

**MOI
GLOBAL**



Legacy Value Partners

Best Ideas 2021, Hosted by MOI Global

Jan. 2021

Salesforce.com inc.

NYSE: CRM

Legacy Value Partners - At a Glance



Legacy Value Partners

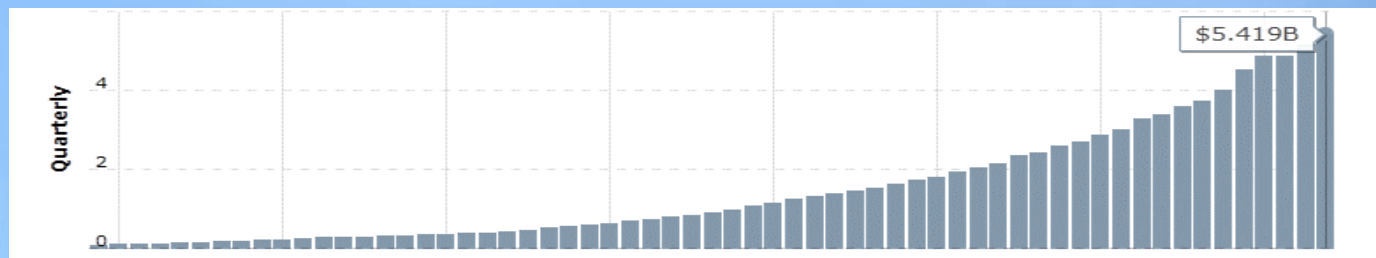
- Limited Investments Partnership, ***Est. 2016***
- Previous session on Best Ideas conference (Jan 2020) has returned ~33% (Nasdaq: FORTY)
- Israeli based. ***Israel, U.S and U.K focused***
- We look for ***Unmatched Business Footprints at reasonable valuations***
 - Looks for Superb Managements, mainly in Entertainment, The Internet Economy & Enterprise Software
- The Fund employs ***a Highly Aligned Compensation Model***
- ***Omri Velvart, Managing Partner***, has a strong and diverse Management Consulting & Research background



Salesforce.com - The Forgotten "Mega Tech"

- A wide moat CRM software provider
- Unmatched growth performance & consistent Market Share grab
- Focus on TAM expansion and accretive M&A masks profitability

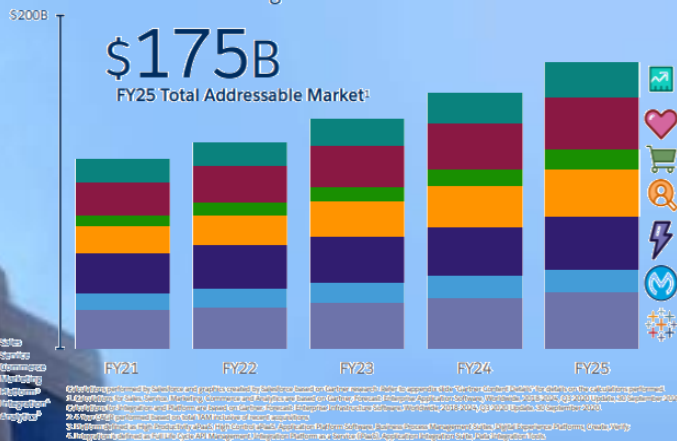
2006-2020 – 15 consecutive fiscal years with sequential Quarterly revenue growth



Unmatched Scale & Expertise in Huge, Growing Markets

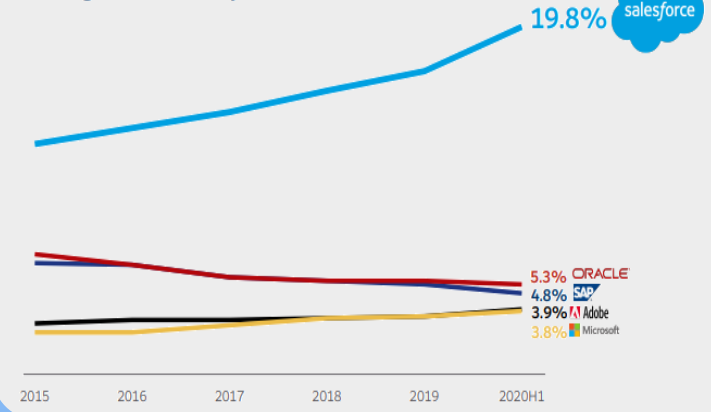
- Salesforce was the first to grasp the opportunity in B2B CRM related software
- It understood how large its end markets can grow while many still looked at them as “Niche”
- In some sense, it’s still the case today

Portfolio of Expanding TAMs
Total Addressable Market growth from FY21-FY25



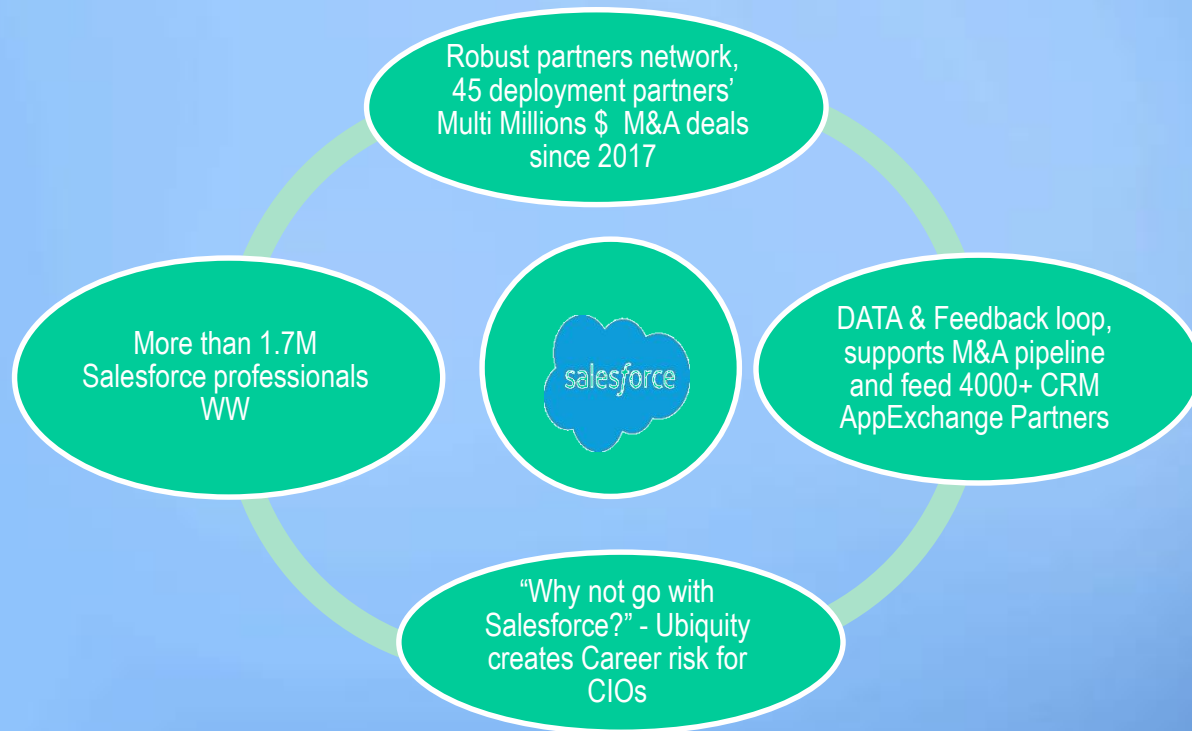
The Global Leader in CRM

Gaining share driven by customer success



A Multilayer Moat

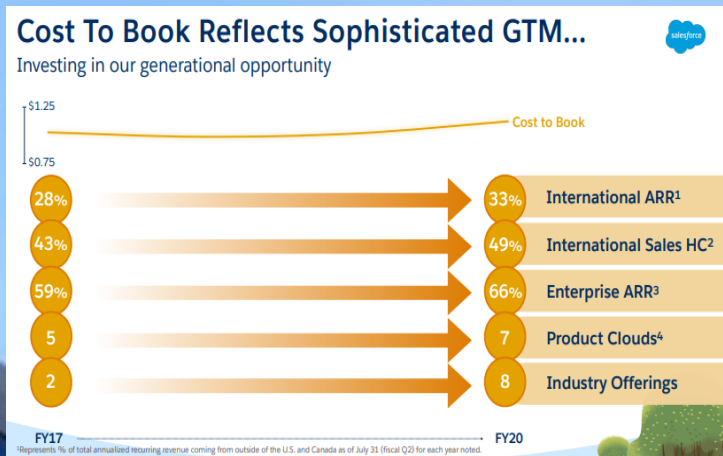
- Enterprise Software moats used to solely be a Switching Costs game – not anymore
- Salesforce nourishes a multi network Moat



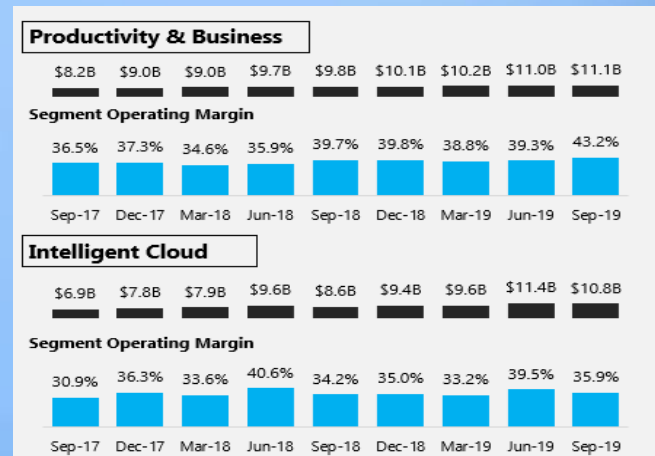
Constant LT Lucrative Investment Mode masks Earnings Power

- Cloud SAAS companies with a wide moat are a proven Cash Machines at scale
- Salesforce under-earning for years has proved to be worthy, but sell-side still emphasizes fat, Short Term Margins
- CY2021 margins are ~60% of Microsoft's

Salesforce Massive Global Footprint expansion since 2017

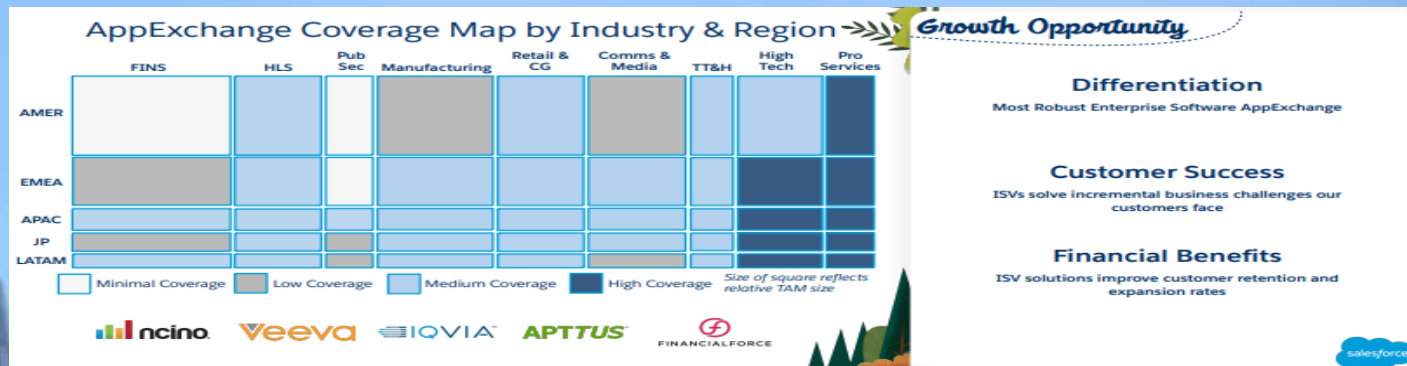


Microsoft's Cloud B2B Segments Margins (Source: Avory & co)



An Infrastructure & Distribution Phenomenon

- Salesforce leveraged unmatched SMB & Enterprise clients Data & Reach to create AppExchange and Salesforce Platform
- Over 4000 SAAS vendors are selling through APPEXchange, Earning Salesforce a distribution Commission
- Dozens of Multi-Millions Vertical Software companies have been built on Salesforce's Platform – Veeva & nCino are now public, with \$42B & \$6.5B market caps respectively



Salesforce's Distribution Moat – Snowflake's case study

- Snowflake was 2020's largest Enterprise Software IPO, attracting IPO money from Berkshire Hathaway
- 5 Months prior to IPO, Salesforce got a stake in the business at a \$12B valuation
- The stock currently trades at a \$86B market cap.

“The only reason that we raised more money is not because we needed the money, **it's because we were pursuing a strategic relationship with Salesforce...** So that fundraise wasn't really a fundraise; it was our strategic relationship, and it was the cost of doing business for us”.



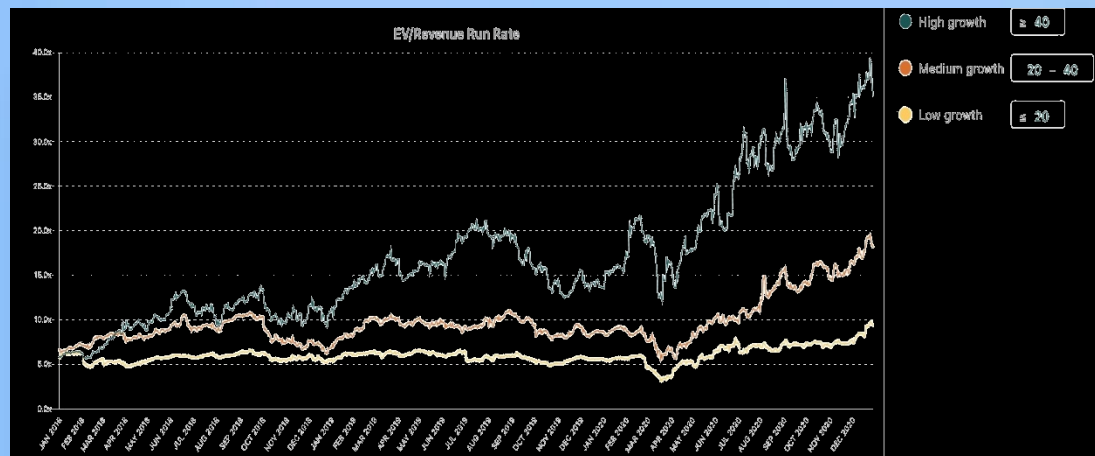
Snowflake CEO Frank Slootman, July 2020



M&A Strategy is Massively Under Appreciated

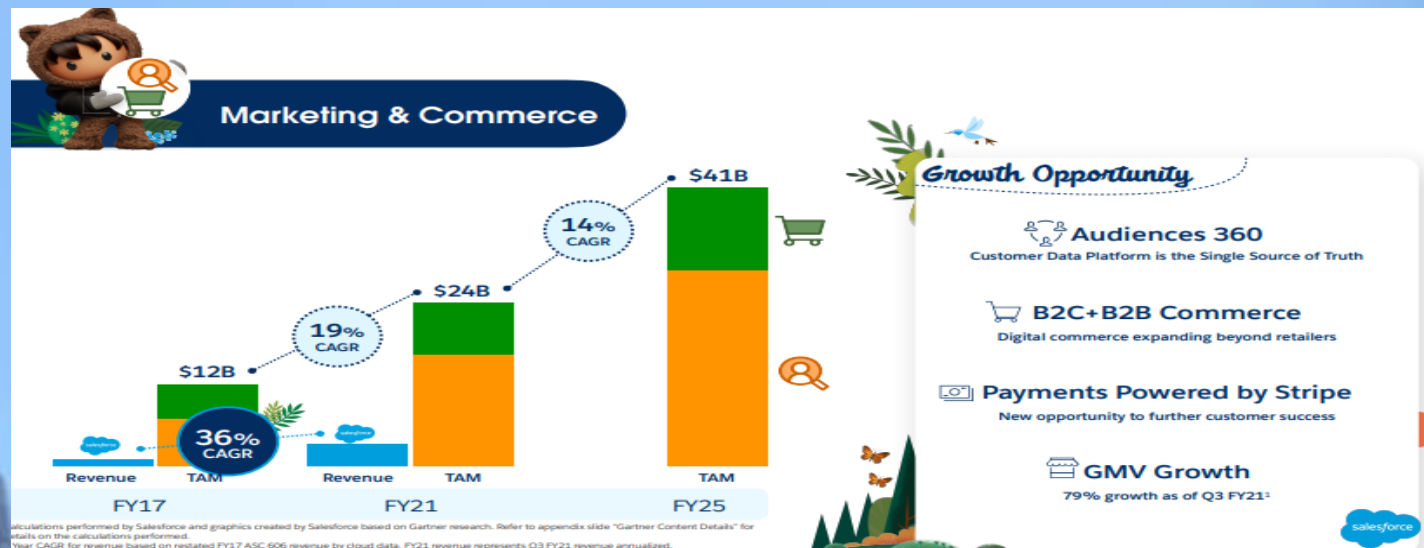
- Salesforce has resources that resemble the FAAMG group – **Cash Flows, Access to Capital and unmatched Industry Proprietary Data**
- All combined with practically **no Anti-Trust scrutiny** whatsoever
- Since 2016, Salesforce has poured over \$35B into 10+ SAAS and Software acquisitions, **creating several growth units in the process**
- SAAS valuations trend alone suggests these were very accretive deals, even before applying for the **Proven Salesforce Plug-In acceleration**

Public SAAS Valuations trend since 2016 (Source: Public Comps)



Salesforce M&A – A Proven Value Creation Strategy

- Salesforce has Created and Reinforced several highly successful business units through M&A
- They bought DemandWare for \$2.8B in 2016, leveraging it to become an Ecommerce SAAS platform
- Salesforce CY2021 (Pandemic Year) Ecommerce related revenues aren't shy from Shopify's - Which is a ~\$120B company by market cap
- 2020 GMV has grown 79%



Salesforce M&A – The Slack Deal

- History has shown prosper Digital Networks like Slack are Scarce assets – e.g. 2012 FB/IG deal, 2014 FB/WhatsApp deal, 2016 MSFT/LNKD deal etc.
- Slack is a prominent Salesforce App dist. Partner so the visibility is very high
- Slack has built a ~\$1B business on a successful Bottom-Up sales approach, through massive adoption by developers – a winning strategy that completes Salesforce

“Atlassian wins because we start with developers first, and build agility into our product experience. Developers' importance is rising as every company becomes a software company to some extent. This shift puts developers at the center of each and every business decision”

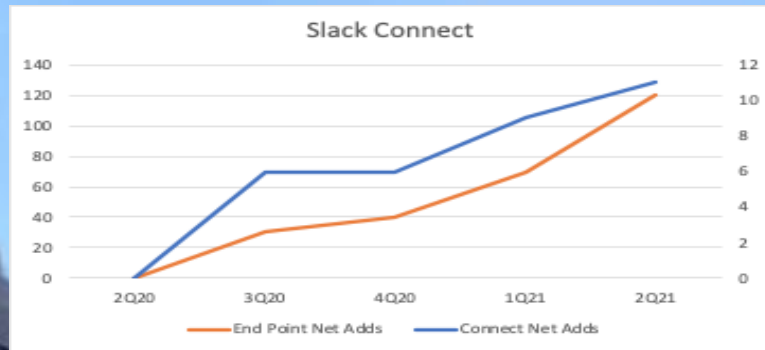
Atlassian 2020 Investors Day

Salesforce.com - Best Ideas 2021 – Legacy Value Partners



Salesforce M&A – The Slack Deal

- Slack Connect is Slack's Cross-Organizations Messaging product
- It allows Sales, Marketing, Service and Development teams to connect with customers and Vendors
- Positioning Slack as the **System of Engagement** for cross organizations multiple operational teams is a lucrative target
- **Salesforce proven distribution and GTM engine** would enhance it materially
- Salesforce expects Slack to make \$4B of Revenues by 2026, making the deal price tag much more reasonable



Salesforce.com – An Opportunity Overview

- A One of a Kind software business with a massively Wide Moat
- Under-earning while management chooses to stay at a proven, attractive Investment mode
- Applying reasonable SAAS margins at scale implies current valuation is attractive
- M&A strategy has a wonderful track record, and the recent Slack deal won't be different



Thank You

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