



# 2022 Active-Passive Investor Summit

## October 2022

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# In Recent Years, Market Dynamics Heavily Rewarded Technology Companies For Prioritizing Growth

Average EV/NTM Revenue – Software Valuations by Growth Cohort



High growth was rewarded with significant multiple expansion

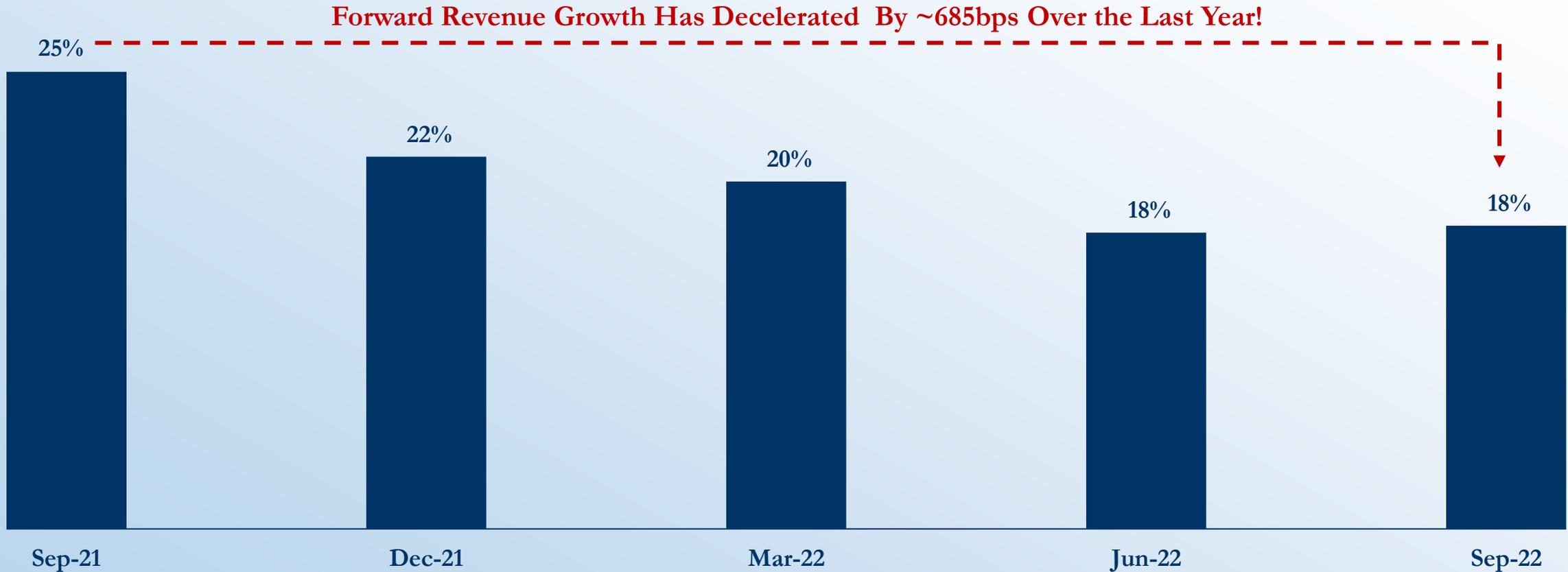
Source: Bloomberg (9/30/18 – 10/30/21)

Note: The iShares Expanded Tech-Software Sector (the “IGV”) is a commonly used benchmark to track the software industry.

(1) High-growth represents subgroup of current IGV companies expected to grow more than 30% in the next fiscal year. (2) Mid-growth represents subgroup of current IGV companies expected to grow between 30% and 15% in the next fiscal year. (3) Low-growth represents subgroup of current IGV companies expected to grow less than 15% in the next fiscal year.

# Revenue Growth Has Decelerated

Average Software NTM Revenue Growth<sup>(1)</sup>



As revenue growth slows, companies need to improve margins

Source: CapitalIQ. Market Data as of 10/14/22.

(1) Represents average NTM growth for the iShares Expanded Tech-Software Sector is a commonly used benchmark to track the software industry.

# However, the High-Growth Valuation Premium Has Contracted As Investor Focus Has Shifted from Growth Towards Profitability

Average EV/NTM Revenue – Software Valuations by Growth Cohort



Source: Bloomberg (9/30/18 – 10/14/22).

Note: The iShares Expanded Tech-Software Sector (the “IGV”) is a commonly used benchmark to track the software industry.

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# We Believe This Combination of Factors Creates a Compelling Set of Investment Opportunities for High-Quality and Fast-Growing Companies

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High-Quality,  
Sticky, Resilient  
Businesses

+

Attractive Growth  
Profiles

+

Significant Margin  
Expansion  
Opportunity After  
Years of Heavy  
Growth Focus

+

Compelling  
Valuations at Multi-  
Year Lows

Incredible Opportunity to Invest in High-Quality Companies at Incredibly Attractive Pro Forma FCF Multiples with Significant Upside Opportunity from Improving Growth + Profitability Metrics

# Starboard Has Identified Three New Opportunities To Discuss Today

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*Each Company Represents an Opportunity to Own a High-Quality and Sticky Business at an Attractive Valuation with the Potential for Significant Value Creation Through a Better Balance of Growth and Profitability*

# Starboard Has Identified Three New Opportunities To Discuss Today

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The Wix logo is displayed in a bold, black, sans-serif font. The letter 'i' is lowercase and features a small orange flame-like shape above its dot. The logo is centered within a light blue dashed rectangular border.

*Each Company Represents an Opportunity to Own a High-Quality and Sticky Business at an Attractive Valuation with the Potential for Significant Value Creation Through a Better Balance of Growth and Profitability*

# Wix Overview

Wix.com LTD. (“Wix”, “WIX”, or “the Company”) is the leading global website development platform, focused on the SMB market, with an easy-to-use platform that allows users to build websites and establish a digital presence easily and efficiently.

## Financial Snapshot

*(\$ in millions, except per share data)*

Stock Price (10/14/22)	\$70.41
(x) Shares Outstanding	57.9
Market Cap	\$4,080
(+) Convertible Notes	1,018
(-) Cash	(1,465)
Enterprise Value	\$3,632
EV / Consensus CY22E Revenue	2.6x
EV / Consensus CY23E Revenue	2.4x



## Key Highlights

Leading DIY Website  
Development Platform

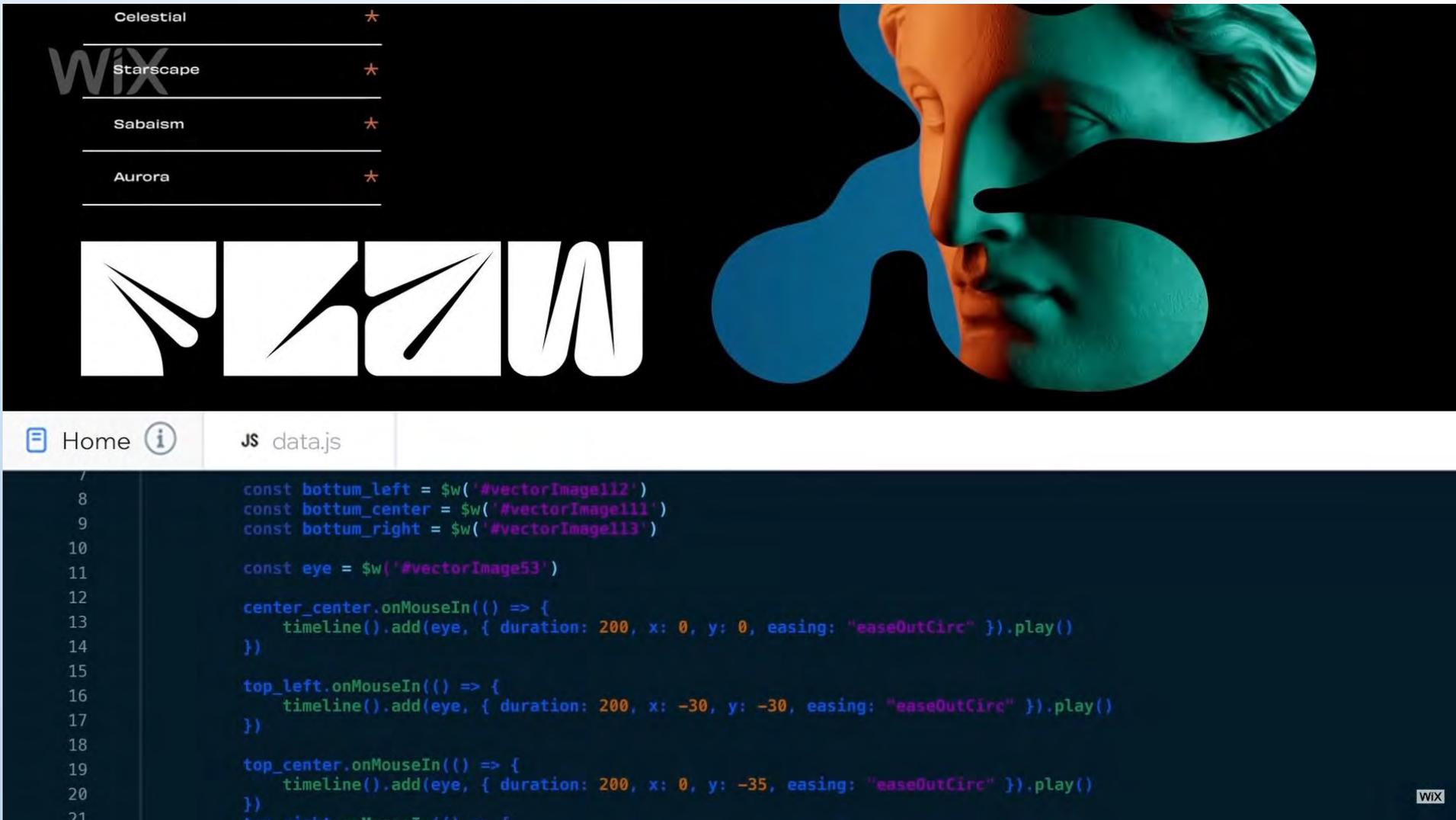
~230 Million Total Users  
&  
~6 Million Paying Users

110%+ Net Retention

Global Presence Across  
180+ Countries

We believe Wix has an opportunity to significantly improve its profitability and grow FCF per share in the coming years

# What is Wix?



The screenshot displays a Wix website interface. On the left, a navigation menu lists four items: "Celestial", "Starscape", "Sabaism", and "Aurora", each accompanied by a star icon. Below the menu are four white icons representing different design elements. To the right, a large image features a person's face with a teal and orange color scheme. Below the website preview, a code editor window is open, showing JavaScript code for a Wix site. The code includes variables for different parts of the site and event listeners for mouse interactions.

```
7
8   const bottum_left = $w('#vectorImage112')
9   const bottum_center = $w('#vectorImage111')
10  const bottum_right = $w('#vectorImage113')
11
12  const eye = $w('#vectorImage53')
13
14  center_center.onMouseIn(() => {
15    timeline().add(eye, { duration: 200, x: 0, y: 0, easing: "easeOutCirc" }).play()
16  })
17
18  top_left.onMouseIn(() => {
19    timeline().add(eye, { duration: 200, x: -30, y: -30, easing: "easeOutCirc" }).play()
20  })
21
22  top_center.onMouseIn(() => {
23    timeline().add(eye, { duration: 200, x: 0, y: -35, easing: "easeOutCirc" }).play()
24  })
25
26  top_right.onMouseIn(() => {
```

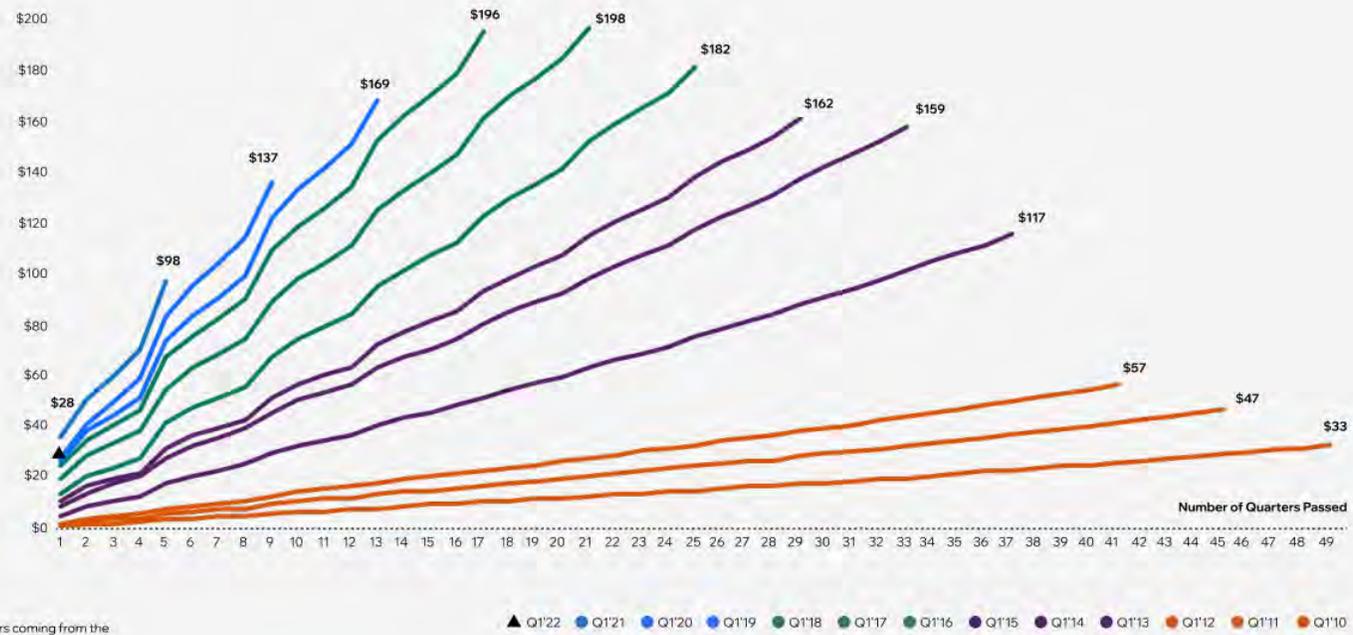
# Wix Has An Attractive Business Model

## Wix User Cohorts Are Spending More, Faster

### Increasing Monetization of User Cohorts

Cumulative Bookings from Q1 User Cohorts (\$ Millions)

Innovation and product offering enhancements driving higher monetization and sustained user cohort bookings growth

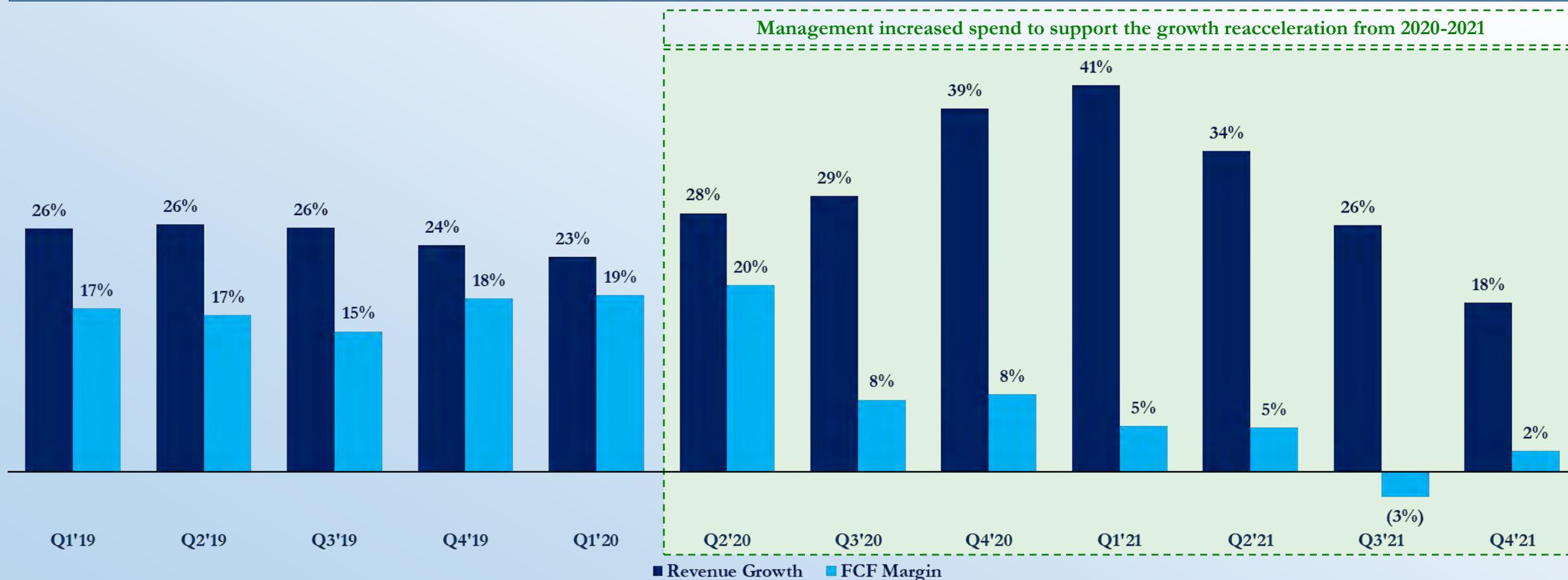


Note: Data as of March 31, 2022. Excludes bookings from users coming from the Wix Logo Maker funnel, or collections from B2B partnerships, DeviantArt, Wix Answers, or recent acquisitions.

# Wix Saw A Demand Surge During COVID and Invested Heavily Over the Past Two Years

During COVID, Wix made the decision to increase spend to support the growth acceleration it saw in 2020-2021, which led to a dramatic reduction in profitability.

Revenue Growth and FCF Margin Over Time



# As Growth Accelerated, Wix's Stock Price Increased Significantly

As Wix's growth rates improved in 2020 and the first half of 2021, its stock significantly outperformed the broader software and internet universes.

Wix Share Price Performance (January 2020 – August 2021)



# As the COVID Demand Surge Subsided, Revenue Growth Slowed and Margins Further Compressed

However, as the growth rate began to normalize over the last several quarters, the Company's cost structure remained elevated, resulting in poor profitability.

Revenue Growth and FCF Margin Over Time

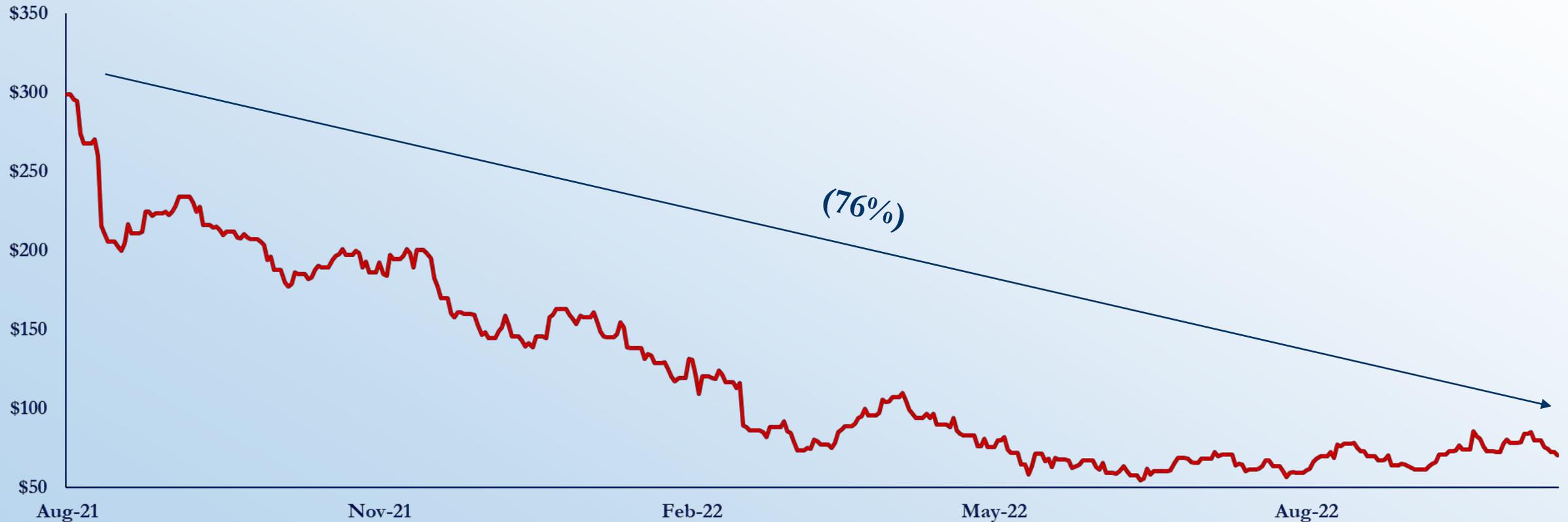


Wix built its cost structure based on a forecast of sustaining elevated growth rates, leading to losses when growth slowed

# As Growth Slowed and Profits Disappeared, Wix's Stock Price and Valuation Multiple Declined Significantly

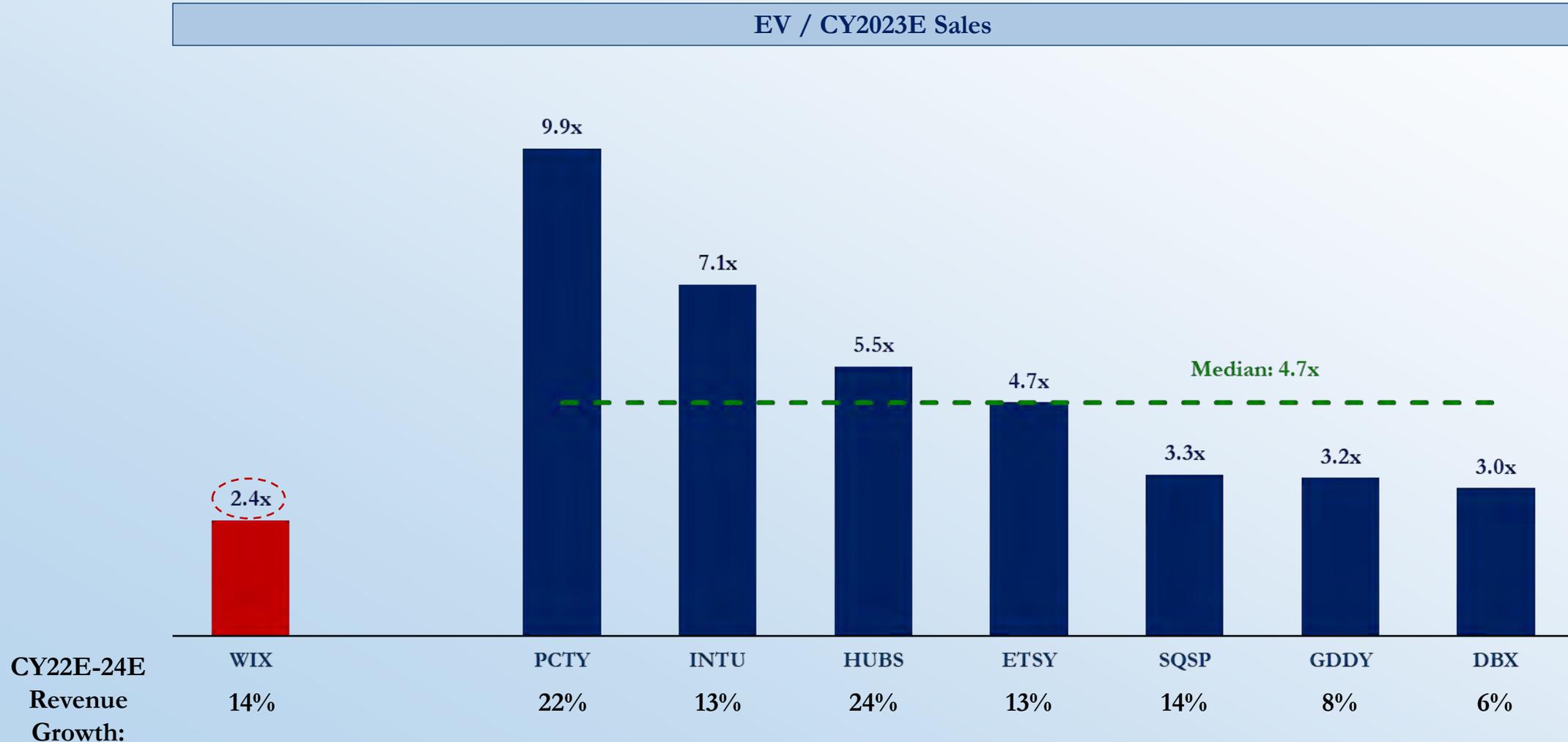
As Wix's growth rates slowed over the last 18 months, its stock price and valuation multiple declined dramatically.

Wix Share Price Performance (August 2021 – October 2022)



# Today, Wix Trades at a Significant Discount to Peers

Wix is now trading far below peer multiples, despite strong top-line growth and a sticky customer base.



Source: Capital IQ, Bloomberg.

Note: Starboard believes that the companies above provide appropriate peer comparisons. This presentation is a determination that is subject to a certain degree of subjectivity. As the full universe of potential peers is not listed here, the comparisons made herein may differ materially if other firms had been included.

# Wix's Balance of Growth and Profitability Is Significantly Worse Than Peers...

Wix's valuation discount is largely due to its poor operational performance.

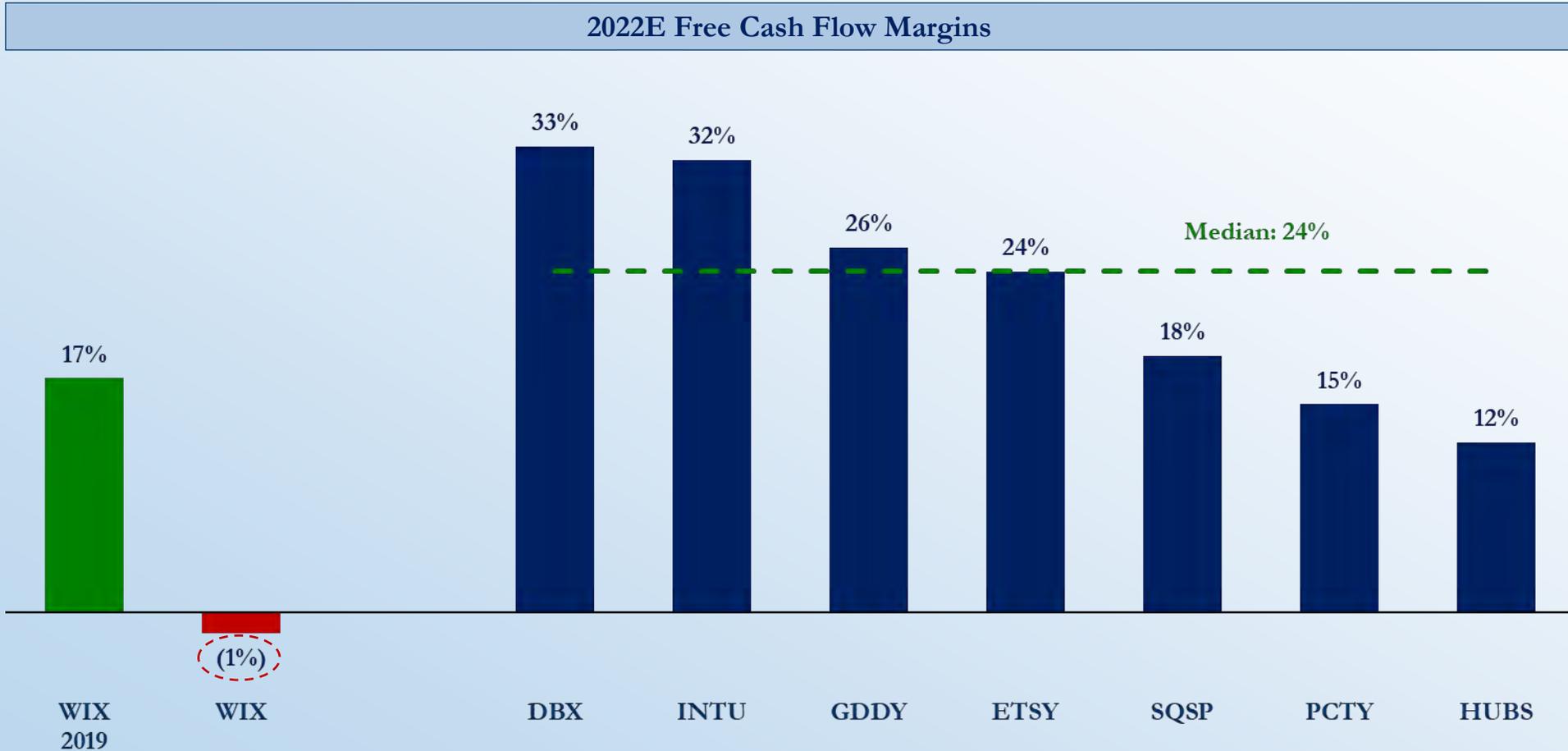


Source: Capital IQ.

Note: Starboard believes that the companies above provide appropriate peer comparisons. This presentation is a determination that is subject to a certain degree of subjectivity. As the full universe of potential peers is not listed here, the comparisons made herein may differ materially if other firms had been included. Growth + profit margin is calculated as CY2022E revenue growth + CY2022E FCF margin.

# ...Largely Due to Worst-in-Class Margins

Wix's margins are significantly lower than peers.

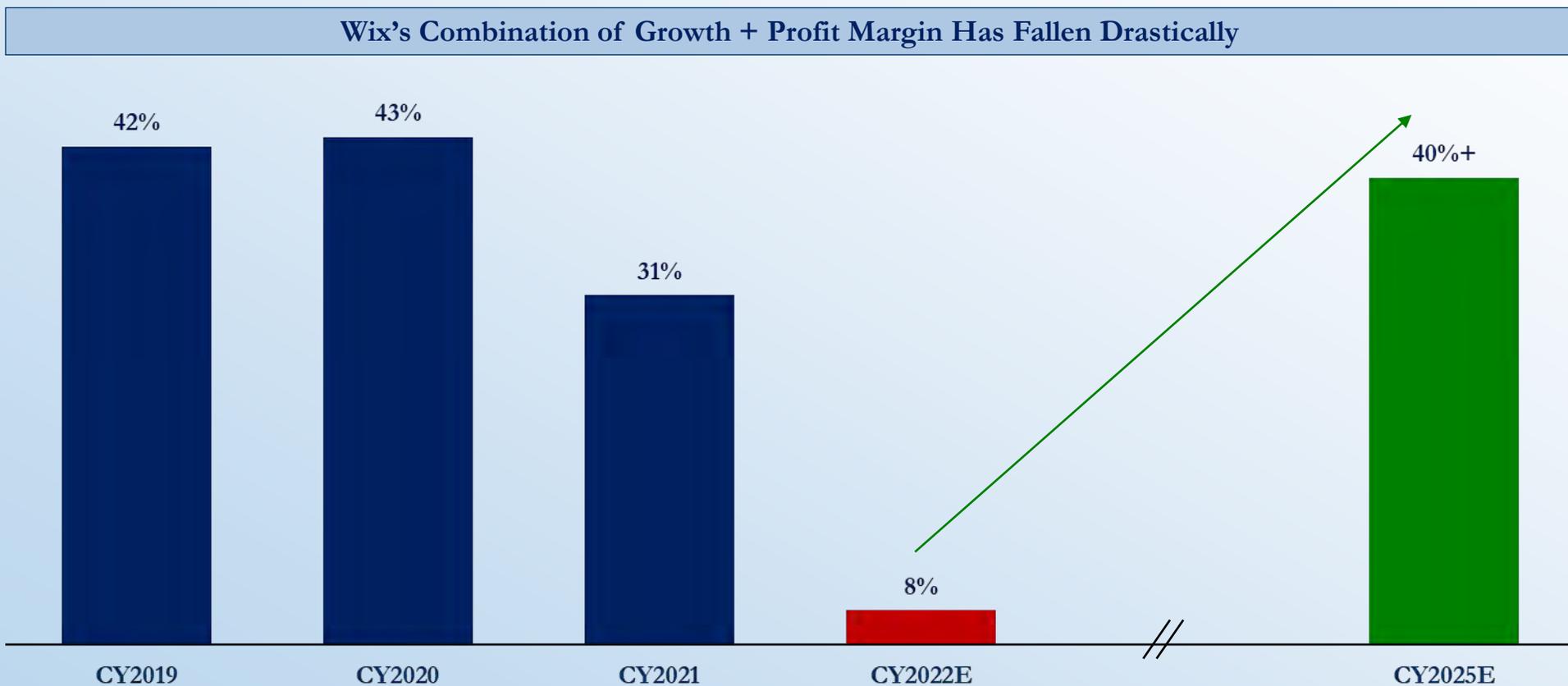


Source: Capital IQ.

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# We Believe Wix Has A Significant Opportunity to Improve Its Growth + Profitability

We believe Wix can become a significantly more profitable business over the next few years and return to a combined revenue growth rate + profit margin of at least 40%.



We believe Wix has an opportunity to meaningfully improve operational performance and profitability

# We Believe Wix Has A Significant Margin Expansion Opportunity

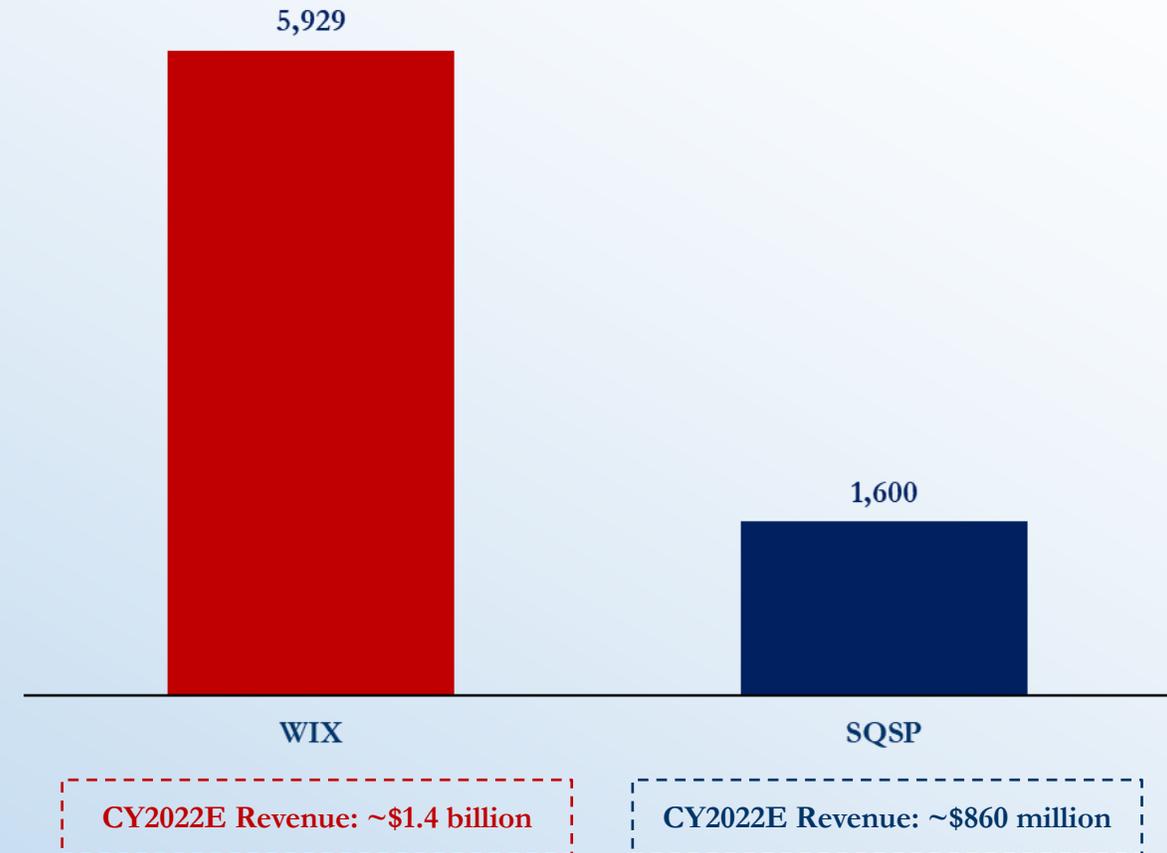
Wix has aggressively hired over the last few years, resulting in expenses more than doubling.

Total Expenses Over Time

(\$ in millions)



Total Headcount (2021) – Wix vs. Squarespace



# We Believe Wix Has A Significant Margin Expansion Opportunity (Cont'd)

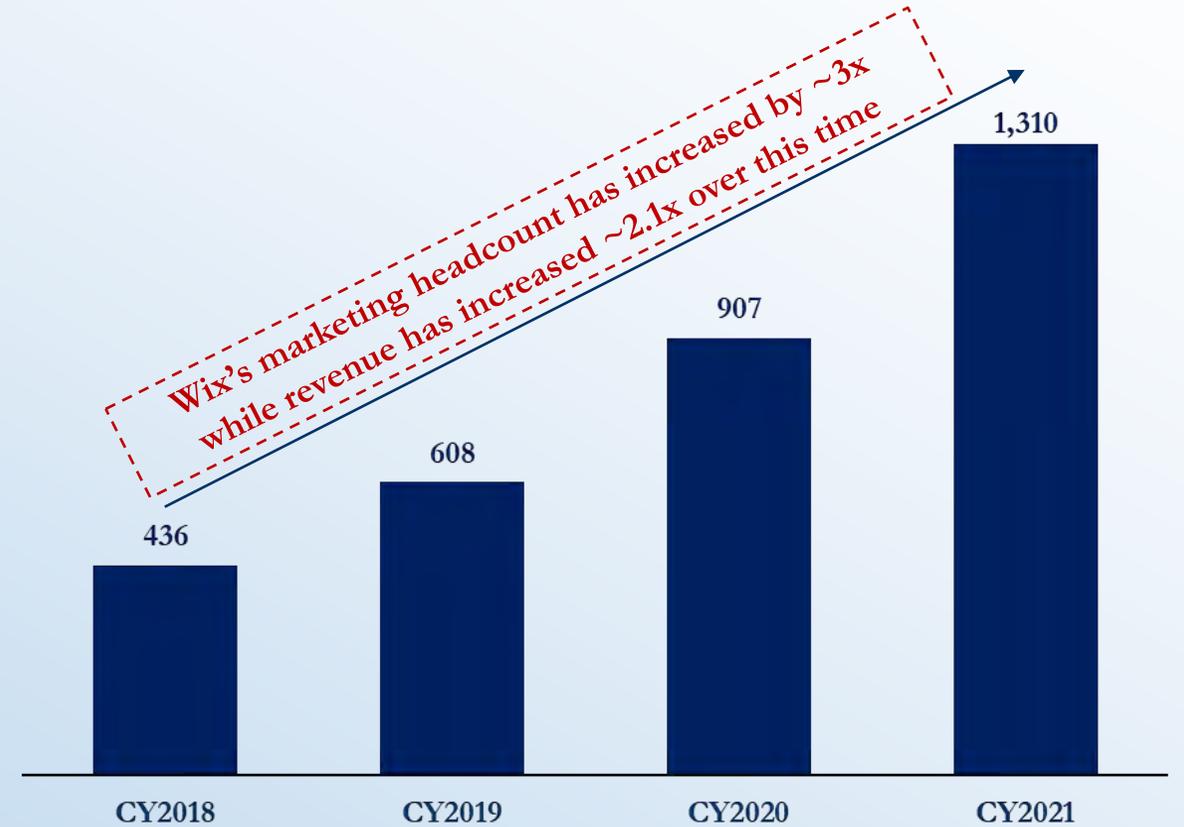
Over the last three years, Wix has seen minimal operating leverage from its sales & marketing expenses, largely due to the meaningful increase in headcount.

### Sales & Marketing Expenses Over Time

(\$ in millions)

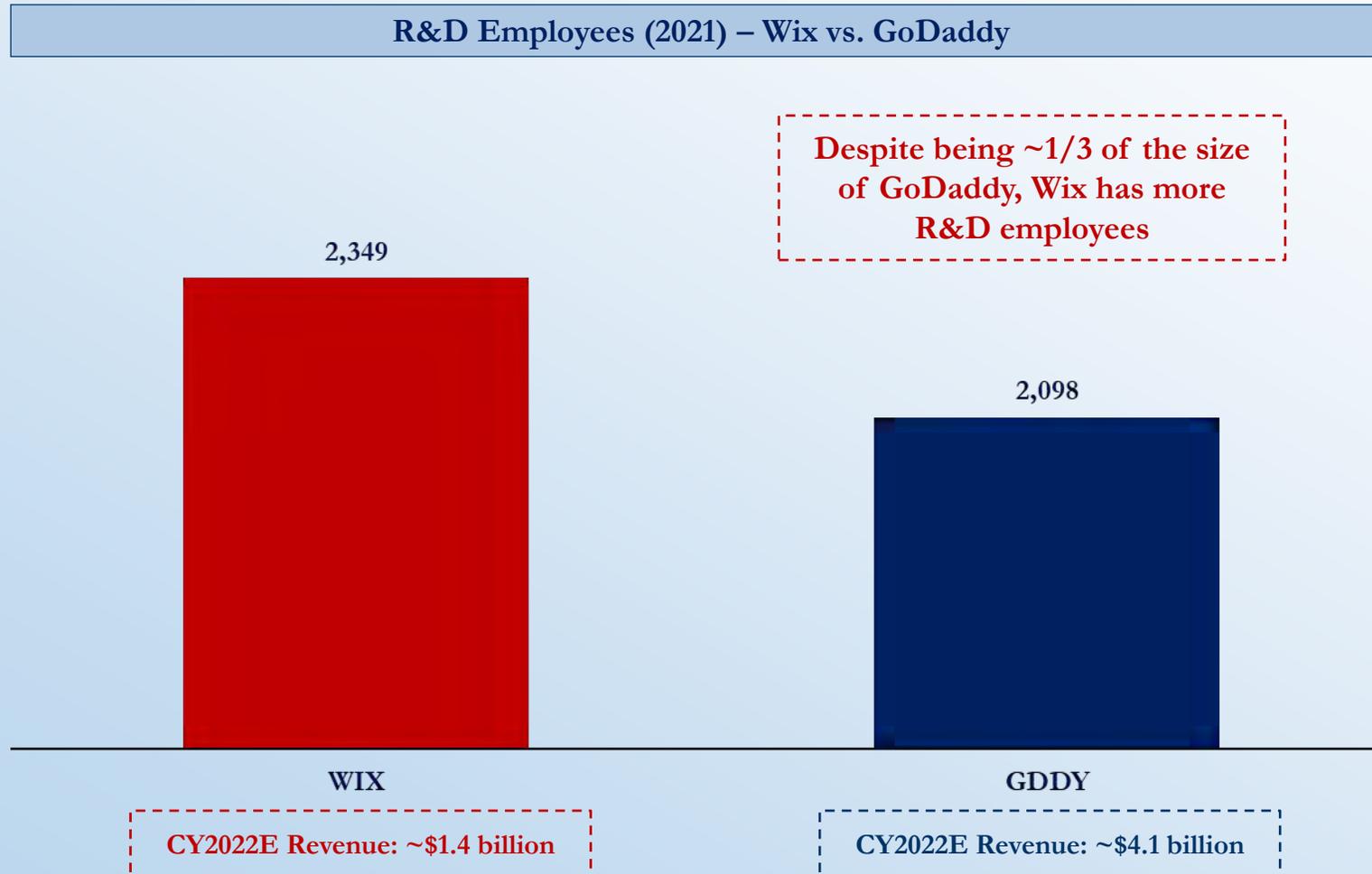


### Marketing Employees Over Time



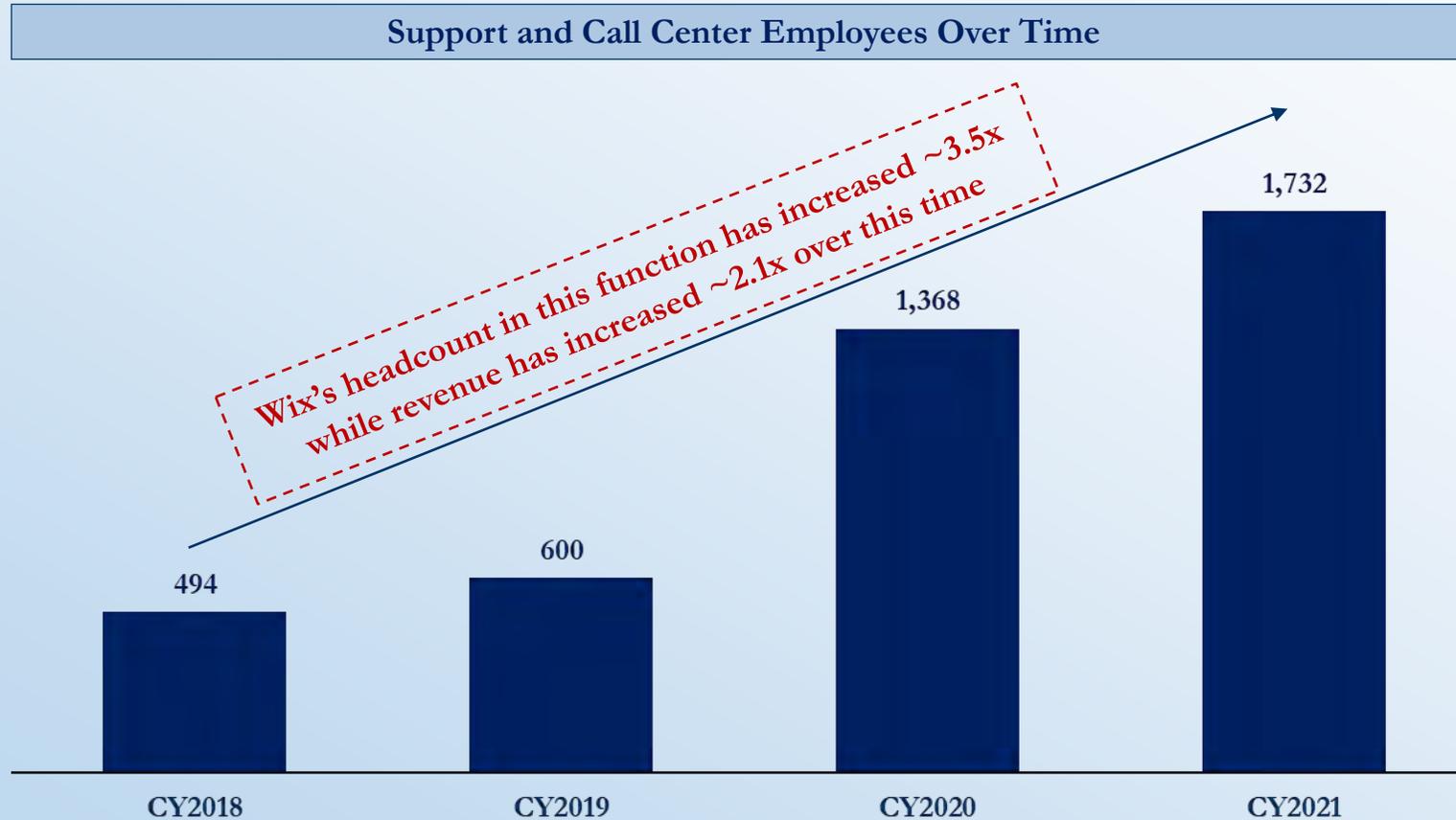
# We Believe Wix Has A Significant Margin Expansion Opportunity (Cont'd)

Wix has more R&D employees than its largest peer, GoDaddy, despite a fraction of the revenue scale.



# We Believe Wix Has A Significant Margin Expansion Opportunity (Cont'd)

Wix's support and call center employee count has grown significantly faster than revenue over the last few years.



# Wix Recently Announced a Cost Savings Program

In August, Wix announced a \$150 million cost savings program that will accelerate its margin expansion efforts, despite a challenging macroenvironment.

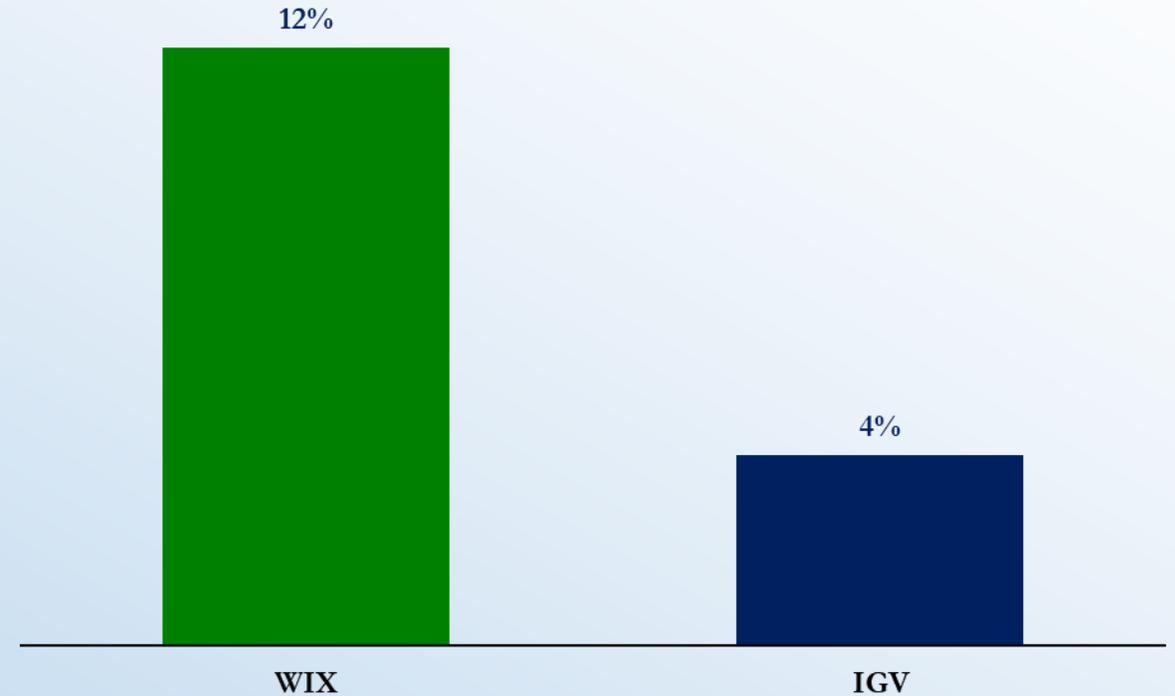
Wix's Actions Represented a Shift in Approach...

Website creator Wix.com to cut costs amid slower global growth

Wix recently announced a \$150 million cost reduction plan

...The Renewed Focus on Margins Was Well-Received

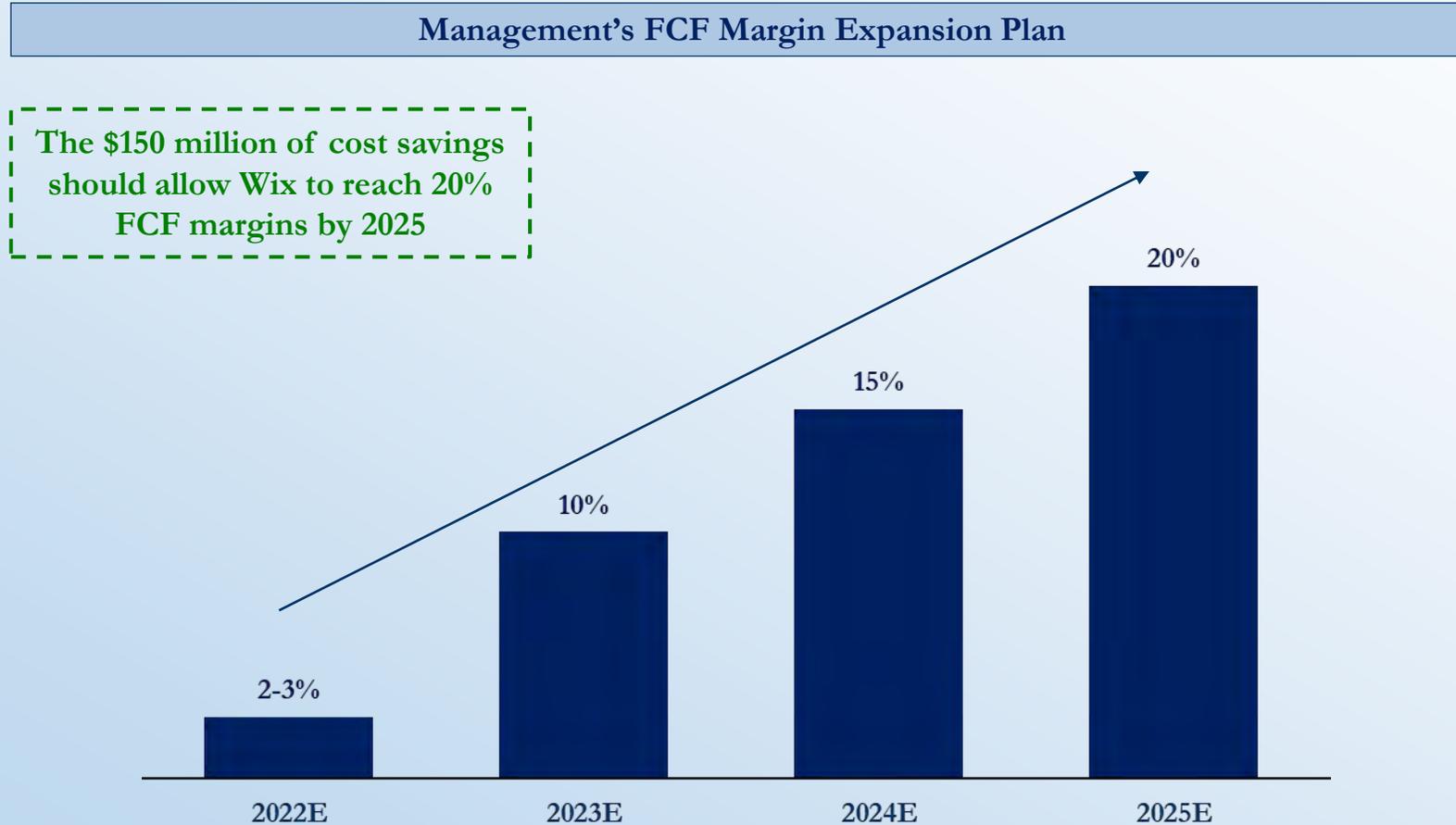
One-Day Stock Price Reaction Following Announcement



Investors welcomed Wix's commitment to a margin expansion plan that was not dependent on growth reacceleration

# This Cost Savings Program Should Allow Wix to Reach Its Margin Target

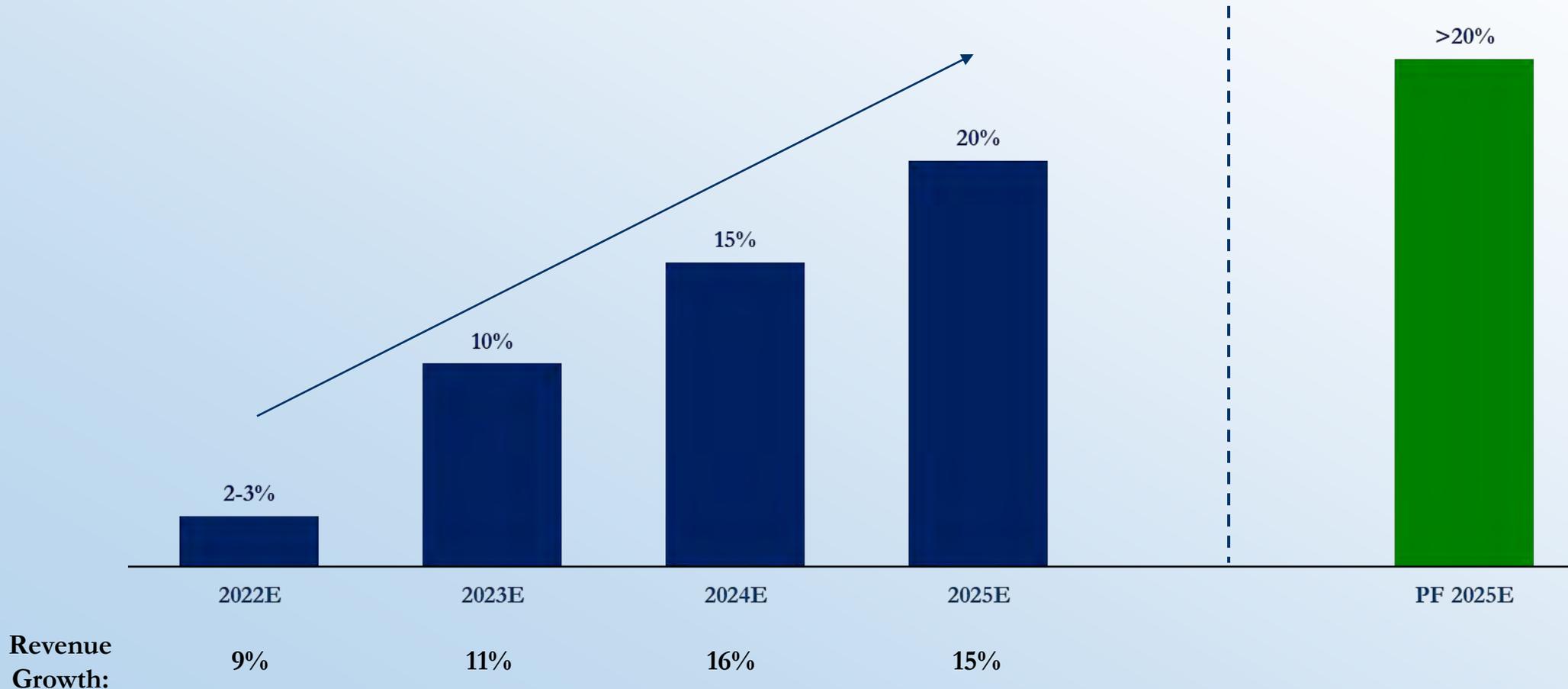
Wix is targeting steady margin improvement to reach 20% FCF margins by 2025.



# We Believe There Is Upside to Management's Margin Target

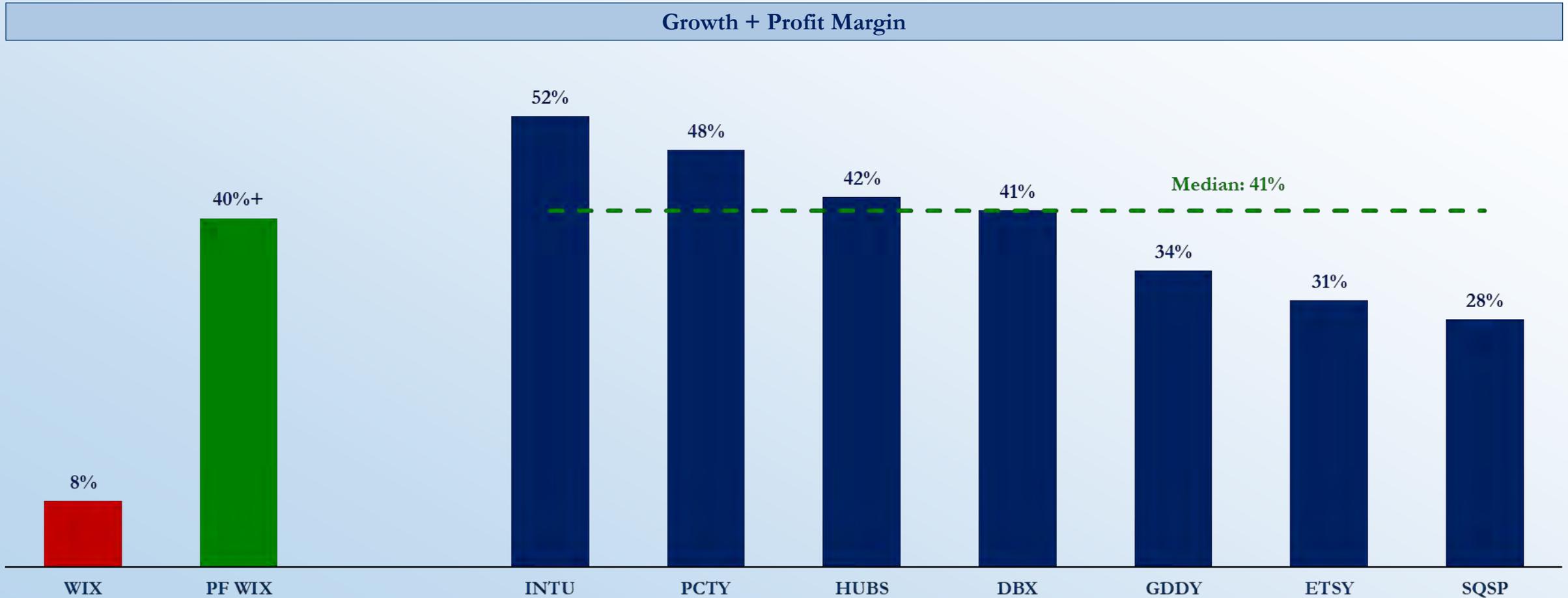
We believe Wix's FCF margins can be significantly higher than 20% by 2025.

Wix Margin Expansion Opportunity Over Time



# We Expect Wix's Balance of Growth and Profitability Will Meaningfully Improve

We expect Wix to improve its balance of growth and profitability to be more in-line with peers.



Source: Capital IQ.

Note: Starboard believes that the companies above provide appropriate peer comparisons. This presentation is a determination that is subject to a certain degree of subjectivity. As the full universe of potential peers is not listed here, the comparisons made herein may differ materially if other firms had been included. Growth + profit margin is calculated as CY2022E revenue growth + CY2022E FCF margin.

# Wix Has Significant Upside Potential

If Wix is able to improve its combination of growth + profitability to at least be in-line with the Company's stated goal, we believe there is substantial upside from today's prices.

Achieving Wix's margin target will drive \$6 - \$7 of FCF per share in 2025...

Implying Wix trades at 10x - 12x PF FCF

We believe FCF per share can be significantly higher if Wix's 2025 growth + profit is 40%+

Wix has an opportunity to create significant shareholder value over the next few years

# Starboard Has Identified Three New Opportunities To Discuss Today

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The Wix logo is displayed in a black, sans-serif font. The letter 'i' is lowercase and features a small orange flame-like shape above its dot. The letters 'W', 'X', and 'X' are uppercase. The logo is centered within a dashed, light-colored rectangular border.

*Each Company Represents an Opportunity to Own a High-Quality and Sticky Business at an Attractive Valuation with the Potential for Significant Value Creation Through a Better Balance of Growth and Profitability*

# Starboard Has Identified Three New Opportunities To Discuss Today

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The Wix logo is displayed in a light gray, textured font. It is enclosed within a dashed brown rectangular border.The Splunk logo is displayed in a bold, black, sans-serif font. It is enclosed within a dashed blue rectangular border.A solid dark blue square is positioned on the right side of the slide.

*Each Company Represents an Opportunity to Own a High-Quality and Sticky Business at an Attractive Valuation with the Potential for Significant Value Creation Through a Better Balance of Growth and Profitability*

# Splunk Overview

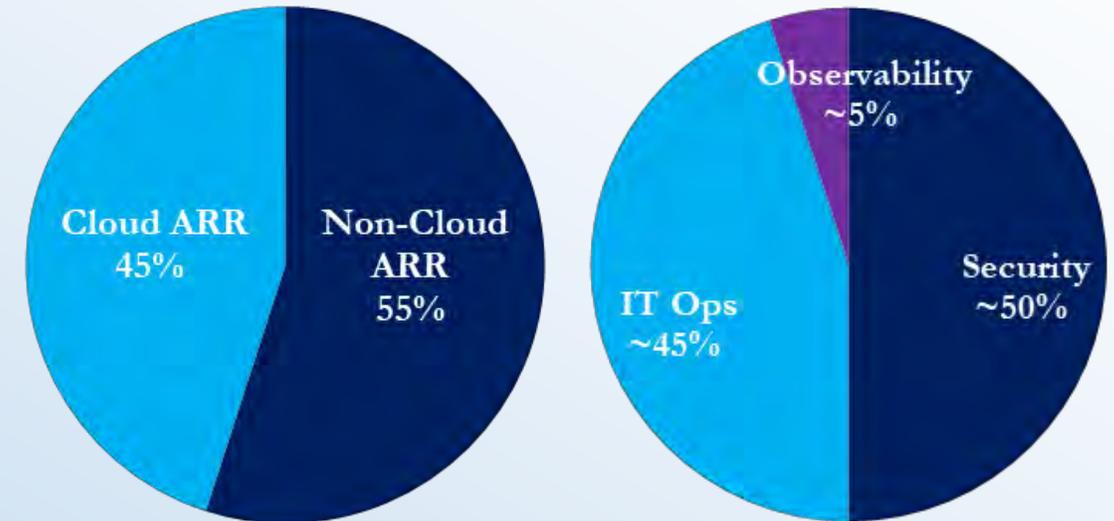
Splunk Inc. (“Splunk”, “SPLK”, or the “Company”) is a leading provider of application software that collects and analyzes data from digital systems to help organizations identify security threats and monitor IT infrastructure.

## Financial Overview

*(\$ in millions, except per share data)*

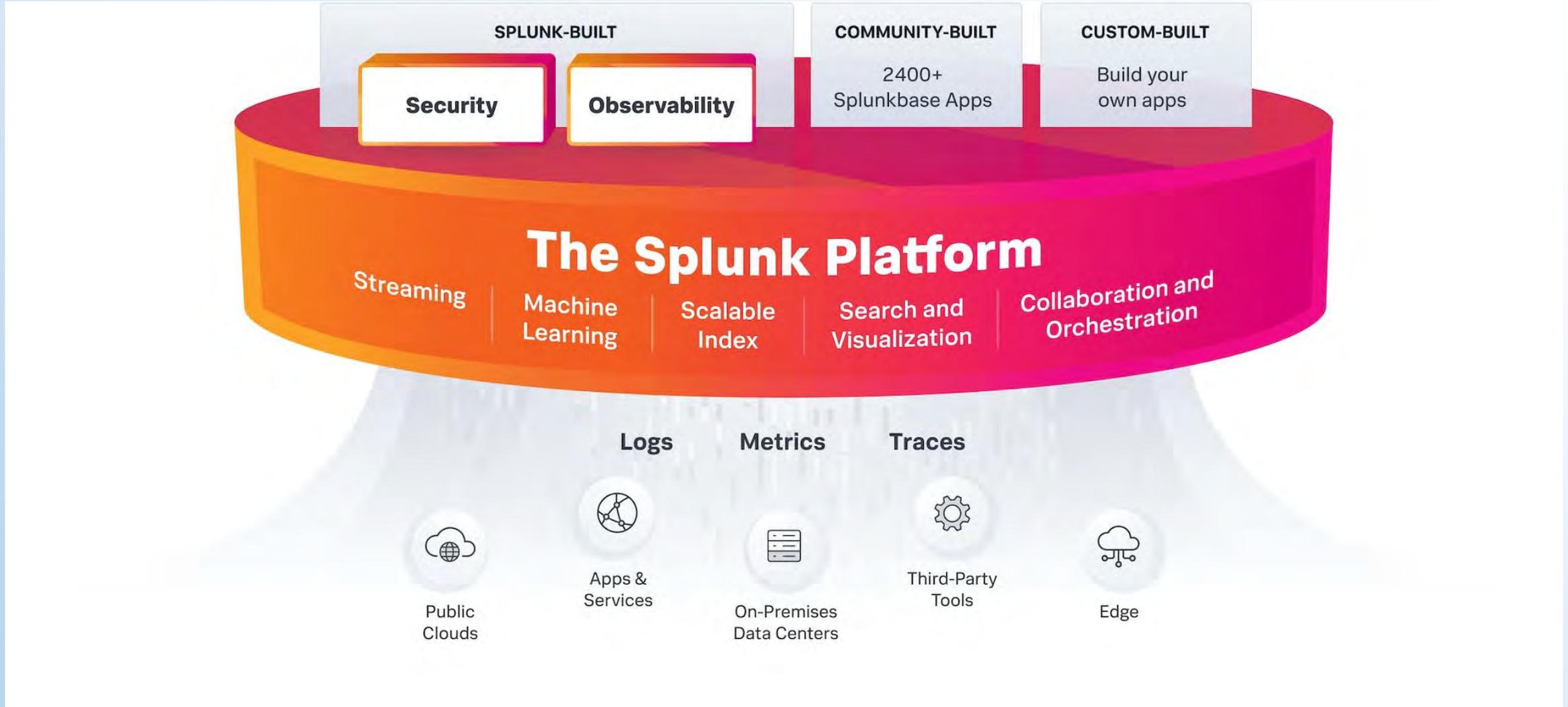
<b>Stock Price (10/14/22)</b>	<b>\$70.23</b>
(x) Shares Outstanding	162.7
<b>Market Cap</b>	<b>\$11,426</b>
(+) Debt	3,904
(-) Cash	(1,793)
<b>Enterprise Value</b>	<b>\$13,537</b>
<b>EV / Consensus CY23E ARR</b>	<b>3.1x</b>
<b>Price / Consensus CY23E FCF</b>	<b>17.4x</b>

## Segment Breakdown



Splunk is a highly recurring business that works with more than 95 of the Fortune 100 companies

# What is Splunk?



# Splunk Maintains Strong Competitive Positioning in Its Markets

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Due to its historical strength in the log management space, Splunk was able to expand its relationship with blue-chip customers and successfully upsell its security solutions.

**#1**

**Log Management**

**#1**

**Security Information  
and Event  
Management**

Splunk is considered to be the “gold standard” in the log management and security markets

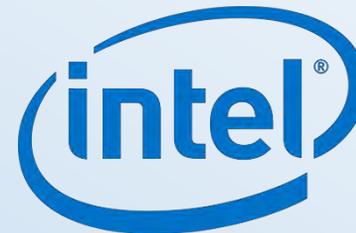
# Splunk Has Strong Penetration With Blue Chip Customers

Splunk is focused on enterprise customers and has significant penetration with the Fortune 100.

## Blue Chip Customers

More than 95 of  
the Fortune 100

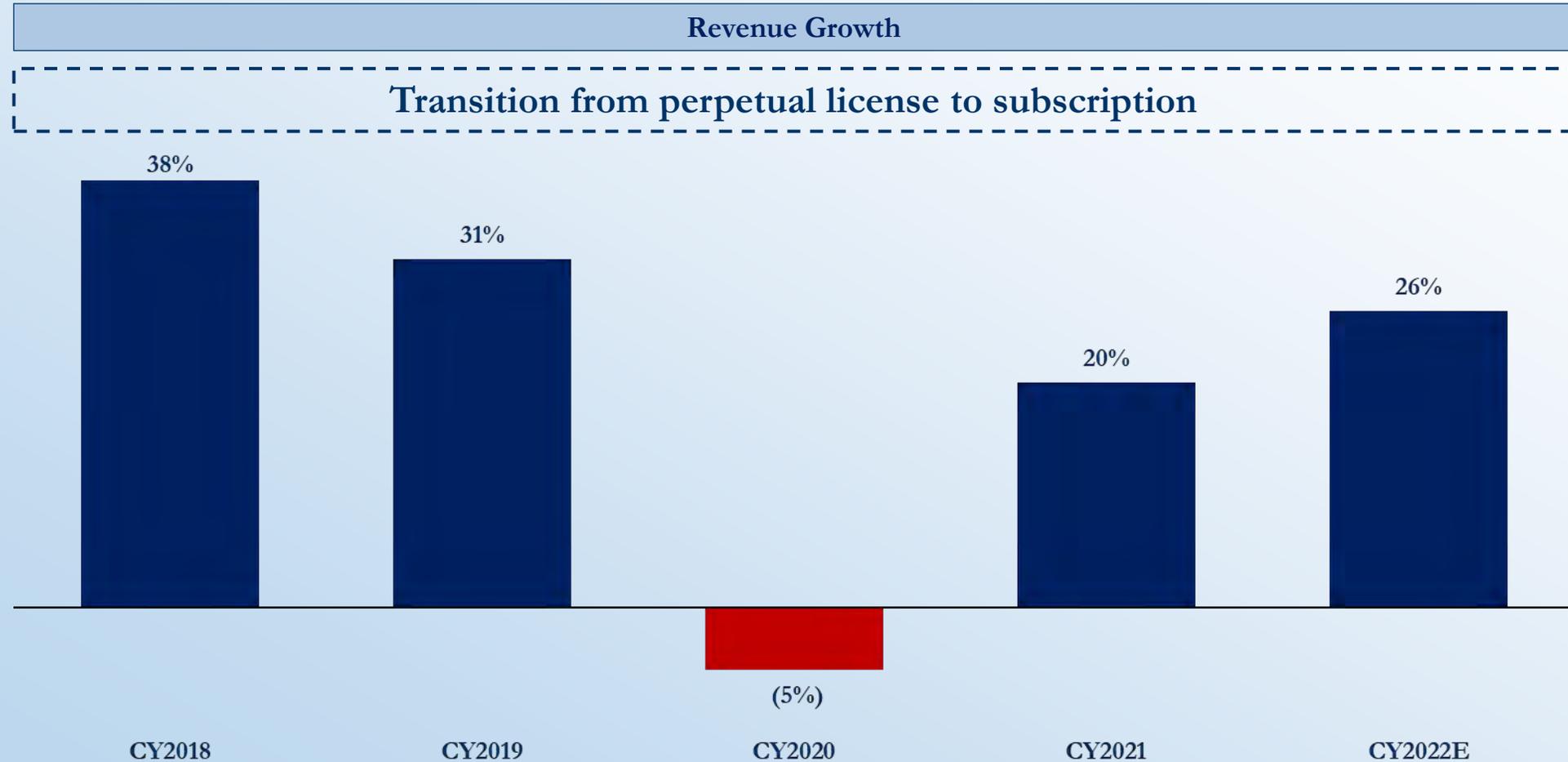
~22,000  
Customers



Splunk is considered to be mission-critical software for large, global enterprises

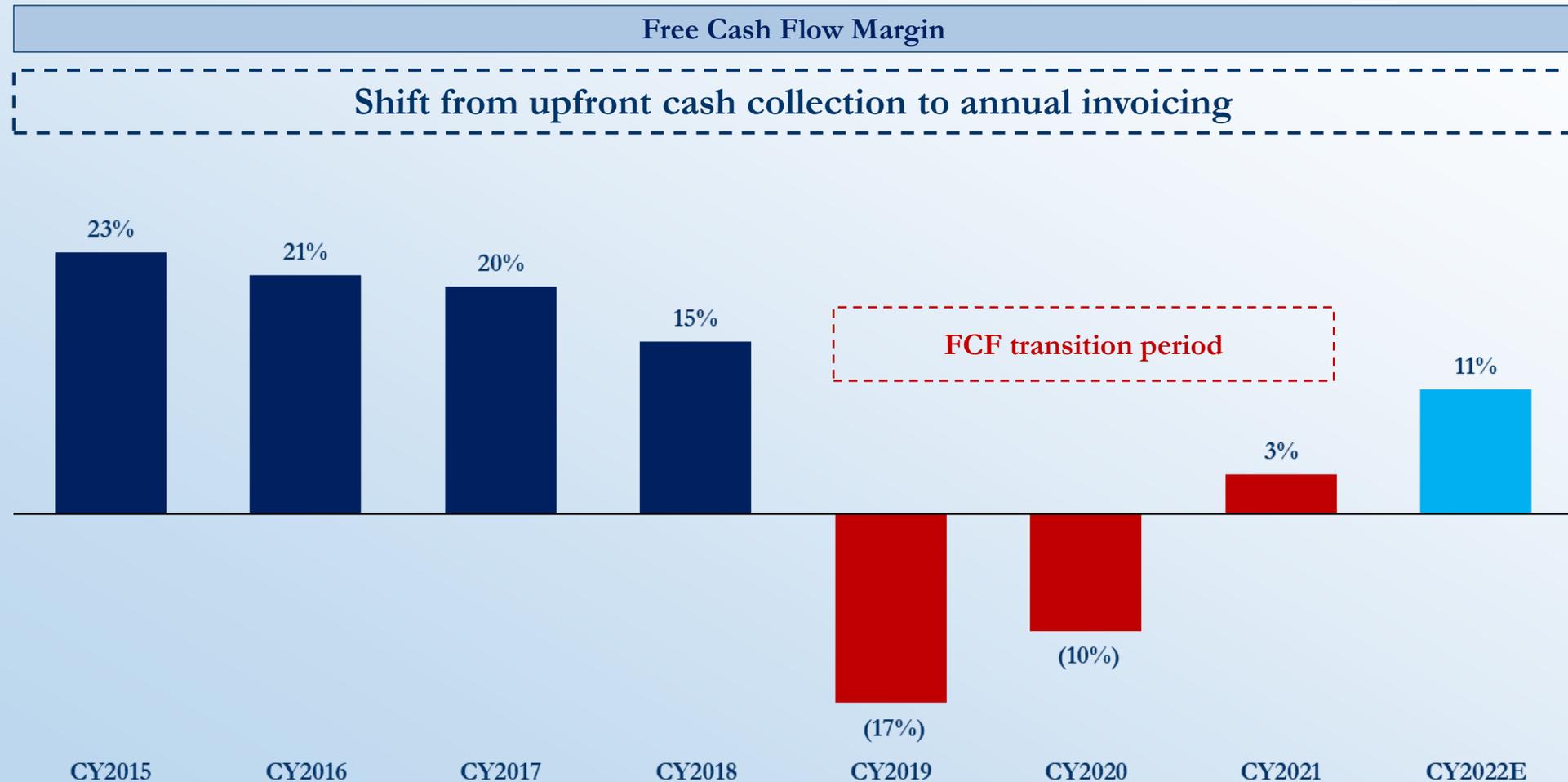
# Splunk Is Going Through a Complex Business Transition

Splunk is near the end of a complex business transition that has obscured the true earnings power of the business.



# Splunk Is Going Through a Complex Business Transition (Cont'd)

Over the last few years, Splunk's free cash flow has been negative as the Company shifted to an annual invoicing model.



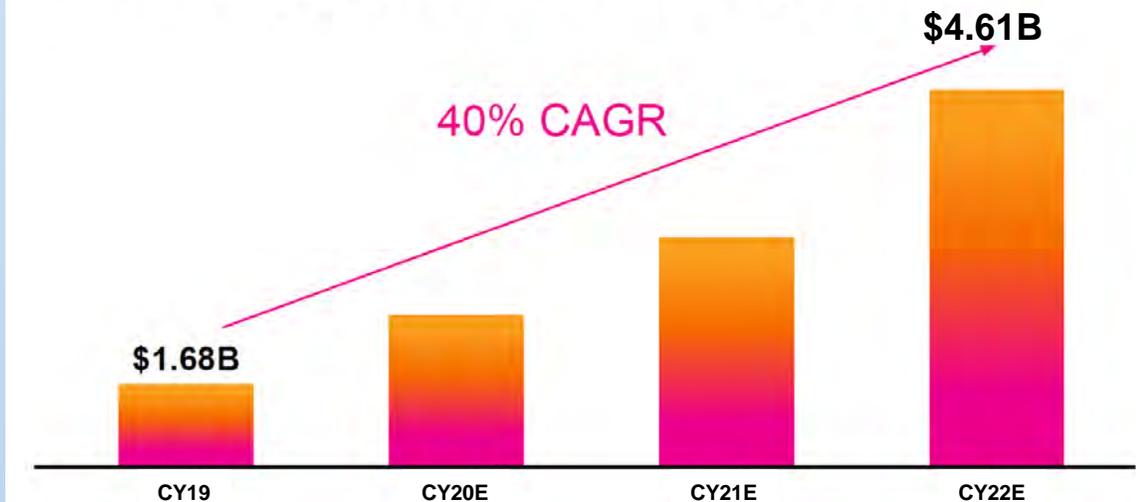
We believe Splunk will be a cleaner story for investors going forward

# Splunk Laid Out Aggressive Long-Term Financial Targets...

Amidst a complex business transition, in October 2020, the Company laid out aggressive financial targets of 40% ARR CAGR over the next three years and 20% cash flow margins post-transition.

Excerpt from October 2020 Analyst Day Presentation

## Reiterating ARR Growth Trajectory



Margin Target Commentary from October 2020 Analyst Day

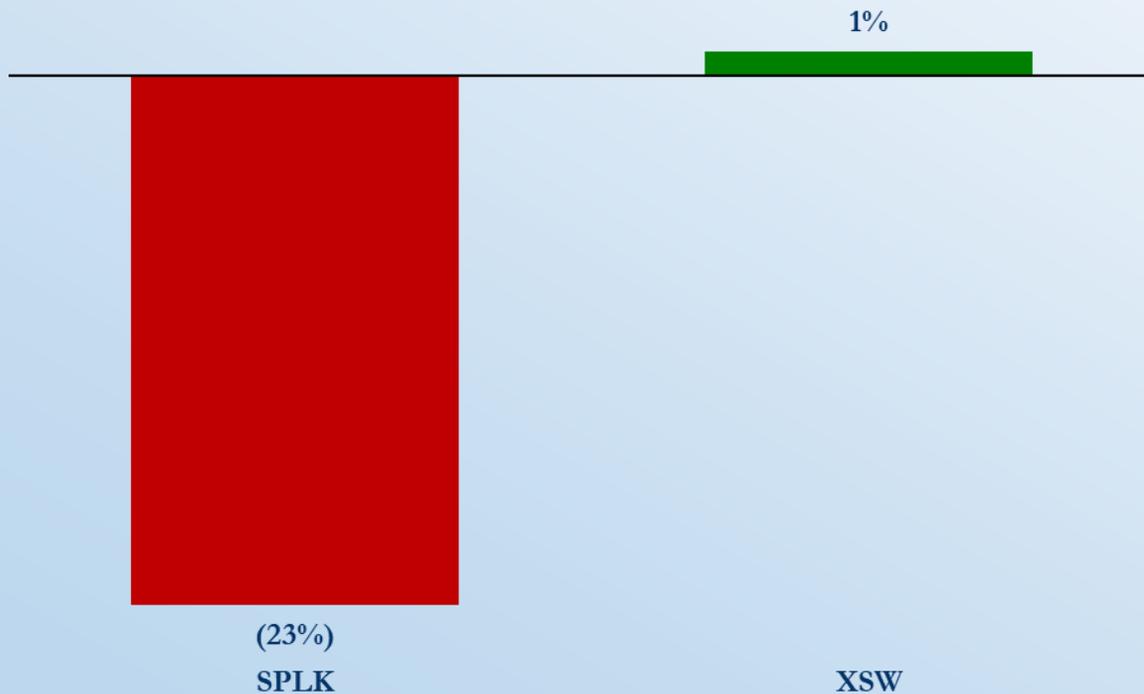
“And by the time we reach [CY2022], we should reach a more normalized cash yield as a percentage of ARR as we were seeing in previous years before the transition, which is in the 20% range.”

— Jason Child, Former CFO

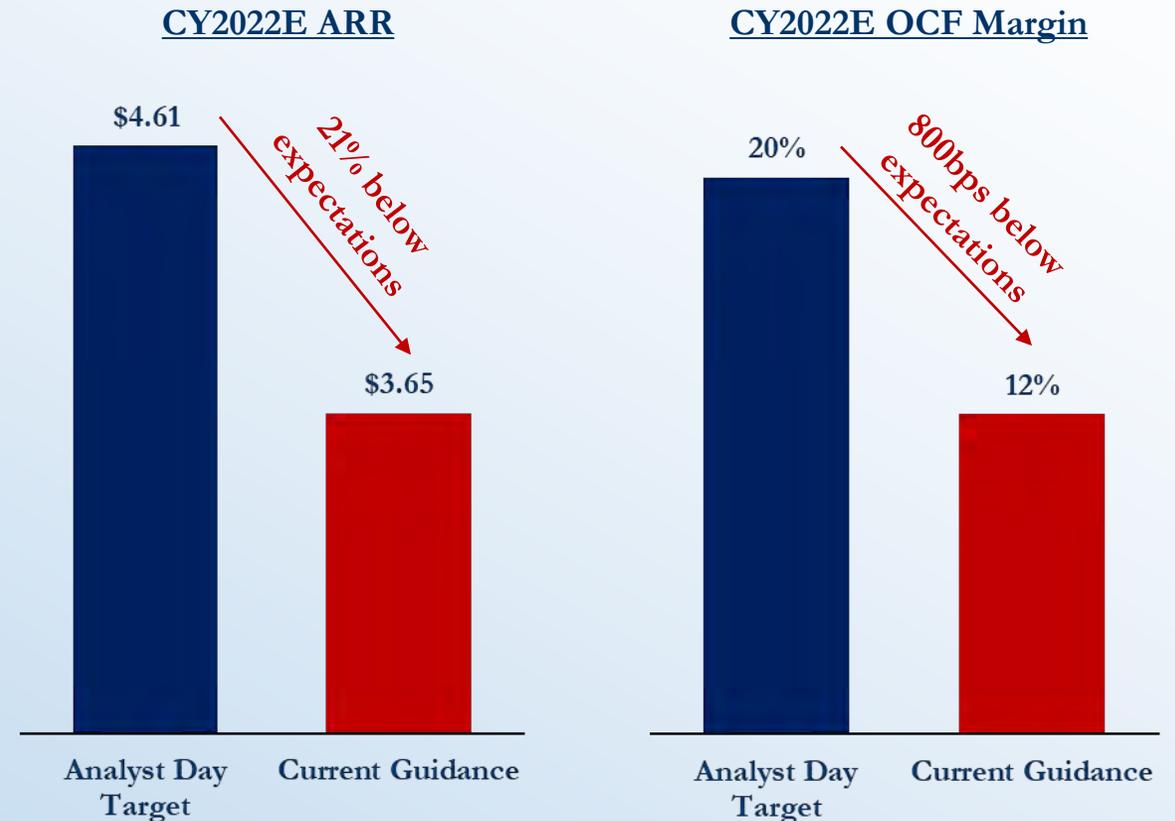
# ...Which Were Withdrawn 2 Months Later

Merely two months after the analyst day, the Company withdrew the long-term financial targets, which led to investor frustration and a negative share price reaction.

One-Day Stock Price Reaction Following Announcement



Analyst Day Targets vs. Current Guidance



Splunk lost significant credibility after withdrawing long-term financial targets in two months

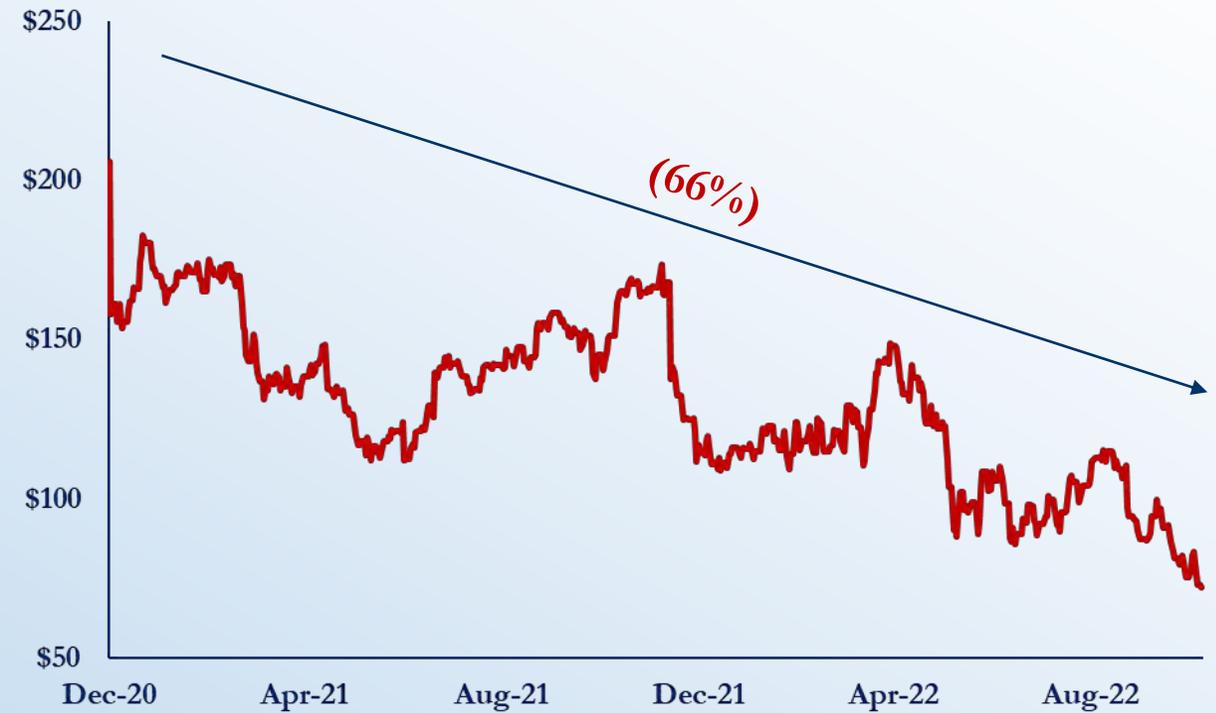
# Splunk Has Been Plagued By Misexecution

Since then, the Company has consistently disappointed investors on quarterly earnings calls due to a lack of execution and poor forecasting, leading to meaningful share price decline.

## Negative Quarterly Earnings Reaction

<u>Earnings Quarter</u>	<u>Stock Price Reaction</u>
Q2'22	(12.0%)
Q1'22	9.5%
Q4'21	6.0%
Q3'21 <sup>(1)</sup>	(18.1%)
Q2'21	(1.4%)
Q1'21	(9.5%)
Q4'20	(2.6%)
Q3'20	(23.3%)

## Splunk Share Price Performance Since Targets Were Withdrawn



**Splunk needs to rebuild investor confidence through better execution**

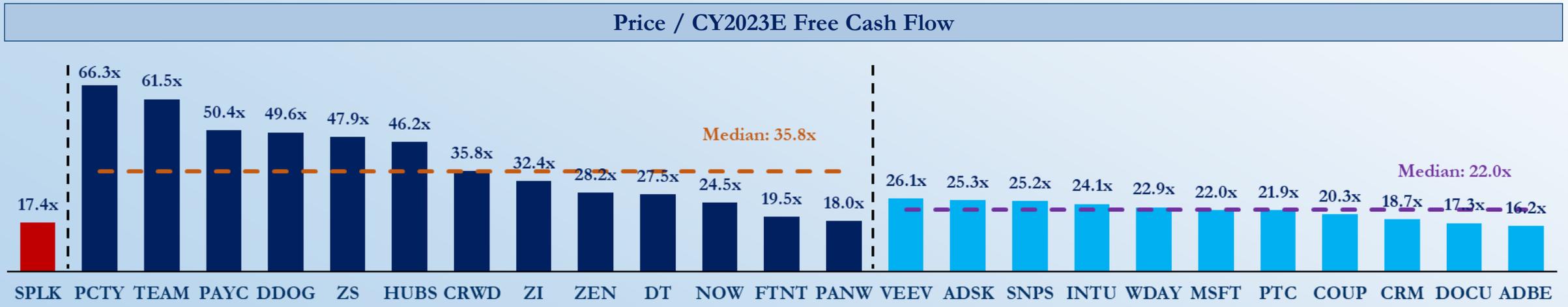
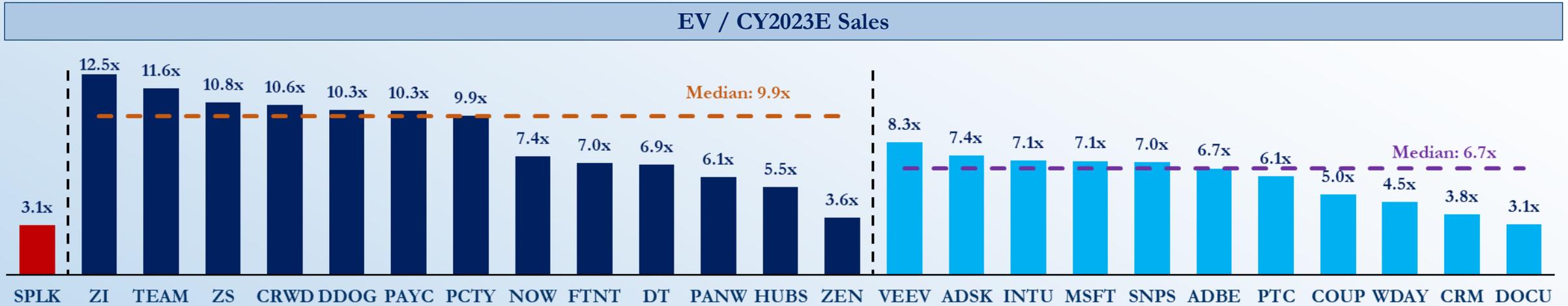
Source: Capital IQ, Company filings.

Note: Company's Fiscal Year ends Jan 31. For simplistic purposes, we are assuming those financials are as of December 31. Quarterly earnings is based on calendar year. Returns adjusted for dividends and are from 12/2/2020 to 10/14/2022.

(1) Stock price reaction is as of November 15, 2021, which is when the Company preannounced quarterly earnings.

# As a Result, Shares Are Now Trading at an Attractive Valuation

After years of underperformance, Splunk is now trading far below peer multiples, despite strong top-line growth and an enviable market position.



■ 20%+ Growing, FCF-Generative Software Peers

■ 10-20% Growing, FCF-Generative Software Peers

Source: Capital IQ, Bloomberg. Market data as of 10/14/22.

Note: Splunk valuation multiple is calculated on EV / ARR basis instead of EV / Revenue due to business transition. Starboard believes that the companies above provide appropriate peer comparisons. This presentation is a determination that is subject to a certain degree of subjectivity. As the full universe of potential peers is not listed here, the comparisons made herein may differ materially if other firms had been included. ZEN valuation multiple is from June 23, 2022, which is one day prior to its acquisition announcement.

# The Company Is Going Through a Leadership Change

Splunk announced the appointment of Gary Steele as CEO in March 2022, and the Company is undergoing a CFO search process.

## Leadership Change



Gary Steele

**proofpoint.**<sup>®</sup>



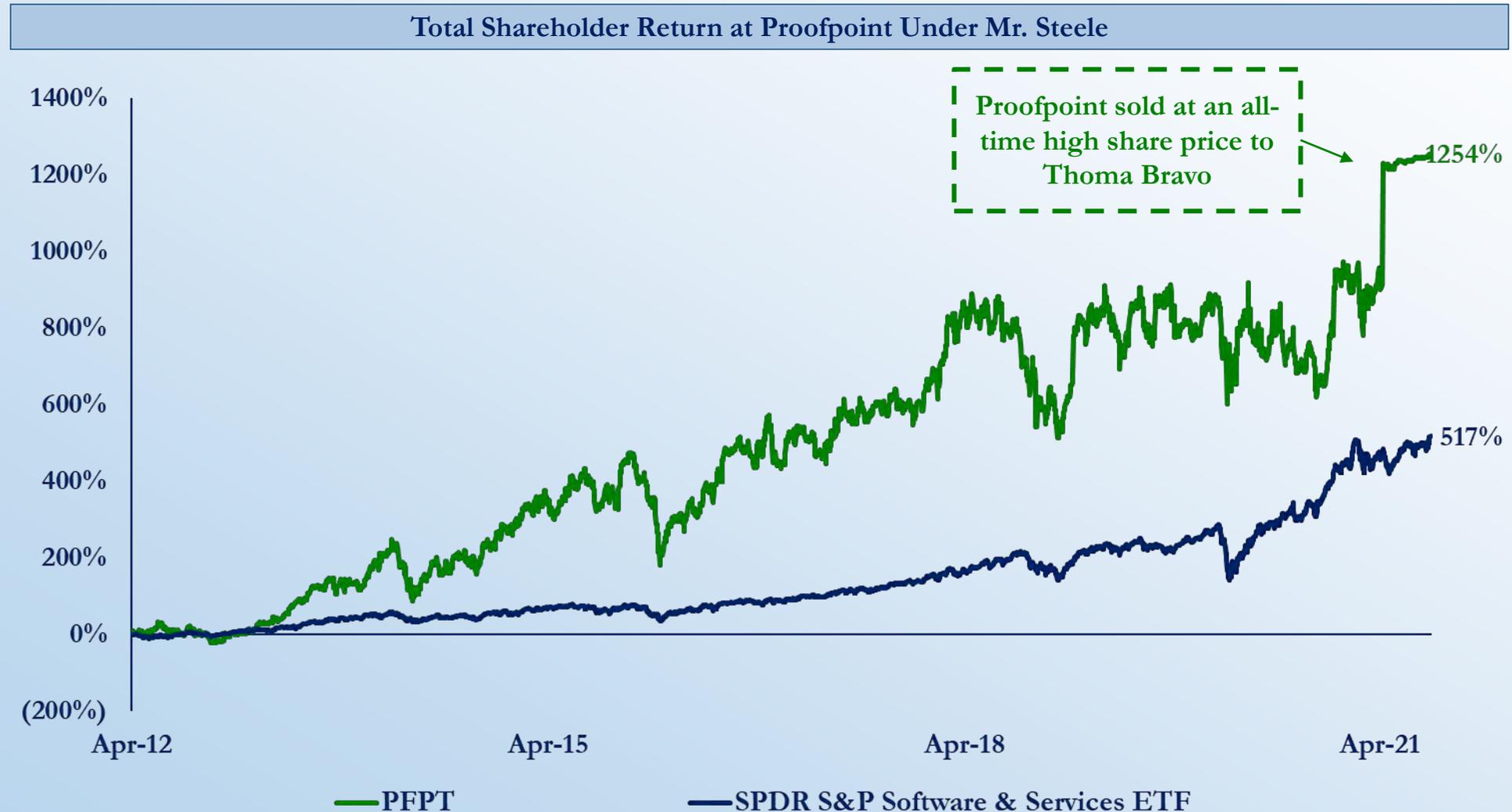
CFO

The Company is currently undergoing a CFO search process

The new management team has the opportunity to put Splunk on a better path

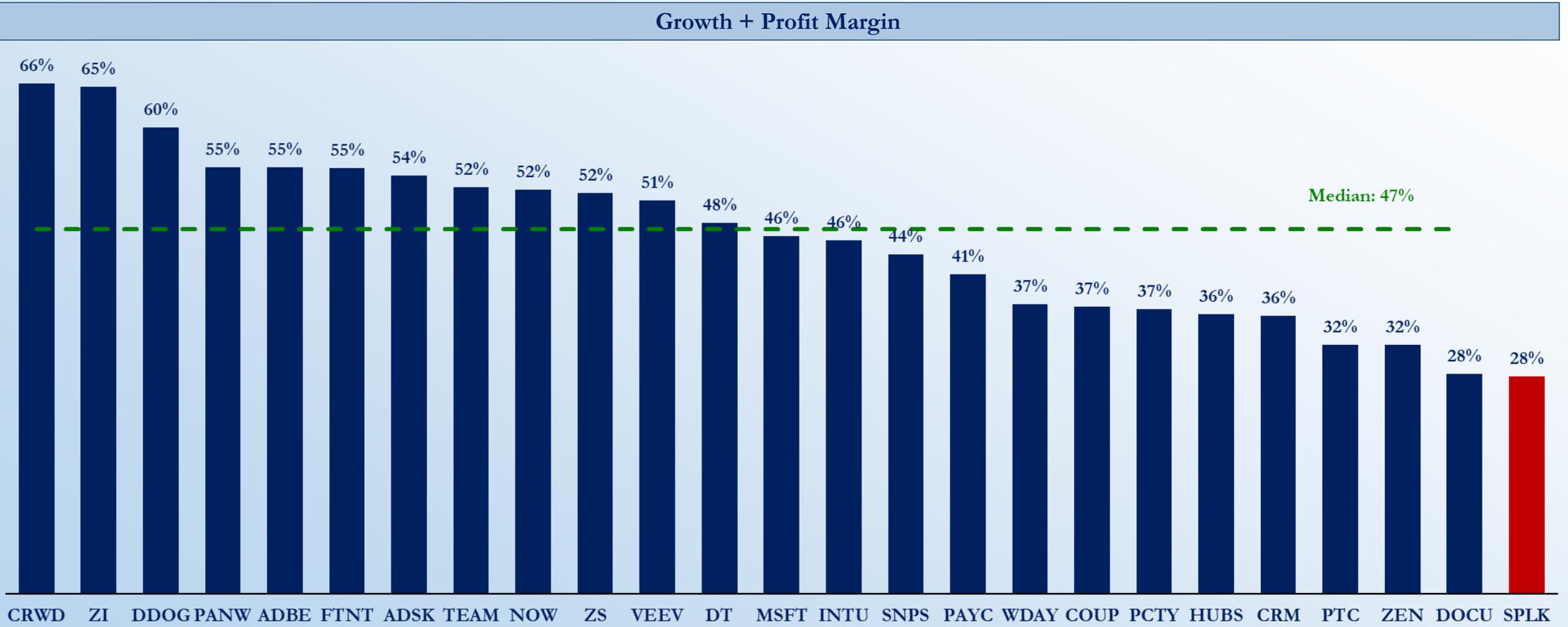
# Gary Steele Was Successful as CEO of Proofpoint

During his time as CEO of Proofpoint, there was significant value creation.



# We Believe the New Management Team Has the Opportunity to Drive Operational Improvement

As a result of the consistent misexecution, Splunk's operational performance is significantly worse than its peers.



**We believe there is significant opportunity for the new management team to improve operational performance**

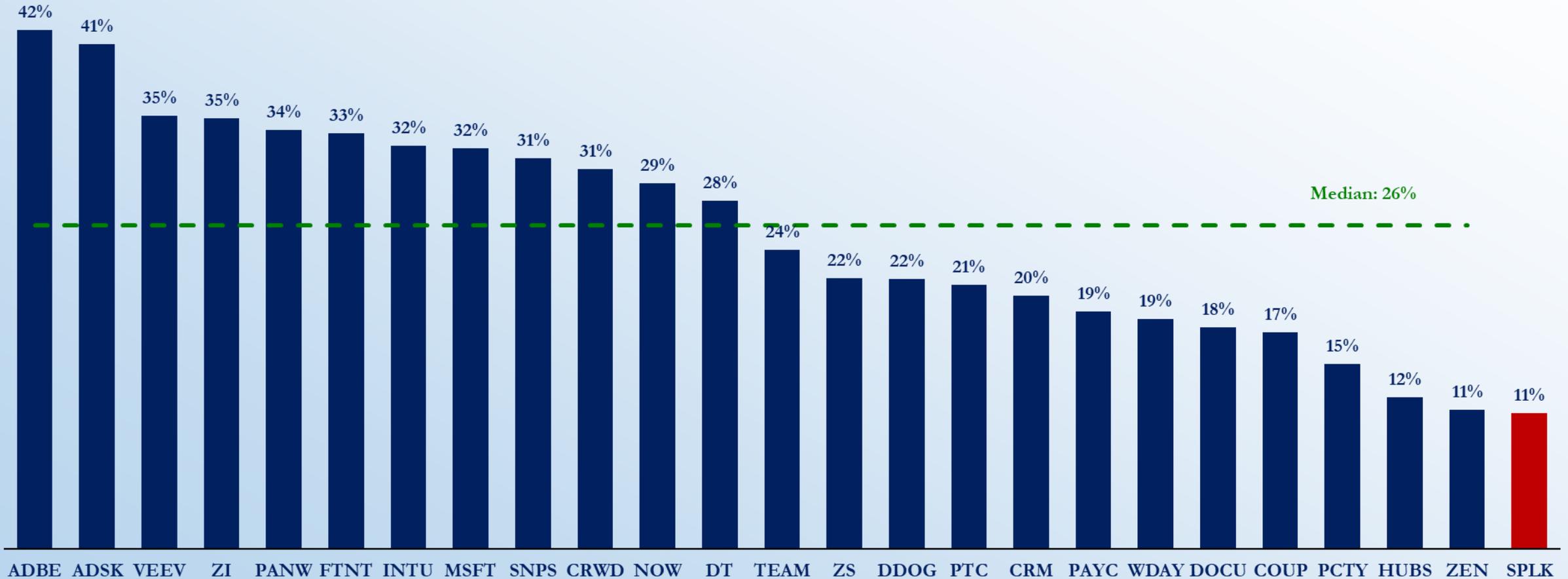
Source: Public company filings, Capital IQ.

Note: Calculation above is done as CY22E-24E Revenue CAGR + CY22E FCF margins. For Splunk, calculation includes 2022E ARR Growth instead of Revenue CAGR, and FCF margin is calculated as % of ARR. Starboard believes that the companies above provide appropriate peer comparisons. This presentation is a determination that is subject to a certain degree of subjectivity. As the full universe of potential peers is not listed here, the comparisons made herein may differ materially if other firms had been included.

# Splunk Has a Significant Opportunity to Drive Margin Expansion

The new management team has significant opportunity to improve free cash flow margins to be in-line with peers.

CY2022E Free Cash Flow Margin



**We believe a large margin expansion opportunity exists at Splunk**

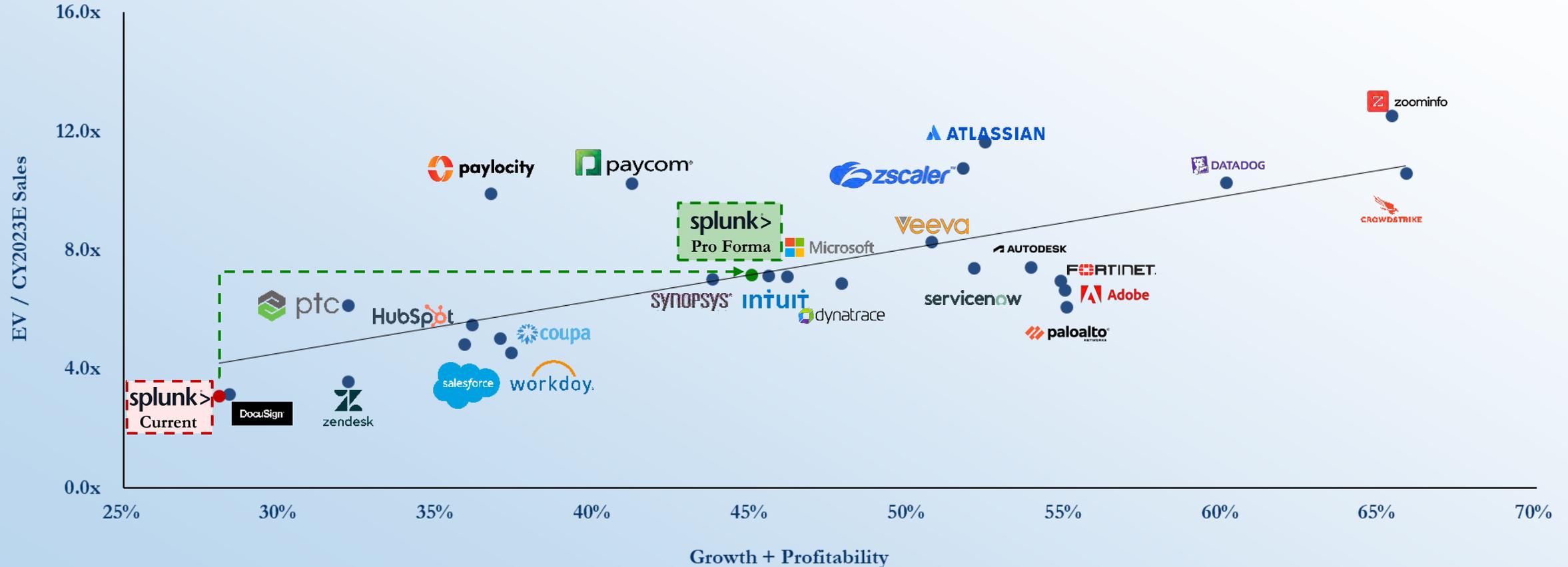
Source: Public company filings, Capital IQ.

Note: Splunk FCF margin is calculated as % of ARR. Starboard believes that the companies above provide appropriate peer comparisons. This presentation is a determination that is subject to a certain degree of subjectivity. As the full universe of potential peers is not listed here, the comparisons made herein may differ materially if other firms had been included.

# We Believe Strong Execution Will Result In a Valuation Uplift

If the new management team is able to improve operational performance, we believe Splunk could benefit from a valuation uplift.

Growth + Profitability vs. EV / CY2023E Sales



With better execution, we believe Splunk can move up and to the right with its peers and potentially double its valuation

Source: Public company filings, Capital IQ, and Bloomberg. Market data as of 10/14/22.

Note: Calculation above is done as CY22E-24E Revenue CAGR + CY22E FCF margins. For Splunk, calculation includes 2022E ARR Growth instead of Revenue CAGR, and FCF margin is calculated as % of ARR. Splunk's valuation multiple is calculated as EV / CY23E ARR. Starboard believes that the companies above provide appropriate peer comparisons. This presentation is a determination that is subject to a certain degree of subjectivity. As the full universe of potential peers is not listed here, the comparisons made herein may differ materially if other firms had been included. ZEN valuation multiple is from June 23, 2022, which is one day prior to its acquisition announcement.

# We Believe Splunk Has Significant Upside From Current Levels

If management can successfully execute on a margin improvement plan, we believe Splunk shareholders will be meaningfully rewarded.

## Current Financial Profile

## CY2025E PF Financial Profile

ARR Growth

17%

High-teens to 20%+

Free Cash Flow  
Margin

11%

25% - 30%+

Growth + Margin

28%

45%+

FCF / Share

~\$2.45

~\$8.00 - \$9.00+

We believe a substantial value creation opportunity exists at Splunk

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## CY2025E PF Financial Profile

High-teens to 20%+

25% - 30%+

45%+

~\$8.00 - \$9.00+

Splunk is trading at ~8x - 9x CY2025E FCF

We believe a substantial value creation opportunity exists at Splunk

# Splunk's Strategic Value

While we believe that there is substantial value that can be created from improving growth and profitability, we also believe that Splunk is a highly strategic asset that could be attractive to a number of different strategic and financial buyers.

## THE WALL STREET JOURNAL.

◆ WSJ NEWS EXCLUSIVE | DEALS

### Cisco Made \$20 Billion-Plus Takeover Offer for Splunk

Bid was made recently though companies aren't currently in active talks, according to people familiar with the matter



San Jose, Calif.-based Cisco sells routers, switches and security services as well as software products.

PHOTO: DAVID PAUL MORRIS/BLOOMBERG NEWS

# Starboard Has Identified Three New Opportunities To Discuss Today

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The Wix logo is displayed in a light gray, textured font within a dashed gray rectangular border.The Splunk logo is displayed in a bold, black, sans-serif font with a registered trademark symbol and a greater-than sign, enclosed in a dashed gray rectangular border.

*Each Company Represents an Opportunity to Own a High-Quality and Sticky Business at an Attractive Valuation with the Potential for Significant Value Creation Through a Better Balance of Growth and Profitability*

# Starboard Has Identified Three New Opportunities To Discuss Today

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The Wix logo is displayed in a light gray, sans-serif font within a dashed gray rectangular border.The Splunk logo is displayed in a light gray, sans-serif font within a dashed gray rectangular border.The Salesforce logo is displayed in white, lowercase letters inside a blue cloud shape, which is itself inside a dashed blue rectangular border.

*Each Company Represents an Opportunity to Own a High-Quality and Sticky Business at an Attractive Valuation with the Potential for Significant Value Creation Through a Better Balance of Growth and Profitability*

# Salesforce Overview

Salesforce, Inc. ( “Salesforce”, “CRM”, or the “Company”) is a leading software company providing customer relationship management, marketing, analytics, and other cloud-based enterprise solutions.

## Financial Snapshot

*(\$ in millions, except per share data)*

<b>Stock Price (10/14/22)</b>	\$142.22
Basic Shares Outstanding	1,000
<b>Market Cap</b>	<b>\$142,220</b>
(+) Debt	10,599
(-) Strategic Investments	(5,124)
(-) Cash	(13,533)
<b>Enterprise Value</b>	<b>\$134,162</b>
<b>EV / Consensus FY24E Revenue</b>	<b>3.8x</b>
<b>Price/ Consensus FY24E FCF</b>	<b>18.7x</b>



## Salesforce Has Achieved Remarkable Growth Over the Last 20 Years

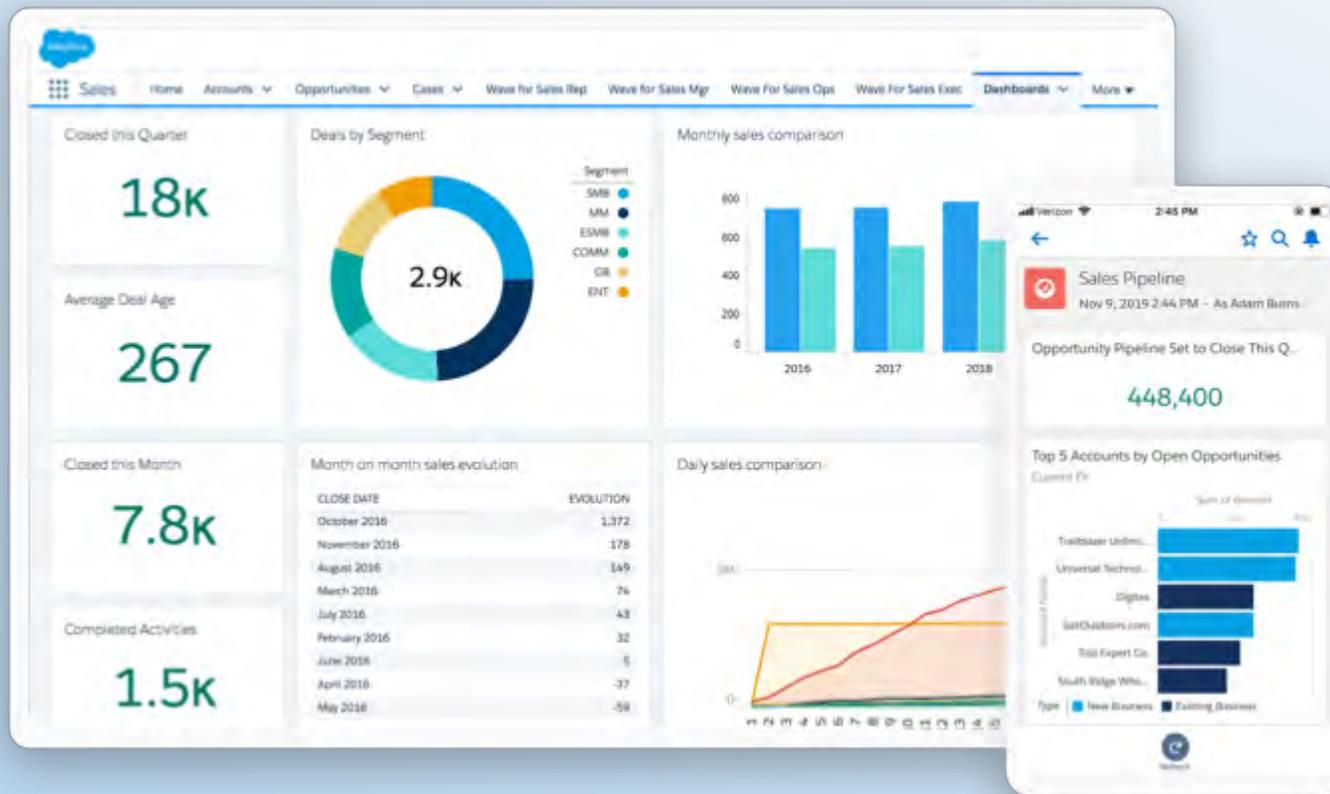
*(\$ in billions)*



# Salesforce Initially Began as a Cloud-Native Customer Relationship Management Tool to Help Empower Sales Teams

Customer relationship management software helps to digitize and automate various sales-related workflows, enabling teams to maximize sales and productivity while also improving the customer experience.

## Illustrative CRM Dashboard

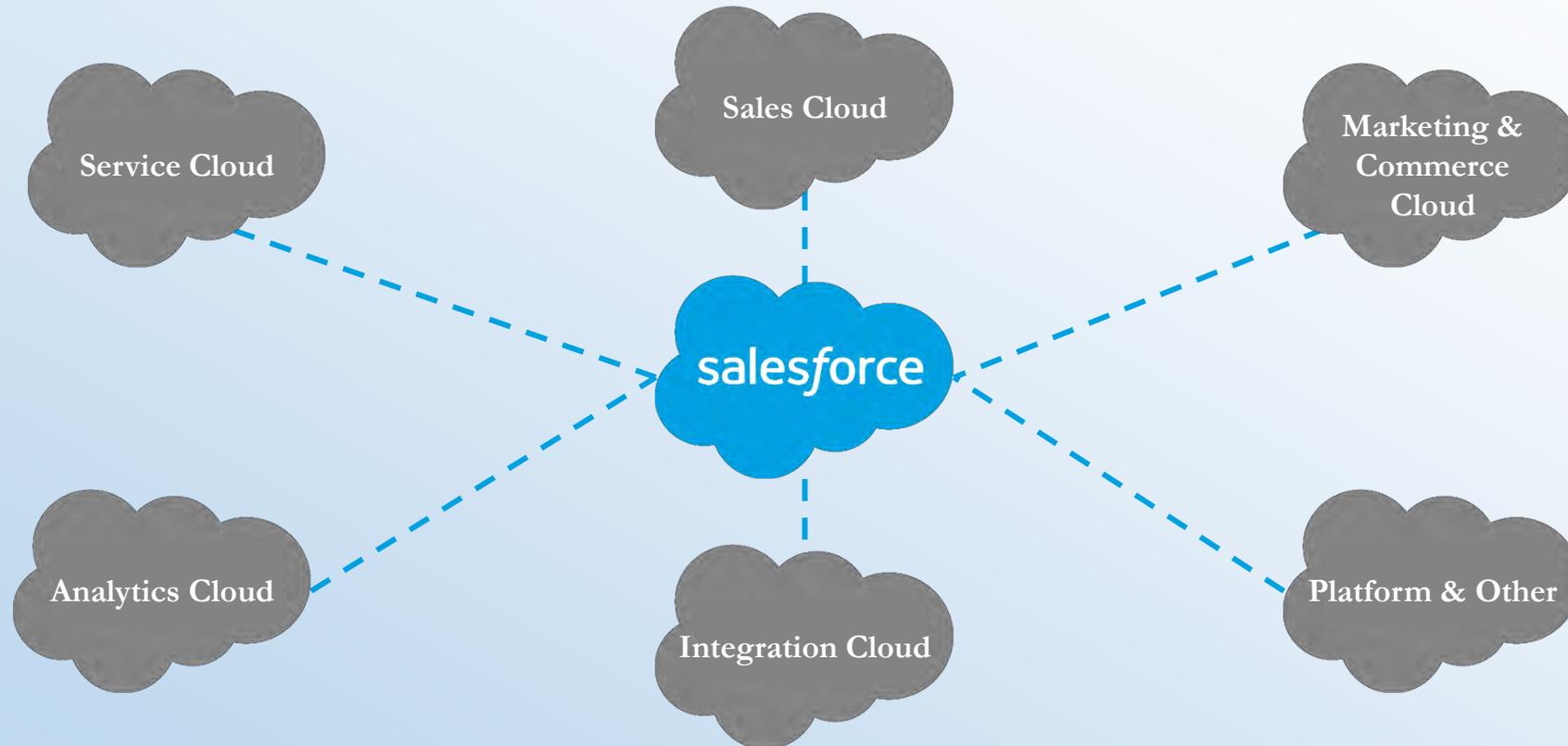


## Key CRM Functionality

- ✓ Lead and Pipeline Management
- ✓ Contact Management
- ✓ Reporting and Related Analytics
- ✓ Sales Forecasting
- ✓ Marketing Campaign Management
- ✓ Sales Workflow Automation
- ✓ Proposal Management

# Since Then, Salesforce Has Expanded Into Several Other Clouds Aimed at Connecting Companies and Their Customers

## Salesforce Product Overview



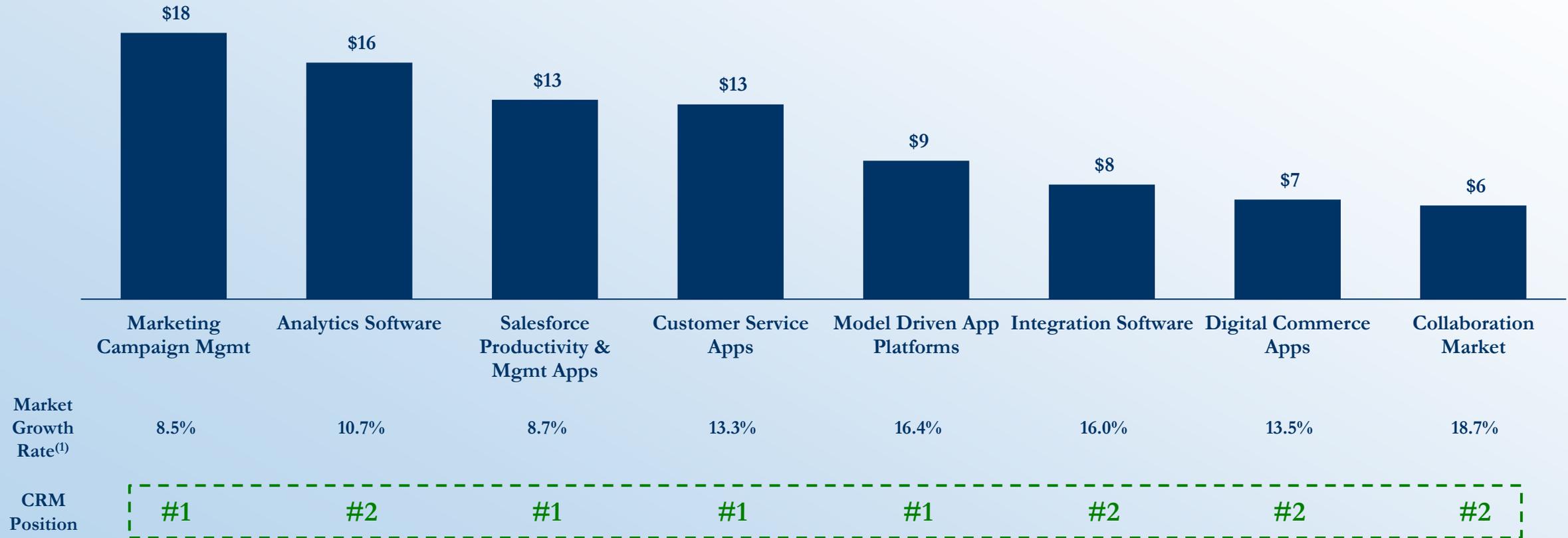
*Salesforce empowers companies to connect with and better serve their customers*

# Salesforce Has the Leading Market Position Across These Businesses

The Company has strong positions across various attractive markets that are expected to grow meaningfully due to long-term secular demand drivers.

Salesforce End Market Size & Growth Rate

(\$ in billions)



Salesforce has the leading position across several large and fast-growing markets

Source: Wall Street Research, IDC, Company Filings.

(1) Expected growth rate through CY25 per IDC. (2) Does not sum due to rounding.

# Salesforce's Shareholders Have Not Seen the Benefit of the Company's Strong Market Position Over the Past Few Years

The Company's share price has underperformed its benchmark indices, its closest peers, and the broader market over the last three years.

Total Share Price Returns: Salesforce vs. Peers



Salesforce's stock price performance has meaningfully lagged the technology sector and the broader market

Source: Capital IQ. Market data as of 10/14/22.

Note: Returns adjusted for dividends.

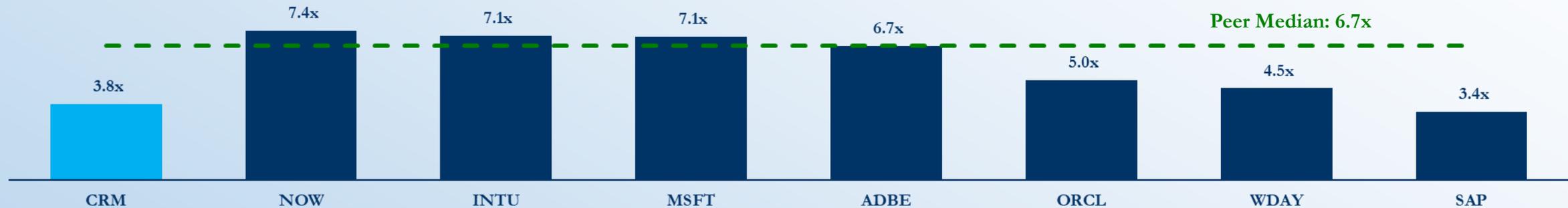
(1) Represents simple average of total share price returns for NOW, INTU, MSFT, ADBE, ORCL, WDAY, and SAP.

# Salesforce Trades at a Discount to Its Peer Group

Salesforce is currently trading well below peer multiples, despite the Company's leading market position, solid long-term growth profile, and significant margin expansion opportunity.

- The Company is currently valued significantly below the peer median multiple on forward revenue and free cash flow expectations.
- Salesforce's valuation is even more attractive when considering the magnitude of the margin expansion opportunity, as well as Salesforce's business quality and growth outlook.

Enterprise Value / CY2023E Revenue



Price / CY2023E Free Cash Flow



Salesforce trades at a discount to its peers and has an outsized margin expansion opportunity

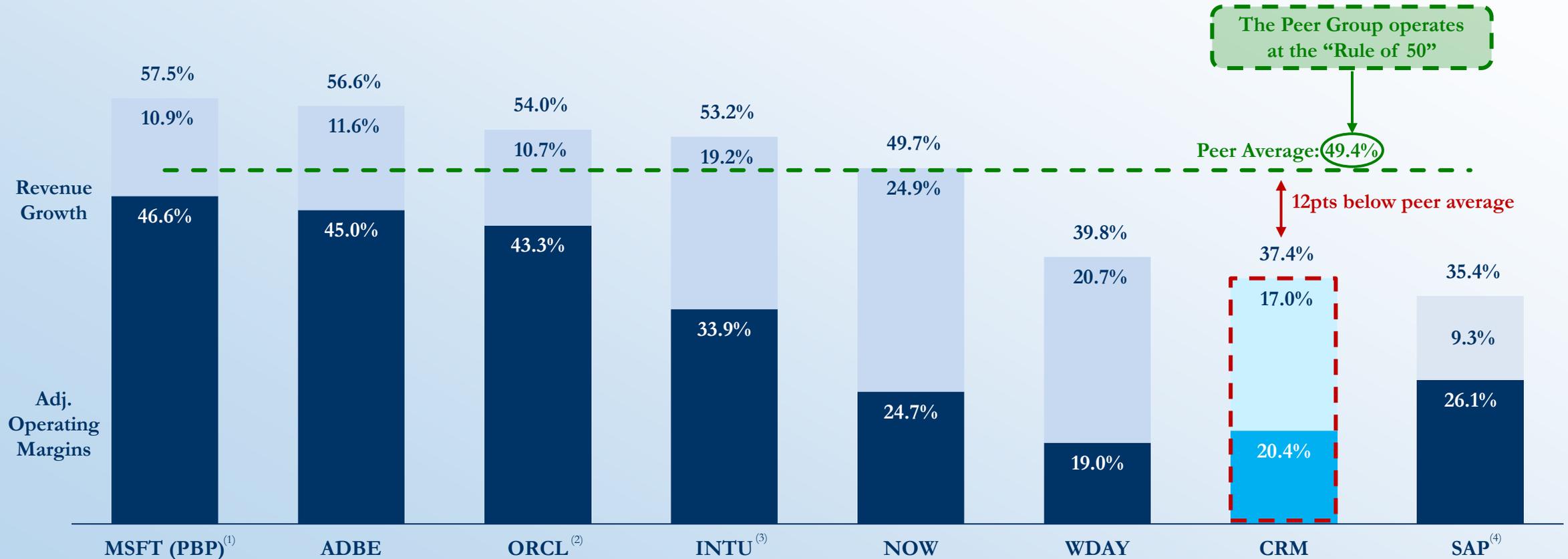
Source: Capital IQ, Bloomberg. Market data as of October 14, 2022.

Starboard has identified ADBE, INTU, MSFT, NOW, ORCL, SAP, and WDAY as the relevant peer set for comparison with CRM. Starboard believes these provide appropriate peer comparisons. This presentation is a determination that is subject to a certain degree of subjectivity. As the full universe of potential peers is not listed here, the comparisons made herein may differ materially if other firms had been included.

# We Believe the Valuation Discount Is Largely the Result of Salesforce's Subpar Mix of Growth and Profitability

As growth has slowed, the Company has not yet produced margins expected from its leadership position.

CY2022E Revenue Growth + Adj. Operating Margin vs. Peers



Salesforce operates significantly below peer levels in terms of revenue growth + profitability

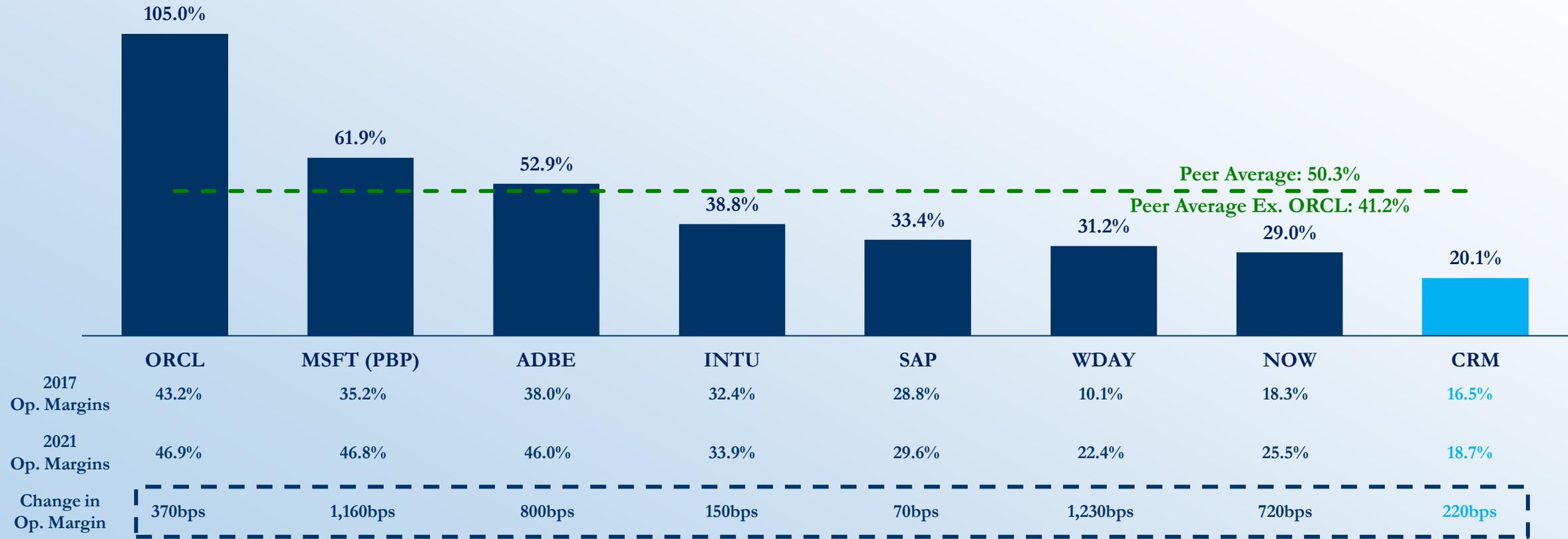
Source: Capital IQ, Bloomberg. Market data as of October 14, 2022. Note: Rule of 40 score reflects CY22E adjusted operating margin plus CY22E revenue growth. (1) MSFT figures reflect consensus estimates for the Productivity and Business Processes segment. (2) ORCL revenue growth includes partial contribution from the acquisition of Cerner Corp. (3) Includes contribution from the acquisition of MailChimp. (4) SAP figures based on reported results and consensus estimates in Euros.

Starboard has identified ADBE, INTU, MSFT, NOW, ORCL, SAP, and WDAY as the relevant peer set for comparison with CRM. Starboard believes these provide appropriate peer comparisons. This presentation is a determination that is subject to a certain degree of subjectivity. As the full universe of potential peers is not listed here, the comparisons made herein may differ materially if other firms had been included.

# Salesforce Has Not Generated Meaningful Operating Leverage Relative to Peers in Recent Years

Salesforce has not realized the benefits of operating leverage over the last several years, and the Company has generated significantly lower incremental margins than peers.

CY2017 - CY2021 Incremental Adjusted Operating Margins<sup>(1)</sup>



Salesforce generated the lowest incremental adjusted operating margins among its peer set

Source: Public company filings. (1) Calculated as the increase in adjusted operating income divided by the increase in revenue from CY2017 to CY2021.

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# Salesforce's Refreshed Management Team Has Been Increasingly Focused on Improving the Company's Growth + Profitability

## Refreshed Executive Team



**Marc Benioff**  
Co-Founder, Chair, &  
Co-CEO



**Bret Taylor**  
Co-CEO  
*Since November 2021*



**Amy Weaver**  
President & CFO  
*Since December 2020*



**Brian Millham**  
President & COO  
*Since August 2022*

“We're excited about our \$50 billion revenue target in FY '26. With that scale comes a lot of opportunities for operational excellence. And with that comes a lot of opportunities to drive operating margin, to drive free cash flow. And what Marc and I are really committed to driving is profitable growth...”

– Bret Taylor (9/21/22)

# While Salesforce's Most Recent Investor Day Targets Are Positive Steps Towards Value Creation, Significant Opportunity Remains

We appreciate the Company's commitment to a firm margin target, inclusive of potential M&A headwinds, and we continue to believe there is significant additional opportunity to expand margins beyond 25%.

## 2022 Investor Day Financial Targets and Capital Allocation Policy

Target of growth + margin of only 42% vs. current peer average of ~50%

**\$50B**

FY26 Revenue Target<sup>2</sup>

**~17%**

FY26 Revenue CAGR

**25%+**

FY26 Non-GAAP Operating Margin<sup>2</sup>

First specific margin target in Salesforce's history

First share repurchase program in Salesforce's history

**\$10B**

Share Repurchase Authorization<sup>1</sup>

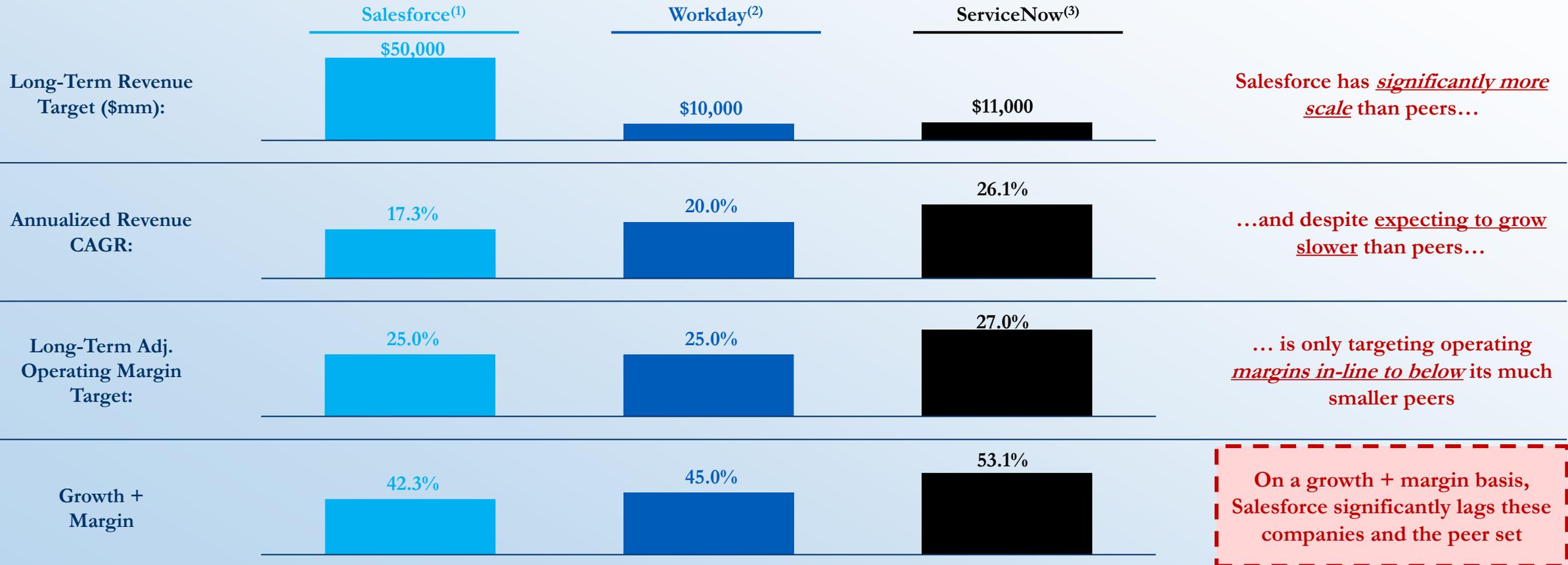
**30-40%**

Average Free Cash Flow Return<sup>2</sup>

# Salesforce's Long-Term Targets Are Less Ambitious Than Peers'

Examining Salesforce's long-term financial targets to those published by ServiceNow and Workday suggest that Salesforce should be able to achieve significantly higher margins given its scale and lower growth rate.

Long-Term Financial Targets: Salesforce vs. Peers



We believe Salesforce's margin targets still leave significant room for improvement

Source: Public Company filings and presentations.

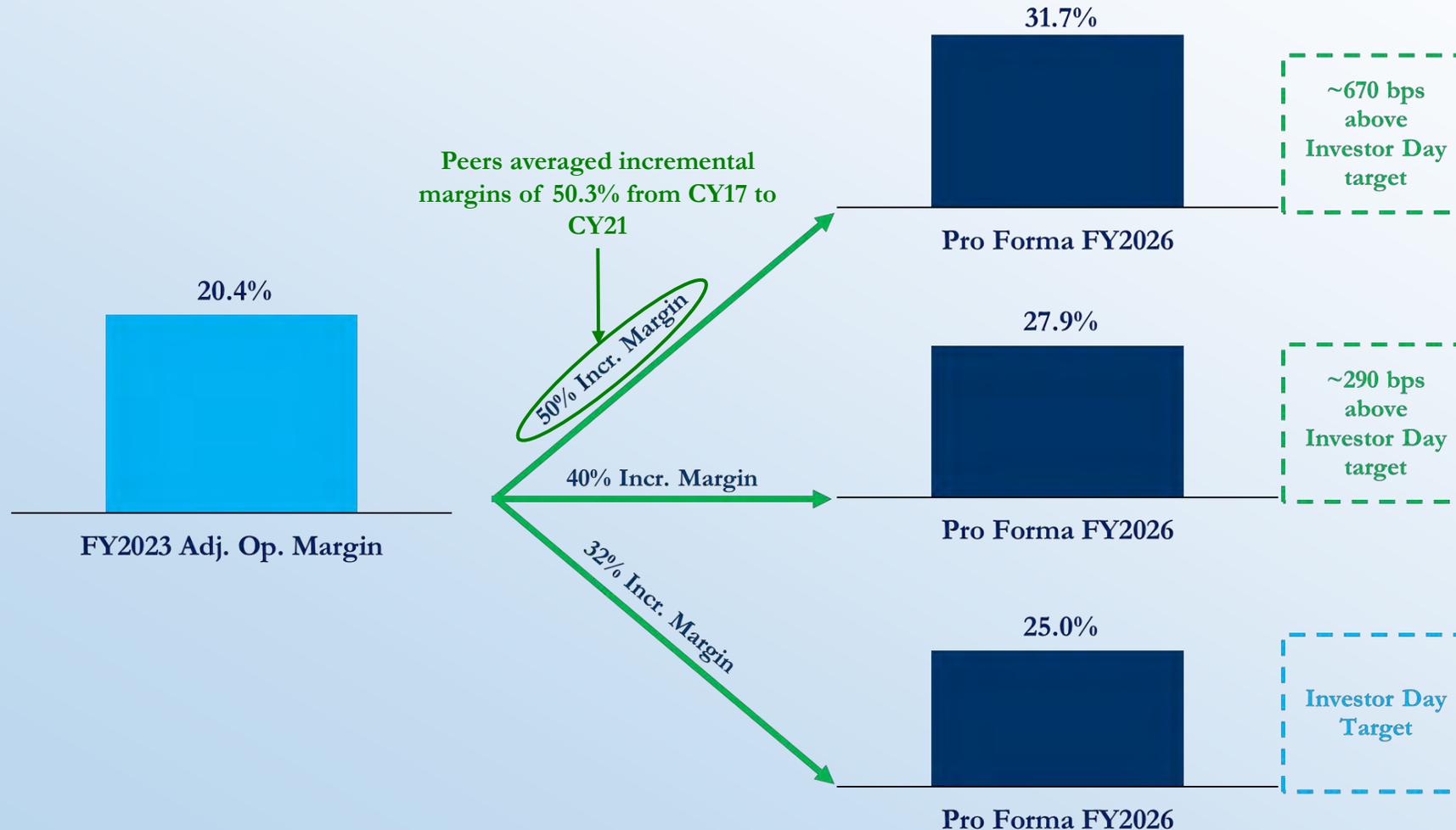
(1) Represents targets for FY2026 (fiscal year ending January 31<sup>st</sup>).

(2) Represents long-term targets implied for FY2026 (fiscal year ending January 31<sup>st</sup>). (3) Represents targets for FY2024 (fiscal year ending December 31<sup>st</sup>).

# Driving Higher Incremental Margins Would Result in Significant Outperformance vs the Investor Day Target

If Salesforce generates incremental margins that are in-line with peer levels as it grows towards \$50 billion in FY2026 revenue, margins would significantly exceed the Investor Day target.

Potential FY2026 Adj. Operating Margins<sup>(1)</sup>



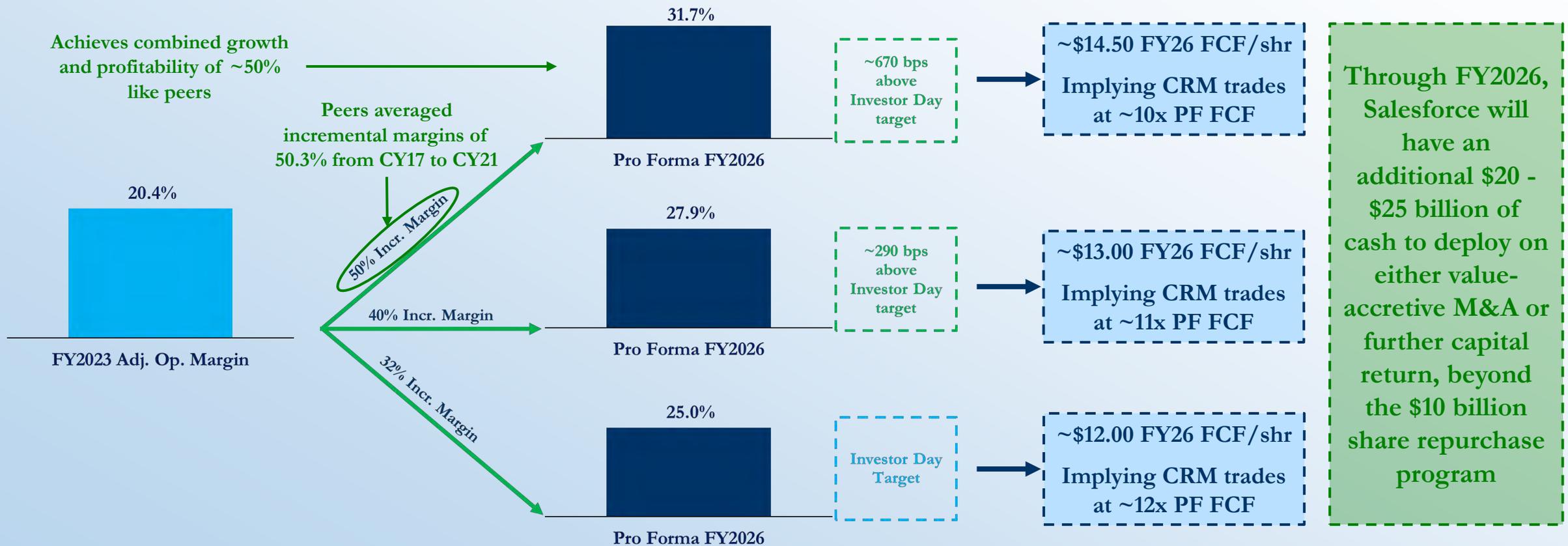
Source: Public company filings.

(1) FY2026 Pro Forma Adj. Operating Margins assume \$50 billion of FY2026 revenue.

# Achieving and Outperforming the Investor Day Targets Would Result In Significant Growth in Free Cash Flow Per Share

Salesforce has an opportunity to significantly grow free cash flow per share over the next few years.

## Potential FY2026 Adj. Operating Margins<sup>(1)</sup>



Salesforce has the potential to create significant value through margin expansion and disciplined capital allocation

Source: Public company filings, Starboard estimates.  
 (1) FY2026 Pro Forma Adj. Operating Margins assume \$50 billion of FY2026 revenue.

The Wix logo is displayed in a bold, black, sans-serif font. The letter 'i' is lowercase and features a small orange and yellow flame-like graphic above it. The entire logo is enclosed within a dashed blue rectangular border.The Splunk logo is shown in a bold, black, sans-serif font. The word 'splunk' is lowercase, followed by a registered trademark symbol (®) and a greater-than sign (>). The logo is contained within a dashed blue rectangular border.The Salesforce logo consists of the word 'salesforce' in a white, lowercase, sans-serif font, centered within a blue, multi-lobed cloud shape. The entire logo is enclosed within a dashed blue rectangular border.A large, light green, rounded rectangular box with a dashed green border contains the following text in a green, italicized, sans-serif font:

*Each Company Represents an Opportunity to Own a High-Quality and Sticky Business at an Attractive Valuation with the Potential for Significant Value Creation Through a Better Balance of Growth and Profitability*

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# STARBOARD VALUE<sup>®</sup>