fragmented and distributed by design. This infrastructure is run by a series of independent third-party organizations that work together to provide the infrastructure and supporting services of the Internet under the governance of the Internet Corporation for Assigned Numbers and Names ("ICANN") and the Internet Assigned Numbers Authority, now under the stewardship of ICANN.

The Internet has experienced a variety of outages and other delays as a result of damages to portions of its infrastructure, denial-of-service attacks or related cyber incidents, and it could face outages and delays in the future, potentially reducing the availability of the Internet to us or our customers for delivery of our services. Additionally, the availability and reliability of the Internet may vary in certain countries, particularly those in emerging markets, which can result in outages or delays. Any resulting interruptions in our services or the ability of our customers to access our services could result in a loss of potential or existing customers and harm our business.

In addition, certain countries have implemented, or may implement, legislative and technological actions that either do or can effectively regulate access to the Internet, including the ability of Internet service providers to limit access to specific websites or content. Other countries have attempted, are attempting or may attempt to change or limit the legal protections available to businesses that depend on the Internet for the delivery of their services. These actions could potentially limit or interrupt access to our services from certain countries or Internet service providers, increase our risk or add liabilities, impede our growth, productivity and operational effectiveness, result in the loss of potential or existing customers and harm our business.

Sales to customers outside the United States expose us to risks inherent in international operations.

We sell our services throughout the world and are subject to risks and challenges associated with international business. We intend to seek to continue to expand our international sales efforts. The risks and challenges associated with sales to customers outside the United States or those that can affect international operations generally, include:

- regional economic and political conditions, natural disasters, acts of war, terrorism and actual or threatened public health emergencies;
- localization of our services, including translation into foreign languages and associated expenses;
- regulatory frameworks or business practices favoring local competitors;
- pressure on the creditworthiness of sovereign nations, where we have customers and a balance of our cash, cash equivalents and marketable securities;
- foreign currency fluctuations and controls, which may make our services more expensive for international customers and could add volatility to or negatively impact our operating results, including, for example, the impact of Argentina's 2023 amendments to foreign exchange controls;
- compliance with multiple, conflicting, ambiguous or evolving governmental laws and regulations, including employment, tax, privacy, anti-corruption, import/export, customs, anti-boycott, sanctions and embargoes, antitrust, data privacy, transfer, storage and protection, cybersecurity, ESG and industry-specific laws and regulations, including rules related to compliance by our third-party resellers and our ability to identify and respond timely to compliance issues when they occur;
- liquidity issues or political actions by sovereign nations, including nations with a controlled currency environment, could result in decreased values of these balances or potential difficulties protecting our foreign assets or satisfying local obligations;

- vetting and monitoring our third-party resellers in new and evolving markets to confirm they maintain standards consistent with our brand and reputation;
- treatment of revenue from international sources, evolving domestic and international tax environments and changes to tax codes, including being subject to foreign tax laws and being liable for paying withholding taxes in foreign jurisdictions;
- uncertainty regarding the imposition of and changes in the United States' and other governments' trade regulations, trade wars, tariffs, other restrictions or other geopolitical events, including the evolving relations between the United States and China, the United States and Russia, and ongoing conflicts, such as the war in Ukraine and the Israel-Hamas war;
- changes in the public perception of governments in the regions where we operate or plan to operate;
- regional data privacy laws and other regulatory requirements that apply to outsourced service providers and to the transmission of our customers' data across international borders, which grow more complex as we scale, expand into new markets and enhance the breadth of our service offerings;
- different pricing environments;
- difficulties in staffing and managing foreign operations;
- different or lesser protection of our intellectual property, including increased risk of theft of our proprietary technology and other intellectual property, and more prevalent cybersecurity risks, particularly in jurisdictions in which we have historically chosen not to operate; and
- longer accounts receivable payment cycles and other collection difficulties.

Any of these factors could negatively impact our business and results of operations. The above factors may also negatively impact our ability to successfully expand into emerging market countries, where we have little or no operating experience, where it can be costly and challenging to establish and maintain operations, including hiring and managing required personnel, and difficult to promote our brand, and where we may not benefit from any first-to-market advantage or otherwise succeed.

As more of our sales efforts are targeted at larger enterprise customers, our sales cycle may become more time-consuming and expensive, we may encounter pricing pressure and implementation and configuration challenges, and we may have to delay revenue recognition for some complex transactions, all of which could harm our business and operating results.

As we target more of our sales efforts at larger enterprise customers, including governmental entities, and specific industries, such as financial services and healthcare and life sciences, we may face greater costs, longer sales cycles, greater competition and less predictability in completing some of our sales. In these market segments, the customer's decision to use our services is often an enterprise-wide decision and, if so, may require us to provide greater levels of education regarding the use and benefits of our services, as well as addressing concerns regarding privacy and data protection laws and regulations of prospective customers with international operations or whose own customers operate internationally.

In addition, larger customers and governmental entities often demand more configuration, integration services and features. As a result of these factors, these sales opportunities often require us to devote greater sales support and professional services resources to individual customers, driving up costs and time required to complete sales and diverting our own sales and professional services resources to a smaller number of larger transactions, while potentially requiring us to delay revenue recognition on some of these transactions until the technical or implementation requirements have been met.

Pricing and packaging strategies for enterprise and other customers for subscriptions to our existing and future service offerings, including for our AI offerings, may not be widely accepted by new or existing customers. Our adoption of or failure to adopt, as well as the manner and time of, changes to our pricing and packaging models and strategies may harm our business.

We may lose key members of our management team or development and operations personnel, and may be unable to attract and retain employees we need to support our operations and growth.

Our success depends substantially upon the continued services of our executive officers and other key members of management, particularly our chief executive officer. From time to time, there may be changes in our management team resulting from the hiring, departure or realignment of executives. Such changes may be disruptive to our business. We are also substantially dependent on the continued service of our existing development and operations personnel because of the complexity of our services and technologies. Our executive officers, key management, development or operations personnel could terminate their employment with us at any time. Effective succession planning for management is important to our long-term success. If we do not develop adequate succession planning for our key personnel, the loss of one or more of our key employees or groups of employees could seriously harm our business.

The technology industry is subject to substantial and continuous competition for engineers with high levels of experience in designing, developing and managing software and technology services, as well as competition for sales executives, data scientists and operations personnel. We have experienced, and currently experience, challenges with significant competition in talent recruitment and retention, and may not in the future be successful in recruiting or retaining talent or achieving the workforce diversity goals we have set publicly. We have from time to time experienced, and we expect to continue to experience, difficulty in hiring, developing, integrating and retaining highly skilled employees with appropriate qualifications. These difficulties may be amplified by evolving restrictions on immigration, travel, or availability of visas for skilled technology workers. Additionally, our compensation arrangements and benefits may not always be successful in attracting new employees or retaining and motivating our existing personnel. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business and future growth prospects could be severely harmed.

In January 2023, we announced the Restructuring Plan, which was intended to reduce operating costs, improve operating margins and continue advancing our ongoing commitment to profitable growth. The Restructuring Plan included a reduction of our workforce, which was substantially completed by the end of fiscal 2024, and select real estate exits and office space reductions within certain markets, which are expected to be completed by the end of fiscal 2026. In the first quarter of fiscal 2025, we initiated a further reduction of less than one percent of our workforce, which is expected to be substantially complete in fiscal 2025. The Restructuring Plan and other recent workforce reductions, or any similar actions taken in the future, could negatively impact our ability to attract, integrate, retain and motivate key employees.

In addition, we believe in the importance of our corporate culture, which fosters dialogue, collaboration, recognition, equality and a sense of family. As our organization has grown and expanded globally, and as our workplace plans have developed, including, for example, workforce and office space reductions enacted under the Restructuring Plan, we have in the past and may in the future find it increasingly difficult to maintain the beneficial aspects of our corporate culture globally, including managing the complexities of communicating with all employees. Any inability to maintain our corporate culture could negatively impact our ability to attract and retain employees, harm our reputation with customers, or negatively impact our future growth.

Any failure in the delivery of high-quality professional and technical support services related to our online applications may adversely affect our relationships with our customers and our financial results.

Our customers sometimes require highly skilled and trained service professionals to successfully implement our applications and depend on our support organization to resolve technical issues relating to our applications. Implementation services may be performed by us, our customers, a third party, or a combination thereof. Our strategy is to work with third parties to increase the breadth of capability and depth of capacity for delivery of these services to our customers. If customers are not satisfied with the quality and timing of work by us or a third party or with the type of services or solutions delivered, we could incur additional costs to address the situation, the profitability of that work might be impaired, our revenue recognition could be impacted and the customer's dissatisfaction with the services received could negatively impact our ability to sell our other offerings to that customer or retain existing customers. In addition, negative publicity related to our customer relationships, regardless of its accuracy, may further damage our business by affecting our ability to compete for new business with current or prospective customers. We may be unable to respond quickly enough to accommodate short-term increases in customer demand for support services across our varying and diverse offerings. In addition, our sales process is highly dependent on our applications and business reputation and on positive recommendations from our existing customers. Any failure to maintain high-quality professional and technical support services, or a market perception that we do not maintain high-quality professional and technical support services, could adversely affect our reputation, our ability to sell our service offerings to existing and prospective customers, and our business, operating results and financial position.

Strategic and Industry Risks

The markets in which we participate are intensely competitive, and if we do not compete effectively, our operating results could be harmed.

The market for enterprise applications and platform services is highly competitive, rapidly evolving, fragmented and subject to changing technology, low barriers to entry, shifting customer needs and frequent introductions of new products and services. Many prospective customers have invested substantial personnel and financial resources to implement and integrate their current enterprise software into their businesses and therefore may be reluctant or unwilling to migrate away from their current solution to a different enterprise software service. Additionally, third-party developers may be reluctant to build application services on our platform since they have invested in other competing technology platforms.

Our current competitors include:

- vendors of packaged business software, as well as companies offering enterprise apps delivered through on-premises offerings from enterprise software application vendors and cloud computing application service providers, either individually or with others;

- software companies that provide their product or service free of charge as a single product or when bundled with other offerings, or only charge a premium for advanced features and functionality, as well as companies that offer solutions that are sold without a direct sales organization;
- vendors who offer software tailored to specific services, industries or market segments, as opposed to our full suite of service offerings, including suppliers of traditional business intelligence and data preparation products, integration software vendors, marketing vendors, e-commerce solutions vendors or data platform vendors;
- productivity tool and email providers, unified communications providers and consumer application companies that have entered the business software market; and
- traditional platform development environment companies and cloud computing development platform companies who may develop toolsets and products that allow customers to build new apps that run on the customers' current infrastructure or as hosted services, as well as would-be customers who may develop enterprise applications for internal use.

In addition, we may face more competition as we expand our product offerings. Some of our current and potential competitors may have competitive advantages, such as greater name recognition, longer operating histories, more significant installed bases, broader geographic scope, broader suites of service offerings and larger marketing budgets, as well as substantially greater financial, technical, personnel and other resources. In addition, many of our current and potential competitors have established marketing relationships and access to larger customer bases, and have major distribution agreements with consultants, system integrators and resellers. We also experience competition from smaller, younger competitors that may be more agile in responding to customers' demands and offer more targeted and simplified solutions. Our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or customer requirements, or provide competitive pricing, more flexible contracts or faster implementations. Additionally, we are building AI into many of our offerings, and we expect to face increased competition as AI technologies are integrated into the markets in which we compete. Our competitors may be able to develop new AI offerings that disrupt workforce needs and negatively impact demand for our offerings, or incorporate AI into their offerings more successfully than we do and achieve greater and faster adoption. As a result, even if our services are more effective than the products and services that our competitors offer, potential customers might select competitive products and services in lieu of purchasing our services. For all of these reasons, we may not be able to compete successfully against our current and future competitors, which could negatively impact our future sales and harm our business.

Our efforts to expand our service offerings and to develop and integrate our existing services in order to keep pace with technological developments may not succeed and may reduce our revenue growth rate and harm our business.

We derive a significant portion of our revenue from subscriptions to our CRM enterprise cloud computing application services, and we expect this will continue for the foreseeable future. Our efforts to expand our current service offerings may not succeed and may reduce our revenue growth rate. In addition, the markets for certain of our offerings, including our AI offerings, remain relatively new and it is uncertain whether our efforts, and related investments, will ever result in significant revenue for us. Further, the introduction of significant platform changes and upgrades may not result in long term revenue growth.

In July 2021, we completed our acquisition of Slack, our largest acquisition to date. Slack is a relatively new category of business technology in a rapidly evolving market for software, programs and tools used by knowledge workers. We may not succeed in enhancing and improving the features, integrations and capabilities of Slack, or effectively introduce compelling new features, integrations and capabilities that reflect or anticipate the changing nature of the market which may result in an inability to attract new users and organizations and increase revenue from existing paid customers.

If we are unable to develop enhancements to, and new features for, our existing or new services that keep pace with rapid technological developments, our business could be harmed. For example, we may be required to continuously enhance our AI offerings to improve the quality of content provided to our customers. The success of enhancements, new features and services depends on several factors, including the timely completion, introduction and market acceptance of the feature, service or enhancement by customers, administrators and developers, as well as our ability to integrate all of our product and service offerings and develop adequate selling capabilities in new markets. Failure in this regard may significantly impair our revenue growth as well as negatively impact our operating results if the additional costs are not offset by additional revenues. In addition, because our services are designed to operate over various network technologies and on a variety of mobile devices, operating systems and computer hardware and software platforms using a standard browser, we will need to continuously modify and enhance our services to keep pace with changes in hardware, software, communication, browser, app development platform and database technologies, as well as continue to maintain and support our services on legacy systems. We may not be successful in either developing these modifications and enhancements or in bringing them to market timely.

Additionally, if we fail to anticipate or identify significant technology trends and developments early enough, or if we do not devote appropriate resources to adapting to such trends and developments, our business could be harmed. Uncertainties

about the timing and nature of new network platforms or technologies, modifications to existing platforms or technologies, including text messaging capabilities, or changes in customer usage patterns thereof could increase our research and development or service delivery expenses or lead to our increased reliance on certain vendors. Any failure of our services to operate effectively with future network platforms and technologies could reduce the demand for our services, result in customer dissatisfaction and harm our business.

Our continued success depends on our ability to maintain and enhance our brands.

We believe that the brand identities we have developed, including associations with trust, customer success, innovation, equality and sustainability have significantly contributed to the success of our business. Maintaining and enhancing the Salesforce brand and our other brands is critical to expanding our base of customers, partners and employees. Our brand strength, particularly for our core services, depends largely on our ability to remain a technology leader and to continue to provide high-quality innovative products, services and features in a secure, reliable manner that enhances our customers' success even as we scale and expand our services. In order to maintain and enhance the strength of our brands, we have made and may in the future make substantial investments to expand or improve our product offerings and services, or we may enter new markets that may be accompanied by initial complications or ultimately prove to be unsuccessful.

In addition, we have secured the naming rights to facilities controlled by third parties, such as office towers and a transit center, and any negative events or publicity arising in connection with these facilities could adversely impact our brand.

Further, entry into markets with weaker protection of brands or changes in the legal systems in countries we operate may impact our ability to protect our brands. If we fail to maintain, enhance or protect our brands, or if we incur excessive expenses in our efforts to do so, our business, operating results and financial condition may be materially and adversely affected.

We are subject to risks associated with our strategic investments, including partial or complete loss of invested capital. Significant changes in the fair value of this portfolio, including changes in the valuation of our investments in publicly traded and privately held companies, could negatively impact our financial results.

We manage a portfolio of strategic investments in both privately held and publicly traded companies focused primarily on enterprise cloud companies, technology startups and system integrators. While we invest in companies that we believe are digitally transforming their industries, advancing responsible generative AI, improving customer experiences, helping us expand our solution ecosystem or supporting other corporate initiatives, we may still experience unforeseen brand or reputational harm associated with our investments. Our investments range from early to late stage companies, including investments made concurrent with a company's initial public offering. Investments in early stage companies are inherently speculative, as these companies may not yet be revenue-generating and could still be in the process of developing their products and services at the time of our investment. The financial success of our investment in any company is typically dependent on a liquidity event, such as a public offering, acquisition or other favorable market event reflecting appreciation to the cost of our initial investment. We may also experience challenges from regulatory authorities in connection with our investments, including from antitrust authorities who are increasingly scrutinizing technology investments and acquisitions, and which may lead to unforeseen expenditures or which may block, delay or impose undesirable conditions on transactions involving our investment portfolio. In certain cases, our ability to sell these investments may be impacted by contractual obligations to hold the securities for a set period of time after a public offering. All of our investments are subject to a risk of partial or total loss of invested capital.

We anticipate future volatility in our condensed consolidated statements of operations due to changes in market prices, observable price changes and impairments of our strategic investments. The resulting gains or losses could be material depending on market conditions and events, particularly in periods with economic uncertainty, inflation, geopolitical conflict, volatile public equity markets or unsettled global market conditions.

If third-party developers and providers do not continue to embrace our technology delivery model and enterprise cloud computing services, or if our customers seek warranties from us for third-party applications, integrations, data and content, our business could be harmed.

Our success depends on the willingness of a growing community of third-party developers and technology providers to build applications and provide integrations, data and content that are complementary to our services. Without the continued development of these applications and provision of such integrations, data and content, both current and potential customers may not find our services sufficiently attractive, which could impact future sales. In addition, for those customers who authorize a third-party technology partner to access their data, we do not provide any warranty related to the functionality, security or integrity of the data access, transmission or processing. Despite contract provisions to protect us, customers may look to us to support and provide warranties for the third-party applications, integrations, data and content, even though not developed or sold by us, which may expose us to potential claims, liabilities and obligations, all of which could harm our reputation and our business.

Social and ethical issues, including the use or capabilities of AI in our offerings, may result in reputational harm and liability.

Policies we adopt or choose not to adopt on social and ethical issues, especially regarding the use of our products, may be unpopular with some of our employees or with our customers or potential customers, and have in the past impacted and may in the future impact our ability to attract or retain employees and customers. We also may choose not to conduct business with potential customers or discontinue or not expand business with existing customers due to these policies. Further, actions taken by our customers and employees, including through the use or misuse of our products or new technologies for illegal activities or improper information sharing, may result in reputational harm or possible liability, particularly in light of regulatory requirements like the Digital Services Act (“DSA”) from the EU. For example, we have been subject to allegations in legal proceedings that we should be liable for the use of certain of our products by third parties. Although we believe that we have a strong defense against these allegations, legal proceedings can be lengthy, expensive and disruptive to our operations and the outcome of any claims or litigation, regardless of the merits, is inherently uncertain. Regardless of outcome, these types of claims could cause reputational harm to our brand or result in liability.

We are increasingly building AI into many of our offerings, including generative AI. As with many innovations, AI and our Customer 360 platform present additional risks and challenges that could affect their adoption and therefore our business. For example, the development of AI and Customer 360, the latter of which provides information regarding our customers’ customers, presents emerging ethical issues. If we enable or offer solutions that draw controversy due to their perceived or actual impact on human rights, privacy, employment, or in other social contexts, we may experience new or enhanced governmental or regulatory scrutiny, brand or reputational harm, competitive harm or legal liability, especially as geopolitical turmoil creates increasingly volatile political and market conditions. Data practices by us or others that result in controversy could also impair the acceptance of AI solutions. This in turn could undermine confidence in the decisions, predictions, analysis or other content that our AI applications produce, subjecting us to competitive harm, legal liability and brand or reputational harm. The rapid evolution of AI will require the application of resources to develop, test and maintain our products and services to help ensure that AI is implemented ethically in order to minimize unintended, harmful impact. Uncertainty around new and emerging AI applications such as generative AI content creation will require additional investment in the licensing or development of proprietary datasets, machine learning models and systems to test for accuracy, bias and other variables, which are often complex, may be costly and could impact our profit margin. Moreover, the move from AI content classification to AI content generation through our development of Einstein Copilot and other generative AI products brings additional risks and responsibility. Known risks of generative AI currently include risks related to accuracy, bias, toxicity, privacy and security and data provenance. For example, AI technologies, including generative AI, may create content that appears correct but is factually inaccurate or flawed, or contains copyrighted or other protected material, and if our customers or others use this flawed or protected content to their detriment, or the owners of such copyrighted material seek to enforce their rights, we may be exposed to brand or reputational harm, competitive harm and/or legal liability. Developing, testing and deploying AI systems may also increase the cost profile of our offerings due to the nature of the computing costs involved in such systems. If we are unable to mitigate these risks, or if we incur excessive expenses in our efforts to do so, our reputation, business, operating results and financial condition may be harmed.

Our aspirations and disclosures related to ESG matters expose us to risks that could adversely affect our reputation and performance.

We have established and publicly announced ESG goals, including our commitments to advancing racial and gender equality within our workforce and reducing greenhouse gas emissions. These statements reflect our current plans and aspirations and are not guarantees that we will be able to achieve them. Our failure to accomplish or accurately track and report on these goals on a timely basis, or at all, could adversely affect our reputation, financial performance and growth, and expose us to increased scrutiny from the investment community as well as enforcement authorities.

Our ability to achieve any ESG objective is subject to numerous risks, many of which are outside of our control. Examples of such risks include:

- the availability and cost of low- or non-carbon-based energy sources;
- the evolving regulatory requirements affecting ESG practices and/or disclosures;
- the availability of suppliers that can meet our sustainability, diversity and other ESG standards;
- our ability to recruit, develop and retain diverse talent in our labor markets; and
- the success of our organic growth and acquisitions, dispositions or restructuring of our businesses or operations.

Standards for tracking and reporting ESG matters continue to evolve. Our use of disclosure frameworks and standards, and the interpretation or application of those frameworks and standards, may change from time to time or differ from those of others. This may result in a lack of consistent or meaningful comparative data from period to period or between Salesforce and other companies in the same industry. In addition, our processes and controls may not comply with evolving standards for

identifying, measuring and reporting ESG metrics, including ESG-related disclosures that may be required of public companies by the SEC and other regulators, and such standards may change over time, which could result in significant revisions to our current goals, reported progress in achieving such goals, or ability to achieve such goals in the future. For example, the proliferation of climate and other ESG disclosure requirements at the local, national and international levels have required and may continue to require significant effort and resources and could result in changes to our current ESG goals in order to comply with differing requirements.

If our ESG practices do not meet evolving investor or other stakeholder expectations and standards, then our reputation, our ability to attract or retain employees, and our attractiveness as an investment, business partner, acquirer or service provider could be negatively impacted. Further, our failure or perceived failure to pursue or fulfill our goals and objectives or to satisfy various reporting standards on a timely basis, or at all, could have similar negative impacts or expose us to government enforcement actions and private litigation.

Legal and Regulatory Risks

Privacy concerns and laws as well as evolving regulation of cloud computing, AI services, cross-border data transfer restrictions and other domestic or foreign regulations may limit the use and adoption of our services and adversely affect our business.

Regulation related to the provision of services over the Internet is evolving, as federal, state and foreign governments continue to adopt new, or modify existing, laws and regulations addressing data privacy, cybersecurity, data protection, data sovereignty and the collection, processing, storage, hosting, transfer and use of data, generally. In some cases, data privacy laws and regulations, such as the EU's General Data Protection Regulation ("GDPR"), impose obligations directly on Salesforce as both a data controller and a data processor, as well as on many of our customers. In addition, domestic data privacy laws, such as the California Consumer Privacy Act ("CCPA") as amended by the California Privacy Rights Act ("CPRA"), and laws that have recently passed and/or gone into effect in many other states similarly impose new obligations on us and many of our customers, potentially as both a covered business and service provider. These laws continue to evolve, including most recently with India's Digital Personal Data Protection Act 2023, and as various jurisdictions introduce similar proposals, which often include subsequent rules and regulation, we and our customers become subject to additional regulatory burdens. New EU laws related to the use of data, including in the DSA, the Data Act and AI Act, may impose additional rules and restrictions on the use of the data in our products and services.

In addition, various safe harbors have historically been provided to those who hosted content provided by others, such as safe harbors from monetary damages for copyright infringement arising from copyrighted content provided by customers and others and for defamation and other torts arising from information provided by customers and others. There is an increasing demand for repealing or limiting these safe harbors by either judicial decision or legislation, and we have active legal proceedings that have been impacted by the repeal or limiting of safe harbors that were previously available to us. Loss of these safe harbors may require altering or limiting some of our services or may require additional contractual terms to avoid liabilities for our customers' misconduct.

Although we monitor the regulatory, judicial and legislative environment and have invested in addressing these developments, these laws may require us to make additional changes to our practices and services to enable us or our customers to meet the new legal requirements, and may also increase our potential liability exposure through new or higher potential penalties for noncompliance, including as a result of penalties, fines and lawsuits related to data breaches. Furthermore, privacy laws and regulations are subject to differing interpretations and may be inconsistent among jurisdictions. These and other requirements are causing increased scrutiny among customers, particularly in the public sector and highly regulated industries, and may be perceived differently from customer to customer. These developments could reduce demand for our services, require us to take on more onerous obligations in our contracts, restrict our ability to store, transfer and process data or, in some cases, impact our ability or our customers' ability to offer our services in certain locations, to deploy our solutions, to reach current and prospective customers, or to derive insights from customer data globally. For example, on July 16, 2020, the Court of Justice of the European Union ("CJEU") invalidated the EU-U.S. Privacy Shield Framework, one of the mechanisms that allowed companies, including Salesforce, to transfer personal data from the European Economic Area ("EEA") to the United States. Even though the CJEU decision upheld the Standard Contractual Clauses ("SCCs") as an adequate transfer mechanism, the decision created uncertainty around the validity of all EU-to-U.S. data transfers. While the EU and U.S. governments have since adopted the EU-U.S. Data Privacy Framework to foster EU-to-U.S. data transfers and address the concerns raised in the aforementioned CJEU decision, it is uncertain whether this framework will be overturned in court like the previous two EU-U.S. bilateral cross-border transfer frameworks. As a result, regulators may continue to be inclined to interpret the CJEU's decision, and the logic behind it, as significantly restricting certain cross-border transfers and the cost and complexity of providing our services in certain markets may increase. Certain countries outside of the EEA have also passed or are considering passing laws requiring varying degrees of local data residency. By way of further example, statutory damages available through a private right of action for certain data breaches under the CPRA and potentially other states' laws, may increase our and our customers' potential liability and the demands our customers place on us.

The costs of compliance with, and other burdens imposed by, privacy laws, regulations and standards may limit the use and adoption of our services, reduce overall demand for our services, make it more difficult to meet expectations from our commitments to customers and our customers' customers, lead to significant fines, penalties or liabilities for noncompliance, impact our reputation, or slow the pace at which we close sales transactions, in particular where customers request specific warranties and unlimited indemnity for noncompliance with privacy laws, any of which could harm our business. In March 2023, Salesforce launched the Hyperforce EU Operating Zone, which is designed to enable storage and processing of customer data solely within the EU. This EU service may enhance our ability to attract and retain customers operating in the EU, but may also increase the cost and complexity of supporting those customers, and our customers may demand similar offerings in other territories.

In addition to government activity, privacy advocates and other industry groups have established or may establish new self-regulatory standards that may place additional burdens on our ability to provide our services globally. Our customers expect us to meet voluntary certification and other standards established by third parties. If we are unable to maintain these certifications or meet these standards, it could adversely affect our ability to provide our solutions to certain customers and could harm our business. In addition, we have seen a trend toward the private enforcement of data protection obligations, including through private actions for alleged noncompliance, which could harm our business and negatively impact our reputation. For example, in 2020 we were made a party to a legal proceeding brought by a Dutch privacy advocacy group (the Privacy Collective) on behalf of certain Dutch citizens that claims we violated the GDPR and Dutch Telecommunications Act through the processing and sharing of data in connection with our Audience Studio and Data Studio products. In December 2021, the Amsterdam District Court declared the Privacy Collective's claims against us inadmissible and dismissed the case, however, this ruling was appealed by the Privacy Collective. The appeal hearing took place in the Amsterdam Court of Appeal on February 8, 2024 and we are currently awaiting judgment. We were also named as a defendant in a similar lawsuit brought in the UK, which has subsequently been dismissed. Although we believe we have a strong defense for these claims, these or similar future claims could cause reputational harm to our brand or result in liability. In addition, a shift in consumers' data privacy expectations or other social, economic or political developments could impact the regulatory enforcement of privacy regulations, which could require our cooperation and increase the cost of compliance with the imposed regulations.

Furthermore, the uncertain and shifting regulatory environment and trust climate may raise concerns regarding data privacy and cybersecurity, which may cause our customers or our customers' customers to resist providing the data necessary to allow our customers to use our services effectively. In addition, new products we develop or acquire in connection with changing events may expose us to liability or regulatory risk. Even the perception that the privacy and security of personal information are not satisfactorily protected or do not meet regulatory requirements could inhibit sales of our products or services and could limit adoption of our cloud-based solutions.

Industry-specific regulations and other requirements and standards are evolving and industry-specific laws, regulations, interpretive positions or standards could harm our business.

Our customers and potential customers conduct business in a variety of industries, including financial services, the public sector, healthcare and telecommunications. Regulators in certain industries have adopted and may in the future adopt regulations or interpretive positions regarding the use of cloud computing, AI services and other outsourced services. The costs of compliance with, and other burdens imposed by, industry-specific laws, regulations and interpretive positions may limit our customers' use and adoption of our services and reduce overall demand for our services. Compliance with these regulations may also require us to devote greater resources to support certain customers, which may increase costs and lengthen sales cycles. For example, some financial services regulators have imposed guidelines for use of cloud computing services that mandate specific controls or require financial services enterprises to obtain regulatory approval prior to outsourcing certain functions. In the United States, a cybersecurity Executive Order released in May 2021 may heighten future compliance and incident reporting standards in order to obtain certain public sector contracts. If we are unable to comply with these guidelines or controls, or if our customers are unable to obtain regulatory approval to use our services where required, our business may be harmed. In addition, an inability to satisfy the standards of certain voluntary third-party certification bodies that our customers may expect, such as an attestation of compliance with the Payment Card Industry Data Security Standards, may have an adverse impact on our business and results. If in the future we are unable to achieve or maintain industry-specific certifications or other requirements or standards relevant to our customers, it may harm our business and adversely affect our results.

Further, in some cases, industry-specific, regionally-specific or product-specific laws, regulations or interpretive positions may impact our ability, as well as the ability of our customers, partners and data providers, to collect, augment, analyze, use, transfer and share personal and other information that is integral to certain services we provide. The interpretation of many of these statutes, regulations and rulings is evolving in the courts and administrative agencies and an inability to comply may have an adverse impact on our business and results. This impact may be particularly acute in countries that have passed or are considering passing legislation that requires data to remain localized "in country," as this may impose financial costs on companies required to store data in jurisdictions not of their choosing and to use nonstandard operational processes that add complexity and are difficult and costly to integrate with global processes. This is also true with respect to the global proliferation of laws regulating the financial services industry, including its use of cloud services. In Europe, the Digital

Operational Resilience Act (DORA), which aims to ensure the resilience of the EU financial sectors, including through mandatory risk management, incident reporting, resilience testing and third-party outsourcing restrictions, was formally adopted by the Council of the EU in November 2022. The UK is advancing similar legislation and other countries may follow.

Further, countries are applying their data and consumer protection laws to AI, and particularly generative AI, and/or are considering legal frameworks on AI. Any failure or perceived failure by Salesforce to comply with such requirements could have an adverse impact on our business.

There are various statutes, regulations and rulings relevant to direct email marketing and text-messaging industries, including the Telephone Consumer Protection Act (“TCPA”) and related Federal Communication Commission orders, which impose significant restrictions on the ability to utilize telephone calls and text messages to mobile telephone numbers as a means of communication, when the prior consent of the person being contacted has not been obtained. We have been, and may in the future be, subject to one or more class-action lawsuits, as well as individual lawsuits, containing allegations that one of our businesses or customers violated the TCPA. A determination that we or our customers violated the TCPA or other communications-based statutes could expose us to significant damage awards that could, individually or in the aggregate, materially harm our business. In addition, many jurisdictions across the world are currently considering, or have already begun implementing, changes to antitrust and competition laws, regulations or interpretative positions to enhance competition in digital markets and address practices by certain digital platforms that they perceive to be anticompetitive. These regulatory efforts could result in laws, regulations or interpretative positions that may require us to change certain of our business practices, undertake new compliance obligations or otherwise may have an adverse impact on our business and results.

We have been and may in the future be sued by third parties for various claims, including alleged infringement of proprietary rights.

We are involved in various legal matters arising from the normal course of business activities. These include claims, suits, government investigations and other proceedings involving alleged infringement of third-party patents and other intellectual property rights, as well as commercial, corporate and securities, labor and employment, class actions, wage and hour, antitrust, data privacy, cybersecurity and other matters.

The software and Internet industries are characterized by the existence of many patents, trademarks, trade secrets and copyrights and by frequent litigation based on allegations of infringement or other violations of intellectual property rights. We have received in the past and may receive in the future communications from third parties, including practicing entities and non-practicing entities, claiming that we have infringed their intellectual property rights. We have also been, and may in the future be, sued by third parties for alleged infringement of their claimed proprietary rights. Our technologies may be subject to injunction if they are found to infringe the rights of a third party or we may be required to pay damages, or both. Further, many of our subscription agreements require us to indemnify our customers for third-party intellectual property infringement claims, which would increase the cost to us of an adverse ruling on such a claim.

In addition, we have in the past been, and may in the future be, sued by third parties who seek to target us for actions taken by our customers, including through the use or misuse of our products. For example, we have been subject to allegations in legal proceedings that we should be liable for the use of certain of our products by third parties. Although we believe we have a strong defense for these claims, such claims could cause reputational harm to our brand or result in liability.

Our exposure to risks associated with various claims, including claims related to the use of intellectual property as well as securities and related stockholder derivative claims, may be increased as a result of acquisitions of other companies. For example, we are subject to ongoing securities class action litigation and related stockholder derivative claims brought against Slack that remain outstanding, and as to which we may ultimately be subject to liability or settlement costs. Additionally, we may have a lower level of visibility into the development process with respect to intellectual property or the care taken to safeguard against infringement risks with respect to acquired companies or technologies. In addition, third parties have made claims in connection with our acquisitions and may do so in the future, and they may also make infringement and similar or related claims after we have acquired technology that had not been asserted prior to our acquisition.

The outcome of any claims or litigation, regardless of the merits, is inherently uncertain. Any claims or lawsuits, and the disposition of such claims and lawsuits, whether through settlement or licensing discussions, or litigation, could be time-consuming and expensive to resolve, divert management attention from executing our business plan, result in efforts to enjoin our activities, lead to attempts on the part of other parties to pursue similar claims and, in the case of intellectual property claims, require us to change our technology, change our business practices, pay monetary damages or enter into short- or long-term royalty or licensing agreements.

Any adverse determination or settlement related to intellectual property claims or other litigation could prevent us from offering our services to others, could be material to our financial condition or cash flows, or both, or could otherwise adversely affect our operating results, including our operating cash flow in a particular period. In addition, depending on the nature and timing of any such dispute, an unfavorable resolution of a legal matter could materially affect our current or future results of operations or cash flows in a particular period.

Any failure to obtain registration or protection of our intellectual property rights could impair our ability to protect our proprietary technology and our brand, causing us to incur significant expenses and harm our business.

If we fail to protect our intellectual property rights adequately, our competitors may gain access to our technology, affecting our brand, causing us to incur significant expenses and harming our business. Any of our patents, trademarks or other intellectual property rights may be challenged by others or invalidated through administrative process or litigation. While we have many U.S. patents and pending U.S. and international patent applications, we may be unable to obtain patent protection for the technology covered in our patent applications or the patent protection may not be obtained quickly enough to meet our business needs. In addition, our existing patents and any patents issued in the future may not provide us with competitive advantages, or may be successfully challenged by third parties. Similar uncertainty applies to our U.S. and international trademark registrations and applications. Furthermore, legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain, and we also may face proposals to change the scope of protection for some intellectual property rights in the U.S. and elsewhere. Additionally, the intellectual property ownership and license rights, including copyright, surrounding AI technologies, which we are increasingly building into our product offerings, has not been fully addressed by U.S. courts or other federal or state laws or regulations, and the use or adoption of AI technologies in our products and services may expose us to copyright infringement or other intellectual property misappropriation claims related to AI training or output. Effective patent, trademark, copyright and trade secret protection may not be available to us in every country in which our services are available and legal changes and uncertainty in various countries' intellectual property regimes may result in making conduct that we believe is lawful to be deemed violative of others' rights. The laws of some foreign countries may not be as protective of intellectual property rights as those in the U.S., and mechanisms for enforcement of intellectual property rights may be inadequate. Also, our involvement in standard-setting activity, our contribution to open source projects, various competition law regimes or the need to obtain licenses from others may require us to license our intellectual property in certain circumstances. Accordingly, despite our efforts, we may be unable to prevent third parties from using our intellectual property.

We may be required to spend significant resources and expense to monitor and protect our intellectual property rights. We may initiate claims or litigation against third parties for infringement of our proprietary rights or to establish the validity of our proprietary rights. If we fail to protect our intellectual property rights, it could impact our ability to protect our technology and brand. Furthermore, any litigation, whether or not it is resolved in our favor, could result in significant expense to us, cause us to divert time and resources from our core business, and harm our business.

We may be subject to risks related to government contracts and related procurement regulations.

Our contracts with federal, state, local and foreign government entities are subject to various procurement regulations and other requirements relating to their formation, administration and performance. We are from time to time subject to audits and investigations relating to our government contracts, and any violations could result in various civil and criminal penalties and administrative sanctions, including termination of contracts, refunding or suspending of payments, forfeiture of profits, payment of fines and suspension or debarment from future government business. In addition, such contracts may provide for termination by the government at any time, without cause. Any of these risks related to contracting with governmental entities could adversely impact our future sales and operating results.

We are subject to governmental sanctions and export and import controls that could impair our ability to compete in international markets and may subject us to liability if we are not in full compliance with applicable laws.

Our solutions are subject to export and import controls where we conduct our business activities, including the U.S. Commerce Department's Export Administration Regulations, U.S. Customs regulations, U.S. supply chain regulations and various economic and trade sanctions regulations established by the U.S. Treasury Department's Office of Foreign Assets Control. If we fail to comply with applicable trade laws, we and certain of our employees could be subject to substantial civil or criminal penalties, including the possible loss of trade privileges; fines, which may be imposed on us and responsible employees or managers; and, in extreme cases, the incarceration of responsible employees or managers. Obtaining necessary authorizations, including any required licenses, may be time-consuming, requires expenditure of corporate resources, is not guaranteed, and may result in the delay or loss of sales opportunities or the ability to realize value from certain acquisitions or engagements. Acquisitions may also subject us to successor liability and other integration compliance risks. Furthermore, export control laws and economic sanctions may prohibit or limit the transfer of certain products and services to embargoed or sanctioned countries, governments and parties. We can provide no assurance that any of the precautions we take to prevent our solutions from being provisioned or provided to sanctions targets in violation of applicable regulations will be effective, and, accordingly, our solutions could be provisioned or provided to those targets, including by our resellers or other third parties, which could have negative consequences for our business, including government investigations, penalties and reputational harm. Changes in our solutions or trade regulations may create delays in the introduction, sale and deployment of our solutions in international markets or prevent the export or import of our solutions to certain countries, governments or persons altogether. Any decreased use of our solutions or limitation on our ability to export or sell our solutions may adversely affect our business, financial condition and results of operations. Sanctions and import and export control regulations in the United States and other

countries are subject to change and uncertainty, including as a result of rapidly evolving technology and geopolitical developments such as events affecting relations between the United States and China, multi-jurisdictional sanctions on Russia, war in Ukraine and the Israel-Hamas war. Regulators in the United States and elsewhere have signaled an increased emphasis on sanctions and export control enforcement, including efforts to combat diversion of services to sanctioned countries and parties, several recent high-profile enforcement actions and increased pressure for companies to self-disclose potential violations.

Financial Risks

Because we generally recognize revenue from subscriptions for our services over the term of the subscription, downturns or upturns in new business may not be immediately reflected in our operating results.

We generally recognize revenue from customers ratably over the terms of their subscription and support agreements, which are typically 12 to 36 months. As a result, most of the revenue we report in each quarter is the result of subscription and support agreements entered into during previous quarters. Consequently, a decline in new or renewed subscriptions in any one quarter may not be reflected in our revenue results for that quarter but will negatively impact our revenue in future quarters. Accordingly, the effect of significant downturns in sales and market acceptance of our services, and changes in our attrition rate, may not be fully reflected in our results of operations until future periods. Our subscription model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as revenue from new customers must be recognized over the applicable subscription and support term.

If we experience significant fluctuations in our rate of anticipated growth and fail to balance our expenses with our revenue forecasts, our business could be harmed and the market price of our common stock could decline.

Due to the unpredictability of future general economic and financial market conditions, including from the global economic impact of ongoing conflicts, such as the war in Ukraine and the Israel-Hamas war, the pace of change and innovation in enterprise cloud computing services, the impact of foreign currency exchange rate fluctuations, the growing complexity of our business, including the use of multiple pricing and packaging models and the increasing amount of revenue from term software license sales, and our increasing focus on enterprise cloud computing services, we may not be able to realize our projected revenue growth plans. We plan our expense and investment levels based on estimates of future revenue and future anticipated rate of growth. We may not be able to adjust our spending appropriately if the addition of new subscriptions or the renewals of existing subscriptions fall short of our expectations, and unanticipated events may cause us to incur expenses beyond what we anticipated. A portion of our expenses may also be fixed in nature for some minimum amount of time, such as with costs capitalized to obtain revenue contracts, data center and infrastructure service contracts or office leases, so it may not be possible to reduce costs in a timely manner, or at all, without the payment of fees to exit certain obligations early. Additionally, if sales through indirect channels increase, this may lead to greater difficulty in forecasting revenue and anticipated rate of growth. As a result, our revenues, operating results and cash flows may fluctuate significantly on a quarterly basis and revenue growth rates may not be sustainable and may decline in the future. If we are not able to provide continued operating margin expansion, our business could be harmed and the market price of our common stock could decline.

Unanticipated changes in our effective tax rate and additional tax liabilities and global tax developments may impact our financial results.

We are subject to income taxes in the United States and various other jurisdictions. Significant judgment is often required in the determination of our worldwide provision for income taxes. Our effective tax rate could be impacted by changes in our earnings and losses in countries with differing statutory tax rates, changes in operations, changes in non-deductible expenses, changes in the tax effects of stock-based compensation expense, changes in the valuation of deferred tax assets and liabilities and our ability to utilize them, the applicability of withholding taxes, effects from acquisitions and changes in accounting principles and tax laws. Any changes, ambiguity or uncertainty in taxing jurisdictions' administrative interpretations, decisions, policies and positions could also materially impact our income tax liabilities.

We may also be subject to additional tax liabilities and penalties due to changes in non-income based taxes resulting from changes in federal, state, local or international tax laws, changes in taxing jurisdictions' administrative interpretations, decisions, policies and positions, results of tax examinations, settlements or judicial decisions, changes in accounting principles, or changes to our business operations, including as a result of acquisitions. Any resulting increase in our tax obligation or cash taxes paid could adversely affect our cash flows and financial results.

We are also subject to tax examinations or engaged in alternative resolutions in multiple jurisdictions. While we regularly evaluate new information that may change our judgment resulting in recognition, derecognition or changes in measurement of a tax position taken, there can be no assurance that the final determination of any examinations will not have an adverse effect on our operating results or financial position.

As our business continues to grow, increasing our brand recognition and profitability, we may be subject to increased scrutiny and corresponding tax disputes, which may impact our cash flows and financial results. Furthermore, our growing prominence may bring public attention to our tax profile, and if perceived negatively, may cause brand or reputational harm.

Global tax developments applicable to multinational businesses may have a material impact to our business, cash flows, or financial results. Such developments, for example, may include certain new provisions introduced by the Inflation Reduction Act, certain Organization for Economic Co-operation and Development's proposals including the implementation of the global minimum tax under the Pillar Two model rules, and the European Commission's and certain major jurisdictions' heightened interest in and taxation of companies participating in the digital economy. Furthermore, governments' responses to macroeconomic factors and tax revenue needs may lead to tax rule changes that could materially and adversely affect our cash flows and financial results.

We are exposed to fluctuations in currency exchange rates that have in the past and could in the future negatively impact our financial results and cash flows from changes in the value of the U.S. Dollar versus local currencies.

We primarily conduct our business in the following regions: the Americas, Europe and Asia Pacific. The expanding global scope of our business exposes us to risk of fluctuations in foreign currency markets, including in emerging markets. This exposure is the result of selling in multiple currencies, growth in our international investments, additional headcount in foreign locations, and operating in countries where the functional currency is the local currency. Specifically, our results of operations and cash flows are subject to currency fluctuations primarily in Euro, British Pound Sterling, Japanese Yen, Canadian Dollar, Australian Dollar, Brazilian Real and Indian Rupee against the U.S. Dollar. These exposures may change over time as business practices evolve, economic and political conditions change and evolving tax regulations come into effect. The fluctuations of currencies in which we conduct business can both increase and decrease our overall revenue and expenses for any given fiscal period. Furthermore, fluctuations in foreign currency exchange rates, combined with the seasonality of our business, could affect our ability to accurately predict our future results and earnings.

Additionally, global events as well as geopolitical developments, including war in Ukraine and the Israel-Hamas war, fluctuating commodity prices, trade tariff developments and inflation have caused, and may in the future cause, global economic uncertainty and uncertainty about the interest rate environment, which has and could in the future amplify the volatility of currency fluctuations. Although we attempt to mitigate some of this volatility and related risks through foreign currency hedging, our hedging activities are limited in scope and may not effectively offset the adverse financial impacts that may result from unfavorable movements in foreign currency exchange rates, which could adversely impact our financial condition or results of operations.

Our debt service obligations, lease commitments and other contractual obligations may adversely affect our financial condition, results of operations and cash flows.

As of April 30, 2024, we had a substantial level of outstanding debt, including our Senior Notes. We are also party to the Revolving Loan Credit Agreement, which provides for our \$3.0 billion Credit Facility. Although there were no outstanding borrowings under the Credit Facility as of April 30, 2024, we may use the proceeds of future borrowings under the Credit Facility for general corporate purposes, which may include, without limitation, the consideration, fees, costs and expenses related to any acquisition.

In addition to the outstanding and potential debt obligations above, we have also recorded substantial liabilities associated with noncancellable future payments on our long-term lease agreements. We also have significant other contractual commitments, including leases that have not yet commenced and commitments with infrastructure service providers, which are not reflected on our condensed consolidated balance sheets.

Maintenance of our indebtedness and contractual commitments and any additional issuances of indebtedness could:

- impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate or other purposes;
- cause us to dedicate a substantial portion of our cash flows from operations toward debt service obligations and principal repayments; and
- make us more vulnerable to downturns in our business, our industry or the economy in general.

Our ability to meet our expenses and debt obligations will depend on our future performance, which will be affected by financial, business, economic, regulatory and other factors. We will not be able to control many of these factors, such as economic conditions and governmental regulations. Further, our operations may not generate sufficient cash to enable us to service our debt or contractual obligations resulting from our leases. If we fail to make a payment on our debt, we could be in default on such debt. If we are at any time unable to generate sufficient cash flows from operations to service our indebtedness when payment is due, we may be required to attempt to renegotiate the terms of the instruments relating to the indebtedness, seek to refinance all or a portion of the indebtedness or obtain additional financing. There can be no assurance that we would be able to successfully renegotiate such terms, that any such refinancing would be possible or that any additional financing could

be obtained on terms that are favorable or acceptable to us. Any new or refinanced debt may be subject to substantially higher interest rates, which could adversely affect our financial condition and impact our business. In addition, we may seek debt financing to fund future acquisitions. We can offer no assurance that we can obtain debt financing on terms acceptable to us, if at all.

In addition, adverse changes by any rating agency to our credit ratings may negatively impact our reputation, the value and liquidity of both our debt and equity securities, as well as the potential costs associated with a refinancing of our debt. Downgrades in our credit ratings could also affect the terms of any such refinancing or future financing or restrict our ability to obtain additional financing in the future.

The indentures governing our Senior Notes and the Revolving Loan Credit Agreement impose restrictions on us and require us to maintain compliance with specified covenants. Our ability to comply with these covenants may be affected by events beyond our control. A failure to comply with the covenants and other provisions of our outstanding debt could result in events of default under such instruments, which could permit acceleration of all of our debt and borrowings. Any required repayment of our debt as a result of a fundamental change or other acceleration would lower our current cash on hand such that we would not have those funds available for use in our business.

Lease accounting guidance requires that we record a liability for operating lease activity on our condensed consolidated balance sheet, which increases both our assets and liabilities and therefore may impact our ability to obtain the necessary financing from financial institutions at commercially viable rates or at all. Our lease terms may include options to extend or terminate the lease. Periods beyond the noncancellable term of the lease are included in the measurement of the lease liability and associated asset only when it is reasonably certain that we will exercise the associated extension option or waive the termination option. We reassess the lease term if and when a significant event or change in circumstances occurs within our control. The potential impact of these options to extend could be material to our financial position and financial results.

Current and future accounting pronouncements and other financial and nonfinancial reporting standards may negatively impact our financial results.

We regularly monitor our compliance with applicable financial and nonfinancial reporting standards and review new pronouncements and interpretations that are relevant to us. As a result of new financial or nonfinancial standards or pronouncements, changes to existing standards or pronouncements and changes in their interpretation, we may be required to change our accounting policies, to alter our operational policies, to implement new or enhance existing systems so that they reflect new or amended financial reporting standards, and to adjust our published financial statements. For example, new and proposed reporting requirements, such as the SEC's recently adopted climate-related disclosure requirements, may require us to change our accounting policies, to alter our operational policies, and to implement new or enhance existing systems so that they reflect new or amended financial reporting standards, or to restate our published financial statements. Such changes may have an adverse effect on our business, financial position and operating results, or cause an adverse deviation from our revenue and operating profit targets, which may negatively impact our financial results.

Risks Related to Owning Our Common Stock

Our quarterly results are likely to fluctuate, which may cause the value of our common stock to decline substantially.

Our quarterly results are likely to fluctuate. Fluctuations have occurred due to known and unknown risks, such as the global economic impact of ongoing conflicts, including the war in Ukraine and the Israel-Hamas war, and rising interest rates. In addition, our fiscal fourth quarter has historically been our strongest quarter for new business and renewals, and the year-over-year compounding effect of this seasonality in billing patterns and overall new business and renewal activity causes the value of invoices that we generate in the fourth quarter to continually increase in proportion to our billings in the other three quarters of our fiscal year. As a result, our fiscal first quarter has typically in the past been our largest collections and operating cash flow quarter.

Additionally, some of the important factors that may cause our revenues, operating results and cash flows to fluctuate from quarter to quarter include:

- general economic or geopolitical conditions, including the impacts of the war in Ukraine and the Israel-Hamas war, financial market conditions, increasing costs of operation and foreign currency exchange rates, any of which can adversely affect either our customers' ability or willingness to purchase additional subscriptions or upgrade their services, or delay prospective customers' purchasing decisions, reduce the value of new subscription contracts, or affect attrition rates;
- our ability to retain and increase sales to existing customers, attract new customers and satisfy our customers' requirements;
- the attrition rates for our services;
- the size and productivity of our sales force;
- the length of the sales cycle for our services;

- new product and service introductions by our competitors;
- our success in selling our services to large enterprises;
- changes in unearned revenue and remaining performance obligation, due to seasonality, the timing of and compounding effects of renewals, invoice duration, size and timing, new business linearity between quarters and within a quarter, average contract term, the collectability of invoices related to multi-year agreements, the timing of license software revenue recognition, or fluctuations due to foreign currency movements, all of which may impact implied growth rates;
- our ability to realize benefits from strategic partnerships, acquisitions or investments;
- our ability to execute and realize benefits from the Restructuring Plan and other workforce reductions, or any similar actions taken in the future;
- variations in the revenue mix of our services and growth rates of our subscription and support offerings, including the timing of term software license sales for which the revenue is recognized at a point in time;
- the seasonality of our sales cycle, including term software license sales, and timing of contract execution and the corresponding impact on revenue recognized at a point in time;
- changes in our pricing policies and terms of contracts, whether initiated by us or as a result of competition, customer preference or other factors;
- expenses associated with our pricing policies and terms of contracts, such as the costs of customer SMS text usage paid by us and the related impacts to our gross margin;
- the seasonality of our customers' businesses, especially our Commerce service offering customers, including retailers and branded manufacturers;
- fluctuations in foreign currency exchange rates such as with respect to the U.S. Dollar against the Euro and British Pound Sterling;
- the amount and timing of operating costs and capital expenditures related to the operations and expansion of our business;
- the number of new employees, including the cost to recruit and train such employees;
- the timing of commission, bonus and other compensation payments to employees, including decisions to guarantee some portion of commissions payments in connection with extraordinary events;
- the cost, timing and management effort required for the introduction of new features to our services;
- the costs associated with acquiring new businesses and technologies and the follow-on costs of integration and consolidating the results of acquired businesses;
- expenses related to our real estate or changes in the nature or extent of our use of existing real estate, including our office leases and our data center capacity and expansion;
- timing of additional investments in our enterprise cloud computing application and platform services and in our consulting services;
- expenses related to significant, unusual or discrete events, which are recorded in the period in which the events occur, including litigation or other dispute-related settlement payments;
- income tax effects resulting from, but not limited to, tax law changes, court decisions on tax matters, global tax developments applicable to multinational corporations, changes in operations or business structures and acquisition activity;
- the timing of payroll and other withholding tax expenses, which are triggered by the payment of bonuses and when employees exercise their vested stock options;
- technical difficulties or interruptions in our services;
- changes in interest rates and our mix of investments, which impact the return on our investments in cash and marketable securities;
- conditions, and particularly sudden changes, in the financial markets, which have impacted and may continue to impact the value and liquidity of our investment portfolio;
- changes in the fair value of our strategic investments, including impairments, which could negatively and materially impact our financial results, particularly in periods of significant market fluctuations;
- equity or debt issuances, including as consideration in or in conjunction with acquisitions;
- the timing of stock awards to employees and the related adverse financial statement impact of having to expense those stock awards over their vesting schedules;

- evolving regulations of cloud computing and cross-border data transfer restrictions and similar regulations;
- regulatory compliance and acquisition costs; and
- the impact of new accounting pronouncements and associated system implementations.

Many of these factors are outside of our control, and the occurrence of one or more of them might cause our operating results to vary widely. If we fail to meet or exceed operating results expectations or if securities analysts and investors have estimates and forecasts of our future performance that are unrealistic or that we do not meet, the market price of our common stock could decline. In addition, if one or more of the securities analysts who cover us adversely change their recommendations regarding our stock, the market price of our common stock could decline.

The market price of our common stock is likely to be volatile and could subject us to litigation.

The trading prices of the securities of technology companies have historically been highly volatile. Accordingly, the market price of our common stock has been and is likely to continue to be subject to wide fluctuations. Factors affecting the market price of our common stock include:

- variations in our operating results, including operating margin, earnings per share, cash flows from operating activities, unearned revenue, remaining performance obligation, year-over-year growth rates for individual service offerings and other financial and non-financial metrics, and how those results compare to analyst expectations;
- variations in, and limitations of, the various financial and other metrics and modeling used by analysts in their research and reports about our business;
- forward-looking guidance to industry and financial analysts related to, for example, future revenue, current remaining performance obligation, cash flows from operating activities, operating margin and earnings per share, the accuracy of which may be impacted by various factors, many of which are beyond our control, including general economic and market conditions and unanticipated delays in the integration of acquired companies as a result of regulatory review;
- our ability to meet or exceed forward-looking guidance we have given or to meet or exceed the expectations of investors, analysts or others; our ability to give forward-looking guidance consistent with past practices; and changes to or withdrawal of previous guidance or long-range targets;
- changes in the estimates of our operating results or changes in recommendations by securities analysts that elect to follow our common stock;
- announcements of technological innovations, new services or service enhancements, strategic alliances or significant agreements by us or by our competitors;
- announcements by us or by our competitors of mergers or other strategic acquisitions, or rumors of such transactions involving us or our competitors;
- announcements of customer additions and customer cancellations or delays in customer purchases;
- the coverage of our common stock by the financial media, including television, radio and press reports and blogs;
- recruitment or departure of key personnel;
- disruptions in our service due to computer hardware, software, network or data center problems;
- the economy as a whole, geopolitical conditions, including global trade and health concerns, market conditions in our industry and the industries of our customers, and financial institution instability;
- trading activity or positions by a limited number of stockholders who together beneficially own a significant portion of our outstanding common stock, as well as other institutional or activist investors;
- the issuance of shares of common stock by us, whether in connection with an acquisition or a capital-raising transaction;
- our ability to execute on our Share Repurchase Program as planned, including whether we meet internal or external expectations around the timing or price of share repurchases, and any reductions or discontinuances of repurchases thereunder;
- issuance of debt or other convertible securities;
- any increase to or reduction, suspension or elimination of dividend payments;
- the inability to conclude that our internal controls over financial reporting are effective;
- changes to our credit ratings; and
- ESG and other issues impacting our reputation.

In addition, if the market for technology stocks or the greater securities market in general experience uneven investor confidence, the market price of our common stock has and could in the future decline for reasons unrelated to our business, operating results or financial condition, including as a reaction to events that affect other companies within, or outside, our

industry. Some companies that have experienced volatility in the trading price of their stock have been the subject of securities class action litigation, such as the securities litigation against Slack that was brought before our acquisition. Such litigation, whether against Salesforce or an acquired subsidiary, could result in substantial costs and a diversion of management's attention and resources and any liability resulting from or the settlement of such litigation could result in material adverse impacts to our operating cash flows or results of operations for a given period.

Provisions in our amended and restated certificate of incorporation and bylaws and Delaware law might discourage, delay or prevent a change of control of the Company or changes in our management and, therefore, depress the market price of our common stock.

Our amended and restated certificate of incorporation and bylaws contain provisions that could depress the market price of our common stock by acting to discourage, delay or prevent a change in control of the Company or changes in our management that the stockholders of the Company may deem advantageous. These provisions among other things:

- permit the Board to establish the number of directors;
- authorize the issuance of "blank check" preferred stock that our board could use to implement a stockholder rights plan (also known as a "poison pill");
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;
- provide that the Board is expressly authorized to make, alter or repeal our bylaws; and
- establish advance notice requirements for nominations for election to our board or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

In addition, Section 203 of the Delaware General Corporation Law may discourage, delay or prevent a change in control of our company. Section 203 imposes certain restrictions on merger, business combinations and other transactions between us and holders of 15 percent or more of our common stock.

There can be no assurance that we will continue to declare cash dividends in any particular amounts, or at all.

On February 28, 2024, we announced a quarterly dividend policy and the declaration of our first-ever cash dividend. Whether we continue to pay cash dividends, as well as the rate at which we pay cash dividends, in the future is subject to continued capital availability, general economic and market conditions, applicable laws and agreements and our Board continuing to determine that the declaration of dividends is in the best interests of the Company and its stockholders. The declaration and payment of any dividend may be discontinued at any time and dividend amounts may be reduced at any time. A discontinuation of or reduction in our dividend payments could have a negative effect on our stock price.

General Risks

Volatile and significantly weakened global economic conditions have in the past and may in the future adversely affect our industry, business and results of operations.

Our overall performance depends in part on worldwide economic and geopolitical conditions. The United States and other key international economies have experienced significant economic and market downturns in the past, and are likely to experience additional cyclical downturns from time to time in which economic activity is impacted by falling demand for a variety of goods and services, restricted credit, poor liquidity, reduced corporate profitability, volatility in credit, equity and foreign exchange markets, inflation, bankruptcies and overall uncertainty with respect to the economy. These economic conditions can arise suddenly and the full impact of such conditions can be difficult to predict. In addition, geopolitical and domestic political developments, such as existing and potential trade wars and other events beyond our control, such as war in Ukraine and the Israel-Hamas war, have increased and may continue to increase levels of political and economic unpredictability globally and the volatility of global financial markets. Moreover, these conditions have affected and may continue to affect the rate of IT spending; could adversely affect our customers' ability or willingness to attend our events or to purchase our enterprise cloud computing services; have delayed and may delay customer purchasing decisions; and have reduced and may in the future reduce the value and duration of customer subscription contracts or cause our customers to seek to modify their existing subscription contracts. All of these risks and conditions could materially adversely affect our future sales, attrition rates and operating results.

Natural disasters and other events beyond our control have in the past and may in the future materially adversely affect us.

Natural disasters or other catastrophic events have in the past and may in the future cause damage or disruption to our operations, international commerce and the global economy, and thus could have a strong negative effect on us. Our business operations, the business operations of third-party providers or suppliers that we rely on to conduct our business and the business operations of our customers are subject to interruption by natural disasters, fire, power shutoffs or shortages, actual or

threatened public health emergencies and other events beyond our control. For example, the occurrence of regional epidemics or a global pandemic, such as COVID-19, and related public health measures have in the past and may in the future materially affect how we and our customers operate our businesses, as well as our operating results and cash flows. Although we maintain crisis management and disaster response plans, such events could make it difficult or impossible for us to deliver our services to our customers, and could decrease demand for our services. Our corporate headquarters, and a significant portion of our personnel, research and development activities and other critical business operations, are located near major seismic faults in the San Francisco Bay Area. Because we do not carry earthquake insurance for direct earthquake-related losses and significant recovery time could be required to resume operations, our financial condition and operating results could be materially and adversely affected in the event of a major earthquake or catastrophic event, and the adverse effects of any such catastrophic event would be exacerbated if experienced at the same time as another unexpected and adverse event.

Climate change may have an impact on our business.

While we seek to mitigate our business risks associated with climate change by establishing robust environmental programs and partnering with organizations who are also focused on mitigating their own climate-related risks, we recognize that there are inherent climate-related risks wherever business is conducted. Any of our primary locations may be vulnerable to the adverse effects of climate change. For example, our offices globally have historically experienced, and are projected to continue to experience, climate-related events at an increasing frequency, including drought, water scarcity, heat waves, cold waves, flooding, wildfires and resultant air quality impacts and power shutoffs associated with climate-related events. These events in turn have impacts on inflation risks, food security, water security (including for water availability for data center cooling), energy security and on our employees' health and well-being. Furthermore, it is more difficult to mitigate the impact of these events on our employees working remotely or at client sites. Changing market dynamics, global policy developments and the increasing frequency and impact of extreme weather events on critical infrastructure in the United States and elsewhere have the potential to disrupt our business, the business of companies we invest in, the business of third-party providers or suppliers that we rely on to conduct our business and the business of our customers, and may cause us to experience higher attrition, losses and additional costs to maintain or resume operations. In particular, climate-related events, energy market volatility, and power grid disruptions may increase the operational costs of data centers for Salesforce or our third-party providers. Additionally, failure to uphold, meet or make timely forward progress against our public commitments and goals related to climate action could adversely affect our reputation with investors, suppliers and customers, our financial performance or our ability to recruit and retain talent.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Share repurchases of the Company's common stock for the three months ended April 30, 2024 were as follows (in millions, except for average price paid per share):

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
February 2024	1	\$289.94	1	\$17,836
March 2024	3	305.32	3	17,001
April 2024	3	283.41	3	16,158
Total	<u>7</u>		<u>7</u>	

(1) In August 2022, the Board of Directors authorized a program to repurchase up to \$10.0 billion of the Company's common stock. In February 2023, the Board of Directors authorized an additional \$10.0 billion in repurchases under the Share Repurchase Program. In February 2024, the Board of Directors authorized an additional \$10.0 billion in repurchases under the Share Repurchase Program for an aggregate total authorization of \$30.0 billion. The Share Repurchase Program does not have a fixed expiration date and does not obligate the Company to acquire any specific number of shares. Under the Share Repurchase Program, shares of common stock may be repurchased using a variety of methods, including privately negotiated and/or open market transactions, including under plans complying with Rule 10b5-1 under the Exchange Act, as part of accelerated share repurchases and other methods. The timing, manner, price and amount of any repurchases are determined by the Company in its discretion and depend on a variety of factors, including legal requirements, price and economic and market conditions. All repurchases disclosed in the table were made pursuant to the publicly announced Share Repurchase Program.

In connection with the Company's acquisition of Spiff, Inc., on February 1, 2024, the Company issued 45,845 shares of its common stock to certain former stockholders of Spiff, Inc. that will vest over time. These issuances were made in reliance on one or more of the following exemptions or exclusions from the registration requirements of the Securities Act: Section 4(a)(2) of the Securities Act, Regulation D promulgated under the Securities Act and Regulation S promulgated under the Securities Act.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

During the three months ended April 30, 2024, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) informed us of the adoption or termination of a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement" (as defined in Item 408 of Regulation S-K).

ITEM 6. EXHIBITS

The documents listed in the Index to Exhibits of this Quarterly Report on Form 10-Q are incorporated by reference or are filed with this Quarterly Report on Form 10-Q, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

Exhibit No.	Exhibit Description	Index to Exhibits				
		Provided Herewith	Incorporated by Reference			
			Form	SEC File No.	Exhibit	Filing Date
3.1	Restated Certificate of Incorporation of Salesforce, Inc.		8-K	001-32224	3.1	4/4/2022
3.2	Amended and Restated Bylaws of Salesforce, Inc.		8-K	001-32224	3.1	12/16/2022
10.1*	Amended and Restated Annual Performance Bonus Plan	X				
10.2*	Salesforce, Inc. Amended and Restated 2013 Equity Incentive Plan	X				
10.3*	Salesforce, Inc. Amended and Restated 2014 Inducement Equity Incentive Plan	X				
10.4*	Forms of equity award agreements under the Amended and Restated 2013 Equity Incentive Plan	X				
10.5*	Form of Restricted Stock Unit Agreement under the Amended and Restated 2014 Inducement Equity Incentive Plan	X				
10.6*	Offer Letter, dated June 8, 2023, between Salesforce, Inc. and Sebastian Niles	X				
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X				
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X				
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X				
101.INS	Inline XBRL Instance Document					
101.SCH	Inline XBRL Taxonomy Extension Schema Document					
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					
101.DEF	Inline XBRL Extension Definition					
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					
104	The Cover Page Interactive Data File, formatted in Inline XBRL (included in Exhibit 101)					

* Indicates a management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: May 29, 2024

Salesforce, Inc.

By: /s/ AMY WEAVER
Amy Weaver
President and
Chief Financial Officer
(Principal Financial Officer)

Dated: May 29, 2024

Salesforce, Inc.

By: /s/ SUNDEEP REDDY
Sundeep Reddy
Executive Vice President and
Chief Accounting Officer
(Principal Accounting Officer)