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Salesforce, Inc. (NYSE: CRM)

Without Informatica, revenue grew 6.4%. Debt is now $39.3 billion. But at $217.57, the price assumes growth of only 2.7% a year from year 2, at the cash margin of fiscal 2026.

RATING	PRICE (11/12/26)	FAIR VALUE	IMPLIED RETURN	GROWTH NEEDED
BUY	$217.57	$275	+26.4%	2.7%

READ THIS FIRST · A BUY MEANS THAT OUR VALUE IS MORE THAN 15% ABOVE THE PRICE. It is not a claim that the stock will go up soon. The market fears that AI agents will take work from Salesforce. The price assumes growth of only 2.7% a year after next year. We think that is too low, but the risk is real.

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The author holds no position in CRM and has no plans to start one. A fair value is an opinion, not a prediction. Equities can lose value, and you can lose all of the money that you invest. The full disclosures are on the final page.

We start coverage of Salesforce with a **BUY** and a fair value of $275. That is 26.4% above the close of $217.57 on Thursday, November 12, 2026. We rate a stock BUY when our fair value is more than 15% above the price.

The stock was $238.84 on October 16. On October 29, ServiceNow fell about 27% after a weaker outlook, and Salesforce fell 4.6% to $230.90. The market fears that AI agents will replace software that companies buy by the seat.

The market value is $179.1 billion. After we add the cash and the investments and deduct the debt, the price puts $196.2 billion on the operating business. That is 18.0 times the cash that the business made in the last twelve months, after stock pay.

For that price, our model needs revenue growth of only 2.7% a year from year 2, or a cash margin of 20.1%. The guide for fiscal 2027 has organic growth of about 7.4%. The cash margin was 24.8% in fiscal 2026.

In our base case, organic growth starts at 7.4% and falls in steps to 4% by year 10. The cash margin stays at 24.8%. That gives $274.09 a share, which we round to $275.

SNAPSHOT	
Market value	$179.1B
Shares out (August 20)	823M
Operating business, at the price	$196.2B
Revenue, last 12 months	$43.9B
Revenue growth, Q2	10.8%
Growth without Informatica, Q2	6.4%
Organic growth, FY27 guide	7.4%
Growth the price needs, years 2 to 10	2.7%
Cash margin, FY26	24.8%
Cash margin the price needs	20.1%
Free cash flow, last 12 months	$15.2B
Stock pay, last 12 months	$3.7B
Debt, July 31	$39.3B
cRPO growth, Q2	14%
Value to cash after stock pay	18.0x
Outside items, per share	-$20.77
Dividend yield	0.81%

SECTION ONE

What the second quarter showed

Salesforce reported on August 26, 2026, for the quarter to July 31. Revenue grew 10.8% to $11.35 billion. Informatica, which Salesforce bought in November 2025, added $456 million. Without it, revenue grew 6.4%.

The second quarter of fiscal 2027 (to July 31, 2026) against a year earlier, in $ millions.

Line	Q2 FY26	Q2 FY27	Change
Revenue	10,236	11,345	+10.8%
Of which Informatica	0	456	
Revenue without Informatica	**10,236**	**10,889**	**+6.4%**
Gross margin	78.1%	76.7%	
Amortization of purchased intangibles	380	522	+37%
Operating income (GAAP)	**2,332**	**2,331**	**Flat**
Operating margin (GAAP)	22.8%	20.5%	
Interest expense	67	473	
Gains on strategic investments	6	2,613	
Net income	1,887	3,526	+87%
Non-GAAP EPS	$2.91	$5.90	+103%
Non-GAAP EPS without investment gains	**$2.91**	**$3.37**	**+16%**
Diluted shares (millions)	962	821	-14.7%

Operating income did not grow. The gross margin fell to 76.7% from 78.1%, and the amortization of purchased intangibles rose 37%. The cost to restructure the business was $94 million.

Net income rose 87%, but most of the increase came from a gain of $2.61 billion on strategic investments. That gain added $2.53 to non-GAAP EPS of $5.90. Without it, non-GAAP EPS rose 16%, and most of that came from 15% fewer shares.

Some measures are stronger. cRPO, the contracted revenue that Salesforce expects in the next 12 months, grew 14% to $33.5 billion. The yearly revenue rate of Agentforce contracts (ARR) was more than $1.5 billion, up more than 240%.

SECTION TWO

Growth that Salesforce bought

Revenue by quarter, in $ millions. Q3 is the midpoint of the guide. Q4 is what the full-year guide leaves for it.

Quarter	Revenue	A year earlier	Growth	Informatica
Q1 FY27 (to April 30, 2026)	11,133	9,829	13.3%	n/a
Q2 FY27 (to July 31, 2026)	11,345	10,236	10.8%	456
Q3 FY27, guide	11,460	10,259	11.7%	4 points or more
Q4 FY27, implied	**12,312**	**11,201**	**9.9%**	**In both years**

Reported growth is near 11%, but Informatica adds about 4 points until the fourth quarter. Salesforce also closed Fin, for $3.6 billion, on September 10, 2026. It expected Contentful, for $1.5 billion, to close in the same quarter.

The fiscal 2027 revenue guide, taken apart, in $ millions.

Item	$ millions	Growth on FY26
Fiscal 2026 revenue	41,525	
Fiscal 2027 guide, midpoint	46,250	11.4%
Less Informatica, 3 points of FY26	(1,246)	
Less Contentful and Fin	(200)	
Less the help from currency	(200)	
Organic, in constant currency	**44,604**	**7.4%**

Salesforce guides to $46.1 billion to $46.4 billion of revenue for fiscal 2027, which ends January 31, 2027. When we take out the bought revenue and the currency help, organic growth is about 7.4%. Informatica adds "slightly above" 3 points, so the true organic figure is a little lower.

Salesforce continues to buy. On October 20, it agreed to buy Braze for about $5.66 billion, or $47.50 a share in cash. 24/7 Wall St. reports that Salesforce also agreed to buy Cresta for about $2.7 billion. Salesforce did not give that price.

At its Investor Day in September, Salesforce showed a target of $63 billion or more of revenue for fiscal 2030. That is 10.9% a year from the fiscal 2027 guide. The target includes Informatica and the deals that Salesforce announced up to that date.

SECTION THREE

Debt and the buyback

In March 2026, Salesforce borrowed about $25 billion and paid $25 billion for an accelerated share repurchase (ASR). It got 103 million shares at the start, at $198.34 each. Salesforce expects the rest of the shares at the final settlement.

Debt rose to $39.3 billion from $14.4 billion on January 31, 2026. Interest expense was $473 million in the second quarter, against $67 million a year earlier. Non-GAAP operating income was 8.2 times the interest.

The free cash flow guide for fiscal 2027 is now growth of about 4% to 5%. In February, it was 9% to 10%. Salesforce says that it will return 190% of its fiscal 2027 free cash flow to holders.

The dividend is $0.44 a quarter, a yield of 0.81%. Salesforce can buy back $22.9 billion more of its stock under its current program.

SECTION FOUR

What the price assumes

We value the operating business with a ten-year cash flow model and a 9% hurdle. The cash margin is free cash flow, less principal payments on financing obligations, less stock pay, as a share of revenue.

Then we ask what one input must be for the model to give $217.57. We change one input at a time and keep the rest of the base case.

What the price needs, against the record. Each line changes one input in our base case.

Input	The price needs	For comparison
Revenue growth, years 2 to 10, each year	2.7%	7.4% organic in the FY27 guide
Cash margin, every year	20.1%	24.8% in FY26; 22.8% in FY25
Hurdle rate	10.4%	9%, our choice

Growth of 2.7% a year is less than half of the organic rate in the current guide. Total cRPO grew 14%. For the price to be right, growth must fall fast and stay low.

A cash margin of 20.1% is below the 22.8% of fiscal 2025. That can occur if AI agents force Salesforce to cut its prices, or to spend much more on computers and research.

A hurdle of 10.4% is possible for a company with more debt and more risk. But our grid shows a value above the price even at a 10% hurdle.

SECTION FIVE

Our base case

The cash margin: operating cash flow, less capex, less principal payments on financing obligations, less stock pay. In $ millions.

Period	Revenue	Free cash flow	Stock pay	Cash margin
Fiscal 2025	37,895	12,434	3,183	22.8%
Fiscal 2026	**41,525**	**14,402**	**3,509**	**24.8%**
Twelve months to July 31, 2026	43,938	15,154	3,665	24.8%

Fiscal 2026 is our base year for the margin. It had little net interest: other income and expense, which included interest, was $172 million. The twelve months to July 31 had a similar margin, after much more interest.

Year 1 uses the guide. The third quarter is at the midpoint, and the fourth quarter is what the full-year guide leaves. Two more quarters grow at the fourth-quarter rate of 9.9%. That gives growth of 10.3% in year 1.

From year 2, we use organic growth only, because we do not add the cost of future deals. Growth starts at 7.4% and falls in steps to 4% in year 10.

Our base case, in $ millions. Year 1 is the twelve months to July 31, 2027.

Year	Growth	Revenue	Cash after stock pay
Year 1	10.3%	48,480	12,036
Year 2	7.4%	52,074	12,928
Year 3	7.0%	55,714	13,831
Year 4	6.6%	59,369	14,739
Year 5	6.1%	63,011	15,643
Year 10	4.0%	79,856	19,825

In our base case, revenue is $59.4 billion in the twelve months to July 31, 2030. The Salesforce target is $63 billion or more for fiscal 2030, which ends six months earlier. Our base case is below the target of Salesforce. The value after year 10 is 59% of the total.

SECTION SIX

The balance sheet outside the business

The balance sheet outside the operating business, July 31, 2026, in $ millions.

Item	$ millions
Cash, cash equivalents and marketable securities	11,403
Strategic investments, at their book value	11,324
The part of the ASR that Salesforce paid for but did not yet get	4,571
Less debt	(39,288)
Less the cash for Contentful and Fin	(5,100)
Total	**(17,090)**
Per share	**-$20.77**

We add the part of the ASR that is not yet in shares, at its cost of $4.6 billion. At the $182 average price that Salesforce expected on August 31, the final settlement is about 34 million more shares. With that count in place of the cash, our value is $280.24 a share.

We deduct the cash for Contentful and Fin, because their revenue is in the guide. We do not add Braze or Cresta. If they close, we assume that their value equals their price.

Strategic investments rose to $11.3 billion from $7.6 billion on January 31. We count them at their book value. Their value can change fast, as the second-quarter gain shows.

SECTION SEVEN

Valuation

Three cases at a 9% hurdle and 3% growth after year 10.

Case	Inputs	Revenue, year 10	Cash, year 10	Value	Return
Bull	Organic growth 9.4% to 5%; cash margin 27.8%	$91 billion	$25.2 billion	$345	+58.8%
Base	**Organic growth 7.4% to 4%; cash margin 24.8%**	**$80 billion**	**$19.8 billion**	**$274**	**+26.0%**
Bear	Organic growth 3.4% to 3%; cash margin 20.8%	$64 billion	$13.4 billion	$187	-14.1%

The bull case starts organic growth at 9.4%, with a cash margin three points higher. It gives $345, which is +58.8%. The bear case starts at 3.4%, with a margin four points lower. It gives $187, which is -14.1%.

Value per share in our base case, by hurdle and growth after year 10.

Hurdle	2.5% growth	3.0%	3.5%
8.0%	$313	$335	$362
8.5%	$284	$302	$323
9.0%	**$260**	**$274**	**$291**
9.5%	$239	$251	$264
10.0%	$221	$230	$242

From an 8% to a 10% hurdle, the grid goes from $221 to $362. Each value in the grid is above the price.

Value per share by cash margin and by organic growth in year 2. Growth falls in steps to 4% by year 10.

Cash margin	3.4% growth	5.4%	7.4%	9.4%
20.8%	$193	$209	$227	$245
22.8% (FY25)	$214	$231	$250	$270
24.8% (FY26)	**$234**	**$254**	**$274**	**$296**
27.8%	$265	$287	$310	$334

The value goes below the price only in three cells. Two have a cash margin of 20.8% with growth that starts at 5.4% or less. The third has the fiscal 2025 margin with growth that starts at 3.4%.

SECTION EIGHT

Why this is a BUY

Our central value is 26.4% above the price. The bear case is 14% below, and the bull case is 59% above. To lose money on our numbers, growth or the margin must fall far below the record.

We do not say that the AI risk is small. Salesforce sells software by the seat, and AI agents can do some work that people with seats do now. We say that the price already assumes a large part of that damage.

The quality of reported growth is lower than it looks, and debt is much higher. We put both in the model. We use organic growth only, and we deduct all of the debt.

SECTION NINE

Risks, and what would change our mind

AI agents. If customers need fewer seats, revenue can fall even when usage grows. Agentforce must replace that revenue with prices that are not based on seats.

More deals. Braze and Cresta add about $8.4 billion. If Salesforce pays more for deals than they return, our value is too high.

Debt. Debt is $39.3 billion. Interest at the second-quarter rate is about $1.9 billion a year, so less cash is left for holders.

The third quarter. Salesforce reports in December 2026. Organic growth below the guide, or a weak cRPO figure, would lower our base case.

Downgrade to HOLD if the price goes above about $239. At that price, our fair value is 15% above the price. **Downgrade to SELL** only if organic growth falls toward 3% or the cash margin falls toward 20%.

SECTION TEN

Related research

Reports that bear on this one. Every call on this site is dated, public and scored the same way.

Adobe, another software company that sells by the seat and faces the same AI question. We rated it HOLD.

Meta Platforms, where we asked what the price assumes about a capital program. We rated it HOLD.

Palantir, a software company that the market prices for very fast growth. We rated it HOLD.

The field guide defines reverse DCF and free cash flow. The full list of calls is on the scoreboard.

APPENDIX

Methodology, sources and disclosures

Methodology

A model script computes every figure in this report. It checks that the second-quarter lines add to operating income, net income and non-GAAP operating income. It checks that the quarters add to the year.

It checks that free cash flow matches the figures that Salesforce reports. It also checks that the debt adds to $39.5 billion of principal, and that the market value agrees with public figures.

The model uses a 9% hurdle and 3% growth after year 10. Cash flows are before interest, because we deduct the debt. We do not add a value for the lower tax that interest gives.

The share count is 823 million, from the cover of the Form 10-Q. We ignore future share issues, because stock pay is already a cost in the cash margin. We ignore Braze and Cresta.

The rating is the same at the close of November 6, $213.65, and at each November 13 figure that we found, from $217.00 to $218.48.

The reference price

The $217.57 reference price is the close of CRM on Thursday, November 12, 2026. Five sources state $217.57: fool.com, indmoney.com, tradingeconomics.com, moneylion.com and companiesmarketcap.com.

Our rule is the close of the last market day before publication, which is Friday, November 13. We did not use that close, because five sources did not yet agree on it. They showed figures from $217.00 to $218.48.

We also rejected pages that were not current. If five sources agree on the November 13 close later, we will not change the reference price. The rating is the same at each figure.

Sources

Second quarter fiscal 2027 earnings release, August 26, 2026. Source for revenue, Informatica, costs, the gains, cash flow, the balance sheet, cRPO and the guide.

Form 10-Q for the quarter ended July 31, 2026, for the share count, the debt, the ASR, the buyback program, Contentful and Fin.

Fourth quarter fiscal 2026 earnings release, February 25, 2026, for fiscal 2025 and 2026 and the first fiscal 2027 guide.

Investor Day presentation, September 16, 2026, for the fiscal 2030 target, the expected ASR price and the share of free cash flow returned.

Braze agreement, October 20, 2026, for the price and the expected close.

Dividend release of May 28, 2026, for the dividend of $0.44 a share.

24/7 Wall St., November 3, 2026, for Cresta, the ServiceNow fall and the close of October 29.

The Next Web, September 10, 2026, for the close of the Fin purchase.

Investing.com, price history, for the close of October 16.

Trefis, November 13, 2026, for the date of the next report, which it expects in December 2026.

Stockanalysis, price history, for the close of November 6.

Motley Fool, CRM quote, for the close of November 12.

How we score this call

This call is dated and public. It joins the scoreboard as an open position at $217.57. We will score it against the S&P 500 on November 14, 2027, under the same rules as every other call.

Nature of this publication

The author holds no position in CRM and has no plans to start one within 72 hours of publication. This report is opinion for education. It is not investment advice.

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