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Mark L. Moerdler, Ph.D.
+1 917 344 8506
mark.moerdler@bernsteinsg.com


Firoz Valliji, CFA
+1 917 344 8316
firoz.valliji@bernsteinsg.com


Shelly Tang, CFA
+1 917 344 8342
shelly.tang@bernsteinsg.com

Global Software

Salesforce.com Inc

Rating

Underperform

Price Target

CRM **195.00 USD** (173.00 *OLD*)

Salesforce 2Q27: Small beat excluding M&A, but still good enough to drive a stock bounce.

Salesforce delivered a decent 2Q27 and guided up. But excluding the tailwinds from M&A to revenue and strategic investments to EPS, the results were basically in-line. Nonetheless, the stock bounced up 13%. The stock has been punished by the AI apocalypse but as investors come back to software as they realize the headwind is not that big the stock reacted positively to the good results.

In summary, CRM delivered a small beat and organic raise (~40bps) and if you listen to the call the company was focused on the future, driving consumption, and AI adoption and not the numbers. They talked about H2 acceleration but guided to no organic acceleration for Q3. The question is can CRM accelerate organically, or must they acquire to drive better than 6-8% growth? We continue to be concerned that their AI enthusiasm could lead to excessive expectations but watch to see if the core can accelerate organically.

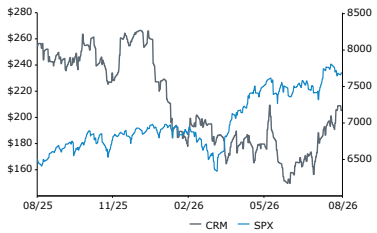
While it is good to see Agentforce ARR ramping to $1.5B ARR this quarter (up 240% Y/Y including new AI products), the non-AI part of the core business is slowing with some drag from Marketing / Commerce and Tableau, and the AI revenues are either too small to fully offset the slow-down, While management expressed increasing confidence around 2H acceleration it is not in the organic numbers.

Close Date	26 Aug 2026
CRM Close Price (USD)	205.62
Price Target (USD)	195.00
Upside/(Downside)	(5)%
52-Week Range	269.11/146.32
SPX	7,675.70
FYE	Jan
Div Yield	0.9%
Market Cap (USD) (M)	168,403
EV (USD) (M)	198,743

Performance	YTD	1M	6M	12M
Absolute (%)	(22.4)	25.6	3.1	(15.6)
SPX (%)	12.1	3.6	11.1	18.7
Relative (%)	(34.5)	22.1	(8.0)	(34.4)

Source: Bloomberg, Bernstein estimates and analysis.

Price Performance, 1YR



Investment Implications

Salesforce (CRM, PT $195, Underperform): CRM is a mature business in a mature and competitive market. We think Agentforce is still in early stage of adoption, and therefore not a near-term driver of re-acceleration, especially as weakness continues in the core. Large M&A remains a concern. The result is limited upside and meaningful downside risk. We raise our price target from $173 to $195 as we roll forward our model and raise our valuation multiple (P/FE) from 11.5x to 12x reflecting pick-up in peer group valuation.

Adjusted EPS	F26A	F27E	F28E
CRM (USD)	12.52	**17.13**	**15.49**
OLD	--	14.53	15.60

Financials	F26A	F27E	F28E	CAGR
Revenues (M)	41,525	46,297	49,961	9.7%
Operating Earnings (M)	14,156	16,225	17,648	11.7%
Net Earnings (M)	11,969	14,209	12,290	1.3%
Revenue/Share	43.44	55.82	62.99	20.4%
Operating Margin (%)	34.1	35.0	35.3	--
Net Income Margin (%)	28.8	30.7	24.6	--
EPS Growth (%)	22.8	36.8	(9.6)	--

Valuation Metrics	F26A	F27E	F28E
Adjusted P/E (x)	16.4	12.0	13.3
PEG Adjusted (x)	0.7	0.3	(1.4)
EV/Sales (x)	4.8	4.3	4.0
P/Sales (x)	4.7	3.7	3.3
PEG Reported (x)	0.7	0.3	(1.4)
EV/EBIT (x)	14.0	12.2	11.3
EV/FCF (x)	13.8	13.3	12.4

Source: Bloomberg, Bernstein estimates and analysis.

See the Disclosure Appendix of this report for required disclosures, analyst certifications and other important information. Alternatively, visit our Global Research Disclosure Website.

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VALUATION COMPS TABLE

	8/26/2026		Net Cash Per Share		Free Cash Flow (LTM)		Revenue Growth	Valuation Multiples			
	Company	Share Price	$	% of Share Price	Per Share ($)	% Yield	NTM (%)	EV / NTM Revenue	P / FE	Price / FCF (LTM)	PEG Ratio
Bernstein Coverage	Adobe	$273.47	(3.48)	(1.3%)	24.86	9.1%	10.1%	4.0x	10.6x	10.6x	0.8x
	Microsoft	$496.37	(6.97)	(1.4%)	8.99	1.8%	18.1%	9.5x	25.1x	55.0x	1.7x
	Oracle	$148.87	(46.51)	(31.2%)	(8.13)	N/A	32.3%	6.3x	18.5x	N/A	3.3x
	MongoDB	$406.11	28.66	7.1%	7.15	1.8%	18.6%	9.8x	63.5x	55.3x	3.0x
	Salesforce.com	$205.62	(33.86)	(16.5%)	16.84	8.2%	9.7%	4.1x	14.2x	11.2x	-1.0x
	HubSpot	$237.08	21.13	8.9%	12.64	5.3%	14.0%	2.7x	15.7x	18.0x	0.6x
	SAP	$210.40	1.09	0.5%	7.39	3.5%	11.5%	6.0x	23.2x	30.0x	1.2x
	Snowflake	$315.37	0.54	0.2%	3.43	1.1%	28.8%	16.8x	146.3x	93.4x	2.8x
	Quantinuum	$53.29	8.91	16.7%	(1.20)	N/A	50.3%	314.9x	N/A	N/A	N/A
	Workday	$190.75	2.13	1.1%	11.25	5.9%	11.0%	4.3x	17.1x	15.9x	1.1x
Other Comps	Autodesk	$254.77	0.93	0.4%	12.75	5.0%	11.9%	6.4x	19.8x	19.7x	1.3x
	ServiceNow	$125.80	(3.64)	(2.9%)	4.39	3.5%	20.0%	7.6x	27.6x	28.4x	1.3x
	Amadeus	$66.85	(7.15)	(10.7%)	4.77	7.1%	8.4%	4.5x	15.4x	13.9x	1.3x
	Datadog	$227.67	10.14	4.5%	2.93	1.3%	24.5%	15.8x	82.5x	76.4x	5.3x

Source: Bloomberg, Bernstein analysis

DETAILS

Salesforce delivered a decent quarter beating on most metrics (Exhibit 2) and raised their FY guidance which investors reacted to quite positively. But once you clean out the effects of inorganic, acquisitions driven growth and one-time items the incremental raise in revenue on the core business was minimum (~100M or less) and the EPS beat disappears. But the stock jumped 13% in the aftermarket as investors are starting to look again at software with clean quarters and signs that AI is not a massive headwind are being positively received.

We believe that investors were pleased with the results, the increase in guidance and likely the Q3 CRPO guidance of 14% YoY growth (which excludes the 2 recent acquisitions but does including 4%+ from Informatica). Nonetheless, the results were good and even taking out the one-time items and M&A effects this was a clean quarter and with the valuation of Salesforce and so much of software beaten down due to the SaaS Apocalypse bear case overhang (Global Software: Putting the SaaS Apocalypse in Context) steady quarters will eventually drive re-ratings as we have seen for other software companies and now for Salesforce.

That said, the fundamentals have not meaningfully changed in the core business and the company is increasing their cadence and size of acquisitions. With organic growth not accelerating (even though CRPO has improved which can be a good leading indicator) we continue to be concerned about increasing M&A and the possibility that the core, excluding the effect of AI, could be decelerating further.

In summary, the company delivered a small beat and organic raise (~40bps) and if you listen to the call the company was focused on the future, driving consumption, and AI adoption. Management is talking about H2 acceleration but as of now the company is guiding to flattish organic growth for Q3. The question we would argue is can the company sustain what is current in-organic growth driven double-digit growth once they lap Informatica? Does the company have to make more and larger acquisitions to continue the double-digit growth? We continue to be concerned and worry that the strong statements on AI strength and the ability for customers to implement agentic AI without consultants or FDE lead to over enthusiasm by investors. We watch and see.

EXHIBIT 2: **Salesforce results vs. consensus**

FQ2 2027			Actual vs. Estimates
Total Revenue ($B)	Consensus **Actual**	11.33 **11.35**	*0.1%*
Subscription Revenue ($B)	Consensus **Actual**	10.79 **10.82**	*0.3%*
Prof. Services Revenue ($M)	Consensus **Actual**	532 **525**	*(1.3%)*
Operating Margin (PF)	Consensus **Actual**	33.6% **34.1%**	*0.5%*
EPS (Diluted, PF)	Consensus **Actual**	3.27 **5.90**	*80.4%*
Cash from Operations ($B)	Consensus **Actual**	0.58 **1.27**	*117.4%*
Billings ($B)	Consensus **Actual**	9.78 **9.77**	*(0.1%)*
Current RPO ($B)	Consensus **Actual**	33.41 **33.50**	*0.3%*

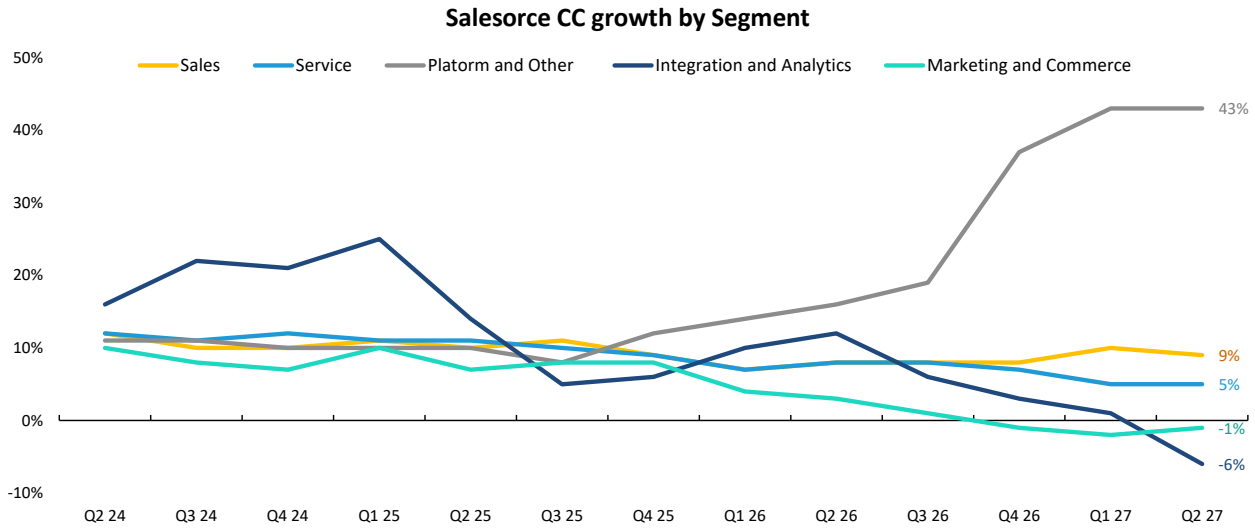
Source: StreetAccount, Company disclosures, Bernstein analysis

UNPACKING THE QUARTER

Our key thoughts on the quarter:

- **Revenue growth**: To understand the business we believe it is very important to separate organic growth from inorganic growth and also to consider core growth ex AI.
  - **Subscription and support revenue** grew 12% and 11% in CC with Informatica supplying 4.5% of the growth ($440M) and the other recent acquisitions likely a small but not meaningful tailwind to growth. Excluding Informatica subscription and support revenue grew around 7% which is similar to last quarter.
  - **Impact of AI growth** on subscription revenue: AI ARR was $1.5B adding 240% growth or ~$1B in AI revenue. That is strong growth of AI, but that would equate on a quarterly revenue rate to~250M or 2.4%, which means that organic non-AI revenue growth could be ~5% and decelerating.
    - Note that Agentforce ARR now includes our AI offerings, Slackbot and Headless 360 which while small likely helped ARR growth.
  - **Q3 growth** is guided to grow 11% to 12% or slightly less than 7 - 8% in CC (excluding 4%+ effect of Informatica).It also includes Contentful and Fin revenue of what could be as large as 100M or a bit less than 1%. Thus, organic growth guidance is likely 6-7% which implies no meaningful organic acceleration in Q3.
- **Where is the growth**? If we look at the company's disclosures on growth within the businesses (Exhibit 4) and chart them over time (Exhibit 3) we find that most of the core business is weak:
  - Sales continues to be strong, growing 9% which should counter some of the bear cases on AI impact. Frankly this strong growth rate at this size is impressive.
  - Services is growing 5% (7% if you add the Agentforce services revenue), having decelerated over time.
  - Platform and Other, substantially helped by the Informatica acquisitions but also the strong growth of AI (including Agentforce, Data Cloud and the other AI offerings) grew 43% YoY.
  - Marketing is shrinking slightly (but could be helped by the recently announced acquisitions)
  - Analytics and Integration (Tableau and MuleSoft) continue to shrink
- **Revenue guidance:** Management raised the FY27 $200M and $300M in CC or 12% in YoY revenue growth (slightly less than 12% in CC). The increase in CC guidance was comprised of $200B from the pending Contentful and Fin pending acquisitions. $100M of the raise was defined as core (~0.2%) but that includes likely a revenue beat from Informatica therefore the core growth increase was likely minimal. As reported revenue guidance for FY27 now includes 100M more in FX headwinds.
- **cRPO strength** : In Q2 cRPO grew 14% (likely ~10% excluding Informatica) and is expected to grow 14% (likely 10% excluding Informatica) again in Q3. Note that while the company is including Contentful and Fin revenue in Q3 they are excluding the effect on cRPO which sets the company up to beat on cRPO next quarter. In addition, Q4 could have a much more difficult compare as the company laps the Informatica acquistion.
- **EPS beat massively** due to an increase in the valuation of strategic investments: Income before provision for taxes was $4.55B leading to $5.9 Non-GAAP EPS. But $2.6B (around 60%) of the Income before provision for taxes was from gains from investment which would imply that like for like EPS was ~$2.5, in-line with prior EPS trends.

EXHIBIT 3: **While Platform and Other accelerated (which includes Informatica), some of the core CRM segments are slowing and Marketing and Integration and Analytics (Mulesoft, Tableau) are declining**



Note Service with Agentforce grew 7% this quarter (2% came from Agentforce, which was accounted for in Platform and Other)
Source: Company disclosures, Bernstein analysis

EXHIBIT 4: **Core segments have not accelerated, while Platform, Slack and Other include the impact from Informatica acquisition**

Revenue Growth Trends in Constant Currency
Prior Disaggregated Revenue Structure

		FY26					FY27	
	Subscription & Support Revenue	Q1' 26	Q2' 26	Q3' 26	Q4' 26	FY' 26	Q1' 27	Q2' 27
	Agentforce Sales	7%	8%	8%	8%	**8%**	10%	9%
	Agentforce Service	7%	8%	8%	7%	**8%**	5%	5%
	Agentforce 360 Platform, Slack and Other	14%	16%	19%	37%	**22%**	43%	43%
	Agentforce Marketing and Agentforce Commerce	4%	3%	1%	(1)%	**2%**	(2)%	(1)%
	Agentforce Integration and Agentforce Analytics	10%	12%	6%	3%	**7%**	1%	(6)%
	Total Subscription & Support Revenue	**9%**	**9%**	**9%**	**11%**	**10%**	**12%**	**11%**

Including Agentforce (reported in Agentforce 360 Platform, Slack and Other for the periods presented) would have added 2pts to Service Q2'27 revenue growth, offset by a reduction to Agentforce 360, Platform, Slack and Other.

Source: Company reports

- **Acquisitions:** Salesforce announced two additional acquisitions: Contentful and FIN which are both expected to close in the next few weeks and are already included in revenue guidance. While the company did not disclose the cost of these acquisitions, Contentful achieved a $3 billion valuation, most recently confirmed during its Series G funding round of $175 million in 2025 led by Tiger Global, Sapphire Ventures, and General Atlantic. We would expect additional acquisitions which if the trend continues, could increase in number and size. We continue to be concerned that the company is pivoting to driving growth via acquistion (note that current YoY growth is driven 4% by M&A and more next quarter) and how this will impact the company's return of cash and margins. Integrating lots of acquisitions is difficult and expensive and as the company strives to compete in the AI platform space against the hyperscalers, AI labs and numerous other app vendors investment in Agentforce and the other AI solutions will be difficult and expensive.

- Since May of last year, when M&A substantially increased in cadence, the company acquired 11 companies and is closing 3 additional acquisitions: Informatica, Doti, Momentum, Cimulate, Qualified, Spindle AI, Apromore, Regrello, Waii, Bluebird, Convergent AI. Adding the 3 recent acquisitions (Contentful, Fin, M3ter). While many of these are small acquiring and integrating is complex, distracting, and an expensive process if done correctly.

- We hope that the company continues to give details on the impact of acquisitions on the results. This level of disclosure is helpful and shows the willingness of the company to be open with investors.

- **Partner and acquiring to drive AI:** The company announced a deeper integration with Anthropic and the launch of Claudeforce. Claudeforce is launching as a plugin with 37 pre-built sales skills that will allow Claude users to compose emails, update records and take other relevant actions, according to the company's press release with more integrations expected in the future.

  - Salesforce is using the Claudeforce and likely other AI Labs integration to drive 1) customers to have to own seats to use Salesforce data and functionality within products such as Claudeforce; and 2) drive customers to premium SKUs. We will be watching as to success but this could be a good way of protecting seats and driving increased monetization from existing users.

  - We find it interesting that to be able to use Claudeforce the customer will need to be on a premium edition of the Salesforce offerings which could help drive revenue per seat plus usage of Claudeforce. Note this is the 1st time that Salesforce is adding "force" to end of a 3rd party solution which shows the importance of leveraging Anthropic and its innovation.

  - The Claudeforce partnership reminds us of what Microsoft did - integrating Anthropic Coworks into Microsoft Office E7 / Copilot. This both increases the reach of the products but also could decrease the potential that Anthropic will compete directly in the CRM space (and Office plug-in space).

- **Share repurchases**: The repurchase, which is expected to finish in October 2026, is expected to reduce share count by ~14%. We see this focus on returning as positive. We hope that this focus on return of cash as well as margins continues even as the company increases their rate of M&A.

- **Threat of SaaS Apocalypse:** Management spent a lot of time again this quarter to counter the SaaS Apocalypse thesis. We agree with management that the SaaS Apocalypse is over blown for many parts of software. While ERP is the most protected from the AI threat, Salesforce's end-to-end enterprise implementations are overall protected, even though Salesforce's seat sales growth could be incrementally negatively impacted by AI, but also the company should be able to sell Agentforce and related AI to their customer base to extend their core CRM capabilities.

OUR THOUGHTS ON AI AND SALESFORCE

Salesforce had ridden the AI wave with enthusiasm over how big Gen AI could be for Salesforce, initially driving up the stock. But sentiment changed as investors become concerned that the company could be an AI loser. In part this is because the company and some on the sell-side set expectations too high for Agentforce which then did not materialize in the expected time horizon and in part because the news flow / noise has created concerns that Salesforce's business (initially service desk and sales and now increasingly analytics tools and marketing) may be disintermediated.

If we take out the tailwind from M&A on revenue growth and increased valuation of investments on EPS subscription revenue is growing in 6-8% range. But if AI is not the main cause of the slow-down then what is? We believe the organic growth deceleration is driven by a number of factors:

- The CRM market is Cloud saturating and returning to the natural growth rate of mid to high single digits.

- Competition is increasing and AI is having an impact on new seat growth and the ability of the company to increase pricing which has driven management to 1) focus on AI and not just CRM centric AI and 2) driving customers to more expensive bundling;

Concerns about the negative impact of Gen AI has grown throughout the year for software in general and especially seat based solutions in areas such as service desk and sales. But, as with many enterprise applications, with a lack of material revenue from

AI offsetting concerns over the potential disruption of AI, valuations have been hit. In the case of Salesforce the company is myopically focused on AI and is, we are concerned, talking up the upside of AI and the ease of leveraging their AI solutions. We worry this sets the company up for more difficulty both in Q4, when they lap the Informatica acquistion and as they guide to next year revenue growth. Historically Q4 was helped by term license sales (Tableau and Mulesoft) but both of these, we understand from our discussion with CIOs, are feeling competitive and AI pressure.

What about the upside from Agentforce and the rest of the AI offerings: We believe that most organizations are going to use Agents and Agentic AI platforms where the data resides. In other words ERP agents will be run in ERP solutions (unless they lack the functionality and then the hyperscalers have the lead position). Sales agents that analyze customer data are most likely going to be run within the CRM solution while content automation (email responses and creating proposals in Word and PowerPoint) would run more in Microsoft Office Copilot. While this limits the upside from Agentforce it does lay out an incremental opportunity over time to drive revenue from pre-built agents (where the ROI is visible to the customer) and from Agentforce.

Salesforce has called out a substantial acceleration in Agentforce ARR, but that number has yet to drive acceleration in total revenue. It is also possible while ARR is strong the direct revenue impact is delayed till later in the year and thus driving the acceleration in H2 management has discussed. We will have to wait and see.

In summary, we believe that the near term risk from Gen AI to Salesforce is limited, and the company has the opportunity to offset potentially all the loss via Agentic AI. But the enthusiasm and focus only on AI could set up investor over enthusiasm as we saw earlier in the AI story. We would like to see the company focus on 1) driving AI focus within their core offerings (which we are seeing with Agentforce adding 2% growth to Service); 2) delivering margin improvement and return of cash; and 3) not trying to buy themselves into becoming the agentic platform of choice across software because that is going to be very competitive market (all the hyperscalers, the AI labs, ServiceNow, the other SaaS vendors such as SAP and Workday) and an expensive endeavor. Instead, focus on driving significant AI attach to the core Salesforce offerings.

Again, we agree with Marc Benioff that the AGI and AI eats software theory impacting the enterprise software industry is incorrect.

CHANGE IN REPORTING

Note that starting in Q1 , management has re-segmented its revenue reporting (Exhibit 9), removing the individual Cloud segments and introducing two new segments: more application focused Agentforce Apps and the more infrastructure focused Data 360, Platform & Other. The reason, we believe, is that with the new revenues from Agentforce and Data Cloud, are becoming increasingly messy to segregate out and determine what to classify as AI as compared to Data Cloud revenues. However, it is sad to lose the information on individual clouds starting in FY28 (management will still provide old disclosures throughout FY27) and given the reshuffling it would be hard to map the historical to new reporting structure. We believe that this may be more in-line with changing go-to-market the decrease in disclosures and the loss of the historical trend lines will make it more difficult for the street to recognize the underlying growth rates in the business. For some it could lead to questions of whether this is continuing deceleration in historical Clouds may be continuing or even getting worse. We have found that when investors have questions about the growth of parts of a company desegmentation only leads to increased concerns.

READ THROUGH TO THE REST OF SOFTWARE

Software is now bouncing off the bottom. We saw this with SAP (SAP 2Q earnings), Microsoft (Microsoft 4QFY26 earnings) and now with Salesforce. It does not take a big beat anymore as investors are looking to invest in software. Instead, a relatively clean quarter and signs of that AI is not a near-term (if not better long term) headwind. Valuations have decreased substantially, and a good quarter can deliver a nice bounce. We believe this will continue through the rest of earnings this quarter as investors realize that AI is neither going to kill software nor is it a bubble. Instead, for enterprise software AI adoption takes time and while it could be a headwind to some enterprise app seats it can also drive incremental revenue from the up-sales of AI driven automation.

On the other hand a noisy quarter with signs of an AI impact can have an equivalently large impact on results as seen recently at Hubspot (Hubspot Q2FY26 earnings) Note that last quarter we saw a positive impact from a clean quarter and nice beat at Snowflake and MongoDB (see our recent preview (Our thoughts on Snowflake and MongoDB into 2Q27 earnings)) driving

substantial stock appreciation.

OUR THOUGHTS ON AGENTFORCE

Salesforce updated the information on their AI and Data Cloud revenue run rate metrics as well as AgentForce ARR.

Agentforce and Data 360 ARR, reached $3.9B this quarter, up over 210% Y/Y, including $1.1B Informatica Cloud ARR. In 1Q27, this figure was $3.4B which included $1.1B Informatica Cloud ARR. Previously not including Informatica, Agentforce and Data ARR was $1.8B in 4Q26 and $1.4B ARR in 3Q26.

- Combined with the Agentforce ARR figure below, we can infer that Data Cloud reached $1.3B ARR this quarter, up from $1.1B ARR in 1Q27 . Data Cloud is needed to harmonize the data and is a key part of running AgentForce for customers. Hence, before getting AgentForce up and running customers need to purchase Data Cloud first.

- Data Cloud Historical data points: $1B ARR in 4Q26, and $900M ARR in 3Q26. In 2Q26, ARR from Data Cloud and AI was $1.2B, up 120% Y/Y. Combined with the AI ARR metric given during Investor Day, we can infer that Data Cloud was around $800M ARR.

Agentforce ARR reached $1.5B this quarter, up over 240% Y/Y and $300M sequentially from $1.2B ARR in 1Q27. This figure was $800M ARR in 4Q26 (up 205% Y/Y) and half a billion in 3Q26. This is a very helpful metric, and we would expect management to continue to disclose this data going forward.

- Note that starting this quarter (2Q27), Agentforce ARR includes not only AI offerings but also Slackbot and Headless 360.

While we are pleased to see the progress in Agentforce, we are yet to see AI revenues accelerate business momentum. Even with Agentforce ARR ramping, presumably faster in Service Cloud, growth in the Service Cloud segment has not accelerated. This quarter (2Q27), Service Cloud grew 5% and including Agentforce was 7%. It could simply be that it is too early for Agentforce revenue to make an impact, but it could also be that some of this new AI ARR is offset by free giveaways in negotiations, or it could be due to general slowdown in the core Service cloud due to maturation of the segment. While the stable growth is reassuring to counter some of the seat pressure concerns, we believe investors ultimately want to see growth re-accelerate to refute the bear case.

We believe Agentic AI is still very early days. Every industry expert we talk to discusses how anything beyond simple Agents and use cases (e.g. service desk bots) could be 2-3 years out and today building agents require lots of consulting expertise. We can see the consulting expertise requirement in Salesforce's substantially increasing both their sales exec and forward engineering staff.

We are also seeing a lot of progress at most notably Microsoft and SAP on Agentic AI and Data Clouds (Microsoft calls it Fabric) across many of our covered application names and the competition is quite high across the space.

UNPACKING THE QUARTER

UNDERSTANDING THE GROWTH TRAJECTORY

Salesforce's growth has decelerated over the years and stalled in the 8-9% CC range last year. In the last three quarters, organic growth decelerated to the range of 6-7% when one takes out the effects of FX and the Informatica acquisition. Unpacking the segments we see growth slowing in Marketing and Commerce and Analytics segments while data and platform segments are helped by AI tailwinds and Informatica acquisition.

- **Revenue:** Revenue for the quarter was $11.35 billion, slightly ahead of consensus of $11.33B and at the top of guidance range of $11.27-11.35B, representing 11% (reported and CC) growth.

  - This includes $456M or approximately 4.5pts contribution from Informatica (guide was slightly above 4pts of contribution).

  - In 2Q27, Sales Cloud grew 9%, Service Cloud grew 5% (including Agentforce revenue it would have been 7%), while Marketing Cloud declined 1%, and Tableau plus MuleSoft declined 6%. Platform, Slack and Other segment, which includes Informatica and Data Cloud, grew 43%.
  - Note that going forward, management has resegmented the business into Agentforce Apps and Data 360, Platform & Other. The disclosures on different clouds will fade out starting FY28 making this level of understanding impossible.
- Subscription revenue was $10.82 billion, slightly above consensus of $10.79B, representing 12% growth (11% in CC).
  - This includes $440M or 4.5pts contribution from Informatica (guide was slightly above 4pts).
- Professional services and other revenue was $525 million, below consensus of $532M.
- **EPS:** Diluted PF EPS was $5.09, 80% above consensus, with the beat driven by Gains on strategic investments
- **Operating Margin:** Non-GAAP operating margin was 34.1%, 50 bps above consensus.
- **Cash from Operations:** Cash flow from operations in the quarter was $1.3B, above consensus.
- **Billings** and **cRPO:** Billings of $9.8B was slightly below consensus and cRPO of $33.5B was slightly above consensus, representing +14% yoy growth (+14% in CC)
- **Capital return:** in Q2, Salesforce returned $364M to shareholders through dividends.

UNPACKING GUIDANCE

Salesforce issued 3Q27 guidance and updated FY27 guidance today, as summarized in Exhibit 5 and Exhibit 6.

Company issued **3Q27 guidance**:

- Revenue of $11.42-$11.5B, **above** street consensus of $11.41B, representing 11-12% Y/Y growth (11% in CC)
  - Excluding Informatica impact (over 4pts of contribution) and impact from two pending acquisitions of Contentful and Fin (impact unknown, est. just under 1pts of contribution), organic revenue growth is guided to 6-7% in CC
  - No FX impact
- Non-GAAP EPS of $3.42-$3.44, **above** street consensus of $3.37
- cRPO growth of 14% Y/Y (14% in CC), incorporating a $100M FX tailwind
  - Note that the Informatica impact has not been explicitly stated on cRPO growth and could vary from the contribution to revenue
  - Impact from two pending acquisitions (Contentful and Fin) are also not included in cRPO guide, although they are included into the revenue guide

Company updated **FY27 guidance**:

- Total Revenue guidance slightly raised to $46.10 - 46.40B from $45.90 - 46.20B, representing 11-12% Y/Y growth (11% in CC). Company maintains guidance of growth to accelerate in 2H27**.**
  - Informatica impact has been revised from 3pts of contribution to slightly above 3pts of growth contribution
  - Newly incorporates 200M impact from pending acquisitions of Contentful and Fin, or roughly 0.5pts of growth contribution

- Excluding impact from Informatica and the 2 pending acquisitions, organic revenue growth guide remains around 7-8% or slightly over 7% in CC.
- **Subscription Revenue** growth raised to slightly above 12% (slightly under 12% CC) from slightly under 12% (approx. 11% in CC), now including slightly above 3pts impact from Informatica acquisition (previously 3pts impact) and impact from 2 pending acquisitions. Thus, management is still guiding to a slight deceleration in YoY growth organically.

- GAAP operating margin slightly lowered to 20.1%
- Non-GAAP operating margin maintained at 34.3%
- Non-GAAP EPS raised to 16.67 - $16.71 from14.06 - $14.12, as a result of passing on the EPS beat in 2Q mostly due to gains on investments
- Operating Cash Flow growth maintained at 4%-5%

EXHIBIT 5: **Salesforce issued 3Q27 guidance**

Guidance	Q327	Consensus pre Q
Revenue	$11.42B - $11.5B	$11.41B
Y/Y Growth	11% - 12% incl. slightly above 4pts from Informatica	
CC Growth	11% - 12% incl. slightly above 4pts from Informatica	
FX Impact	-	
GAAP EPS	$1.81 - $1.83	
Non-GAAP EPS	$3.42 - $3.44	$3.37
cRPO growth (Y/Y)	Approximately 14% (14% CC) Informatica impact unknown; Excluding Contentful & Fin	
FX Impact	$100M	

Source: Company reports, StreetAccount, Bernstein analysis

EXHIBIT 6: **Salesforce updated FY27 guidance**

Guidance	FY27	FY27 (Prior Q)	FY27 (Original)
Revenue	$46.10B - $46.40B	$45.90B - $46.20B	$45.80B - $46.20B
Y/Y Growth	11% - 12%, incl. slightly above 3pts from Informatica; incl. Contentful and Fin	11%, incl. 3pts from Informatica	10% - 11%, incl. 3pts from Informatica
FX Impact	$200M	$300M	$300M
Subscription Revenue Y/Y Growth	Slightly above 12%, incl. slightly above 3pts from Informatica; incl. Contentful and Fin	Slightly under 12%, incl. 3pts from Informatica	Slightly under 12%, incl. 3pts from Informatica
CC Growth	Slightly under 12% CC incl. slightly above 3pts from Informatica; incl. Contentful and Fin	Approx.11% CC, incl. 3pts from Informatica	Approx.11% CC, incl. 3pts from Informatica
GAAP operating margin	20.1%	20.6%	20.9%
Non-GAAP operating margin	34.3%	34.3%	34.3%
GAAP EPS	$10.21 - $10.25	$7.93 - $7.99	$7.85 - $7.93
Non-GAAP EPS	$16.67 - $16.71	$14.06 - $14.12	$13.11 - $13.19
Operating cash flow growth (Y/Y)	Approximately 4%-5%	Approximately 4%-5%	Approximately 9%-10%

Source: Company reports, Bernstein analysis

A REMINDER OF OUR LONG-TERM THESIS

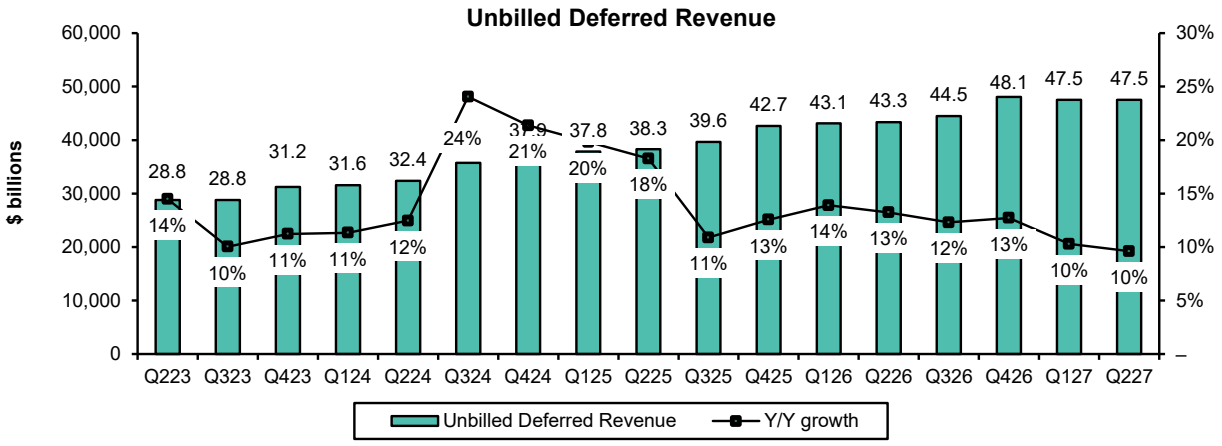
We have been concerned that overall growth was slowing due to Cloud market saturation and increasing competition, and last year, after the company announced a major employee cutback, we downgraded Salesforce to an Underperform. We were

concerned that:

- **The CRM market transition has hit the top of the S-curve:** The transition of customers from on-premise to the Cloud, plus the requisite Cloud revenue lift, was tailing off as the transition had hit the top of the S-curve. Even in the best conditions, more than 70% of the CRM market had transitioned to the Cloud (Link[1]).
- **Competition is increasing** as Oracle (and to a lesser extent SAP) bundle sales force automation with their Cloud ERP offerings and Microsoft competes aggressively with Dynamics 365, ServiceNow in service and everyone has jumped onto 1st Gen AI and now Agents.
- **The AI upside may not materialize as expected**: While Salesforce has data to train Gen AI models and relationships with customers, Microsoft is aggressively competing with their Copilots including Copilot for Sales and Copilot for Service with strong functionality, better integration to Microsoft 365 Copilot / Office 365, and lower pricing, and they brought Gen AI Agents to market before Salesforce. ServiceNow has had their Gen AI in market for over a year now and is moving aggressively into the service desk market.
- **Acquisitions:** We believe that a big / expensive / disruptive acquisition overhang continues to exist. While the Informatica acquisition is a reasonable acquisition, we continue to be worried that the company will make a big acquisition / disruptive to accelerate growth. The company has made a number of relatively small acquisitions recently and while they have not expressed a need to increase the quantity or size going forward, given the company's history and the lack of acceleration near term we are concerned.

- For the bull's thesis to work, bulls, we believe, would expect the company to be able to keep improving margins *and* accelerating growth. In other words, they would want to see signs of subscription revenue growth re-accelerating to the double-digit range. We do not think this quarter has given any evidence of that happening.

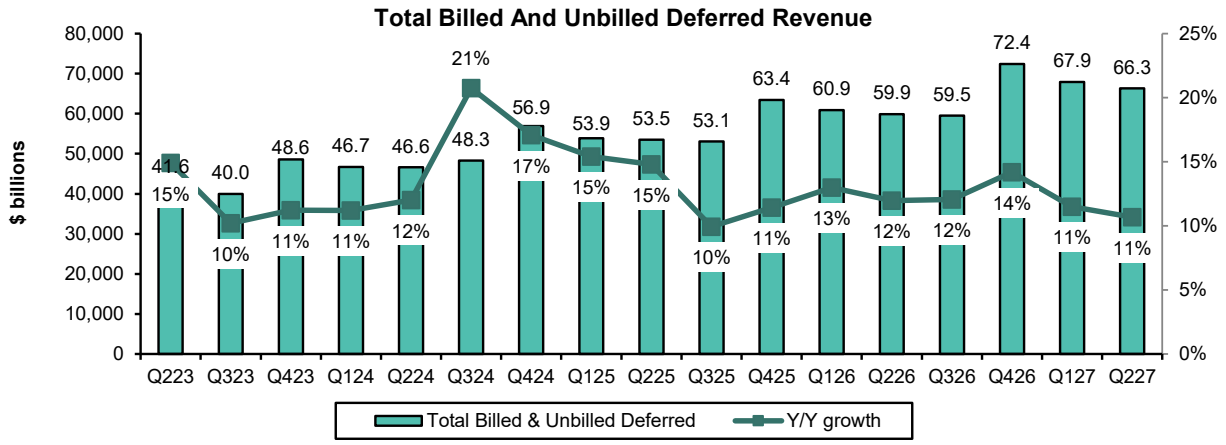
EXHIBIT 7: **Unbilled deferred revenue growth was slightly down Q/Q which include effects from Informatica**



Source: Company reports, Bernstein analysis

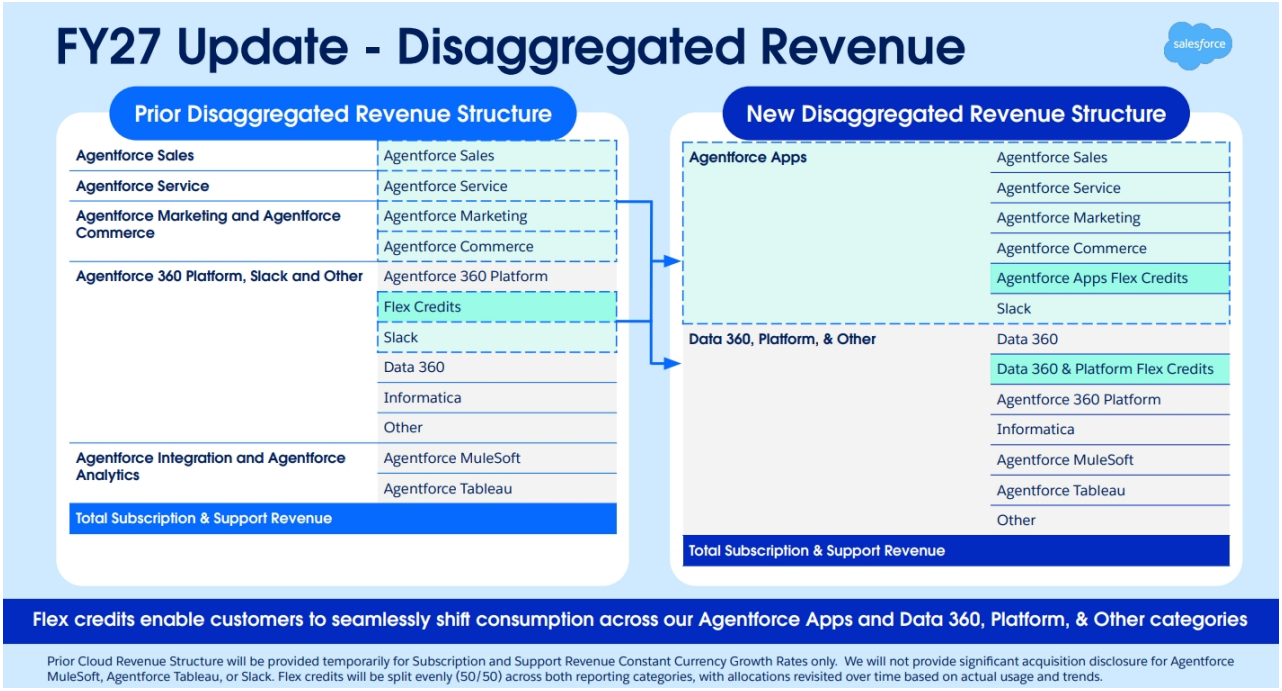
[1] We update Cloud market pentration, if all on-premise spending moves to the Cloud and gets a 2.5x revenue lift in our recent ERP primer.

EXHIBIT 8: **Total billed and unbilled deferred revenue slightly decreased Q/Q which include effects from Informatica**



Source: Company reports, Bernstein analysis

EXHIBIT 9: **Salesforce updated their revenue reporting structures with old segmentation disclosure completely removed by FY28.**



Source: Company presentation

APPENDIX - FINANCIAL FORECASTS

EXHIBIT 10: **Salesforce Income Statement**

$ Millions, except otherwise noted

Pro Forma Income statement	**FY2024**	**FY2025**	**FY2026**	**FY2027E**	**FY2028E**	**FY2028E**	**Q127**	**Q227**	**Q327E**	**Q427E**
Subscription and support	32,537	35,679	39,388	44,198	47,953	51,967	10,593	10,820	10,922	11,862
Professional services and other	2,320	2,216	2,137	2,099	2,007	1,928	540	525	520	515
Total revenues	**34,857**	**37,895**	**41,525**	**46,297**	**49,961**	**53,895**	**11,133**	**11,345**	**11,442**	**12,377**
Cost of Subscription and support	4,887	5,077	5,699	6,805	7,433	8,055	1,603	1,675	1,748	1,779
Cost of professional services and other	2,245	2,298	2,326	2,232	2,047	1,967	584	593	530	525
Total cost of revenues	**7,132**	**7,375**	**8,025**	**9,037**	**9,480**	**10,022**	**2,187**	**2,268**	**2,278**	**2,304**
Gross profit	**27,725**	**30,520**	**33,500**	**37,260**	**40,480**	**43,873**	**8,946**	**9,077**	**9,164**	**10,073**
Research and development	3,934	4,402	4,831	5,353	5,496	5,928	1,315	1,383	1,282	1,374
Marketing and sales	10,924	11,151	12,063	13,204	14,339	15,468	3,129	3,225	3,261	3,589
General and administrative	2,235	2,469	2,450	2,478	2,998	3,234	628	597	572	681
Other	-	-	-	0	-	-	-	-	-	0
Total operating expenses	**17,093**	**18,022**	**19,344**	**21,036**	**22,832**	**24,630**	**5,072**	**5,205**	**5,115**	**5,644**
Operating income	**10,632**	**12,498**	**14,156**	**16,225**	**17,648**	**19,243**	**3,874**	**3,872**	**4,050**	**4,429**
Interest income (expense), net	-	-	(68)	(1,736)	(1,892)	(1,892)	(317)	(473)	(473)	(473)
Investment income	-	-	-	-	-	-	-	-	-	-
Other	(61)	233	1,257	3,385	-	-	691	2,694	-	-
Other income (expense), net	**(61)**	**233**	**1,189**	**1,649**	**(1,892)**	**(1,892)**	**374**	**2,221**	**(473)**	**(473)**
Income before income taxes	**10,571**	**12,731**	**15,345**	**17,874**	**15,756**	**17,351**	**4,248**	**6,093**	**3,577**	**3,956**
(Provision) Benefit for income taxes	(2,484)	(2,801)	(3,376)	(3,664)	(3,466)	(3,817)	(871)	(1,249)	(733)	(811)
Net income	**8,087**	**9,930**	**11,969**	**14,209**	**12,290**	**13,534**	**3,377**	**4,844**	**2,844**	**3,145**
Less:Noncontrolling interest	-	-	-	-	-	-	-	-	-	-
Net income attributable to salesforce.com	8,087	9,930	11,969	14,209	12,290	13,534	3,377	4,844	2,844	3,145
Diluted EPS (PF)	**8.21**	**10.19**	**12.52**	**17.13**	**15.49**	**17.57**	**3.88**	**5.90**	**3.48**	**3.89**
Diluted EPS (GAAP)	**4.20**	**6.36**	**7.80**	**10.99**	**9.55**	**11.49**	**2.42**	**4.29**	**1.96**	**2.33**
Diluted share count	985	974	956	829	793	770	871	821	818	808
Key ratios										
Subscription and support gross margin	85.0%	85.8%	85.5%	84.6%	84.5%	84.5%	84.9%	84.5%	84.0%	85.0%
Professional services gross margin	3.2%	-3.7%	-8.8%	-6.3%	-2.0%	-2.0%	-8.1%	-13.0%	-2.0%	-2.0%
Overall gross margin	79.5%	80.5%	80.7%	80.5%	81.0%	81.4%	80.4%	80.0%	80.1%	81.4%
R&D as % of sales	11.3%	11.6%	11.6%	11.6%	11.0%	11.0%	11.8%	12.2%	11.2%	11.1%
S&M as % of sales	31.3%	29.4%	29.0%	28.5%	28.7%	28.7%	28.1%	28.4%	28.5%	29.0%
G&A as % of sales	6.4%	6.5%	5.9%	5.4%	6.0%	6.0%	5.6%	5.3%	5.0%	5.5%
Operating margin	30.5%	33.0%	34.1%	35.0%	35.3%	35.7%	34.8%	34.1%	35.4%	35.8%
Tax rate	23%	22%	22%	21%	22%	22%	20.5%	20.5%	20.5%	20.5%
Net margin	23.2%	26.2%	28.8%	30.7%	24.6%	25.1%	30.3%	42.7%	24.9%	25.4%
Sequential change										
Subscription & support revenues	12.1%	9.7%	10.4%	12.2%	8.5%	8.4%	-0.8%	2.1%	0.9%	8.6%
Professional services and other revenues	-0.5%	-4.5%	-3.6%	-1.8%	-4.4%	-3.9%	2.7%	-2.8%	-1.0%	-1.0%
Total revenue	11.2%	8.7%	9.6%	11.5%	7.9%	7.9%	-0.6%	1.9%	0.9%	8.2%
Total cost of revenue	4.5%	3.4%	8.8%	12.6%	4.9%	5.7%	2.3%	3.7%	0.4%	1.2%
Operating income	50.4%	17.6%	13.3%	14.6%	8.8%	9.0%	1.0%	-0.1%	4.6%	9.4%
Net income	54.7%	22.8%	20.5%	18.7%	-13.5%	10.1%	-5.8%	43.4%	-41.3%	10.6%
EPS - diluted, Pro Forma	56.7%	24.1%	22.8%	36.8%	-9.6%	13.4%	1.7%	52.2%	-41.1%	12.0%
Diluted shares	-1.3%	-1.0%	-1.9%	-13.2%	-4.4%	-2.9%	-7.3%	-5.7%	-0.4%	-1.2%

Source: Company reports, Bernstein estimates and analysis

EXHIBIT 11: **Salesforce Balance Sheet**

$ Millions, except otherwise noted

Balance Sheet	**FY2024**	**FY2025**	**FY2026**	**FY2027E**	**FY2028E**	**FY2029E**	**Q127**	**Q227**	**Q327E**	**Q427E**
Assets										
Cash and cash equivalents	8,472	8,848	7,327	9,900	11,025	13,147	8,935	8,310	8,944	9,900
Short term marketable securities	5,722	5,184	2,238	3,235	3,635	4,336	2,902	3,093	2,787	3,235
Accounts receivable, net	11,414	11,945	14,339	15,575	16,178	16,686	5,080	6,320	5,857	15,575
Other	3,466	3,750	4,318	4,548	4,584	4,901	4,696	4,360	4,596	4,548
Total current assets	**29,074**	**29,727**	**28,222**	**33,258**	**35,422**	**39,071**	**21,613**	**22,083**	**22,184**	**33,258**
Marketable securities, non current	4,848	4,852	7,591	10,338	11,637	13,899	7,772	11,324	8,658	10,338
Fixed assets	3,689	3,236	3,120	2,639	2,132	1,825	3,150	3,042	2,819	2,639
Goodwill	48,620	51,283	57,941	59,250	59,250	59,250	59,291	59,250	59,250	59,250
Other	13,592	13,830	15,431	13,696	12,141	11,256	14,854	13,921	13,632	13,696
Total non current assets	**70,749**	**73,201**	**84,083**	**85,923**	**85,160**	**86,229**	**85,067**	**87,537**	**84,360**	**85,923**
Total assets	**99,823**	**102,928**	**112,305**	**119,181**	**120,582**	**125,301**	**106,680**	**109,620**	**106,544**	**119,181**
Liabilities										
Accounts payable	-	-	-	-	-	-	-	-	-	-
Accrued expenses and other current liabilities	6,111	6,658	8,253	9,204	9,923	10,710	6,582	7,018	6,632	9,204
Deferred revenue	19,003	20,743	24,317	26,996	28,882	32,774	20,363	18,787	16,670	26,996
Debt	999	-	4,000	-	-	-	-	-	-	-
Other	518	579	548	531	531	531	557	531	531	531
Total current liabilities	**26,631**	**27,980**	**37,118**	**36,731**	**39,336**	**44,014**	**27,502**	**26,336**	**23,833**	**36,731**
Debt	8,427	8,433	10,439	39,288	39,288	39,288	39,280	39,288	39,288	39,288
Long-term Lease Liabilities and Other	2,475	2,962	3,417	3,892	4,200	4,531	3,616	3,694	3,793	3,892
Deferred Revenue-noncurrent	-	-	-	-	-	-	-	-	-	-
Other	2,644	2,380	2,189	1,924	1,924	1,924	2,047	1,924	1,924	1,924
Total non current liabilities	**13,546**	**13,775**	**16,045**	**45,104**	**45,412**	**45,743**	**44,943**	**44,906**	**45,005**	**45,104**
Total liabilities	**40,177**	**41,755**	**53,163**	**81,835**	**84,748**	**89,757**	**72,445**	**71,242**	**68,838**	**81,835**
Total Shareholders' equity	**59,646**	**61,173**	**59,142**	**37,346**	**35,834**	**35,543**	**34,235**	**38,378**	**37,706**	**37,346**
Total Liabilities & Shareholders Equity	**99,823**	**102,928**	**112,305**	**119,181**	**120,582**	**125,301**	**106,680**	**109,620**	**106,544**	**119,181**

Source: Company reports, Bernstein estimates and analysis

EXHIBIT 12: **Salesforce Cash Flows Statement**

$ Millions, except otherwise noted

Cash flow Statement	**FY2024**	**FY2025**	**FY2026**	**FY2027E**	**FY2028E**	**FY2029E**	**Q127**	**Q227**	**Q327E**	**Q427E**
Net income	4,136	6,197	7,457	9,114	7,575	8,846	2,107	3,526	1,601	1,881
Adjustments:										
Depreciation and amortization	3,959	3,477	3,631	3,769	2,855	2,315	985	966	948	870
Amortization of debt discount	-	-	-	-	-	-	-	-	-	-
Other	4,989	5,399	4,689	3,154	6,934	7,055	883	(1,118)	1,618	1,771
Changes in operating assets and liabilities	(2,850)	(1,981)	(781)	(379)	(545)	925	2,726	(2,105)	(3,061)	2,061
Net cash provided by operating activities	**10,234**	**13,092**	**14,996**	**15,658**	**16,819**	**19,141**	**6,701**	**1,269**	**1,106**	**6,582**
Business combinations, net of cash acquired	(82)	(2,734)	(9,268)	(1,504)	-	-	(1,452)	(52)	-	-
Changes in marketable securities	(121)	642	3,046	(26)	(1,700)	(2,962)	(676)	(195)	2,971	(2,127)
Capital expenditures	(736)	(658)	(594)	(675)	(749)	(808)	(145)	(171)	(172)	(187)
Other	(388)	(413)	(1,774)	(689)	-	-	90	(779)	-	-
Net cash provided by investing activities	**(1,327)**	**(3,163)**	**(8,590)**	**(2,894)**	**(2,450)**	**(3,771)**	**(2,183)**	**(1,197)**	**2,799**	**(2,313)**
Net borrowing	-	-	-	-	-	-	-	-	-	-
Proceeds from exercise of stock options and warrants	1,954	1,540	688	357	198	223	230	2	85	40
Repurchases of common stock	(7,620)	(7,829)	(12,596)	(33,332)	(12,000)	(12,000)	(27,248)	(84)	(3,000)	(3,000)
Principal payments on capital lease obligations	(629)	(603)	(584)	(306)	-	-	(130)	(176)	-	-
Other	(1,182)	(2,537)	4,413	23,154	(1,443)	(1,471)	24,227	(364)	(356)	(353)
Net cash (used in) provided by financing activities	**(7,477)**	**(9,429)**	**(8,079)**	**(10,127)**	**(13,244)**	**(13,248)**	**(2,921)**	**(622)**	**(3,271)**	**(3,313)**
Effect of exchange rate changes	26	(124)	152	(64)	-	-	11	(75)	-	-
Net increase (decrease) in cash and cash equivalents	**1,456**	**376**	**(1,521)**	**2,573**	**1,125**	**2,122**	**1,608**	**(625)**	**634**	**955**
Cash and cash equivalents, beginning of period	7,016	8,472	8,848	7,327	9,900	11,025	7,327	8,935	8,310	8,944
Cash and cash equivalents, end of period	**8,472**	**8,848**	**7,327**	**9,900**	**11,025**	**13,147**	**8,935**	**8,310**	**8,944**	**9,900**

Source: Company reports, Bernstein estimates and analysis

BERNSTEIN TICKER TABLE

Ticker	Rating	Cur	26 Aug 2026 Closing Price	Price Target	TTM Rel. Perf.	Adjusted EPS Cur	2026A	2027E	2028E	Adjusted P/E (x) 2026A	2027E	2028E
CRM (Salesforce.com)	U	USD	205.62	**195.00**	(34.4)%	USD	12.52	**17.13**	**15.49**	16.4	12.0	13.3
OLD				173.00				14.53	15.60			
SPX			7,675.70									

PRICE TARGET CHANGE / ESTIMATE CHANGE IN BOLD

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

Source: Bloomberg, Bernstein estimates and analysis.

DISCLOSURE APPENDIX

I. REQUIRED DISCLOSURES

References to "Bernstein" or the “Firm” in these disclosures relate to the following entities: Bernstein Institutional Services LLC (April 1, 2024 onwards), Sanford C. Bernstein & Co., LLC (pre April 1, 2024), Bernstein Autonomous LLP, BSG France S.A. (April 1, 2024 onwards), Sanford C. Bernstein (Hong Kong) Limited 盛博香港有限公司, Sanford C. Bernstein (Canada) Limited, Sanford C. Bernstein (India) Private Limited (SEBI registration no. INH000006378), Sanford C. Bernstein (Singapore) Private Limited, Sanford C. Bernstein Japan KK（サンフォード・C・バーンスタイン株式会社）and analysts employed by Société Générale Africa Technologies & Services to produce Bernstein research under a Global Services Agreement in place between Bernstein and Société Générale.

Bernstein is part of a joint venture between Société Générale (SG) and AllianceBernstein, L.P. (AB). Unless specifically noted otherwise, for purposes of these disclosures, references to Bernstein’s “affiliates” relate to both SG and AB and their respective affiliates.

VALUATION METHODOLOGY

Salesforce.com Inc

We value Salesforce shares based on our estimate for 12-month forward NOPLAT per share in 1 year's time ($18.04), and apply a P/FE multiple of 12x. We then add cash, of -$22.26 per share, arriving at price target of $195.

RISKS

Salesforce.com Inc

Risk to our forecasts for CRM beyond the macroeconomic risks already given include: an economy downturn will make CRM more attractive as compared to industry due to subscription model; increased market penetration of CRM's PaaS solutions; accelerated conversion of on-premise CRM to SaaS; increased market penetration of CRM solutions beyond our forecast.

RATINGS DEFINITIONS, BENCHMARKS AND DISTRIBUTION

EQUITY RATINGS DEFINITIONS

Bernstein brand

The Bernstein brand rates stocks based on forecasts of relative performance for the next 12 months versus the S&P 500 for stocks listed on the U.S. and Canadian exchanges, versus the Bloomberg Europe Developed Markets Large and Mid Cap Price Return Index EUR (EDME) for stocks listed on the European exchanges and emerging markets exchanges outside of the Asia Pacific region, versus the Bloomberg Japan Large and Mid Cap Price Return Index USD (JPL) for stocks listed on the Japanese exchanges, and versus the Bloomberg Asia ex-Japan Large and Mid Cap Price Return Index (ASIAX) for stocks listed on the Asian (ex-Japan) exchanges -unless otherwise specified.

The Bernstein brand has three categories of ratings:

- Outperform: Stock will outpace the market index by more than 15 pp
- Market-Perform: Stock will perform in line with the market index to within +/-15 pp
- Underperform: Stock will trail the performance of the market index by more than 15 pp

Coverage Suspended: Coverage of a company under the Bernstein research brand has been suspended. Ratings and price targets are suspended temporarily, are no longer current, and should therefore not be relied upon.

Not Rated: A rating assigned when the stock cannot be accurately valued, or the performance of the company accurately predicted, at the present time. The covering analyst may continue to publish research reports on the company to update investors on events and developments.

Not Covered (NC) denotes companies that are not under coverage.

Bernstein brand stock ratings are based on a 12-month time horizon.

Autonomous brand – common stocks

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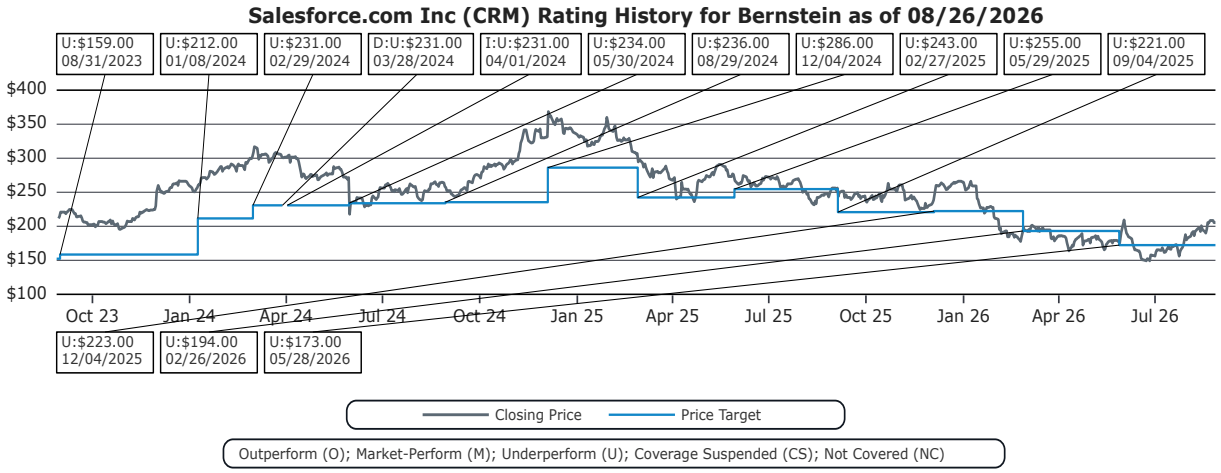
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