MARIST COLLEGE

School of Management

Memorandum

To: Professor John Finnigan

Senior Professional Lecturer of Finance and Economics

From: Joseph Paolo

Date: December 6, 2024

Subject: Investment Analysis Paper

Attached please find the final Investment Analysis paper, due on December 6, 2024, for BUS420N-111-24F, Investment Analysis, Monday & Friday 8:00-9:15.

The work and writing presented in this assignment, unless specifically specified in an appropriately cited footnote, endnote or reference note is solely mine.

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Executive Summary

This investment analysis paper consisted of creating a portfolio made up of two equity securities and a mutual fund. Each security had an initial investment of $10,000, for a total initial portfolio of $30,000. The initial purchase price for each security occurred on August 30, 2024 at market close adjusted, with a closing price taken on November 29, 2024 at market close adjusted. My selections were based on the Charles Schwab Investor Profile Questionnaire, which determined my risk tolerance and required return. Based on my result, my portfolio needed a Beta 1 or less; which led me to choose two large-cap equities and a large-cap growth fund.

The securities I selected for my portfolio, which are analyzed throughout this paper, are Salesforce Incorporated (CRM), The Kroger Company (KR), and the Gabelli Large-Cap Growth Fund. I opted for a more volatile stock in Salesforce that offered a high expected return, a more stable stock in Kroger (KR) that offered steady return with a constant dividend. Both of these securities will be analyzed based on their company background, Insider transactions, beneficial owners, short interest, financial statement analysis, ratio analysis, pro forma financial statements, benchmark comparisons, peer analysis, and numerous other metrics and detailed information. The mutual fund was analyzed based on the fund manager, investment strategy, Morningstar Style Box, portfolio holdings, ratios,expenses, holdings and the comparison among peers.

All three securities were closely monitored throughout the three month holding period and annualized returns were calculated for the portfolio. The portfolio analysis displays the changes in beta, the overall performance and the one year projection analysis of each security. Additionally, included is the change in the 10-Year Treasury Yield and economic factors that would lead to a change in performance. The investment analysis paper below is a thorough examination of the securities I selected, my analysis and portfolio performance.

Investor Self-Analysis

After taking the Charles Schwab Investor Questionnaire, I received a score of 18 on the time horizon portion and a 21 on the risk tolerance section. According to Schwab, these scores indicate that I fall into the moderate investment profile. Although my current profile is moderate, I expect my knowledge in investing to increase after completing this class, which may change my appetite for risk, and in turn, affect my future investor profile. This moderate investment profile aligns with my expectations, as it matches my personality. I consider myself conservative in many aspects of life and very much risk-averse as an investor. In my limited experience as an investor, I have elected to purchase short-term government bonds and have only invested in broad-based large index funds. Furthermore, my relationship with money has been one of accumulation and restriction in terms of spending. I view myself as generally frugal, always looking to save money and avoid risky activities, such as gambling. I am content with my Schwab investment results. While large returns are enticing, the saying "slow and steady wins the race" resonates with me when it comes to investing.

My experience as an investor is limited; however, I have studied many of the great value investors, such as Benjamin Graham, Warren Buffet and Peter Lynch, and I aim to follow their approach. I will deploy a value investing strategy that views a stock as a piece of ownership in a business rather than as a mere speculative asset. Additionally, my strategy involves selecting a diversified portfolio that aims to minimize risk while achieving my desired 10% required return. I have chosen one large-cap growth company that is slightly volatile and could be considered somewhat risky, and one large-cap value company that is consistent and carries minimum risk. Both companies provide my portfolio with solid dividends, creating a strong foundation for meeting my required return. For the mutual fund, I have selected a large-cap growth fund with average risk, managed by a successful value investor.

With a beta of 1, my portfolio will be well-balanced. By having a diversified portfolio, I will reduce the unsystematic risk. Additionally, I have chosen countercyclical sectors to further minimize potential risk. While uncertain economic factors negatively affect most industries, Consumer Defensive stocks will help provide more stable returns in the event of a downturn. By selecting two large-cap securities and a large-cap mutual fund, I have avoided the higher volatility of small-cap companies. My investment strategy aligns with my risk-averse attitude as an investor; pursuing stable returns with lower risk helps ease my concerns about potential loss. As a senior in college who is graduating soon with no debt, I have no need to withdraw large sums of money for big purchases or for paying off immediate debt. This investment strategy will ensure a stable return that will compound over time and potentially yield consistent market-cyclical returns. By following a philosophy that optimizes reasonable returns, I can minimize risk and limit potential losses. This is crucial in both life and investing, as recovering from substantial losses is far more challenging than missing out on larger gains.

Required Rate of Return:

CAPM (Capital Asset Pricing Model) Formula: $R_R = R_F + (R_M - R_F) * \boldsymbol{\beta}$

Required Rate of Return for this Investment Portfolio:

R_R = 4.968% + (10% - 4.968%) * 1.0 = 10%

- The Risk-Free Rate (R_F) is based on the 13-Week U.S. Treasury Yield as of (08/30/2024 adjusted close) Retrieved from Yahoo Finance.[1]
- The Market Return (R_R) is calculated from the portfolios allocation of two large-cap stocks and a large-cap mutual fund with returns of 10%
- The Beta value (**β**) is derived from the Charles Schwab Investor Questionnaire Score (moderate investment profile)

Investment Selections:

Name	Ticker	Purchase Price*	1 Year Target Estimate **	YTD 5 Year Return ***	Dividend**	Beta	Expected Return****
Salesforce Inc.	CRM	$252.50	$306.50	N/A	$1.60	1.30	22.02%
The Kroger Company	KR	$53.21	$58.34	N/A	$1.28	0.46	12.05%
Gabelli Growth Fund AAA	GABGX	$109.15	N/A	16.36%	$0.01	1.21	16.36%
Portfolio Average	[redacted]					0.99	16.81%

*Data Collected from Yahoo Finance website (adjusted close as of 08/30/2024)

**Data Collected from Yahoo Finance website

***Data Collected from Morningstar

****Expected Return for the equities is calculated as”

(1 Year Target + Dividends - Purchase Price) / Purchase Price

[1] "13 Week Treasury Bill (^IRX)," *Yahoo Finance*, accessed September 13, 2024, https://finance.yahoo.com/quote/%5EIRX/history/?period1=1693353600&period2=1725062400.

Salesforce Inc. (CRM) [2]

Exchange: NYSE

Headquarters: San Francisco, CA

Sector: Information Technology

Industry: Software Application

Fiscal Year End: 01/31/2024

Beta (5 Y Monthly): 1.29

Discount Rate (07/31/2024)[3]: 12.72%

Purchase Price (8/30 adjusted close): $252.50

Purchase Quantity (8/30): ($10,000/$252.50) = 39.60

Expected Return[4]: ($306.50 - $252.50 + $1.60) /$252.50*100 = 22.02%

Security Price Prior to Submission (11/29/2024 adjusted close): $329.99

[2] All information, unless otherwise specified, is sourced from Bloomberg Terminal or Salesforce's February 28, 2024 10-K for fiscal year ending January 31, 2024
[3] Source: Bloomberg Terminal, WACC
[4] Expected Return = (1-Year Target - Purchase Price + Dividends) / Purchase Price

Company Description

Salesforce, Inc. operates as a cloud-based software company and is the global leader in Customer Relationship Management (CRM). Founded on February 3, 1999, the company was established by Marc Benioff, along with Parker Harris, Dave Mollenhoff and Frank Dominguez. As early as 2001, the company expanded overseas, with headquarters in Dublin and Tokyo. While Salesforce is a global company, it generates the majority of its revenue from American customers. Today, the company offers a wide range of CRM products including Sales Cloud, Service Cloud, Marketing Cloud, Commerce Cloud, Experience Cloud, Analytics Cloud, Salesforce Einstein (AI tool), Quip, Pardot, Tableau, MuleSoft, Slack, AppExchange, Financial Service Cloud, Health Cloud, and Net Zero Cloud. They develop customer relationship management software and applications focusing on sales, customer service, marketing automation, analytics, and application development, serving customers worldwide. [5]

Salesforce, enables companies of all sizes and industries to connect with their customers through the power of data, AI, CRM, and trust. Salesforce's customer base spans a wide variety of industries, including financial services, healthcare, life science, manufacturing, automotive, and governmental. The firm's services allow companies to connect with their customers anytime, across multiple channels. It facilitates personalized customer engagement, helping to maximize productivity, resolve issues, and improve customer experiences by automating tasks. Through their marketing offerings, Salesforce enables companies to better plan, personalize and optimize customer interactions across various platforms and connected products. The majority of the company's revenue comes from its subscription and support segment, which accounts for approximately 95%, with the remainder generated by professional and other services.

Salesforce is an industry leader and continues to expand through research and development, as well as mergers and acquisitions. The company relies on U.S. based customers for roughly 65% of its revenue, while its European, Middle Eastern and African customer bases account for 25%, and those in the Asia/Pacific region account for 10%. The company primarily offers its products through its direct sales force, consisting of telephone sales based in regional hubs, field sales personnel based near customers, and self-service offerings. In addition, they work closely with consulting firms, system integrators, and others to find customers. Salesforce is focused on expanding its business and has increasingly ventured into the Artificial Intelligence (AI) space.[6]

Sector & Industry

Salesforce operates in the software application industry within the information technology (IT) sector. The IT sector, which is the largest in the equity market, includes 813 companies across 12 industries, and holds a 28.43% market share. Companies that engage in design, development, and support of computer operating systems and applications are part of this sector. Additionally, companies that manufacture supporting computer equipment, data storage products, networking products, semiconductors, and components also fall within this sector. In 2023 technology stocks had an outstanding year, largely due to advancements in AI, which led certain chip manufacturers to experience tremendous growth. Over the past year the IT sector has seen phenomenal returns of 23.56% year over year, outperforming the S&P 500 return of 17.92% and largely driving its performance during the same time period. However, more recently, the sector has underperformed, generating -1.17% returns compared to the S&P 500's 3.6% growth over the same period.[7] The outlook for the remainder of 2024 is uncertain, but analysts predict a potential comeback, driven by growth in cloud computing, AI, and cybersecurity.[8] As for the software application industry, the outlook remains strong with continued growth expected through 2027.[9] Cloud-based software continues to be

[5] "The History of Salesforce," *Salesforce.com*, June 2024, https://www.salesforce.com/news/stories/the-history-of-salesforce/.
[6] Bloomberg Terminal, Salesforce DES
[7] "Technology," *Yahoo Finance*, accessed September 13, 2024, https://finance.yahoo.com/sectors/technology/.
[8] "2024 Technology Industry Outlook," *Deloitte*, accessed September 13, 2024, https://www2.deloitte.com/us/en/pages/technology-media-and-telecommunications/articles/technology-industry-outlook.html.
[9] "Software Industry Outlook: Growth Drivers and Risks in 2024," *Morningstar*, May 15, 2024, https://www.morningstar.com/business/insights/blog/markets/software-industry-outlook.

in high demand, and the need for cybersecurity support of these platforms will persist. With the addition of AI in both spaces, the industry outlook is solid. However, this optimism is dependent on economic conditions; as the Federal Reserve recently cut rates, the uncertainty surrounding a potential market downturn or recession still lingers.

Heat Map

Figure 1: Current 3 - month Heat Map of S&P 500. 11/30/2024. Finviz

TECHNOLOGY - SOFTWARE - APPLICATION

CRM +30.48%
Salesforce Inc

CRM	+30.48%
NOW	+22.74%
INTU	+1.82%
UBER	-1.60%
ADP	+11.24%
CDNS	+14.09%

Figure 2 : Current 3 - month Heat Map of S&P 500 Software - Application Industry. 11/30/2024. Finviz

When examining the 3-month heat map, we can see the prominence of the technology sector as well as the significant share that the software industry holds within it. Additionally, Salesforce's growth of 12.32% can be observed in comparison to some of its peers within the software application space, alongside a mean return of 10.06%, including Salesforce. The company recently announced earnings that indicated strong performances across several key metrics, including revenues, cash flow, and financial margins. Furthermore, they raised their guidance for the remainder of 2024 and are optimistic about the company's future growth.[10]

Industry Peers

	Name	Mkt Cap (USD)	Last Px (USD)	Chg Pct 1D	Chg Pct 1M	Rev - 1 Yr Gr:Y	EPS - 1 Yr Gr:Y	P/E	ROE	Dvd 12M Yld
	Median	75.76B	272.62	-0.10%	0.50%	15.73%	30.37%	54.02	22.15%	0.56%
101)	SALESFORCE INC	259.06B	270.98	-2.19%	7.15%	11.18%	382.57%	44.64	10.28%	0.44%
102)	ADOBE INC	226.72B	515.05	-0.28%	-10.33%	10.24%	18.53%	37.26	41.33%	--
103)	SERVICENOW INC	182.86B	887.68	0.57%	3.82%	23.82%	404.42%	153.15	15.41%	--
104)	INTUIT INC	173.44B	618.78	-0.14%	-1.82%	13.34%	29.64%	56.20	17.48%	0.58%

Figure 3: Salesforce Inc. relative value compared to Peers. Bloomberg Terminal

Salesforce holds the largest market capitalization among its peers at $243.37B, with Adobe Inc. closest following at $226.72B. All three competitor companies in this group are part of the Software Application Industry, each boasting a market cap exceeding $170.0B. Outside of the listed competitors,

[10] CRM Q1 FY25 Earnings Press Release W Financials," *Salesforce*, August 28, 2024, https://s23.q4cdn.com/574569502/files/doc_financials/2025/q1/CRM-Q1-FY25-Earnings-Press-Release-w-financials.pdf.

Microsoft Corporation competes with Salesforce in CRM and cloud services, while Oracle challenges Salesforce in the enterprise software and cloud-based CRM markets.

Major Customers

Salesforce's customers range in size and span nearly every industry worldwide. The number of subscriptions per customer varies from one to hundreds of thousands. In fiscal years 2024, 2023, and 2022, no individual customer contributed more than five percent of the company's total revenues. Additionally, Salesforce does not rely on any single product, service, or customer segment for a substantial portion of their business, ensuring no significant dependence on any particular product or group.[11]

Foreign Operations

Salesforce, operates in over 90 countries worldwide, including significant operations in Europe, the Middle East, Africa, and the Asia-Pacific regions. Its European, Middle Eastern, and African customer base account for 25% of its revenue, while those in the Asian-Pacific region account for 10%.[12] Salesforce has a strong international presence, reflecting its strategy to grow their foreign operation and through acquisitions.

Seasonality Issues

Salesforce experiences notable seasonality impacts on its revenue, particularly due to the timing of customer renewals which occurs at the calendar year-end. Salesforce's revenue is influenced by business cycles, with the fourth quarter traditionally being the strongest for new business and renewals. The company also sees a rise in the value of invoices, making the fiscal first quarter typically the largest in terms of collections and operating cash flow. Additionally, the company notes the seasonality of customer behavior, particularly in commerce services, which impacts revenue recognition. Unearned revenue and remaining performance obligations are strongly affected by seasonal renewals, foreign currency movements, and the duration of contracts. These fluctuations can cause uneven revenue recognition throughout the year.

Porter's 5 Forces

1. Threat of New Entrants (Low):

***Barriers to Entr*y:** Salesforce operates in the cloud-based CRM market, which has high barriers to entry due to significant funding needed for infrastructure, technology, and research & development operations. Additionally, companies in this space often engage in mergers & acquisitions, leveraging their resources to absorb smaller competition. Salesforce has a strong brand, over 25 years of existence, and an extensive customer base. Furthermore, it has established global operations with a wide variety of third-party applications, making it difficult for new entrants to compete.

Economies of Scale: Salesforce benefits from economies of scale since its large user base allows costs to be spread across a wide range of customers, making it difficult for new players to compete on pricing.

2. Bargaining Power of Buyers (Moderate):

Enterprise Clients: Salesforce's customers range from small businesses to large corporations. Larger clients with significant spending power can exert bargaining power and demand better pricing.

Switching Costs: For companies using Salesforce's services, the integration into their operations make switching to a competitor CRM provider costly in terms of time and money. This reduces buyer power but does not eliminate it, as competitors still offer viable alternatives.

3. Bargaining Power of Suppliers: (Moderate to Low)

Dependence on Suppliers: Salesforce relies on cloud infrastructure providers and other third-party software vendors for its services. However, it has multiple suppliers to choose from, limiting the bargaining power of any individual supplier.

Switching Costs: Salesforce can switch between suppliers, giving it some leverage in negotiating favorable terms.

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[11] "FY24 Annual Report," *Salesforce*, February 29, 2024, https://s23.q4cdn.com/574569502/files/doc_financials/2024/ar/salesforce-fy24-annual-report.pdf.

[12] CRM Q1 FY25 Earnings Press Release W Financials," *Salesforce*, August 28, 2024, https://s23.q4cdn.com/574569502/files/doc_financials/2025/q1/CRM-Q1-FY25-Earnings-Press-Release-w-financials.pdf.

4. Threat of Substitutes: (Moderate to High)

Alternative CRM Solutions: Salesforce faces competition from other CRM and cloud-based service providers, such as Microsoft Dynamics, Oracle, HubSpot, and SAP. The threat of substitutes is moderate, as these platforms offer similar services. However, Salesforce differentiates itself with its range of services, channels and app marketplaces.

Customer Solutions: Large corporations may choose to build in-house CRM solutions. This presents a moderate threat, especially for high technical or well-funded companies.

5. Industry Rivalry (High):

Intense Competition: The CRM and cloud software markets are highly competitive, with Salesforce competing against large companies like Microsoft and Oracle. Price competition, innovation, and customer service play a vital role in maintaining competitive advantage.

Innovation Cycle: The cloud and software industries require constant innovation and new product development to meet the evolving needs of its customers. Salesforce invests heavily in R&D to stay ahead of the curve, maintaining its position as a leader in the CRM space. [13]

Risk Factors

Highlighting the risk factors of a company is essential for investors when analyzing a company as a potential investment opportunity. Companies like Salesforce disclose their risk factors to shareholders and the general public. Below are the major risk factors retrieved from Salesforce's most recent 10-k:

1. Operational and Execution Risks:

Security Breaches: Breaches in cybersecurity, including those involving third-party providers, could lead to unauthorized access to customer data, IT systems, or disruptions to services.

Service Interruptions: Delays or interruptions in services provided by third-party data centers, cloud computing platforms, and other service vendors.

Inability to Scale*:* Strains on Salesforce's personnel and infrastructure could limit the company's ability to grow.

Customer Turnover*:* Difficulty in predicting or maintaining customer subscription renewals and upgrades could affect future revenue.

Key Personnel Loss*:* Losing key management or operations staff could affect the company's ability to maintain growth and innovation.

International Operations*:* Risk exposure from international sales, including regulatory compliance and political/economic instability.

2. Strategic and Industry Risks:

Competition*:* Intense competition in the market and potential failure to expand services or integrate new into technologies, such as AI.

Brand Maintenance*:* Failure to maintain or enhance the Salesforce brand could negatively impact its competitive positioning.

Acquisition Risks*:* Difficulties in successfully integrating acquired companies and technologies could result in financial losses or disruption of operations.

3. Legal and Regulatory Risks:

Privacy and Data Protection*:* Increasing privacy concerns, regulatory changes around cloud computing, and cross-border data transfer restrictions could affect business operations.

Intellectual Property*:* Inability to protect proprietary technology and intellectual property rights could lead to legal disputes.

Sanctions and Export Controls*:* Governmental sanctions or export controls could hinder Salesforce's ability to operate in international markets.

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[13] "FY24 Annual Report," *Salesforce*, February 29, 2024, https://s23.q4cdn.com/574569502/files/doc_financials/2024/ar/salesforce-fy24-annual-report.pdf.

4. Financial Risks:
***Revenue Fluctuations**:* Changes in new business growth or subscription renewals may not be immediately reflected in Salesforce's financial performance.
***Currency Fluctuations**:* Exposure to currency exchange risks, particularly between the U.S. Dollar and local currencies may negatively impact financial results.
***Tax Liabilities**:* Changes in tax regulations or liabilities could affect financial outcomes across all countries.
***Debt Obligations**:* High levels of debt or lease commitments could limit Salesforce's financial flexibility.

5. Risks Related to Owning Common Stock:
***Stock Volatility**:* Fluctuations in stock price and market conditions pose risks for shareholders.
***Dilution and Control**:* Salesforce's certificate of incorporation and bylaws may discourage or delay changes in control, impacting shareholder value.

6. General Risks:
***Global Economic Conditions**:* The broader economic environment, including natural disasters and climate change, could impact Salesforce's operations and financial performance.

7. Technology and Innovation Risks:
***Cybersecurity Threats**:* Increasing sophistication of cyberattacks, including those by state-sponsored entities, particularly targeting cloud infrastructure and AI systems, may expose vulnerabilities in Salesforce's infrastructure.
***AI and Automation**:* Rapid advancements in AI technologies introduce challenges in maintaining security, ensuring proper integration, and staying competitive.
***Integration of New Technologies**:* Salesforce's success depends on its ability to continuously integrate third-party technologies and platforms, which can be complex and costly.

8. Product and Service Delivery Risks:
***Service Quality**:* Defects or disruptions in Salesforce's products and services could negatively impact customer satisfaction and retention.
***Delayed Product Launches**:* Delays in the implementation or updates to services, particularly due to third-party dependencies or configuration challenges, could harm Salesforce's ability to deliver high-quality services in a timely manner.
***Subscription Model Risks**:* Salesforce relies heavily on its subscription-based business model. If customers reduce their subscription usage or do not renew their subscriptions, it could lead to a significant loss of revenue.

9. Market and Customer-Related Risks:
***Large Enterprise Customer Pressure**:* As Salesforce targets more large enterprise customers, it faces higher pricing pressure, longer sales cycles, and the need for more sophisticated solutions, which could delay revenue recognition.
Customer Concentration: Dependence on larger customers may expose Salesforce to more risk if those customers reduce spending or terminate agreements.

10. Environmental and Social Risks:
***ESG (Environmental, Social, and Governance) Risks**:* Salesforce' ESG goals may expose the company to criticism or regulatory risks, especially regarding its ability to meet those goals or its disclosures related to its social and environmental impact.
***Climate Change**:* Natural disasters and long-term environmental changes, such as climate-related disruptions, could directly impact Salesforce's operations.

11. Supply Chain and Infrastructure Risks:
***Third-Party Dependencies**:* Salesforce relies on third-party providers for critical services, including data centers, cloud services, and hardware. Disruption or failure in these third-party services could affect Salesforce's ability to deliver high-quality service.

Infrastructure Strain*:* The continued need for scaling infrastructure, including cloud computing and data center capacity, could lead to declines in performance, particularly as Salesforce grows or integrates AI-driven services.

Geopolitical Risks*:* Political tensions, trade restrictions, and tariffs, particularly in regions where Salesforce has customers or operations, could disrupt service delivery and add operational complexity.

12. Legal and Compliance Risks:

Regulatory Compliance*:* As Salesforce operates across multiple jurisdictions, evolving global regulations on privacy, data protection, AI, and other areas may introduce compliance risks.

Litigation*:* Salesforce may face lawsuits regarding intellectual property, security vulnerabilities, or contractual disputes. These legal challenges can result in financial losses or damage to the company's reputation.[14]

Management

Chairman, Chief Executive Officer & Co-Founder: Marc Benioff

Marc Benioff has served as the Chair, CEO, and Co-Founder of Salesforce since its inception in 1999. He was born and raised in San Francisco and received a Bachelor of Science in Business Administration from the University of Southern California. In 1999, Mr. Benioff founded Salesforce with the goal of building a "different kind of company," one that develops great products while making a positive impact on the world. Under his leadership, Salesforce has become the third-largest enterprise application company in the world. He was named "Innovator of the Decade" by Forbes and is recognized as one of the World's 25 greatest Leaders by the magazine. Additionally, Mr. Benioff was named one of the 10 Best-Performing CEOs by Harvard Business Review, CNN Business CEO of 2020, and Chief Executive Magazine's 2022 CEO of the Year. In 2020, he and his wife received a George H.W. Bush Points of Light Award for their civic engagement.[15]

Board of Directors[16]

Name	Position	Company	Board Director Since
Marc Benioff	Chair, CEO & Co-Founder	Salesforce	1999
Parker Harris	Co-Founder, CTO of Slack	Salesforce	1999
Laura Alber	President, CEO & Board Member Advisor Former Board Member	Williams-Sonoma, Inc Plexo Capital Fitbit, Inc.	2021
Craig Conway	Former President & CEO Former President & CEO Former President & CEO Former Executive VP Former Board Member	PeopleSoft, Inc. One Touch Systems TGV Software Oracle Corporation Guidewire Software, Inc.	2005
Arnold Donald	Vice Chair Board Member Chair Former Board Member	Carnival Corporation & plc Bank of America Corporation World Travel and Tourism and Tourism Council Crown Holdings, Inc.	2023

[14] "FY24 Annual Report," *Salesforce*, February 29, 2024, https://s23.q4cdn.com/574569502/files/doc_financials/2024/ar/salesforce-fy24-annual-report.pdf.
[15] "Marc Benioff Bio," *Salesforce*, accessed September 15, 2024, https://www.salesforce.com/company/marc-benioff-bio/.
[16] "Leadership," *Salesforce*, accessed September 15, 2024, https://www.salesforce.com/company/leadership/.

Neelie Kroes	Former VP Former Board Member Former Board Member Former Board Member Former Board Member Former Board Member Former Board Member	European Commission Bank of America Merrill Lynch Uber Technologies, Inc. Lucent Netherlands AB Volvo Mcdonald's Netherlands	2016
Sachin Mehra	CFO Former Employee Former Employee	Mastercard Hess Corporation General Motors	2023
Mason Morfit	Co-CEO & CIO Former Board Member Former Board Member Former Board Member Former Board Member Former Board Member Former Board Member Former Board Member	ValueAct Capital Microsoft Corporation Advanced Medical optics, Inc. C.R. Bard, Inc. Immucor, Inc. MSD Performance, Inc. Solexa Inc. Valeant Pharmaceuticals International	2023
Oscar Munoz	Former Executive Chair & CEO Former President and COO Board Member Board Member Former Executive Chairman	United Airlines Holdings, Inc. CSX Corporation CBRE Group, Inc. Univision Holdings, Inc. Archer Aviation, Inc.	2022
John V. Ross	Co-Founding Partner Senior Advisor Advisor Former CEO Board Member Board Member	Geodesic Capital Centerview Partner Toyota Research Institute Wilson Sonsini Goodrich & Rosati, P.C. Rakuten Group, Inc. Maureen and Mike Mansfield Foundation	2013
Robin L. Washington	Advisor Former CFO Former Employee Board Member Board Member Board Member	Gilead Sciences, Inc. Hyperion PeopleSoft, Inc. Alphabet, Inc. Honeywell International, Inc. Vertiv Holdings Co.	2013
Maynard Webb	Founder Former Chairman & CEO Former COO Former SVP & CIO Board Member Former Chairman	Webb Investment Network LiveOps, Inc. eBay, Inc. Gateway, Inc. Visa, Inc. Yahoo, Inc.	2006

Referring to the first figure, no insider transactions executed by key executives were of material significance, and all were disclosed under predetermined plans. The majority of the transactions involved grants or payment of the exercise price by delivery. Conflicts of interest identified among Salesforce's board members include affiliations with companies: in the same industry, make stock price predictions, or hold shares of the company. Many board members are tied to key players in the tech and financial sectors, and are in positions where their decisions could impact multiple parties. Additionally, the dual role of CEO and Chairman held by Marc Benioff compromises independent oversight, concentrating power and weakening governance by limiting the board's ability to objectively evaluate management decisions. Salesforce implements strict governance policies to prevent conflicts of interest among its board members. Members are required to disclose any conflicts of interest.

1. Mason Morfit (ValueAct Capital): A potential conflict exists due to his position at ValueAct Capital, which holds shares in Salesforce. His role could influence decisions related to Salesforce's management and strategy, particularly those decisions aligned with the financial interest of ValueAct.

2. Robin L. Washington (Alphabet): A potential conflict arises due to her role at Alphabet, which competes directly with Salesforce in the cloud computing and CRM spaces. This overlap could lead to decisions that favor one company over the other.
3. Arnold Donald (Bank of America): A potential conflict exists due to his affiliation with Bank of America, which holds substantial shareholding in Salesforce and provides stock price predictions for the company. This relationship could influence his decisions, particularly if Bank of America's financial interests in Salesforce are at stake.
4. John V. Ross (Rakuten Group, Inc.): A potential conflict of interest arises from his position at Rakuten Group, Inc., which holds shares in Salesforce. His involvement in both companies could affect decisions made at the board level that influence shareholder value or corporate strategy.
5. Neelie Kroes (Bank of America, Uber): Potential conflicts may arise due to her past roles with Bank of America and Uber. Bank of America holds substantial shareholding in Salesforce and provides price predictions for the company. Additionally, since Uber is a client of Salesforce, this could create potential conflicts of interest in her role on the Salesforce board.[17]

Benchmark Comparison

CRM US Equity | Settings

Range 12/03/2019 - 12/03/2024 Period Daily No. of Period 1827 Day(s) Table

	Security	Currency	Price Change	Total Return	Difference	Annual Eq
1)	CRM US Equity	USD	105.13%	106.05%	-115.62%	15.54%
2)	S5INFT Index	USD	207.01%	221.68%	--	26.29%

Figure 4 & 5: Compares Salesforce Inc. (white) relative performance over the past 4 years to the S&P Information Technology Sector GICS Level 1 Index (orange). Bloomberg Terminal

The above comparison shows Salesforce (CRM) (white line) relative to the S5INFT index (orange line), which tracks the performance of companies within the IT sector of the S&P 500. As you can see, the IT sector has significantly outperformed, with a return of 26.29% compared to 15.54%. While underperforming, we observe a strong cyclical correlation between the two graphs, indicating that the two are closely interlinked. The large difference can be attributed to the AI boom, as stocks like NVIDIA have largely driven this growth, with a year-to-date increase of 183.23%.[18]

[17] Bloomberg Terminal, Salesforce HDS
[18] "Nvidia Corporation (NVDA) Stock Price, News, Quote & History," *Yahoo! Finance*, accessed September 15, 2024, https://finance.yahoo.com/quote/NVDA/.

Beneficial Owners

	Holder Name	Portfolio Name	Source	Opt	Position	% Out	Latest Chg	File Dt
			All	All				
1.	Vanguard Group Inc/The		ULT-AGG		86,897,056	9.09	630,450	09/30/24
2.	Blackrock Inc		ULT-AGG		73,570,986	7.70	-1,014,802	09/30/24
3.	Capital Group Cos Inc/The	Multiple Portfolios	13F		55,885,425	5.85	1,013,172	09/30/24
4.	State Street Corp		ULT-AGG		49,018,644	5.13	11,240	09/30/24
5.	FMR LLC		ULT-AGG		26,144,887	2.73	-4,181,223	09/30/24

Figure 6: Salesforce Inc. Beneficial Owners (as of 09/13/2024). Bloomberg Terminal

A beneficial owner can be defined as an individual or institution that holds a substantial portion of a company's shares or exhibits significant control over the company's decisions-making process. Under Section 13(d), a company must file this schedule if they own more than 5% of a class of voting share in aggregate.[19] The beneficial owners of Salesforce that meet these filing requirements, as seen in the image above, include four institutional investors, all of which are passive funds. The largest holding company is Vanguard Group Inc., which holds 86,266,606 shares, representing 9.02%, followed by BlackRock Inc., with a holding of 78,740,569 shares (8.24%). The third largest beneficial owner is Capital Group Cos Inc., holding 54,872,253 shares, or 5.74%, followed by State Street Corp. who hold a 5.13% stake in the company, with 49,048,054 shares. All four of the major beneficial owners have recently increased their holdings in Salesforce's stock, which could be seen as a positive sign for investors. However, this activity is more likely tied to index fund performance rather than active management decisions. For non-beneficial owners, the largest is FMR LLC with 26, 144, 887 shares, representing 2.73% stake in the company; with there latest transactions amounting to 4,181,223 sales being sold.

Investment Thesis

My reasons for choosing Salesforce are largely due to its brand reputation, management team, robust growth, expansive global reach, innovative nature and market share. Salesforce is a global leader in cloud-based customer relationship management solutions and this piqued my interest in the company. A major factor in selecting this security is rooted in my familiarity with its product and institutional endorsements. This contributes to the company's strong brand and reputation, which I hold to a high standard when choosing a company in which to invest. Additionally, the company is considered a growth stock. With a Beta of 1.30, this security fits my investment strategy of including one riskier large-cap growth stock. The company's expected return of 21.83% is well above my required return of 10%, offering high potential growth opportunities, with some associated risk. The company's management team, specifically CEO and Co-founder Marc Benioff, has a vested interest in the company as it is his life's work, which reassures shareholders like myself. Additionally, Mr. Benioff's numerous awards and recognitions demonstrate his leadership and excellence in the industry. Salesforce's pioneering innovations in the AI space, along with recent 3-month period returns of 10.73% and its surpassing earnings guidance for the most recent quarter, have all contributed to my decision to select this selection

Auditing Firm

Salesforce is audited by Ernst & Young LLP (EY), who have served as the firm's auditors since 2020. EY is a major global professional services firm offering a wide range of services across various industries. In their 2024 Annual Report, Salesforce's financial statements received an unqualified opinion, indicating that all financial information and supplementary data were presented fairly and free of material errors, confirming Salesforce's compliance with GAAP principles.[20]

[19] Arthur L. Zwickel and Alicia M. Harrison, "SEC Reporting Obligations under Section 13 and Section 16 of the Exchange Act: Paul Hastings LLP," *Paul Hastings Events RSS*, February 6, 2019, https://www.paulhastings.com/insights/client-alerts/sec-reporting-obligations-under-section-13-and-section-16-of-the-exchange-act.

[20] "FY24 Annual Report," *Salesforce*, February 29, 2024, https://s23.q4cdn.com/574569502/files/doc_financials/2024/ar/salesforce-fy24-annual-report.pdf.

Income Statement

Salesforce Inc (CRM US) - BBG Adjusted					
In Millions of USD except Per Share	FY 2024		FY 2023		FY 2022
12 Months Ending	1/31/2024	Yoy Change	1/31/2023	Yoy Change	1/31/2022
Revenue	**34,857.00**	**11.18%**	**31,352.00**	**18.35%**	**26,492.00**
+ Sales & Services Revenue	34,857.00	11.18%	31,352.00	18.35%	26,492.00
- Cost of Revenue	8,541.00	2.17%	8,360.00	18.99%	7,026.00
Gross Profit	**26,316.00**	**14.46%**	**22,992.00**	**18.11%**	**19,466.00**
+ Other Operating Income	0		0		0
- Operating Expenses	20,317.00	-3.87%	21,134.00	11.71%	18,918.00
+ Selling, General & Admin	14,520.00	-4.24%	15,163.00	10.47%	13,726.00
+ Selling & Marketing	*11,986.00*	-4.95%	*12,610.00*	13.32%	*11,128.00*
+ General & Administrative	*2,534.00*	-0.74%	*2,553.00*	-1.73%	*2,598.00*
+ Research & Development	4,906.00	-2.95%	5,055.00	13.21%	4,465.00
+ Depreciation & Amortization	891	-2.73%	916	26.00%	727
+ Other Operating Expense	0		0		0
Operating Income (Loss)	**5,999.00**	**222.87%**	**1,858.00**	**239.05%**	**548**
- Non-Operating (Income) Loss	-376	-387.02%	131	-42.29%	227
+ Interest Expense, Net	—	N/A	287	32.87%	216
+ Interest Expense	—	N/A	*287*	32.87%	*216*
- Interest Income	*0*		*0*		*0*
+ Other Investment (Inc) Loss	—		—		—
+ Foreign Exch (Gain) Loss	0		0		0
+ Other Non-Op (Income) Loss	-376	-141.03%	-156	-1518.18%	11
Pretax Income (Loss), Adjusted	**6,375.00**	**269.14%**	**1,727.00**	**438.01%**	**321**
- Abnormal Losses (Gains)	1,425.00	33.55%	1,067.00	188.11%	-1,211.00
+ Disposal of Assets	—		—		—
+ Early Extinguishment of Debt	—		—		—
+ Legal Settlement	—		—		—
+ Restructuring	988	19.32%	828	N/A	—
+ Sale of Investments	318	33.05%	239	181.57%	-293
+ Unrealized Investments	119		—		-918
+ Other Abnormal Items	—		—		—
Pretax Income (Loss), GAAP	**4,950.00**	**650.00%**	**660**	**-56.92%**	**1,532.00**
- Income Tax Expense (Benefit)	814	80.09%	452	413.64%	88
+ Current Income Tax	1,556.00	97.96%	786	129.82%	342
+ Deferred Income Tax	-742	-122.16%	-334	-31.50%	-254
Income (Loss) from Cont Ops	**4,136.00**	**1888.46%**	**208**	**-85.60%**	**1,444.00**
- Net Extraordinary Losses (Gains)	0		0		0
+ Discontinued Operations	0		0		0
+ XO & Accounting Changes	0		0		0
Income (Loss) Incl. MI	**4,136.00**	**1888.46%**	**208**	**-85.60%**	**1,444.00**
- Minority Interest	0		0		0
Net Income, GAAP	**4,136.00**	**1888.46%**	**208**	**-85.60%**	**1,444.00**
- Preferred Dividends	0		0		0
- Other Adjustments	0		0		0
Net Income Avail to Common, GAAP	**4,136.00**	**1888.46%**	**208**	**-85.60%**	**1,444.00**
Net Income Avail to Common, Adj	**5,175.70**	**377.15%**	**1,084.70**	**122.59%**	**487.3**
Net Abnormal Losses (Gains)	1,039.70	18.59%	876.7	191.64%	-956.7
Net Extraordinary Losses (Gains)	0		0		0
Basic Weighted Avg Shares	974	-1.81%	992	3.87%	955
Basic EPS, GAAP	**4.25**	**1923.81%**	**0.21**	**-86.09%**	**1.51**
Basic EPS from Cont Ops, GAAP	**4.25**	**1923.81%**	**0.21**	**-86.09%**	**1.51**
Basic EPS from Cont Ops, Adjusted	**5.31**	**387.16%**	**1.09**	**113.73%**	**0.51**
Diluted Weighted Avg Shares	984	-1.30%	997	2.36%	974
Diluted EPS, GAAP	**4.2**	**1900.00%**	**0.21**	**-85.81%**	**1.48**
Diluted EPS from Cont Ops, GAAP	**4.2**	**1900.00%**	**0.21**	**-85.81%**	**1.48**
Diluted EPS from Cont Ops, Adjusted	**5.26**	**382.57%**	**1.09**	**118.00%**	**0.5**
Source: Bloomberg					

Figure 7: Salesforce Income Statement Adjusted

Revenues
Total Operating Revenue
FY 2024 - 2023

- Revenues increased by 11.18% year-over-year by nearly $3.05B in sales, from $31.352B to $34.857B.
  - This is primarily due to Salesforce's expansion of customer relations, growing demand for AI and Data Integration, Increased Adoption of Industry-Specific Solutions, Geographic Expansion, Strategic Acquisition and Partnerships and their focus on recurring revenue streams.
  - Professional services and others slightly decreased from $2.33B FY 2023 to $2.32B FY 2024.

FY 2023 - 2022

- Revenues increased by 17.70% year-over-year by nearly $4.364B in sales, from $24.657B to $39.021B.
  - This increase was driven by new customer acquisitions, expansion with existing customers, and acquisition activity.
  - Additionally, professional services and other revenues also contributed to the increase, growing from $1.835B FY 2022 to $2.231B FY 2023.
  - Pricing adjustments were not a significant driver.

**all charts represent FY 2024, FY 2023, and FY 2022*

Revenue Segmentation

(in millions)	2024	% Change	2023	% Change	2022
Subscription and support	32,537.00	12.12%	29,021.00	17.70%	24,657.00
Professional services and other	2,320.00	-0.47%	2,331.00	27.03%	1,835.00
Total revenues	34,857.00	11.18%	31,352.00	545.10%	4,860.00

Figure 8: Sales Force Total Revenue

Saleforce's revenues primarily come from two main streams: Subscriptions and Support and Professional Service and Other. Subscriptions and Support are the backbone of Salesforce's revenue, comprising over 90% of its total income. Subscription and Support revenue is driven by Saleforce's software-as-a-service (SaaS) offerings, which include its Customer Relationship Management (CRM) platform and a suite of other cloud-based products like Sale Cloud, Service Cloud, Marketing Cloud, and the recently popularized Industry-Specific solutions. Professional Services and Other is smaller but still crucial, comprising around 6-7% of Salesforce's total revenue. Professional services include consulting, implementation, and support for companies integrating Saleforce's products into their operations. These two categories collectively reflect the company's diverse range of services and its strategic focus on recurring revenue.

FY 2024 - 2023

Subscription and Support

- Grew by 12.12% increasing from $29.021B to $32.537B. This growth was driven by Salesforce's success in expanding customer relations, growing demand for AI-driven solutions, and geographic expansion.

Professional Services and Other

- Experienced a slight decline of 0.47%, from $2.331B to $2.320B. This decrease reflects lower demand for certain large, multi-year transformation projects.

FY 2023 - 2022

Subscription and Support

- Saw a notable 17.70% increase, from $24.657B to $29.021B, attributed to Salesforce’s acquisition activity, expanded product offerings, and new business from existing and new customers.

Professional Services and Other

- Increased significantly by 27.03%, from $1.855B to $2.331B, due to greater demand for services related to acquired entities and expanded customer engagement.

Disaggregation of Revenue

(in millions)	2024	As a % of Total Subscription & Support Revenues	% Change	2023	Subscription & Support Revenues	% Change	2022	As a % of Total Subscription & Support Revenues
Sales	7580.00	23.00%	**10.96%**	6831.00	24.00%	**14.06%**	5989.00	24.00%
Service	8245.00	25.00%	**11.89%**	7369.00	25.00%	**13.82%**	6474.00	26.00%
Platform and Other	6611.00	21.00%	**10.79%**	5967.00	20.00%	**32.34%**	4509.00	19.00%
Marketing and Commerce	4912.00	15.00%	**8.77%**	4516.00	16.00%	**15.74%**	3902.00	16.00%
Data	5189.00	16.00%	**19.62%**	4338.00	15.00%	**14.67%**	3783.00	15.00%
Total	**32,537.00**	**100.00%**	**12.41%**	**29,021.00**	**100.00%**	**18.13%**	**24,657.00**	**100.00%**

Figure 9: Salesforce Revenue Breakdown

Salesforce's growth across these segments reflects a balanced portfolio, with notable expansion in Platform and Other and Integration and Analytics. These areas indicate Salesforce’s emphasis on enhancing platform functionality and data analytics offerings, both of which are increasingly critical.

FY 2024 - 2023

Sales

- *This is Salesforce's flagship Customer Relationship Management (CRM) product, providing tools for managing customer relationships, sales pipelines, and leads.*
  - Sales grew by 10.96%, from $6.831B to $7.580B.
  - Accounting for 23% of total subscriptions and support revenue, a decline of 1% year-over-year.

Service

- *This product focuses on customer support and service management, enabling businesses to manage customer inquiry, provide support across multiple channels and optimize customer satisfaction.*
  - Sales grew by 11.89%%, from $7.369B to $8.245B.
  - Accounting for 25% of total subscriptions and support revenue, no change from the prior year.

Platform and Other

- *This category is Saleforce’s platform services, including its cloud infrastructure developer tools, and custom application-building capabilities.*
  - Sales grew by 10.79%%, from $5.967B to $6.611B.
  - Accounting for 21% of total subscriptions and support revenue, an increase of 1% year-over-year.

Marketing and Commerce

- *These products help businesses drive personalized marketing campaigns and streamline e-commerce operations.*
  - Sales grew by 8.77%, from $4.516B to $4.912B.
  - Accounting for 15% of total subscriptions and support revenue, a decline of 1% year-over-year.

Integration and Analytics (Data)

- *This category includes data integration and analytics products like Mulesoft and Tableau.*
  - Sales grew by 19.62%, from $4.338B to $5.189B.
  - Accounting for 16% of total subscriptions and support revenue, an increase of 1% year-over-year.

FY 2023 - 2022

Sales

- Sales grew by 14.06%, from $5.989B to $6.831B.
  - Accounting for 24% of total subscriptions and support revenue, no change from the prior year.

Service

- Sales grew by 13.82%%, from $6.474B to $7.369B.
  - Accounting for 25% of total subscriptions and support revenue, a decline of 1% year-over-year.

Platform and Other

- Sales grew by 32.34%%, from $4.509B to $5.967B.
  - Accounting for 20% of total subscriptions and support revenue, an increase of 1% year-over-year.

Marketing and Commerce

- Sales grew by 15.74%, from $3.902B to $4.516B.
  - Accounting for 16% of total subscriptions and support revenue, no change from the prior year.

Integration and Analytics (Data)

- Sales grew by 14.67%, from $3.783B to $4.338B.
  - Accounting for 15% of total subscriptions and support revenue, no change from the prior year.

Revenue by Geographic Region

(in millions)	2024	Total Revenues	% Change	2023	Total Revenues	% Change	2022	As a % of Total Revenues
Americas	23289.00	67.00%	**9.60%**	21250.00	68.00%	**18.17%**	17983.00	68.00%
Europe	8128.00	23.00%	**13.47%**	7163.00	23.00%	**19.07%**	6016.00	23.00%
Asia Pacific	3440.00	10.00%	**17.05%**	2939.00	9.00%	**17.89%**	2493.00	9.00%
Total	**34,857.00**	**100.00%**	13.37%	**31,352.00**	**100.00%**	18.37%	**26,492.00**	**100.00%**

Figure 10: Salesforce Geographic Breakdown

Salesforce's global revenue growth was driven by consistent gains across all regions. The overall 13.37% increase in revenues across all regions aligns with saleforce's growth strategy of expanding geographically and enhancing its global go-to-market capabilities. The company notes that while revenues outside the Americas were minimally affected by foreign currency fluctuations FY 2024, this factor was more impactful in prior years. This geographic revenue distribution reflects a balanced growth approach, with particular strength in emerging markets within the Asia Pacific region.

FY 2024 - 2023

Americas

- Contributed $23.3B, or 67% of total revenues, a slight decrease from 68% FY 2023.
  - The year-over-year growth rate in the Americas was 10%, indicating continued strong demand, though the region is growing at a slower pace compared to other areas.

Europe

- Maintained its revenue share at 23% FY 2024 and FY 2023, with revenue rising to $8.1B FY 2024, up from 7.1B FY 2023.
  - The region exhibited a growth rate of 13% year-over-year, reflecting robust demand for Saleforce's solutions, especially as Salesforce expanded in Europe.

Asia Pacific

- Saw the fastest growth rate of 17%, increasing from $2.9B FY 2023 to $3.4B FY 2024.

- Its revenue share increased from 9% to 10% showcasing Salesforce's success in expanding its geographic reach and catering to the region's increasing demand for digital transformation and cloud solutions.

FY 2023 - 2022

Americas

- Grew from $17.98B FY 2022 to $21.25B FY 2023, maintaining a 68% share of total revenue.
  - This growth rate of 18% underscored Salesforce's strong presence in the Americas, its largest market by far.

Europe

- Accounted for 23% of total revenue in both FY 2023 and FY 2022, increasing from $6.02B to $7.16B.
  - The region achieved a robust growth rate of 19%, reflecting the effectiveness of Salesforce's expanded market strategies in Europe.

Asia Pacific

- Saw its revenue rise from $2.49B FY 2022 to $2.94B FY 2023, representing 9% of total revenue both years.
  - The region recorded an 18% growth rate, showing increasing demand and the success of Salesforce's outreach efforts in Asia.

Gross Profit

(in millions)	2024	% Change	2023	% Change	2022
Revenue	**34,857.00**	**11.18%**	**31,352.00**	**18.35%**	**26,492.00**
+ Sales & Services Revenue	34,857.00	**11.18%**	31,352.00	**18.35%**	26,492.00
- Cost of Revenue	8,541.00	**2.17%**	8,360.00	**18.99%**	7,026.00
Gross Profit	**26,316.00**	**14.46%**	**22,992.00**	**18.11%**	**19,466.00**

Figure 11: Salesforce Gross Profit

FY 2024 - 2023

Gross Profit

- Grew 14.46% from $22.992B FY 2023 to $26.316B FY 2024
  - Gross profit growth outpaced revenue growth, which highlights improved operational efficiency. This increase reflects Salesforce's success of efficiently managing service delivery costs as revenue expanded.

Cost of Revenue

- Increased 2.17%, from $8.36B FY 2023 to $8.541B FY 2024.
  - The slight rise in the cost of revenue, relative to the higher growth in revenue, indicates that Slaeforce managed to increase revenues while controlling operational costs, improving its gross margin.

FY 2023 - 2022

Gross Profit

- An increase of 18.11% from $19.466B FY 2022 to $22.992B FY 2023.
  - Consistent with revenue growth, showing Salesforce maintained its profit margins despite increases in employee-related costs, including stock-based compensation expense.

Cost of Revenue

- Experienced a significant increase of 18.99%, from $7.026B FY 2022 to $8.36B FY 2023.
  - The increase in cost of revenue was due to employee-related costs, including stock-based compensation expenses and cloud infrastructure costs.

Operating Income

(in millions)	2024	% Change	2023	% Change	2022
Revenue	**34,857.00**	**11.18%**	**31,352.00**	**18.35%**	**26,492.00**
+ Sales & Services Revenue	34,857.00	11.18%	31,352.00	18.35%	26,492.00
- Cost of Revenue	8,541.00	2.17%	8,360.00	18.99%	7,026.00
+ Cost of Goods & Services	8,541.00	2.17%	8,360.00	18.99%	7,026.00
Gross Profit	**26,316.00**	**14.46%**	**22,992.00**	**18.11%**	**19,466.00**
+ Other Operating Income	0		0		0
- Operating Expenses	20,317.00	-3.87%	21,134.00	11.71%	18,918.00
+ Selling, General & Admin	14,520.00	-4.24%	15,163.00	10.47%	13,726.00
+ Selling & Marketing	*11,986.00*	-4.95%	*12,610.00*	13.32%	*11,128.00*
+ General & Administrative	*2,534.00*	-0.74%	*2,553.00*	-1.73%	*2,598.00*
+ Research & Development	4,906.00	-2.95%	5,055.00	13.21%	4,465.00
+ Depreciation & Amortization	891	-2.73%	916	26.00%	727
+ Other Operating Expense	0		0		0
Operating Income (Loss)	**5,999.00**	**222.87%**	**1,858.00**	**239.05%**	**548**

Figure 12: Salesforce Operating Income

FY 2024 - 2023

Operating Expenses

- Decrease 3.87% from $21.134B FY 2023 to $20.317B FY 2024.
    - Despite revenue growth, Salesforce effectively reduced overall operating expenses, demonstrating efforts in cost management. The drop in marketing and sales contributed positively to the sharp rise in operating income.

Selling, General & Administrative (SG&A)

- Decrease 4.24% from $15.163B FY 2023 to $14.520B FY 2024.
    - The decrease in SG&A expenses highlights cost-cutting measures in administrative and operational aspects, due to streamlined sales process and lower general expenses.

Selling & Marketing

- Decreased by 4.95% from $12.610B FY 2023 to $11.986 FY 2024
    - Attributed to utilization of a variety of marketing programs across traditional and social channels. Efforts to develop additional distribution channels for subscription services required further investments in sales and marketing.

Research & Development (R&D)

- Declined 2.95% from $5.055B FY 2023 to $4.906B FY 2024
    - A slight decrease in R&D spending indicates Salesforce's shift towards prioritizing maximizing returns on existing innovations, rather than significantly incurring new R&D expenditures.

Depreciation & Amortization

- Was down 2.73% from $916M FY 2023 to $891M FY 2024.
    - The minor decrease in depreciation and amortization expenses aligns with reduced capital expenditures, signaling a period of optimized asset utilization.

Operating Income

- Increased significantly with growth of 22.87% from $1.858B to $5.999B FY 2024.
    - The increase in operating income was primarily driven by revenue growth and strict control over operating expenses, indicating a strong operational performance for the year.

FY 2023 - 2022

Operating Expenses

- Increased 11.71% from $18.918B FY 2022 to $21.134B FY 2023.

    - The rise in operating expenses was slightly lower than the revenue growth reflecting Salesforce's investment in scaling operations, including higher costs in R&D and SG&A for the period.

Selling, General & Administrative (SG&A)

- Increased 10.47% from $13.726B FY 2022 to $15.163B FY 2023.
    - The increase in SG&A expenses was largely due to decreased third party and miscellaneous expenses.

Selling & Marketing

- Increased by 13.32% from $11.128B FY 2022 to $12.610B FY 2023.
    - Driven by increased employee-related costs like salaries, benefits, and stock-based compensation for the sales and marketing, as well as increased spending on marketing campaigns like Dreamforce.

Research & Development (R&D)

- Increased 13.21% up from $4.465B FY 2022 to $5.055B FY 2023.
    - Increased R&D spending highlights Salesforce's continued innovation, particularly in AI and data-driven solutions.

Depreciation & Amortization

- Grew 26.06% from $727M FY 2022 to $916M FY 2023.
    - A higher depreciation and amortization expense aligns with increased capital investments, largely due to acquisitions and new infrastructure.

Operating Income

- Experienced significant growth of 239.05% from $548.0M FY 2022 to $1.858B FY 2023.
    - While operating expenses grew, the strong revenue increase enabled a significant boost in operating income.

Pretax Income

(in millions)	2024	% Change	2023	% Change	2022
Operating Income (Loss)	**5,999.00**	**222.87%**	**1,858.00**	**239.05%**	**548**
- Non-Operating (Income) Loss	-376	-387.02%	131	-42.29%	227
+ Interest Expense, Net	—	N/A	287	32.87%	216
+ Interest Expense	—	N/A	*287*	32.87%	*216*
- Interest Income	*0*		*0*		*0*
+ Other Investment (Inc) Loss	—		—		—
+ Foreign Exch (Gain) Loss	0		0		0
+ Other Non-Op (Income) Los	-376	-141.03%	-156	-1518.18%	11
Pretax Income (Loss), Adjusted	**6,375.00**	**269.14%**	**1,727.00**	**438.01%**	**321**
- Abnormal Losses (Gains)	1,425.00	33.55%	1,067.00	188.11%	-1,211.00
+ Disposal of Assets	—		—		—
+ Early Extinguishment of Deb	—		—		—
+ Legal Settlement	—		—		—
+ Restructuring	988	19.32%	828	N/A	—
+ Sale of Investments	318	33.05%	239	181.57%	-293
+ Unrealized Investments	119		—		-918
+ Other Abnormal Items	—		—		—
Pretax Income (Loss), GAAP	**4,950.00**	**650.00%**	**660**	**-56.92%**	**1,532.00**

Figure 13: Salesforce Pretax Income

FY 2024 - 2023

Non-Operating (Income) Loss

- Recorded a loss of $376.0M FY 2024, marking a steep decline of 387.02% compared to $131.0M FY 2023.
    - This was largely due to the adverse impact of foreign exchange fluctuations.

Adjusted Pretax Income

- Increased by 269.14%, from $1.727B FY 2023 to $6.375B FY 2024.
    - Substantial operational gains achieved through cost control measures and increased gross profit margins.

Abnormal Gains/Losses

- Included $1.425B of abnormal gains FY 2024, a 35.55% increase compared to $1.067B FY 2023.
    - Due to fluctuations in strategic investments, including realized and unrealized gains. Salesforce recognized $119.0M in unrealized gains, driven by adjustments related to its privately held equity securities and had impairments of $466.0M on privately held securities.

Pretax Income (Loss), GAAP

- Rose significantly by 650.00%, reaching $4.95B FY 2024 compared to $660.0M FY 2023.
    - This jump underscored the combined effect of cost efficiencies, revenue growth, and reduced foreign exchange impacts.

FY 2023 - 2022

Non-Operating (Income) Loss

- Recorded a decrease of 42.39%, with FY 2023 reporting a non-operating income of $131.0M compared to $227.0M FY 2022.
    - This reduction was partially due to interest expenses in a rising interest rate environment, which impacted Salesforce's borrowing costs.

Adjusted Pretax Income

- Increased by 438.01%, moving from $321.0M FY 2022 to $1.727B FY 2023.
    - Salesforce's emphasis on scaling its core business segments, while effectively managing abnormal losses, facilitated this growth.

Abnormal Gains/Losses

- Increased by 188.11% FY 2023, with gains of 1.067B compared FY 2022's $1.211B losses.
    - Mainly due to impairments incurred on privately held equity and debt securities, totalling $491.0M, reflecting high volatility in public equity markets.

Pretax Income (Loss), GAAP

- Declined by 56.92%, totaling $660.0M FY 2023 compared to $1.532B FY 2022.
    - Decrease reflects Salesforce's increased investment in growth initiatives and the impact of foreign exchange losses.
    - Underlying growth in core revenue streams and cost control measures partially mitigated the decline.

Effective Tax Rate

(in millions)	2025	2024	2023	2022
Provision for income taxes	-1,160.00	-814.00	-452.00	-88.00
Effective tax rate	22.00%	16.00%	68.00%	6.00%

Figure 14: Salesforce Effective Tax Rate

As provided in their First Quarter Fiscal 2025 Guidance, the effective tax rate is expected to be approximately 22% for the year ending January 31, 2025. The provision for the FY 2025 was estimated using the company LTM provision for income taxes, utilizing Bloomberg Terminal.

FY 2024 - 2023

Provision for Income Taxes

- Increased significantly to $814.0M FY 2024 from $452.0M FY 2023.

- ○ Increase from a year ago was largely due to higher pretax income, which reached $4.950B FY 2024, up from $660.0M.

Effective Tax Rate

- Dropped sharply to 16% FY 2024 from 68% FY 2023.
  - Significant benefits were recognized in FY 2024 due to changes in foreign tax credits, which were influenced by recent IRS notices.
  - The prior year's tax rate was unusually high due to a larger proportion of taxable income from jurisdictions with higher tax rates, including withholding taxes

FY 2023 - 2022

Provision for Income Taxes

- Increased significantly from $88.0M FY 2022 to $452.0M FY 2023.
  - The majority of the tax provision was related to taxes from profitable jurisdictions outside of the United States, which includes withholding taxes.
  - Withholding taxes on intercompany transactions and earnings repatriation contributed significantly to the increase in the tax provision.

Effective Tax Rate

- Rose substantially to 68% FY 2023 from 6% FY 2022.
  - Driven by a larger portion of Salesforce's taxable income that was generated in jurisdictions outside the United States, which often have higher tax rates compared to the U.S. as well as significant discrete tax expenses.

Net Income

(in millions)	2024	% Change	2023	% Change	2022
Income (Loss) from Cont Ops	4,136.00	1888.46%	208	-85.60%	1,444.00
- Net Extraordinary Losses (Gains)	0		0		0
+ Discontinued Operations	0		0		0
+ XO & Accounting Changes	0		0		0
Income (Loss) Incl. MI	4,136.00	1888.46%	208	-85.60%	1,444.00
- Minority Interest	0		0		0
Net Income, GAAP	4,136.00	1888.46%	208.00	-85.60%	1,444.00

Figure 15: Salesforce Net Income

FY 2024 - 2023

Net Income Increase

- Substantial increase of 1888.46% in net income rising from $208.0M FY 2023 to $4.136B FY 2024
  - *Revenue Growth:* revenue increase of 11.8% contributed significantly to higher net income
  - *Cost Management:* implemented effective cost-saving initiatives, keeping operational expenses under control despite the revenue growth.
  - *Effective Tax Rate:* Significant drop in effective tax rate from 68% FY 2023 to 16% FY 2024 provided substantial tax savings.
  - *Operational Efficiency and Strategic Investments:* The company's restructuring efforts and a strategic shift towards high-growth areas like AI and data integration optimized operations.

FY 2023 - 2022

Net Income Decrease

- Steep decline in net income, dropping 85.6% from $1.444B FY 2022 to $208.0M FY 2023.
  - *Operating Expenses:* elevated costs FY 2023, particularly related to acquisitions and integration activities, which added pressure to overall profitability.
  - *Effective Tax Rate:* rose substantially from 6% FY 2022 to 68% FY 2023, largely due to shift in geographic revenue allocation and specific acquisition-related tax expenses.

- ○ Competitive Pressures: Heightened competition in the software and cloud markets required increased investment in marketing and operational activity, raising Saelsforce's costs.

Earnings Per Share

(in millions)	2024	% Change	2023	% Change	2022
Basic Weighted Avg Shares	974.00	-1.81%	992.00	3.87%	955.00
Basic EPS, GAAP	**4.25**	**1923.81%**	**0.21**	**-86.09%**	**1.51**
Basic EPS from Cont Ops, GAAP	**4.25**	**1923.81%**	**0.21**	**-86.09%**	**1.51**
Basic EPS from Cont Ops, Adjusted	**5.31**	**387.16%**	**1.09**	**113.73%**	**0.51**

Figure 16: Salesforce EPS

FY 2024 - 2023

Basic EPS, GAAP

- Jumped from $0.21 FY 2023 to $4.25 FY 2024, a massive 1,923.81% increase.
  - ○ Increase in GAAP Basic EPS corresponds closely with the growth in net income, which rose due to higher revenue, effective cost controls, and a substantial drop in effective tax rate.
  - ○ Reduction in the number of weighted average shares outstanding by 1.81% due to its share buyback program contributed to a higher EPS.
  - ○ Increased reliance on recurring revenue stress, especially in subscription-based-models bolstered EPS growth.

Basic EPS, Adjusted

- Increased from $1.09 FY 2023 to $5.31 FY 2024.
  - ○ Reflects Salesforce's focus on organic revenue growth and margin expansion while excluding any irregular or one time items.

FY 2023 - 2022

Basic EPS, GAAP

- Saw a significant decline from $1.51 FY 2022 to $0.21 FY 2023, marking an 86.09% decrease.
  - ○ Salesforce's acquisition strategy, notably large-scale purchases like Slack, brought considerable integration and reduced costs.
  - ○ Operating expenses, partclary in SG&A rose as Salesforce invested in scaling its workforce, expanding global operations, and integrating newly acquired entities.
  - ○ Faced a substantial increase in effective tax rate from 6% FY 2022 to 68% FY 2023.

Basic EPS, Adjusted

- Rose from $0.51 FY 2022 to $1.09 FY 2023, showing an increase of 113.73%.
  - ○ Reflects Salesforce's focus on subscription-based revenue streams and high demand services like Sales Cloud and Service Cloud.
  - ○ Underlying profitability in Saleforce's core operations improved, contributing positively to adjusted EPS growth.

Balance Sheet

Total Assets

Salesforce Inc (CRM US) - Standardized					
In Millions of USD except Per Share	FY 2024		FY 2023		FY 2022
12 Months Ending	1/31/2024	Yoy Change	1/31/2023	Yoy Change	1/31/2022
Total Assets					
+ Cash, Cash Equivalents & STI	14,194.00	**13.48%**	12,508.00	**18.71%**	10,537.00
+ Cash & Cash Equivalents	8,472.00	**20.75%**	7,016.00	**28.40%**	5,464.00
+ ST Investments	5,722.00	**4.19%**	5,492.00	**8.26%**	5,073.00
+ Accounts & Notes Receiv	11,414.00	**6.13%**	10,755.00	**10.43%**	9,739.00
+ Accounts Receivable, Net	11,414.00	**6.13%**	10,755.00	**10.43%**	9,739.00
+ Notes Receivable, Net	0		0		0
+ Inventories	0		0		0
+ Raw Materials	0		0		0
+ Work In Process	0		0		0
+ Finished Goods	0		0		0
+ Other Inventory	0		0		0
+ Other ST Assets	3,466.00	**10.66%**	3,132.00	**21.68%**	2,574.00
+ Prepaid Expenses	—		—		—
+ Derivative & Hedging Assets	0		0		0
+ Misc ST Assets	3,466.00	**10.66%**	3,132.00	**21.68%**	2,574.00
Total Current Assets	**29,074.00**	**10.15%**	**26,395.00**	**15.51%**	**22,850.00**
+ Property, Plant & Equip, Net	6,055.00	**-8.15%**	6,592.00	**15.75%**	5,695.00
+ Property, Plant & Equip	9,207.00	**-0.94%**	9,294.00	**14.80%**	8,096.00
- Accumulated Depreciation	3,152.00	**16.65%**	2,702.00	**12.54%**	2,401.00
+ LT Investments & Receivables	4,848.00	**3.77%**	4,672.00	**-2.34%**	4,784.00
+ LT Investments	4,848.00	**3.77%**	4,672.00	**-2.34%**	4,784.00
+ Other LT Assets	59,846.00	**-2.20%**	61,190.00	**-1.12%**	61,880.00
+ Total Intangible Assets	53,898.00	**-3.22%**	55,693.00	**-2.15%**	56,915.00
+ Goodwill	*48,620.00*	**0.11%**	*48,568.00*	**1.32%**	*47,937.00*
+ Other Intangible Assets	*5,278.00*	**-25.92%**	*7,125.00*	**-20.64%**	*8,978.00*
+ Deferred Tax Assets	3,433.00	**22.61%**	2,800.00	**6.75%**	2,623.00
+ Derivative & Hedging Assets	0		0		0
+ Misc LT Assets	2,515.00	**-6.75%**	2,697.00	**15.16%**	2,342.00
Total Noncurrent Assets	**70,749.00**	**-2.35%**	**72,454.00**	**0.13%**	**72,359.00**
Total Assets	**99,823.00**	**0.99%**	**98,849.00**	**3.82%**	**95,209.00**
Source: Bloomberg					

Figure 17: Salesforce Balance Sheet - Total Assets

Total Liabilities & Equity

Salesforce Inc (CRM US) - Standardized					
In Millions of USD except Per Share 12 Months Ending	FY 2024 1/31/2024	Yoy Change	FY 2023 1/31/2023	Yoy Change	FY 2022 1/31/2022
Liabilities & Shareholders' Equity					
+ Payables & Accruals	5,739.00	-11.52%	6,486.00	21.10%	5,356.00
+ Accounts Payable	5,739.00	-11.52%	6,486.00	21.10%	5,356.00
+ Interest & Dividends Payable	—		—		—
+ Other Payables & Accruals	0		0		0
+ ST Debt	1,889.00	-6.90%	2,029.00	152.36%	804
+ ST Borrowings	0		0		0
+ ST Lease Liabilities	890	5.08%	847	5.88%	800
+ ST Finance Leases	*372*	44.75%	*257*	125.44%	*114*
+ ST Operating Leases	*518*	-12.20%	*590*	-13.99%	*686*
+ Current Portion of LT Debt	999	-15.48%	1,182.00	29450.00%	4
+ Other ST Liabilities	19,003.00	9.36%	17,376.00	11.19%	15,628.00
+ Deferred Revenue	19,003.00	9.36%	17,376.00	11.19%	15,628.00
+ Derivatives & Hedging	0		0		0
+ Misc ST Liabilities	0		0		0
Total Current Liabilities	**26,631.00**	2.86%	**25,891.00**	18.83%	**21,788.00**
+ LT Debt	11,673.00	-9.16%	12,850.00	-5.28%	13,566.00
+ LT Borrowings	8,427.00	-10.53%	9,419.00	-11.07%	10,592.00
+ LT Lease Liabilities	3,246.00	-5.39%	3,431.00	15.37%	2,974.00
+ LT Finance Leases	*602*	12.73%	*534*	97.05%	*271*
+ LT Operating Leases	*2,644.00*	-8.73%	*2,897.00*	7.18%	*2,703.00*
+ Other LT Liabilities	1,873.00	7.09%	1,749.00	1.45%	1,724.00
+ Accrued Liabilities	0		0		0
+ Pension Liabilities	0		0		0
+ Pensions	*0*		*0*		*0*
+ Other Post-Ret Benefits	*0*		*0*		*0*
+ Deferred Revenue	0		0		0
+ Derivatives & Hedging	0		0		0
+ Misc LT Liabilities	1,873.00	7.09%	1,749.00	1.45%	1,724.00
Total Noncurrent Liabilities	**13,546.00**	-7.21%	**14,599.00**	-4.52%	**15,290.00**
Total Liabilities	**40,177.00**	-0.77%	**40,490.00**	9.20%	**37,078.00**
+ Preferred Equity and Hybrid Capital	0		0		0
+ Share Capital & APIC	59,842.00	8.71%	55,048.00	8.11%	50,920.00
+ Common Stock	1	0.00%	1	0.00%	1
+ Additional Paid in Capital	59,841.00	8.71%	55,047.00	8.11%	50,919.00
- Treasury Stock	11,692.00	192.30%	4,000.00	N/A	0
+ Retained Earnings	11,721.00	54.53%	7,585.00	2.82%	7,377.00
+ Other Equity	-225	17.88%	-274	-65.06%	-166
Equity Before Minority Interest	**59,646.00**	2.21%	**58,359.00**	0.39%	**58,131.00**
+ Minority/Non Controlling Interest	0		0		0
Total Equity	**59,646.00**	2.21%	**58,359.00**	0.39%	**58,131.00**
Total Liabilities & Equity	**99,823.00**	0.99%	**98,849.00**	3.82%	**95,209.00**
Source: Bloomberg					

Figure 18: Salesforce Balance Sheet - Total Liabilities & Shareholders Equity

Total Current Assets

(in millions)	2024	% Change	2023	% Change	2022
Total Assets					
+ Cash, Cash Equivalents & STI	14,194.00	**13.48%**	12,508.00	**18.71%**	10,537.00
+ Cash & Cash Equivalents	8,472.00	**20.75%**	7,016.00	**28.40%**	5,464.00
+ ST Investments	5,722.00	**4.19%**	5,492.00	**8.26%**	5,073.00
+ Accounts & Notes Receiv	11,414.00	**6.13%**	10,755.00	**10.43%**	9,739.00
+ Accounts Receivable, Net	11,414.00	**6.13%**	10,755.00	**10.43%**	9,739.00
+ Notes Receivable, Net	0		0		0
+ Inventories	0		0		0
+ Raw Materials	0		0		0
+ Work In Process	0		0		0
+ Finished Goods	0		0		0
+ Other Inventory	0		0		0
+ Other ST Assets	3,466.00	**10.66%**	3,132.00	**21.68%**	2,574.00
+ Prepaid Expenses	—		—		—
+ Derivative & Hedging Assets	0		0		0
+ Misc ST Assets	3,466.00	**10.66%**	3,132.00	**21.68%**	2,574.00
Total Current Assets	**29,074.00**	**10.15%**	**26,395.00**	**15.51%**	**22,850.00**

Figure 19: Salesforce Total Current Assets

FY 2024 - 2023

Total Current Assets

- Increased by 10.15%, from $26.395B FY 2023 to $29.074B FY 2024.
  - Cash and equivalents grew by $1.456B, driven by Salesforce's strong cash flow from operations.
  - Accounts receivable rose from $10.755B FY 2023 to $11.414B FY 2024 due to increased customer activity and sales growth.
  - Prepaid expenses increased by $205.0M , reflecting changes in the timing of payments and business expansions

Cash, Cash Equivalents & Short-Term Investments

- Saw a growth of 13.48%, rising from $12.508B FY 2023 to $14.194B FY 2024.
  - Reduced Net Outflows from Marketable Securities, lowered outflow for purchases and settlements of marketable securities compared to FY 2023.
  - Generated $10.234B in net cash from operating activities, driven by increased revenue and profitability.

Cash & Cash Equivalents

- Rose significantly by 20.75%, from $7.016B FY 2023 to $8.472B FY 2024.
  - Salesforce reported strong cash generation from operations, with net cash provided by operating activities growing from $7.111B FY 2023 to $10.234B FY 2024.
  - Investment in fixed and intangible assets was reduced, contributing to lower cash outflows for investing activities, which decreased from $798.0M FY 2023 to $736.0M FY 2024
  - A $1.623B increase in unearned revenue supported cash inflows from prepayments for subscription service contributed as well.

Short-Term Investments

- Grew by 4.19%, reaching $5.722B FY 2024 from $5.492B FY 2023.
  - Salesforce efficiently invested surplus cash in short-term, low-risk securities to optimize returns while maintaining liquidity.

    - The increase aligns with Salesforce's policy of balancing cash reserves and short-term investments for liquidity and growth needs.

Accounts & Notes Receivable, Net

- Increased by 6.13%, from $10.755B FY 2023 to $11.414B FY 2024.
    - Growth directly linked to the rise in Salesforce's customer contracts and billings, which align with the company's increased subscription revenue.
    - Continued high demand for Salesforce's core CRM and industry-specific solutions led to larger receivables.

Other Short-Term Assets

- Increased by 10.66%, from $3.132B FY 2023 to $3.466B FY 2024.
    - Rise reflects higher prepaid expenses for software licenses, employee benefits, and cloud infrastructure.
    - These prepayments support Salesforce's increased R&D activities and global expansion.

FY 2023 - 2022

Total Current Assets

- Increased by 15.51%, from $22.850B FY 2022 to $26.395B FY 2023.
    - Growth was part of Salesforce's broader strategy to retain liquidity for rapid response to market conditions, including potential opportunities for acquisitions.

Cash, Cash Equivalents & Short-Term Investments

- Grew by 18.71%, reaching $12.408B FY 2023 from $10.537B FY 2022.
    - Salesforce generated $7.1B in net cash from operating activities during FY 2023, a 19% year-over-year increase, driven by strong collections and higher revenue growth.
    - Investment outflows decreased significantly in FY 2023 compared to FY 2022, which had included large acquisition costs such as Slack.

Cash & Cash Equivalents

- Increased by 28.40%, from $5.464B FY 2022 to $7.016B FY 2023.
    - Salesforce generated strong cash flow from operations in FY 2023, totaling $7.1B, driven by improved collections and revenue growth.
    - Saw aw fewer outflows for acquisitions, contributing to increased cash on hand compared to FY 2022, which included substantial acquisition costs for Slack,

Short-Term Investments

- Increased by 8.26%, from $5.073B FY 2022 to $5.492B FY 2023.
    - Salesforce allocated a portion of its increased cash reserves to short-term investments like marketable securities to generate additional returns while maintaining liquidity.
    - The increase in short-term investments aligns with Salesforce's focus on maintaining a diverse and liquid investment portfolio

Accounts & Notes Receivable, Net

- Grew by 10.43%, reaching $10.755B FY 2023 from $9.739B FY 2022.
    - Reflects a rise in outstanding customer billings due to expanded contracts and subscription upgrades.
    - Demand for Saleforce's integrated cloud services, including analytics and industry-specific solutions, contributed to the higher receivables.

Other Short-Term Assets

- Rose by 21.68%, from $2.574B FY 2022 to $3.132B FY 2023.

- Increase was due to higher prepaid expenses for technology infrastructure and multi-year service agreements with third-party providers.

Total Non-Current Assets

(in millions)	2024	% Change	2023	% Change	2022
Total Current Assets	**29,074.00**	**10.15%**	**26,395.00**	**15.51%**	**22,850.00**
+ Property, Plant & Equip, Net	6,055.00	**-8.15%**	6,592.00	**15.75%**	5,695.00
+ Property, Plant & Equip	9,207.00	**-0.94%**	9,294.00	**14.80%**	8,096.00
- Accumulated Depreciation	3,152.00	**16.65%**	2,702.00	**12.54%**	2,401.00
+ LT Investments & Receivables	4,848.00	**3.77%**	4,672.00	**-2.34%**	4,784.00
+ LT Investments	4,848.00	**3.77%**	4,672.00	**-2.34%**	4,784.00
+ Other LT Assets	59,846.00	**-2.20%**	61,190.00	**-1.12%**	61,880.00
+ Total Intangible Assets	53,898.00	**-3.22%**	55,693.00	**-2.15%**	56,915.00
+ Goodwill	*48,620.00*	**0.11%**	*48,568.00*	**1.32%**	*47,937.00*
+ Other Intangible Assets	*5,278.00*	**-25.92%**	*7,125.00*	**-20.64%**	*8,978.00*
+ Deferred Tax Assets	3,433.00	**22.61%**	2,800.00	**6.75%**	2,623.00
+ Derivative & Hedging Assets	0		0		0
+ Misc LT Assets	2,515.00	**-6.75%**	2,697.00	**15.16%**	2,342.00
Total Noncurrent Assets	**70,749.00**	**-2.35%**	**72,454.00**	**0.13%**	**72,359.00**

Figure 20: Salesforce Total Non-Current Assets

FY 2024 - 2023

Total Non-Current Assets

- Decreased by 2.35%, from $72.454B FY 2023 to $70.749B FY 2024.
  - Adjustment reflects Salesforce's focus on asset optimization, as it re-evaluates and adjusts its asset base to better align with a digital-first, cloud-driven operational strategy.

Property, Plant & Equipment, Net

- Dropped by 8.15%, decreasing from $6.592B FY 2023 to $6.055B FY 2024.
  - Decrease was driven by accumulated depreciation, which rose by 16.65% year-over-year.
  - While Salesforce has previously invested in physical assets and infrastructure to support growth, its current strategy is increasingly focused on digital services and infrastructure rather than expanding physical assets.

Long-Term Investments & Receivables

- Increased by 3.77%, from $4.672B FY 2023 to $4.848B FY 2024.
  - Reflects Salesforce's selective investment in strategic partnerships and companies that bolster its operations in areas such as AI and data integration.

Other Long-Term Assets

- Decreased by 2.20%, moving from $61.19B FY 2023 to $59.846B FY 2024.
  - Decrease reflects optimizations in deferred costs and other long term expenditures, as Salesforce enhances efficiency in capital deployment.
  - Decline aligns with Salefroce's shift to prioritize assets directly tied to its core growth areas.

Total Intangible Assets

- Declined by 3.32%, moving from $55.693B FY 2023 to $55.898B FY 2024.
  - Driven by amortization of intangible assets from previous acquisitions, as Salesforce continues to integrate these acquisitions into its operations.
  - *Other Intangible Assets:* decreased significantly by 25.92%, from $7.125B FY 2023 to $5.278B FY 2024

Deferred Tax Assets

- Saw a notable increase of 22.61%, rising from $2.8B FY 2023 to $3.433B FY 2024.

- ○ Driven by tax planning strategies and adjustments to reflect the valuation of deferred tax benefits.
- ○ Deferred tax assets are beneficial for offsetting future table income, and Salesforce increase in this area suggests a forward-looking approach to tax efficiency.

Miscellaneous Long-Term Assets

- Decreased by 6.75% to $2.515B FY 2024 from $2.697B FY 2023.
  - Decline is tied to reduced deferred costs and completed long-term projects, as Salesforce aligns expenditures more closely with its primary digital and AI-focused products.

FY 2023 - 2022

Property, Plant & Equipment, Net

- Increased by 15.75%, moving from $5.695B FY 2022 to $6.592B FY 2023.
  - Salesforce expanded its data centers and physical facilities to support its growing customer base and service demands.
  - This investment in PP&E reflects Salesforce's commitment in expanding its infrastructure.

Other Intangible Assets

- ○ Significnat 20.64% drop, a result of scheduled amortization and Salesforce's commitment to optimizing previously acquired intangible resources.

Deferred Tax Assets

- Increased by 6.75% to $2.8B FY 2023 from 2.623B FY 2022.
  - Salesforce leverages deferred tax assets to manage tax efficiency.
  - Increase is consistent with Salesforce's efforts to minimize tax burdens as it scales its operations intentionally.

Miscellaneous Long-Term Assets

- Increased by 15.16%, reaching $2.697B FY 2023, up from 2.342B FY 2022.
  - Increase can be attributed to adjustments in deferred project expenses and prepaid long-term contracts, supporting Salesforce's ongoing projects and strategic initiatives.

Total Assets

(in millions)	2024	% Change	2023	% Change	2022
Total Assets	99,823.00	0.99%	98,849.00	3.82%	95,209.00

Figure 21: Salesforce Total Assets

FY 2024 - 2023

- Increased by a modest 0.99%, rising from $98.849B FY 2023 to $99.823B FY 2024.
  - *Asset optimization:* focus on improving efficiency within its existing asset base rather than making significant new acquisitions or expansions.
  - *Cash Reserves:* current assets saw growth, non-current assets showed a slight decrease, suggesting that the company prioritized liquidity and flexibility over long-term capital expenditure.
  - Marginal increase underscores Salesforce's shift towards substantial, efficiency-driven growth rather than asset-heavy expansion.

FY 2023 - 2022

- Grew by 3.82%, from $95.209B FY 2022 to $98.849B FY 2023.
  - This growth rate, higher than the following year, indicates a period of more active investments and expansion.

- *Acquisition Activity:* higher growth in total assets during this period reflects ongoing acquisitions and strategic investments aimed at broadening its capabilities, particularly in AI, data integration, and digital transformation.
- *Intangible Assets:* growth in total assets included increase in intangible assets, as Salesforce continued to leverage its acquisitions to support expansion in product offering and technology capabilities.
- This period involved a more conservative asset magnet approach than FY 2024.

Total Current Liabilities

(in millions)	2024	% Change	2023	% Change	2022
Liabilities & Shareholders' Equity					
+ Payables & Accruals	5,739.00	-11.52%	6,486.00	21.10%	5,356.00
+ Accounts Payable	5,739.00	-11.52%	6,486.00	21.10%	5,356.00
+ Interest & Dividends Payable	—		—		—
+ Other Payables & Accruals	0		0		0
+ ST Debt	1,889.00	-6.90%	2,029.00	152.36%	804
+ ST Borrowings	0		0		0
+ ST Lease Liabilities	890	5.08%	847	5.88%	800
+ ST Finance Leases	*372*	44.75%	*257*	125.44%	*114*
+ ST Operating Leases	*518*	-12.20%	*590*	-13.99%	*686*
+ Current Portion of LT Debt	999	-15.48%	1,182.00	29450.00%	4
+ Other ST Liabilities	19,003.00	9.36%	17,376.00	11.19%	15,628.00
+ Deferred Revenue	19,003.00	9.36%	17,376.00	11.19%	15,628.00
+ Derivatives & Hedging	0		0		0
+ Misc ST Liabilities	0		0		0
Total Current Liabilities	**26,631.00**	**2.86%**	**25,891.00**	**18.83%**	**21,788.00**

Figure 22: Salesforce Total Current Liabilities

FY 2024 - 2023

Total Current Liabilities

- Increased by 2.86%, from \$25.891B FY 2023 to \$26.631B FY 2024.
  - Modest growth highlights Salesforce's controlled management of current liabilities while adapting to operational needs.

Payables and Accruals

- There was a 11.52% decrease, falling from \$6.486B FY 2023 to \$5.739B FY 2024.
  - Driven by changes in the timing of payments to vendors and the settlement of accrued expenses, reflecting a reduction in certain operating liabilities

Short-Term Debt

- Reduced by 6.90%, from \$2.029B FY 2023 to \$1.889B FY 2024.
  - Primarily due to the repayment of maturing debt obligations, repaid 2023 Senior Notes in Q1 FY 2024, which reduced short-term debt obligations.
  - Additional repayments included debt related to the 50 Fremont Loan.

Deferred Revenue

- Grew by 9.36%, from \$17.376B FY 2023 to \$19.003B FY 2024.
  - Salesforce's primary business model involves subscription-based contracts and prepayments are recorded as deferred revenue until recognized over time.
  - Seasonal patterns and billing schedules significantly impacted deferred revenue with larger volumes invoiced toward the fiscal year-end.

    - A significant portion of deferred revenue is recognized within the next 12 months, aligning with the standard subscription periods

ST Finance Leases

- Increased 44.75%, from $257M FY 2023 to $372M FY 2024.
    - Due to Salesforce entering into additional finance leases during FY 2024 to support its infrastructure and operations, particularly for computers, equipment, and software.
    - Rise in lease obligations is reflected in increased amortization of right-of-use assets, and higher financing cash outflows for finance leases.

FY 2023 - 2022

Total Current Liabilities

- Rose 18.83%, increasing from $21.788B FY 2022 to $25.891B FY 2023.
    - This larger growth indicates a phase of expansion, reflecting Salesforce's rising operational costs associated with scaling its subscription services.

Payables and Accruals

- Increased by 21.10%, growing from $5.356B FY 2022 to $6.486B FY 2023.
    - Salesforce's restructuring plan in January 2023 included workforce reductions and related costs, such as severance payments and stock-based compensation.
    - Higher operating costs, including those for customer service and data centers, led to greater accounts payable and accrued expenses.

Short-Term Debt

- Saw significant growth of 152.36%, from $804.0M FY 2022 to $2.029B FY 2023.
    - A substantial portion of the short-term debt increase is due to the reclassification of $1.0B of the 2023 Senior Notes maturing in April 2023.
    - A loan associated with the acquisition of the 50 Fremont Street office building in San Francisco, amounting to $182.0 M, was classified as current due to its maturity in June 2023.

Deferred Revenue

- Grew by 11.19%, from $15.628B FY 2022 to $17.376B FY 2023.
    - Shows Salesforce's expansion in subscription revenue as it onboards more customers into its recurring revenue model.
    - Deferred balance is generally recognized within 12 months for current liabilities and beyond 12 months for noncurrent liabilities.
    - 49% of the total revenue recognized was from the deferred revenue balance at the end of FY 2022.

ST Finance Leases

- Grew substantially by 125.44%, increasing from $114.0M FY 2022 to $257.0M FY 2023.
    - Sharp rise can be attributed to the company's expansion in leased technology assets and infrastructure.

Total Noncurrent Liabilities

(in millions)	2024	% Change	2023	% Change	2022
Total Current Liabilities	**26,631.00**	**2.86%**	**25,891.00**	**18.83%**	**21,788.00**
+ LT Debt	11,673.00	-9.16%	12,850.00	-5.28%	13,566.00
+ LT Borrowings	8,427.00	-10.53%	9,419.00	-11.07%	10,592.00
+ LT Lease Liabilities	3,246.00	-5.39%	3,431.00	15.37%	2,974.00
+ LT Finance Leases	*602*	12.73%	*534*	97.05%	*271*
+ LT Operating Leases	*2,644.00*	-8.73%	*2,897.00*	7.18%	*2,703.00*
+ Other LT Liabilities	1,873.00	7.09%	1,749.00	1.45%	1,724.00
+ Accrued Liabilities	0		0		0
+ Pension Liabilities	0		0		0
+ Pensions	*0*		*0*		*0*
+ Other Post-Ret Benefits	*0*		*0*		*0*
+ Deferred Revenue	0		0		0
+ Derivatives & Hedging	0		0		0
+ Misc LT Liabilities	1,873.00	7.09%	1,749.00	1.45%	1,724.00
Total Noncurrent Liabilities	**13,546.00**	**-7.21%**	**14,599.00**	**-4.52%**	**15,290.00**

Figure 23: Salesforce Total Non Current Liabilities

FY 2024 - 2023

Total Noncurrent Liabilities

- Fell by 7.21%, from $14.599B FY 2023 to $13.546B FY 2024.
  - Driven by the repayment of 2023 Senior Notes in Q1 FY 2024 and the 50 Fremont Loan in Q2. .
  - Decreased Noncurrent Lease Liabilities due to changes in lease obligations, reflecting management of leasing commitments and scheduled payments.

Long-Term Debt

- Decreased by 9.16%, dropping from $12.85B FY 2023 to $11.673B FY 2024.
  - Salesforce repaid the 2023 Senior Notes in the first quarter of FY 2024, which amounted to $1.0B.
  - The loan related to the 50 Fremont building, valued at $182.0M, was repaid in the second quarter of FY 2024.

Long-Term Borrowing

- Saw a decline of 10.53%, from $9.419B FY 2023 to $8.427B FY 2024.
  - Reflects Salesforce's efforts to reduce reliance on external financing and manage exposure to volatile interest rates, particularly relevant in FY 2024 as the macroeconomic environment saw heighted interest rates.

Long-Term Lease Liabilities

- Dropped by 5.39%, from $3.431B FY 2023 to $3.246B FY 2024.
  - This reduction came from renegotiations of existing leases, some of which were restricted or terminated early to better match Salesforce's evolving operational needs.

Long-Term Finance Leases

- Increased by 12.73%, from $534.0M FY 2023 to $602.0M FY 2024.
  - Salesforce entered into new finance lease agreements during FY 2024, predominantly for computers, equipment, and software to support operations and infrastructure.
  - The amortization of right-of-use assets under finance leases increased from $198.0M FY 2023 to $264.0M FY 2024, reflecting higher lease obligations.

- ○ The weighted average discount rate for finance leases increased to 3.3% FY 2024 compared to 2.1% FY 2023, which influenced lease liability calculations.

Other Long-Term Liabilities

- Rose 7.09% to $1.873B FY 2024, up from 1.749B FY 2023.
  - Includes Salesforce maintenance for employee benefits, deferred compensation, and other long-term commitments.

FY 2023 - 2022

Total Noncurrent Liabilities

- Decreased by 4.52% from $15.290B FY 2022 to $14.599B FY 2023.
  - Reduction aligns with Salesforce's focus on liability management amid rising interest rates and economic uncertainty.
  - The company aimed to strengthen its balance sheet by manning debt obligations and other long-term liabilities.

Long-Term Debt

- Experienced a 5.28% decrease, dropping from $13.566B FY 2022 to $9.419B FY 2023.
  - Certain debt obligations maturing within the next 12 months were reclassified from long-term to short-term debt.
  - This includes $1.0B related to the 2023 Senior Notes maturing in April 2023 and $182.0M for the loan related to the 50 Fremont Street office building, maturing in June 2023.
  - Unlike FY 2022, which included significant debt issuance related to the acquisition of Slack, there were no major new debt issuances in FY 2023

Long-Term Borrowing

- Dropped by 11.07%, from $10.592B FY 2022 to $9.419B FY 2023.
  - Salesforce continued to repay portions of its outstanding long-term debt as per their repayment schedules.
  - Certain debt obligations nearing maturity were reclassified as current liabilities.

Long-Term Lease Liabilities

- Increased by 15.37%, from $2.974B FY 2022 to $3.431B FY 2023.
  - This growth was attributed to additional leasing arrangements for office spaces and data center capacity to accommodate its expanding workforce and infrastructure needs.
  - This was later reassessed in FY 2024, as Salesforce adapted to hybrid work trends and aimed to optimize office space utilization.

Long-Term Finance Leases

- Grew significantly by 87.05%, from $271.0M FY 2022 to $534.0M FY 2023.
  - This increase was due to Salesforce investing in data centers and technology infrastructure through finance leases, which spread out acquisition costs over time.

Other Long-Term Liabilities

- Increased slightly by 1.45%, growing from $1.724B FY 2022 to $1.749B FY 2023.
- Reflects an emphasis on maintaining a strategic reserve for legal and regulatory compliance costs, employee-related obligations, and environmental responsibilities.

Total Liabilities

(in millions)	2024	% Change	2023	% Change	2022
Total Liabilities	40,177.00	-0.77%	40,490.00	9.20%	37,078.00

Figure 24: Salesforce Total Liabilities

FY 2024 - 2023

- Slightly decreased by 0.77%, moving from $40.490B FY 2023 to $40.177B FY 2024.
    - Driven by an increase in Current Liabilities ($740.0M), a reduction in Short-Term Debt (-$140.0M), and a decrease in Operating Lease Liabilities (-$72.0M)
    - Reflects Salesforce's focus on maintaining efficient debt management and reducing non-essential liabilities.

FY 2023 - 2022

- Saw significant increase of 9.20%, rising from $37.078B FY 2022 to $40.490B FY 2023.
    - Driven by an increase in Current Liabilities ($4.103B), Short-Term Debt ($1.225B), and a decrease in Long-Term Debt (-$716.0M).
    - Reflect Salesforce's approach to balancing operational expansion with financial prudence.
    - Suggesting a focus on meeting short-term operational demands while strategically reducing long-term debt obligations to maintain a healthier balance sheet.

Shareholder’s Equity

(in millions)	2024	% Change	2023	% Change	2022
Total Liabilities	40,177.00	-0.77%	40,490.00	9.20%	37,078.00
+ Preferred Equity and Hybrid Capital	0		0		0
+ Share Capital & APIC	59,842.00	8.71%	55,048.00	8.11%	50,920.00
+ Common Stock	1	0.00%	1	0.00%	1
+ Additional Paid in Capital	59,841.00	8.71%	55,047.00	8.11%	50,919.00
- Treasury Stock	11,692.00	192.30%	4,000.00	N/A	0
+ Retained Earnings	11,721.00	54.53%	7,585.00	2.82%	7,377.00
+ Other Equity	-225	17.88%	-274	-65.06%	-166
Equity Before Minority Interest	59,646.00	2.21%	58,359.00	0.39%	58,131.00
+ Minority/Non Controlling Interest	0		0		0
Total Equity	59,646.00	2.21%	58,359.00	0.39%	58,131.00

Figure 25: Salesforce Shareholders Equity

FY 2024 - 2023

Total Equity

- Grew by 2.21%, from $58.359B FY 2023 to $59.646B FY 2024.
    - An additional $2.8B was contributed to equity through stock-based compensation expenses.
    - This was partially offset by the repurchase of approximately 36.0M shares of common stock for $7.7B during FY 2024.

Share Capital & Additional Paid-in Capital

- Experienced an increase of 8.71%, reaching $59.842B FY 2024, compared to $55.048B FY 2023.
    - A significant contributor to the increase was $2.8B in stock-based compensation expenses.
    - Salesforce also issued new common stock, including $1.994B related to employee equity plans

Retained Earnings

- Grew by 54.53%, from $7.585B FY 2023 to $11.721B FY 2024.
    - Driven by Salesforce's significant adjusted net income of $5.175B in FY 2024. This increase reflects the company's improved profitability compared to the prior fiscal year.

    - Additionally, Salesforce did not declare or pay dividends, allowing retained earnings to grow directly from accumulated profits.

Treasury Stock

- Shows a substantial increase of 192.30%, from 4.0B FY 2023 to 11.692B FY 2024.
    - Due to Salesforce's share repurchase program, under which the company repurchased approximately 36.0M shares of its common stock during FY 2024 for a total cost of $7.7B.

Other Equity

- Rose 17.88% from -$274.0M FY 2023, to -$225.0M FY 2024.
    - Reflects small adjustments that could include minor capital-related changes, currency adjustments, or stock-based compensation-related items.

FY 2023 - 2022

Total Equity

- Remained relatively stable, with a slight increase of 0.39%, from $58.131B FY 2022 to $58.359B FY 2023.
    - Salesforce incurred a significant stock-based compensation expense of $3.3B.
    - The company repurchased approximately 28.0M shares of its common stock for $4B as part of its share repurchase program.

Share Capital & Additional Paid-in Capital

- Grew by 8.11%, rising from $50.920B FY 2022 to $55.048B FY 2023.
    - Salesforce incurred significant stock-based compensation expenses of $3.3B, which directly increased additional paid-in capital.
    - The company issued $849.0M in common stock during FY 2023 as part of equity incentive plans and employee stock purchase plans.

Retained Earnings

- Saw a modest increase of 2.82%, from $7.377B FY 2022 to $7.585B FY 2023.
    - Salesforce reported an adjusted net income of $1.08B, adding to the retained earrings
    - Whiel Salesforce repurchased $4.0B worth of common stock during FY 2023; this reduction in equity primarily impacted treasury stock and did not fully offset the addition to retained earnings

Treasury Stock

- Appears in FY 2023, valued at $4.0B as Salesforce began its share repurchase program to manage shareholder value.
    - Salesforce's Board of Directors authorized a program to repurchase up to $10.0B of its common stock in August 2022, which was subsequently increased by another $10.0B in February 2023. This initiative aimed to enhance shareholder value

Other Equity

- Decreased significantly by 65.06%, from -$166M.0 FY 2022 to -$273.0M FY 2023.
    - This decrease likely stems from adjustments related to foreign currency adjustments, hedging activities, or other comprehensive income items.

Statement of Cash Flows

Salesforce Inc (CRM US) - Standardized					
In Millions of USD except Per Share 12 Months Ending	FY 2024 1/31/2024	Yoy Change	FY 2023 1/31/2023	Yoy Change	FY 2022 1/31/2022
Cash from Operating Activities					
+ Net Income	4,136.00	1888.46%	208	-85.60%	1,444.00
+ Depreciation & Amortization	3,959.00	4.57%	3,786.00	14.80%	3,298.00
+ Non-Cash Items	2,496.00	16.53%	2,142.00	1375.00%	-168
+ Stock-Based Compensation	2,787.00	-15.00%	3,279.00	17.99%	2,779.00
+ Other Non-Cash Adj	-291	74.41%	-1,137.00	61.42%	-2,947.00
+ Chg in Non-Cash Work Cap	-357	-136.62%	975	-31.63%	1,426.00
+ (Inc) Dec in Accts Receiv	-659	33.77%	-995	45.45%	-1,824.00
+ Inc (Dec) in Other	302	-84.67%	1,970.00	-39.38%	3,250.00
+ Net Cash From Disc Ops	0		0		0
Cash from Operating Activities	**10,234.00**	**43.92%**	**7,111.00**	**18.52%**	**6,000.00**
Cash from Investing Activities					
+ Change in Fixed & Intang	-628	21.30%	-798	-11.30%	-717
+ Disp in Fixed & Intang	108		0		0
+ Disp of Fixed Prod Assets	*108*		*0*		*0*
+ Disp of Intangible Assets	*0*		*0*		*0*
+ Acq of Fixed & Intang	-736	7.77%	-798	-11.30%	-717
+ Acq of Fixed Prod Assets	*-736*	7.77%	*-798*	-11.30%	*-717*
+ Acq of Intangible Assets	*0*		*0*		*0*
+ Net Change in LT Investment	-496	-154.36%	-195	-140.37%	483
+ Dec in LT Investment	0	-100.00%	355	-83.87%	2,201.00
+ Inc in LT Investment	-496	9.82%	-550	67.99%	-1,718.00
+ Net Cash From Acq & Div	-82	81.32%	-439	97.05%	-14,876.00
+ Cash from Divestitures	0		0		0
+ Cash for Acq of Subs	-82	81.32%	-439	97.05%	-14,876.00
+ Other Investing Activities	-121	78.28%	-557	-197.04%	574
+ Net Cash From Disc Ops	0		0		0
Cash from Investing Activities	**-1,327.00**	**33.28%**	**-1,989.00**	**86.32%**	**-14,536.00**
Cash from Financing Activities					
+ Dividends Paid	0		0		0
+ Cash From (Repayment) Debt	-1,811.00	-45175.00%	-4	-100.06%	6,705.00
+ Cash From (Repay) ST Debt	0	N/A	0	100.00%	-1,197.00
+ Cash From LT Debt	0	N/A	0	-100.00%	7,906.00
+ Repayments of LT Debt	-1,811.00	-45175.00%	-4	0.00%	-4
+ Cash (Repurchase) of Equity	-5,666.00	-80.50%	-3,139.00	-343.52%	1,289.00
+ Increase in Capital Stock	1,954.00	126.95%	861	-33.20%	1,289.00
+ Decrease in Capital Stock	-7,620.00	-90.50%	-4,000.00	N/A	0
+ Other Financing Activities	0	100.00%	-419	-168.59%	-156
+ Net Cash From Disc Ops	0		0		0
Cash from Financing Activities	**-7,477.00**	**-109.91%**	**-3,562.00**	**-145.45%**	**7,838.00**
Effect of Foreign Exchange Rates	26	425.00%	-8	75.76%	-33
Net Changes in Cash	**1,456.00**	**-6.19%**	**1,552.00**	**312.31%**	**-731**
Cash Paid for Taxes	**1,027.00**	**101.37%**	**510**	**160.20%**	**196**
Cash Paid for Interest	**254**	**-7.64%**	**275**	**47.06%**	**187**
Source: Bloomberg					

Figure 26: Salesforce Statement of Cash Flow

Operating Activities

(in millions)	2024	% Change	2023	% Change	2022
Cash from Operating Activities					
+ Net Income	4,136.00	1888.46%	208	-85.60%	1,444.00
+ Depreciation & Amortization	3,959.00	4.57%	3,786.00	14.80%	3,298.00
+ Non-Cash Items	2,496.00	16.53%	2,142.00	1375.00%	-168
+ Stock-Based Compensation	2,787.00	-15.00%	3,279.00	17.99%	2,779.00
+ Other Non-Cash Adj	-291	74.41%	-1,137.00	61.42%	-2,947.00
+ Chg in Non-Cash Work Cap	-357	-136.62%	975	-31.63%	1,426.00
+ (Inc) Dec in Accts Receiv	-659	33.77%	-995	45.45%	-1,824.00
+ (Inc) Dec in Inventories	0		0		0
+ Inc (Dec) in Accts Payable	—		—		—
+ Inc (Dec) in Other	302	-84.67%	1,970.00	-39.38%	3,250.00
+ Net Cash From Disc Ops	0		0		0
Cash from Operating Activities	10,234.00	43.92%	7,111.00	18.52%	6,000.00

Figure 27: Salesforce Operating Activities

FY 2024 - 2023

- Increased significantly by 43.92%, from \$7.111B FY 2023 to \$10.234B FY 2024.
  - *Net Income:* substantial increase in net income (1888.46%), reflecting improved profitability, largely due to cost efficiencies and more disciplined expense management.
  - *Depreciation & Amortization:* rose by 4.57% from \$3.786B to \$3.959B, aligning with Salesforce's ongoing investment in infrastructure and intangible assets.
  - *Non-Cash Items:* saw an increase of 16.53%, from \$2.142B FY 2023 to \$2.496B FY 2024, reflecting a higher proportion of non-cash expenses like asset impairments or deferred tax adjustments.
  - *Stock-Based Compensation:* decreased by 15.0%, from \$3.279B FY 2023 to \$2.787B FY 2024, indicating a slight shift in Saleforce's compensation strategy, potentially to manage share dilution and control expenses.
  - *Change in Non-Cash Working Capital:* declined substantially by 136.62%, from \$975.0M FY 2023 to -\$357.0M FY 2024, driven by a reduction of \$478.0M in accounts payable and accrued expenses as well as changes in net accounts receivable reducing cash flows by \$659.0M.
  - *Accounts Receivable:* increased by 33.77%, from -\$995.0M FY 2023 to -\$659.0M FY 2024 due to an increase in total revenue, especially subscription and support revenue. Variations in the timing of collections from customers also resulted in a slower reduction in net accounts receivable compared to FY 2023.
  - *Other Payables:* Declined significantly by 84.67%, from \$1.970B FY 2023 to \$302.M FY 2024, due to Salesforce settling or reducing certain obligations that were previously accrued. Reflects changes in liabilities related to operational or contractual obligations that were recognized in prior years and resolved during FY 2024.

FY 2023 - 2022

- Increased by 18.52%, from \$6.0B FY 2022 to \$7.111B FY 2023.
  - *Net income:* sharp decline of 85.60%, dropping from \$1.444B FY 2022 to \$208.0M FY 2023; this decrease was largely attributed to acquisition-related expenses and an increase in operating costs.
  - *Depreciation & Amortization:* rose by 14.80%, from \$3.298B FY 2022 to \$3.786B FY 2023, reflecting ongoing investments in technology and acquisitions that led to higher depreciation on physical intangible assets.

- *Non-Cash Items:* saw a dramatic increase of 1375.0%, reaching $2.142B FY 2023 from -$168.0M FY 2022, Salesforce incurred $828.0M in restructuring costs, including $683.0M related to workforce reductions and $145.0M for office space exits. A portion of these costs was non-cash, contributing significantly to the increase.
- *Stock-Based Compensation:* increased by 17.99%, from $2.779B FY 2022 to $3.279B FY 2023, driven by an increased workforce, performance-based award grants to senior executives, and higher fair value valuations of these stock-based awards.
- *Change in Non-Cash Working Capital:* decreased by 31.63%, from $1.426B FY 2022 to $975.0M FY 2023. Salesforce experienced a $995.0M reduction in cash due to an increase in accounts receivable, a result of growth in billings and slower collections compared to the previous fiscal year.
- *Accounts Receivable:* improved by 45.45%, from -$1.824B FY 2022 to -$955.0M. Salesforce experienced a $995.0M reduction in cash due to an increase in accounts receivable. This was a result of growth in billings and slower collections compared to the previous fiscal year
- *Other Payables:* decreased by 39.38%, from 3.25B FY 2022 to 1.97B FY 2023. Following the January 2023 restructuring plan, there was a significant decrease in accrued compensation expenses, impacting employee-related liabilities and associated payables.
- *Other Non-Cash Working Capital Decrease:* decreased by 39.38%, from -$3.25B FY 2022 to -$1.97B FY 2023; can be attributed to reductions in accrued expenses, particularly in costs associated with restructuring, as well as operational adjustments and the effects of seasonality and timing.

Investing Activities

(in millions)	2024	% Change	2023	% Change	2022
Cash from Investing Activities					
+ Change in Fixed & Intang	-628	21.30%	-798	-11.30%	-717
+ Disp in Fixed & Intang	108		0		0
+ Disp of Fixed Prod Assets	*108*		*0*		*0*
+ Disp of Intangible Assets	*0*		*0*		*0*
+ Acq of Fixed & Intang	-736	7.77%	-798	-11.30%	-717
+ Acq of Fixed Prod Assets	*-736*	7.77%	*-798*	-11.30%	*-717*
+ Acq of Intangible Assets	*0*		*0*		*0*
+ Net Change in LT Investment	-496	-154.36%	-195	-140.37%	483
+ Dec in LT Investment	0	-100.00%	355	-83.87%	2,201.00
+ Inc in LT Investment	-496	9.82%	-550	67.99%	-1,718.00
+ Net Cash From Acq & Div	-82	81.32%	-439	97.05%	-14,876.00
+ Cash from Divestitures	0		0		0
+ Cash for Acq of Subs	-82	81.32%	-439	97.05%	-14,876.00
+ Cash for JVs	0		0		0
+ Other Investing Activities	-121	78.28%	-557	-197.04%	574
+ Net Cash From Disc Ops	0		0		0
Cash from Investing Activities	**-1,327.00**	**33.28%**	**-1,989.00**	**86.32%**	**-14,536.00**

Figure 28: Salesforce Investing Activities

FY 2024 - 2023

- Increase in net outflows of $1.327B, marking an improvement of 33.28% year-over-year.
  - *Change in Fixed & Intangible Assets:* recorded an outflow of $628.0M, a 21.30% decrease from $798.0M FY 2023, due to decreased capital expenditures, reductions in cash outflows for acquisition of intangible assets and the retirement of $261.0M fully depreciated intangible assets FY 2024.

- *Dispositions in Fixed & Intangible Assets:* provided an inflow of $108.0M FY 2024 with no comparable figure FY 2023, due to Salesforce's sale or disposal of certain non-essential or fully depreciated assets; inflow aligns with the company's strategy to optimize its portfolio by divesting underutilized assets.
- *Net Change in Long-Term Investments:* increased significantly, with cash outflows rising 154.36% to -$496.0M FY 2024 from -$195.0M FY 2023. Strategic investment portfolio experienced higher impairments on privately held equity and debt securities, amounting to $466.0M FY 2024.
- *Net Cash from Acquisitions & Divestitures:* shows a decrease in cash outflows of 81.32%, to -$82.0M FY 2024 from -$439.0M FY 2023. Salesforce spent less on acquiring businesses and associated assets during FY 2024, a strategic slowdown in mergers and acquisitions compared to FY 2023, which included larger acquisition expenses.
- *Other Investing Activities:* recorded an outflow of -$121.0M FY 2024, showing a 78.28% improvement from -$557.0M FY 2023. Salesforce decreased its marketable securities purchases compared to FY 2023, and realigned its investment activities, focusing on fewer acquisitions and strategic investments.

FY 2023 - 2022

- Decreased by 86.32%, totaling $1.989B in net outflows FY 2024, compared to $14.536B FY 2022, indicating a reduction in spending intensity.
  - *Acquisition of Fixed & Intangible Assets:* outflows decreased by 11.30%, from -$717.0M FY 2022 to -$798.0M FY 2023. Salesforce moderated its pace of acquiring and developing fixed assets, including office space and equipment, as part of its cost management strategy and restructuring initiatives. Investments shifted more towards intangible assets, such as technology and customer relationships, particularly as part of acquisitions like Traction on Demand.
  - *Net Cash from Acquisitions & Divestitures:* recorded an inflow of $14.876B FY 2022, compared to -$439.0M FY 2023, a 97.05% drop. Large inflow FY 2022 was driven by Salesforce’s strategic acquisition of Slack Technologies, Inc. for $27.7B, offset by cash considerations and adjustments in the transaction. FY 2023, Salesforce reduced acquisition-related cash outflow, including $439.0M in cash consideration for smaller acquisitions such as Traction on Demand, compared to the major Slack acquisition FY 2022.
  - *Net Change in Long-Term Investments:* shifted from an inflow of $483.0M FY 2022 to an outflow of -$195.0M FY 2023, a 140.37% change. Gains on strategic investments decreased significantly due to impairments in privately held equity and debt securities. The company's investment portfolio was also affected by high public equity market volatility and difficult conditions for private equity or debt investments.

Financing Activities

(in millions)	2024	% Change	2023	% Change	2022
Cash from Financing Activities					
+ Dividends Paid	0		0		0
+ Cash From (Repayment) Debt	-1,811.00	-45175.00%	-4	-100.06%	6,705.00
+ Cash From (Repay) ST Debt	0	N/A	0	100.00%	-1,197.00
+ Cash From LT Debt	0	N/A	0	-100.00%	7,906.00
+ Repayments of LT Debt	-1,811.00	-45175.00%	-4	0.00%	-4
+ Cash (Repurchase) of Equity	-5,666.00	-80.50%	-3,139.00	-343.52%	1,289.00
+ Increase in Capital Stock	1,954.00	126.95%	861	-33.20%	1,289.00
+ Decrease in Capital Stock	-7,620.00	-90.50%	-4,000.00	N/A	0
+ Other Financing Activities	0	100.00%	-419	-168.59%	-156
+ Net Cash From Disc Ops	0		0		0
Cash from Financing Activities	**-7,477.00**	**-109.91%**	**-3,562.00**	**-145.45%**	**7,838.00**

Figure 29: Salesforce Financing Activities

FY 2024 - 2023

- Net outflows totaled -$7.477B, a 109.91% increase in outflows from -3.562B FY 2023.
  - *Repayments of Long-Term Debt:* recorded -$1.811B in current portion of long-term debt FY 2024, a sharp shift from the negligible amount FY 2023. Repayment included the $1.0B maturity of the 2023 Senior Notes during the first quarter of FY 2024 and repayment of the $182.0M loan for the 50 Fremont building in the second quarter.
  - *Share Repurchases:* reached -$5.666B, an 80.50% decrease from -$3.139B FY 2023. Salesforce significantly increased its stock buyback program, with the Board authorizing up to $30.0B in repurchases in February 2024, following an earlier $20.0B authorization.
  - *Increase in Capital Stock:* recorded an inflow of $1.954B FY 2024 from capital stock issuance, a 126.95% increase compared to $861.0M FY 2023. Salesforce's stock-based compensation expense for FY24 was $2.8B. Additionally, Salesforce reported $2.0B in proceeds from equity plans in FY24, up significantly from $861.0M in FY23.
  - *Decrease in Capital Stock:* cash outflow for reducing capital stock was -$7.620B, a 90.50% decrease from -$4.0B FY 2023, Salesforce repurchased approximately 36.0M shares of common stock for $7.7B, compared to 28.0M shares for $4.0B in FY23. The average price per share for repurchases in FY24 was $210.30, significantly higher than the FY23 average of $144.94.

FY 2023 - 2022

- Saw a net cash outflow of -$3.562B, a 145.45% shift from a net inflow of $7.838B FY 2022.
  - *Repayments of Long-Term Debt:* saw a smaller amount $3.562B in contrast to the $7.906B FY 2022, In FY22, In FY22, Salesforce's long-term debt repayments were primarily linked to the issuance of Senior Notes in July 2021, which generated $7.906B in proceeds. These proceeds were used for various strategic purposes, including acquisitions like Slack, resulting in substantial repayment activity.
  - *Share Repurchases:* FY 2023 saw -$3.139B of share repurchases, a 343.52% increase over the $1.289B FY 2022, in August 2022, Salesforce's Board of Directors authorized a new Share Repurchase Program with an initial capacity of $10.0B, in February 2023, an additional $10.B was authorized
  - *Increase in Capital Stock:* cash inflows amounted to $861.0M FY 2023, a 33.20% decrease from the $1.289B raised FY 2022, inflows from capital stock in FY23 were primarily

consisted of proceeds from employee stock-based compensation plans under the the Employee Stock Purchase Plan (ESPP).

- *Decrease in Capital Stock:* incurred -$4.0B for the repurchase or retirement of stock, approximately 28.0M shares were repurchased in FY23 at an average price of $144.94 per share, amounting to $4.0B in total.
- *Other Financing Activities:* reported -$419.0M in outflows, a 168.59% increase from -$156.0M FY 2022, Salesforce's outflows for financing leases increased, reflecting payments for obligations tied to its facilities, equipment, and data centers.

Net Cash Flow

(in millions)	2024	% Change	2023	% Change	2022
Cash from Operating Activities	**10,234.00**	**43.92%**	**7,111.00**	**18.52%**	**6,000.00**
Cash from Investing Activities	**-1,327.00**	**33.28%**	**-1,989.00**	**86.32%**	**-14,536.00**
Cash from Financing Activities	**-7,477.00**	**-109.91%**	**-3,562.00**	**-145.45%**	**7,838.00**
Effect of Foreign Exchange Rates	26	**425.00%**	-8	**75.76%**	-33
Net Changes in Cash	**1,456.00**	**-6.19%**	**1,552.00**	**312.31%**	**-731**

Figure 30: Salesforce Net Cash Flow

FY 2024 - 2023

- Decreased by 6.19%, dropping from $1.552B FY 2023 to $1.456B FY 2024. The slight reduction was primarily driven by an increase in outflows from financing activities as Salesforce intensified its share repurchase program and repaid debt.
    - *Cash from Operating Activities:* increased significantly by 43.92% to 10.234B, this growth was supported by a substantial increase in net income, which rose by 1888.46% to $4.136B, reflecting higher revenues from subscriptions and support services driven by strong customer acquisition and retention.
    - *Cash from Investing Activities:* showed reduced outflows, improving by 33.28% to -$1.327B. Salesforce streamlined its acquisition spending, contributing to the lower cash outflow.
    - *Cash from Financing Activities:* experienced significant increase in outflows, up 109.91% to -$7.477B, largely driven by $1.811B in debt repayments and $5.666B spent on share repurchases.
    - *Effect of Foreign Exchange Rates*: contributed $26.0M FY 2024, an improvement of 425.0% from a -$8.0M loss FY 2023.

FY 2023 - 2022

- Increased significantly by 312.31%, going from a cash decrease of -$731.0M FY 2022 to an increase of $1.552B FY 2023. This turnaround was largely due to higher operating and investing cash flows as Salesforce managed its expenditures more effectively.
    - *Cash from Operating Activities:* rose by 18.52% to $7.111B FY 2023, reflecting Salesforce's continued growth in subscription revenue from its expanding product offerings and customer base. Additionally, efficient receivable management also contributes to this improvement.
    - *Cash from Investing Activities:* showed a 86.32% reduction in outflows, from -$14.536B FY 2022 to -$1.989B FY 2023, primarily due to a decrease in acquisition activity.
    - *Cash from Financing Activities:* transitioned sharply from an inflow of $7.838B FY 2022 to an outflow of -$3.562B FY 2023, a 145.45% change, driven by Salesforce's move towards debt repayment and share repurchases.
    - *Effects of Foreign Exchange Rate:* improved by 75.76%, with a smaller loss of -$8.0M FY 2023 compared to -$33.0M FY 2022.

Ratios

Profitability & Efficiency Ratios

Return on Assets (ROA)

Return on Assets (ROA)	FY 2024	FY 2023	FY 2022
Salesforce, Inc.	4.16	0.21	1.79
Intuit, Inc.	9.89	8.59	9.55
Adobe, Inc.	18.19	19.06	17.48

Figure 31 Salesforce and Peers ROA

Salesforce's ROA increased substantially to 4.16% FY2024 from 0.21% FY 2023. The company's net income increased by ($3.928B) from $208.0M FY 2023 to $4.136B FY 2024, while total assets increased slightly by ($974.0M), contributing to a stronger ROA. However, this ROA lags behind its peers due to Salesforce's recent focus on acquisitions and heavy reinvestment. The ROA dropped to 0.21% in FY 2023, impacted by the high costs associated with the Slack acquisition and other strategic investments aimed at expanding Salesforce's operations. The company's net income dropped (-$1.236B) to $208.0M FY 2023, while its total assets increased ($3.640B) to $98.849B. The substantial increase in assets, combined with lower net income from acquisition and reinvestment expenses, led to this sharp decline in ROA, showing the financial strain of its growth strategy. The ROA of 1.79% FY 2022 indicated a more stable, and moderate approach relative to peers, as Salesforce navigated post-pandemic growth in digital transformation demand. The company reported a net income of $1.444B, with total assets valued at $95.209B. Intuit has maintained a high ROA across the years, reaching 9.89% FY 2024. This stems from the company's strong brand presence and efficient, high-margin financial software offerings. Intuit's steady ROA growth shows efficient asset use and profitability, outperforming Salesforce by leveraging lower capital needs and established products like QuickBooks and TurboTax. Adobe leads in ROA among the three companies, with 18.19% FY 2024, reflecting exceptional efficiency and profitability, particularly in its Creative Cloud and Document Cloud products. Adobe's ability to consistently generate high returns signals stable and scalable business operations, benefiting from strong brand loyalty and high-margin subscription products. Salesforce's lower ROA relative to Intuit and Abode highlights its current strategy of growth and reinvestment while Intuit and Adobe demonstrate the profitability and efficiency typical of mature software application companies.

Adjusted Return on Assets (ROA)

Adjusted ROA	FY 2024	FY 2023	FY 2022
Salesforce, Inc.	13.56	8.95	8.01

Figure 32: Salesforce Adjusted ROA

Salesforce's adjusted ROA shows an upward trend from 2022-2024, reflecting improved asset efficiency as the company optimized its acquisitions and streamlined operations. FY 2022, Salesforce's adjusted ROA was 8.01%, with an adjusted net income of $487.3M and total assets of $95.209B. The company experienced an abnormal loss of -$856.7M FY 2022 primarily due to losses on strategic investments, which lowered their adjusted net income relative to non-adjusted. This level of return shows Salesforce's strategic investment phase as it navigated substantial digital transformation demand, along with acquisition costs impacting profitability. Adjusted ROA rose to 8.95% FY 2023 as the company began to realize gains from its acquisitions and digital transformations. The company had an adjusted net income of $1.084B, an increase of $597.40 with total assets of $98.849B, an increase of $3.64B. The company experienced an abnormal gain of $876.7M, driven by unrealized gains on strategic investments of $180.0M on privately held equity. The company experienced an abnormal gain of $1.039B FY 2024 driven by unrealized gains of $119.0M and other income which produced $216.0M attributing to a rise in adjusted net income relative to non adjusted. FY 2024, adjusted ROA jumped to 13.56%, with an adjusted net income of

$5.175B, an increase of $4.091B, with total assets of $99.823B, an increase of $940.0M. This was driven by Salesforce's increased focus on profitability, effective cost management, and integration of AI-driven solutions, enhancing their returns on its asset base.

Return on Equity (ROE)

Return on Equity (ROE)	FY 2024	FY 2023	FY 2022
Salesforce, Inc.	7.01	0.36	2.9
Intuit, Inc.	16.60	14.14	15.71
Adobe, Inc.	35.36	35.51	32.97

Figure 33: Salesforce and Peers ROE

Salesforce's ROE improved substantially to 7.01% due to a strong rebound in profitability, driven by enhanced operational efficiency, cost management, and a focus on high-demand areas like AI, with net income of $4.136B, an increase of $3.928B, and total equity of $59.646B, an increase of $1.287B. FY 2023, Salesforce’s ROE dropped to 0.36% due to a lower net income ($208.0M), impacted by ongoing integration costs and reinvestment, as well as an increase in shareholder equity ($228.0M). FY 2022, Salesforce’s ROE was 2.9%, demonstrating moderate returns on equity as the company navigated integration costs from acquisitions and reinvestment strategies, with a net income of $1.444B and total equity of $58.131B. This progression highlights Saleforce’s enhanced profitability relative to its equity base, particularly as it refines operational efficiencies and integrates AI and cloud-based innovations. Intuit and Abode maintained considerably higher ROE’s, with Adobe reeaching 35.56% and Ituit at 16.60% FY 2024. Abode's consistently high ROE, above 30% over the three-year period, reflects strong market position and effective capital management and utilization. Intuit also displays solid returns, reflecting a steady ability to generate earnings from its equity. Salesforce's upward trend, although not yet matching the two peers, indicates strategic advancements giving the potential for continued growth in shareholders returns.

Adjusted Return on Equity (ROE)

Adjusted ROE	FY 2024	FY 2023	FY 2022
Salesforce, Inc.	13.56	8.95	8.01

Figure 34: Salesforce Adjusted ROE

Salesforce’s Adjusted ROE has seen a solid improvement over the past three years, moving from 8.01% FY 2022 to 13.56% FY 2024. This rise reflects Salesforce’s efforts to drive profitability through operational enhancements and a focus on high-margin, recurring revenue streams. The company notably experienced an abnormal loss of -956.7M FY 2022, driven by total net losses of $1.211B from its strategic investment portfolio. FY 2022, Salesforce's adjusted ROE was 8.01%, with an adjusted net income of $487.3M and total equity of $58.131B. This reflects Salesforce's emphasis on growth, though it faced integration challenges. FY 2023, Salesforce’s adjusted ROE improved to 8.95%, with an adjusted net income rising by ($597.40) to $1.084B and total equity of $58.359B, an increase of ($228.0M). The company additionally experienced an abnormal gain of $876.7M, which is attributed to Salesforce’s realized and unrealized gains in its strategic investment portfolio of $180.0M, and reversal of previous losses reported FY 2022. This improvement in adjusted ROA underscores Salesforce’s gradual shift towards higher profitability while balancing reinvestment demands. FY 2024, Salesforce’s adjusted ROE jumped significantly to 13.56%, with adjusted net income of $5.175B, an increase of ($1.091B), with total equity of $99.823B, an increase of ($1.287B). The company also experienced abnormal gains of $1.039B, due to $466.0M in impairments on privately held equity and debt securities during FY24 and an additional $277.0M in losses on strategic investments. As Salesforce continues to optimize its capital structure and expand its product offerings, its adjusted ROE indicates a strengthened ability to generate returns for shareholders while maintaining a sustainable growth trajectory.

Total Debt to Total Equity

Total Debt to Total Equity	FY 2024	FY 2023	FY 2022
Salesforce, Inc.	22.74	25.50	24.72
Intuit, Inc.	35.62	38.73	45.86
Adobe, Inc.	41.79	24.70	32.90

Figure 35: Salesforce and Peers TD/TE Ratio

Salesforce's Total Debt to Total Equity (TD/TE) has decreased from 24.72 FY 2022 to 22.74 FY 2023, indicating an improved leverage position and a focus on strengthening its balance sheet. FY 2024, Salesforce's total debt decreased by (-$1.317B) to $13.562B FY 2024, with total equity increased by ($1.287B). Debt was driven by the repayment of 2023 Senior Notes of $1.0B and loans assumed on the 50 Fremont property for $182.0M. Equity was driven by an increase in net income and the issuance and buyback of stock which amounted to $2.8B and $7.7B respectively. FY 2023, the company had total debt of ($14.879B) an increase of ($509.0M) from FY 2022, with total equity also increasing by ($228.0M). Debt was driven by obligations on Sernio Notes and adjustment on long-term financing leases, while equity was driven by strong net income and inflow from the employee stock plans. This increase in TD/TE ratio reflects Salesforce's continued commitment to funding its growth through a balanced approach of leveraging both equity and debt. FY 2022, Salesforce's total debt was $14.370B with total equity of $58.131B. Debt was driven by the acquisition of Slack and the reliance on it, while equity was driven by stock based compensation and their capital return programs. In comparison, Intuit has maintained a relatively higher leverage ratio, although on a downward trend, from 45.86 FY 2022 to 35.62 FY 2024, reflecting gradual debt reduction and improved equity. Adobe shows an increase in this ratio from 32.90 FY 2022, to 41.79 FY 2024, indicating increased borrowing and a slower pace in equity growth relative to debt. Salesforce's lower leverage ratio positions it more conservatively within its sector, reducing risk exposure compared to its two peers.

Gross Margin

Gross Margin	FY 2024	FY 2023	FY 2022
Salesforce, Inc.	75.50	73.34	73.48
Intuit, Inc.	78.72	78.13	81.09
Adobe, Inc.	88.66	87.87	87.70

Figure 36: Salesforce and Peers Gross Margin

Salesforce's Gross Margin improved slightly from 73.34% FY 2023 to 75.50% FY 2024, with $34.857B in revenues, an increase of ($3.505B) and Cost of Goods Sold (COGS) of $8.541B, in increase of ($181.0M). This reflects an increase in operational efficiency, driven by enhanced subscription and support revenue streams, which have lower associated costs. Salesforce's gross margin slightly declined from 73.48% FY 2022 to 73.34% FY 2024, with revenues of $31.352B, an increase of ($4.86B) and COGS of $8.36B, an increase of ($1.334B). Salesforce maintained a competitive gross margin by controlling costs, although increased expenses in scaling operations and service delivery slightly pressured their profitability ratio. In comparison, Intuit's gross margin, though higher than Salesforce, has slightly decreased from 81.09% FY 2022 to 78.72% FY 2024. This was mainly due to cost pressures and increased expenses to maintain its cloud-based platforms. Abode constantly leads in gross margin among the three, maintaining high levels around 88% due to strong market position and effective costs management in digital media and experience segments. Adobe's slight increase from 87.87% to 88.66% FY 2024 highlights its operational stability and pricing power. Salesforce's rising gross margin places it in a stronger competitive position, although it still trails behind Intuit and Abode, who benefit from their established software service offerings.

Operating Margin

Operating Margin	FY 2024	FY 2023	FY 2022
Salesforce, Inc.	14.38	3.29	2.07
Intuit, Inc.	22.29	21.86	20.20
Adobe, Inc.	31.16	34.26	34.64

Figure 37: Salesforce and Peers Operating Margin

Salesforce's Operating Margin increased significantly from 3.19% FY 2023 to 14.38% FY 2024, with operating income of $5.999B, an increase of ($4.141B) and revenues of $34.857B, an increase of ($3.505B). The notable rise in operating margin underscores Salesforce's successful cost management and operational efficiency. The previous period saw an increase from 2.07% FY 2022 to 3.89% FY 2023, with operating income of $1.858B, an increase of ($1.310B), and revenues of $31.352B, an increase of ($4.86B) FY 2023. This incremental improvement in operating margin during FY 2023 indicates Salesforce's gradual progress in enhancing operational efficiency and profitability. Salesforce, Intuit, and Adobe exhibit operating margin trends that align with their strategic focuses. Intuit maintained steady growth, growing from 20.20% FY 2022 to 22.29% FY 2024, reflecting efficient cost management and strong recurring revenues from products like TurboTax and QuickBooks. Adobe holds the highest margin but showed a slight decrease from 34.64% FY 2022 to 31.16% FY 2024 due to increased investments in AI and customer acquisitions. Overall, Salesforce's rapid margin growth highlights its restructuring success, Intuit's stability reflects operational efficiency, and Abode's high margins showcase its market dominance despite increased spending.

Net Profit Margin

Net Profit Margin	FY 2024	FY 2023	FY 2022
Salesforce, Inc.	11.87	0.66	5.45
Intuit, Inc.	18.19	16.59	16.23
Adobe, Inc.	25.59	27.97	27.01

Figure 38: Salesforce and Peers Net Profit Margin

Salesforce Net Profit Margin has increased significantly from 2022 to 2024, primarily driven by rising sales and stable costs. FY 2024 Salesforce had a net profit margin of 11.87%, with $34.857B in revenue, an increase of ($3.505B) and net income of $4.136B, an increase of ($3.928) from FY 2023. Underscoring Salesforce's success in streamlining costs and capitalizing on high-margin cloud services. FY 2023 Salesforce had a net profit margin of 0.66%, with revenues of $31.352B, an increase of ($4.860B), and net income of $208.0M, a decrease of (-$1.236B) FY 2022. This period reflects the impact of investments and restructuring costs associated with Salesforce's strategic focus on scaling its operations and integrating recent acquisitions. FY 2022 the company had a net profit margin of 5.45%, with revenues of $26.492B and a net income of $1.444B. This period set a baseline for Salesforce's financial performance before the cost-intensive restructuring and acquisition-related adjustments that impacted FY 2023. Salesforce, Intuit, and Adobe display differing net profits margin trends, highlighting their different strategic focuses and operational efficiency. Salesforce had a notable increase reflecting Salesforce's successful restructuring initiatives and focus on high-margin cloud services. Intuit maintained steady growth, with net profit increasing from 16.23% FY 2022 to 18.19% FY 2024, showcasing its efficiency in monetizing financial and accounting software through strong customer retention and pricing strategy. Adobe constantly holds the highest net profit margin, although it saw a slight decline from 27.01% FY 2022 to 25.59 FY 2024, due to ongoing investments in AI and content creation platforms. Overall, Salesforce's net profit margin growth highlights a successful operational shift. Intuit's stable margins reflect its solid market niche, and Abode's high margins underscore its dominant market position.

Adjusted Net Profit Margin

Adjusted NPM	FY 2024	FY 2023	FY 2022
Salesforce, Inc.	23.20	16.66	17.59

Figure 39: Salesforce Adjusted Net Profit Margin

Salesforce's Adjusted Net Profit Margin increased significantly FY 2024 to 23.20%, up from 16.66% FY 2023 and 17.59% FY 2022. This upward trend reflects the company's emphasis on operational efficiencies and cost management. FY 2022 the company had an adjusted net profit margin of 17.59% and an adjusted net income of $487.3M with -956.7M in abnormal losses, and revenues of $26.492B. Abnormal losses were due to a total loss of $1.211B on its strategic investments in FY22, stemming from mark-to-market adjustments and impairment and observable price changes for privately held equities. FY 2023, Salesforce adjusted net profit margin decreased by 0.93% to 16.66%, with adjusted net income of $1.084B, an increase of ($597.4M) and $876.7M in abnormal gains. Abnormal gains were due to unrealized gains on strategic investments of $180.0M and the reversal of the market-to-market leases and impairments from FY22. The company additionally had revenues of $31.352B, an increase of ($4.86B) FY 2023. This growth in revenue illustrates Salesforce's expanding market reach, although the reduction in profit margin reveals that rising strategic costs may have partially offset these gains. FY 2024, Salesforce had an adjusted net profit margin of 23.20%, an increase of 6.54%, with adjusted net income of $5.175B, an increase of ($4.091B) and an abnormal gain of $1.039B. Abnormal gains were due to effective tax adjustments from FY23 and investment income stemming from its cash equivalents and marketable securities. Additionally, the company had revenues of $34.857B, an increase of ($3.505B) FY 2024. The improvement FY 2024 can largely be attributed to strategic expense reductions, alongside growth in high-margin subscription revenues. These adjustments demonstrate Salesforce's ability to enhance the profitability while managing its expenditures effectively, positioning it favorably within its industry.

Solvency & Liquidity Ratios

Current Ratio

Current Ratio	FY 2024	FY 2023	FY 2022
Salesforce, Inc.	1.09	1.02	1.05
Intuit, Inc.	1.29	1.47	1.39
Adobe, Inc.	1.11	1.34	1.11

Figure 40: Salesforce and Peers Current Ratio

Salesforce's Current Ratio rose from 1.05 FY 2022 to 1.09 FY 2024, reflecting its careful balance between growth and liquidity. The company's slight increase in liquidity indicates its approach to support short-term obligations without holding excessive current assets. A current ratio greater than 2 is considered safe, however for the information technology sector it is not uncommon to be lower, as you can see from Salesforces peers. FY 2022, Salesforce had a current ratio of 1.05 with total current assets of $22.85B and current liabilities of $21.788B. With current assets largely made up of cash and cash equivalents, marketable securities, and accounts receivable. Current liabilities consist mainly of accounts payable, accrued expense, and other liabilities. Salesforce had adequate short-term assets to cover its short-term obligations, and it operated with a relatively thin liquidity margin, likely reflecting strategic allocation of resources towards growth investments. FY 2023, the company had a current ratio of 1.02, a decrease of (.03), with current assets of $26.395B, an increase of ($3.545B) and current liabilities of $25.891B, an increase of ($4.103B) from FY 2022. This increase in liabilities likely reflects Salesforce's continued investments in operational expansion and debt obligations, balancing asset growth with increased commitments. FY 2024, Salesforce had a current ratio of 1.09, an increase of (.07), with current assets of $29.074B, an increase of ($2.679B) with current liabilities of $26.631B, an increase of ($740.0M) from FY 2023. The smaller increase in liabilities relative to assets contributed to the improved current ratio, underscoring Salesforce's focus on balancing growth with manageable short-term obligations. Intuit, with a current ratio of 1.39 FY 2022, peaked at 1.47 FY 2023, slightly decreasing to 1.29 FY 2024, suggesting a well-cushioned liquidity position. This steady decrease aligns with the company's significant investments in product development and acquisitions, like Malichamp, which significantly impacted its current assets. Abode's current ratio fluctuated from 1.11 FY 2022 to 1.34 FY 2023, then back to 1.11 FY 2024, highlighting a cyclical liquidity management strategy. This can be attributed to a shift in the company's focus on stock repurchases and R&D investments, which impacted cash holdings but remained consistent with its operational stability. All three companies demonstrate varying strategies in balancing liquidity with investment growth, with Salesforce showing stability, Intuit slightly adjusting post-acquisition, and Adobe focusing on shareholders' return.

Quick Ratio

Quick Ratio	FY 2024	FY 2023	FY 2022
Salesforce, Inc.	0.96	0.90	0.93
Intuit, Inc.	0.71	1.25	1.17
Adobe, Inc.	0.97	1.22	1.00

Figure 41: Salesforce and Peers Quick Ratio

Salesforce's Quick Ratio increased from 0.93 FY 2022 to 0.96 FY 2024, reflecting a slight improvement in its ability to cover immediate liabilities without relying on inventory. Liquid assets consisted of cash and cash equivalents, marketable securities, and accounts recabel. Illiquid assets were deemed to be cost to obtain revenue contacts, prepaid expenses and other current assets, and non-current assets. This increase suggests Salesforce's focus on maintaining liquidity while maintaining operational growth. Intuit saw a decline in its quick ratio from 1.17 FY 2022 to 0.71 FY 2024. This decline aligns with significant capital allocations towards acquisitions, like Mailchimp, which adjusted its cash reserves. Adobe's quick ratio shows stability, moving from 1.00 FY 2022 to 0.97 FY 2024, suggesting that this consistently results from a balanced approach to liquidity, ensuring adequate short-term assets despite ingoing investments in R&D. All three companies exhibit different liquidity management approaches, with Salesforce maintaining a steady increase, Intuit focusing on growth via acquisitions, and Adobe balancing R&D with liquidity stability.

Projections

Free Cash Flow Model

Free Cash Flow Model	FY 2024	FY 2023	FY 2022
Cash Flow From Operations	10,234.00	7,111.00	6,000.00
Capital Expenditures	-628.00	-798.00	-717.00
Free Cash Flow	9606.00	6313.00	5283.00
Growth Rate			**34.84%**

Figure 42: Salesforce FCF Model

Salesforce showed a strong upward trend in Free Cash Flow (FCF) over the past three fiscal years. FY 2024, Salesforce reached $9.606B, a solid 34.84% increase from FY 2023's FCF of $6.313B. This rise is primarily driven by a significant increase in cash flow from operations, which grew from $7.11B FY 2023 to $10.234B FY 2024. This growth is largely attributed to efficient revenue generation, improved profitability, and cost management strategies. Capital expenditures, while slightly lower FY 2024 at -$628.0M compared to -$798.0M FY 2023, demonstrate Salesforce's cautious investment in infrastructure and technology. FY 2022, Salesforce had a FCF of $5.283B, with operational cash flows at $6.0B and capital expenditures of

-$717.0M. This progression illustrates Salesforce's focus on generating strong cash flows while balancing capital investments, aligning with its goal to maintain robust liquidity and financial flexibility.

Recent Dividend Payment History

Salesforce implemented its first-ever cash dividend policy in February 2024, marking a significant milestone in its financial strategy. The company announced a quarterly dividend of $1.60 per share, reflecting Salesforce's growing financial strength and commitment to restoring value to shareholders. Future dividends will depend on board approval. This implementation of a dividend demonstrates Salesforce's confidence in its operational stability.

Effective Tax Rate

Year	Effective Tax Rate
2021	-
2022	5.74
2023	68.48
2024	16.44
2025	22.00

Figure 43: Salesforce Effective Tax Rate

The Effective Tax Rate has shown significant variation, with a sharp spike FY 2023 to 68.48%, primarily due to one-time tax impacts related to certain restructuring and acquisition-related expenses. This unusual rise contrasts with more normalized levels FY 2022 (5.74%) and FY 2024 (16.44%), where lower effective tax rates reflected a combination of tax benefits from stock-based compensation and global tax strategies. For 2025, Salesforce's projected effective tax rate is expected to rise to 22%, as indicated in its most recent 10-Q.

Geometric Averages

Revenue

Year	Revenue	% Change	1+ Chnage
2020	17098.00	-	-
2021	21252.00	24.30%	1.24
2022	26492.00	24.66%	1.25
2023	31352.00	18.35%	1.18
2024	34857.00	11.18%	1.11
Geometric Average			**19.49%**

Figure 44: Salesforce Geometric Average for Revenue

Gross Profit

Year	Gross Profit	% Change	1+ Change
2020	12863.00	-	-
2021	15814.00	22.94%	1.23
2022	19466.00	23.09%	1.23
2023	22992.00	18.11%	1.18
2024	26316.00	14.46%	1.14
Geometric Average			**18.50%**

Figure 45: Salesforce Geometric Average for Gross Profit

Operating Income

Year	Operating Income	% Chnage	1+ Change
2020	297.00	-	-
2021	455.00	53.20%	1.53
2022	548.00	20.44%	1.20
2023	1858.00	239.05%	3.39
2024	5999.00	222.87%	3.23
Geometric Average			**112.00%**

Figure 46: Salesforce Geometric Average for Operating Income

Net Income

Year	Net Income (Adj)	% Change	1+ Change
2020	-81.00	-	-
2021	1801.50	-2324.07%	-22.24
2022	487.30	-72.95%	0.27
2023	1084.70	122.59%	2.23
2024	5175.70	377.15%	4.77
Geometric Average			**42.16%**

Figure 47: Salesforce Geometric Average for Net Income

Pro Forma Income Statement

In Millions USD	FY 2025	Growth Rate	FY 2024
Revenue	**$41,650.63**	**19.49%**	**$34,857.00**
Cost of Goods Sold	$10,466.17		$8,541.00
Gross Profit	**$31,184.46**	**18.50%**	**$26,316.00**
Operating Expenses	$18,466.58		$20,317.00
Operating Income (Loss)	**$12,717.88**	**112.00%**	**$5,999.00**
Other Expenses (Income)	$3,284.83		$9.30
Pre-Tax Income (Adjusted)	**$9,433.05**		**$5,989.70**
Income Tax Expense	$2,075.27	**Tax Rate: 22.0%**	$814.00
Net Income (Adjusted)	**$7,357.78**	**42.16%**	**$5,175.70**

Figure 48: Salesforce Pro Forma Income Statement

Net Income and Pre-Tax Income were based on Salesforce's FY 2024 adjusted amounts, to better address any abnormal or extreme changes to the current net income that still have a possibility of occurring in the future.

- The FY 2025 Projected Income Statement assumes a growth rate of
- *Revenue:*19.49%
- *Gross Profits:*18.50%
- *Operating Income*:112.0%
- *Adjusted Net Income*:42.16.
- *Effective Tax Rate:* expected to be 22.0% FY 2025

Pro Forma Balance Sheet

In Millions USD	FY 2025	Change ($)	FY 2024
Current Assets	$34,507.32	$5,433.32	$29,074.00
Noncurrent Assets	$83,970.50	$13,221.50	$70,749.00
Total Assets	**$118,477.82**	**$18,654.82**	**$99,823.00**
Current Liabilites	$40,982.40	$14,351.40	$26,631.00
Noncurrent Liabilites	$20,845.92	$7,299.92	$13,546.00
Total Liabilities	**$61,828.32**	**$21,651.32**	**$40,177.00**
Shareholders Equity	56,649.50	-$2,996.50	$59,646.00
Total Liabilites and Shareholder's Equity	**$118,477.82**	**$18,654.82**	**$99,823.00**

Figure 49: Salesforce Pro Forma Balance Sheet

Assumptions:

- Salesforce will spend $1.60 on annual dividends FY 2025.
  - Due to the relatively new nature of their dividend program. I did not increase the company's dividend per share as it is unclear whether it will become permanent, or if it will increase, or decrease.
  - Dividend Payout: Dividend per Share FY 2025* Shares Outstanding
  - $1.60 * 971.0M = $1.553B
- Salesforce is projected to spend around $8.8B on share repurchases FY 2025.
  - Salesforce's Board of Directors approved a $10.0B increase to its share repurchase authorization, bringing the total to $30.0B.
  - FY 2024, the company had returned $7.7B to shareholders through share repurchases since FY 2024. Estimate per
  - Q3 FY 2025, Salesforce repurchased shares worth $1.2B. ($7.7B total FY 25)
- Retained Earnings is projected to
  - Change in Retained Earnings = FY 2025 Adjusted Net Income - Projected Dividend Payment - Repurchase projections.
  - Change in Retained Earnings: $7.357B - $1.553B - $8.8B
  - Change in Retained Earnings: = (-$2.996B)
- Total Equity FY 2025 will be $57.45B
  - FY 2025 Equity= FY 2024 Equity + Change in Retained Earnings
  - FY 2025 Equity= $59.646B + (-$2.996B)
  - FY 2025 Equity= $56.65B
- Total Current Assets and Total Fixed Assets are based on their weight in comparison to Total Assets FY 2024.
  - Current Assets Weight: $29.074B / $99.823B = 29.13% of total assets
  - Fixed Assets Weight: $70.749B / $99.823B = 70.87% of total assets
- Current Liabilities, Long-Term Liabilities and total Liabilities will all remain the same FY 2025.
- The change in Retained Earnings is the only assumption; Total Assets will equal projected liabilities and Shareholders Equity FY 2025. Total Assets will be calculated by multiplying Current Assets and Fixed Assets by their weight of Total Assets to find their FY 2025 projections
  - FY 2025 Current Assets: $97.627B * 29.13% = $28.434B
  - FY 2025 NoncurrentAssets: $97.627B * 70.87% = $69.192B

Year	Sales	Total Assets	TATO
FY 2024	$34,857.00	$99,823.00	0.35
FY 2025	$41,650.63	$97,627.18	0.43

- Additional Financing Needed Calculations: $41.65B/0.35 = $119.0B
    - $97.627-$119.0B = $21.373B
- There will be an additional financing need of $21.373B. This will be allocated by proportions in Current-Fixed assets and Current/Noncurrent Liabilities.
    - FY 2025 Additional Current Assets: $21.651B * 29.13% = $5.433B
    - FY 2025 Additional Fixed Assets: $21.651B * 70.87% = $13.221B
    - FY 2025 Additional Current Liabilities: $21.651B *66.28 % = $14.351B
    - FY 2025 Additional Noncurrent Liabilities: $21.651B * 33.72% = $7.299B

Insider Transactions

CRM US Equity 25) Export Settings
SALESFORCE INC CUSIP 79466L30
1) Current 2) Historical 3) Matrix 4) Ownership Summary 5) Insider Transactions 6) Options 7) Issuer Debt
Transaction Type All Range 12/01/23 - 12/03/24 10) Chart 11) Table
Shareholders All

	Trade Date	No. Part	Participants	Net Sell (Shares)	Net Buy (Shares)	Close Price	Volume
12)	11/26/2024	1	Niles Sabastian	-548		343.1800	4.493MLN
13)	11/25/2024	2	Niles Sabastian, Milano Miguel	-1,650		339.1100	7.117MLN
14)	11/22/2024	12	Millham Brian, Kroes Neelie, Niles Sabastian, Milano Mi...		6,195	342.0200	5.649MLN
15)	11/05/2024	1	Harris Parker			297.4900	4.456MLN
16)	11/01/2024	1	Reddy Sundeep	-500		294.7200	3.528MLN
17)	10/29/2024	2	Harris Parker, Millham Brian			298.8900	4.281MLN
18)	10/24/2024	1	Millham Brian	-969		286.7600	3.211MLN
19)	10/23/2024	6	Reddy Sundeep, Millham Brian, Tallapragada Srinivas, ...	-4,972		284.4300	3.227MLN
20)	10/22/2024	6	Harris Parker, Millham Brian, Reddy Sundeep, Tallapra...		9,982	288.3300	3.1MLN
21)	10/15/2024	1	Harris Parker			288.3500	3.851MLN
22)	10/08/2024	1	Harris Parker			291.5700	5.211MLN
23)	10/02/2024	2	Millham Brian, Schmaier R	-1,785		279.4800	8.512MLN
24)	10/01/2024	1	Harris Parker			270.8700	4.37MLN
25)	09/26/2024	1	Webb Maynard	-9,170		275.7600	5.253MLN
26)	09/24/2024	2	Harris Parker, Millham Brian	-1,663		270.4400	7.154MLN
27)	09/23/2024	6	Millham Brian, Tallapragada Srinivas, Weaver Amy, Sc...	-5,201		264.2100	6.034MLN
28)	09/20/2024	6	Millham Brian, Tallapragada Srinivas, Weaver Amy, Sc...		10,366	266.8000	11.463MLN
29)	09/17/2024	1	Harris Parker			255.1900	5.423MLN
30)	09/11/2024	2	Harris Parker, Niles Sabastian	-2,484		249.5700	4.822MLN
31)	09/10/2024	1	Harris Parker			246.1600	3.545MLN
32)	09/03/2024	1	Harris Parker			248.0600	6.19MLN
33)	08/27/2024	1	Harris Parker			264.2000	5.276MLN
34)	08/23/2024	2	Niles Sabastian, Milano Miguel	-6,272		264.0000	4.711MLN
35)	08/22/2024	12	Millham Brian, Kroes Neelie, Niles Sabastian, Milano Mi...		16,171	258.5900	5.111MLN

CRM US Equity 25) Export Settings Security Ownership
SALESFORCE INC CUSIP 79466L30
1) Current 2) Historical 3) Matrix 4) Ownership Summary 5) Insider Transactions 6) Options 7) Issuer Debt
Transaction Type All Open Market Buy/Sell Range 12/01/23 - 12/03/24 10) Chart 11) Table
Shareholders All

	Trade Date	No. Part	Participants	Net Sell (Shares)	Net Buy (Shares)	Close Price	Volume
12)	11/26/2024	1	Niles Sabastian	-548		343.1800	4.493MLN
13)	11/25/2024	2	Niles Sabastian, Milano Miguel	-1,650		339.1100	7.117MLN
14)	11/22/2024	1	Millham Brian	-14,808		342.0200	5.649MLN
15)	11/05/2024	1	Harris Parker	-3,970		297.4900	4.456MLN
16)	11/01/2024	1	Reddy Sundeep	-500		294.7200	3.528MLN
17)	10/29/2024	2	Harris Parker, Millham Brian	-64,722		298.8900	4.281MLN
18)	10/24/2024	1	Millham Brian	-969		286.7600	3.211MLN
19)	10/23/2024	6	Reddy Sundeep, Millham Brian, Tallapragada Srinivas, ...	-4,972		284.4300	3.227MLN
20)	10/22/2024	2	Harris Parker, Millham Brian	-10,361		288.3300	3.1MLN
21)	10/15/2024	1	Harris Parker	-4,200		288.3500	3.851MLN
22)	10/08/2024	1	Harris Parker	-4,200		291.5700	5.211MLN
23)	10/02/2024	2	Millham Brian, Schmaier R	-10,212		279.4800	8.512MLN
24)	10/01/2024	1	Harris Parker	-4,200		270.8700	4.37MLN
25)	09/26/2024	1	Webb Maynard	-9,170		275.7600	5.253MLN
26)	09/24/2024	2	Harris Parker, Millham Brian	-5,863		270.4400	7.154MLN
27)	09/23/2024	6	Millham Brian, Tallapragada Srinivas, Weaver Amy, Sc...	-9,257		264.2100	6.034MLN
28)	09/17/2024	1	Harris Parker	-4,200		255.1900	5.423MLN
29)	09/11/2024	2	Niles Sabastian, Harris Parker	-4,556		249.5700	4.822MLN
30)	09/10/2024	1	Harris Parker	-2,800		246.1600	3.545MLN
31)	09/03/2024	1	Harris Parker	-3,528		248.0600	6.19MLN
32)	08/27/2024	1	Harris Parker	-4,200		264.2000	5.276MLN
33)	08/23/2024	2	Niles Sabastian, Milano Miguel	-6,272		264.0000	4.711MLN

Figure 50 & 51: Salesforce Insider Transactions (Open Market Buy/Sell): Bloomberg Terminal

The figure displayed above shows insider transactions for Salesforce over the past 3 or so month holding period from 08/22/2024 to 11/26/2024. Net Sales came out to 28,942 shares compared to 26,543 shares that were purchased over the period, which could signal that insiders are potentially indicating a cautious or neutral outlook for the company. However, the more likely reasoning is the stocks' large growth or that insiders are looking to sell off their gains for various other reasons. The largest stock sale purchase was 16,171 shares on 08/22/2024 at a closing price of $258.59, just before the start of the holding. This transaction involved 15 insiders of which 13 were exercise or conversion of derivatives. The largest stock sale during the period occurred on 06/07/2024, executed by CEO Marc Benioff, selling 47,870 shares at a closing price of $241.85. This transaction involved 32,870 shares via gift disposition and 15,000 being open market sales. While sales outweigh buys, there is still a decent balance, suggesting a mixed sentiment among insiders.

Short Interest

CRM US Equity | Export

Exchange Reported | Markit Securities Finance - Daily | S3 BLACKLIGHT Market Composite Rate

Date 12/05/23 - 12/05/24 | Markit SI Score 0 | S3 Squeeze 28

Short Interest 13,516,352 | Short Interest Ratio 1.95 | % Float 1.48 | Currency US

Change in Short Interest 363,520 | Change in SI Ratio -1.97 | Change in % Float 0.04 | Chart | Table

Date	Short Interest	Closing Price	Average Daily Volume	Short Interest Ratio
11/15/2024	13,516,352	325.26	6.95 M	1.946
10/31/2024	13,152,832	291.37	3.36 M	3.917
10/15/2024	13,142,597	288.35	4.80 M	2.738
09/30/2024	15,935,745	273.71	6.76 M	2.357
09/13/2024	14,133,143	254.57	4.94 M	2.864
08/30/2024	11,967,742	252.90	6.64 M	1.801
08/15/2024	13,970,349	262.79	4.83 M	2.893
07/31/2024	13,619,474	258.80	5.25 M	2.596
07/15/2024	13,897,386	252.86	5.93 M	2.344
06/28/2024	13,245,381	257.10	10.24 M	1.293
06/14/2024	10,027,037	231.94	10.81 M	0.928
05/31/2024	11,825,711	234.44	14.25 M	0.830
05/15/2024	9,672,121	287.54	3.79 M	2.551
04/30/2024	8,297,992	268.94	5.18 M	1.601
04/15/2024	10,104,457	272.90	5.35 M	1.890
03/28/2024	9,645,300	301.18	4.46 M	2.161
03/15/2024	10,640,932	294.33	7.24 M	1.470
02/29/2024	9,228,485	308.82	7.89 M	1.169
02/15/2024	7,790,059	291.94	4.12 M	1.889
01/31/2024	8,719,431	281.09	5.61 M	1.556
01/12/2024	9,745,800	271.93	5.35 M	1.820
12/29/2023	9,285,718	263.14	4.25 M	2.187
12/15/2023	9,439,384	261.60	7.80 M	1.210

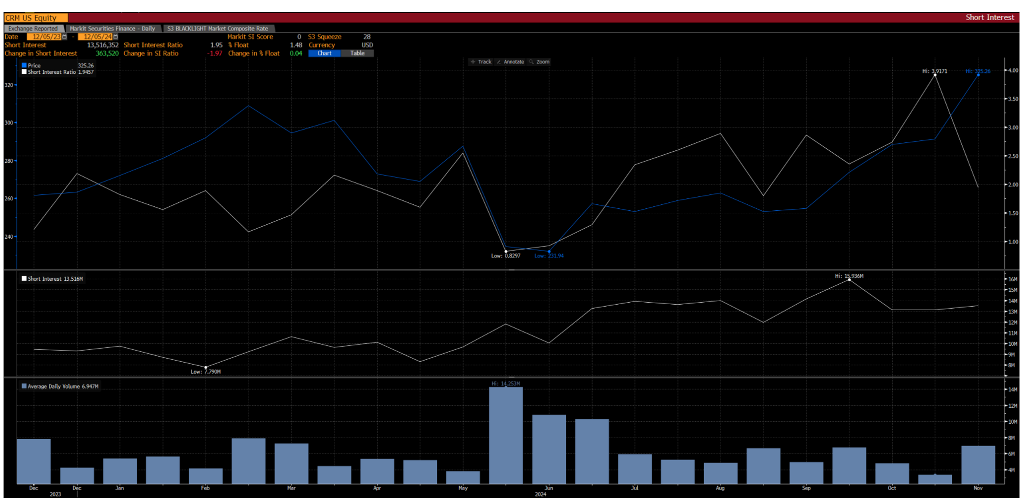
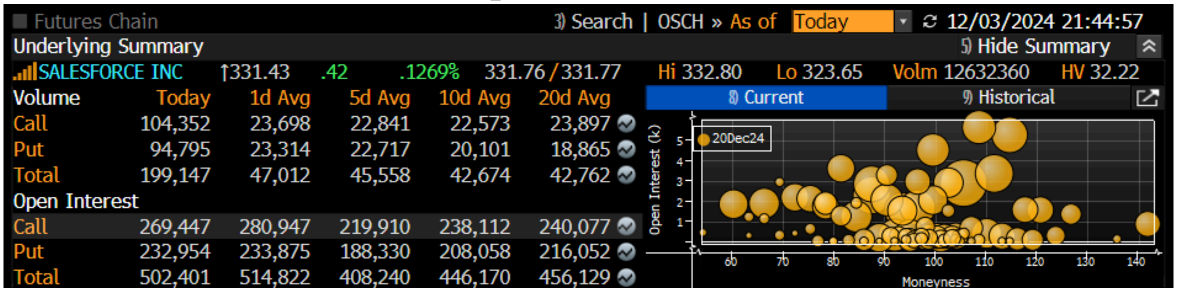


Figure 52: Salesforce Short Interest: Bloomberg Terminal

The figures above display the short interests for Salesforce over the past 12-month period. Short interest has increased over the period, ranging from a low of 7,790,059 on 02/15/2024 to a high of 15,935,745 on 12/15/2023. The company's stock price has seen significant fluctuations during the period, starting at just over $260.0, before reaching a low of $231.94 and since increasing to a high and current price of $325.26. The increase in short interest occurred even as the stock price surged, indicating potential skepticism about Salesforce's ability to sustain its valuation at higher levels.

Option Interest

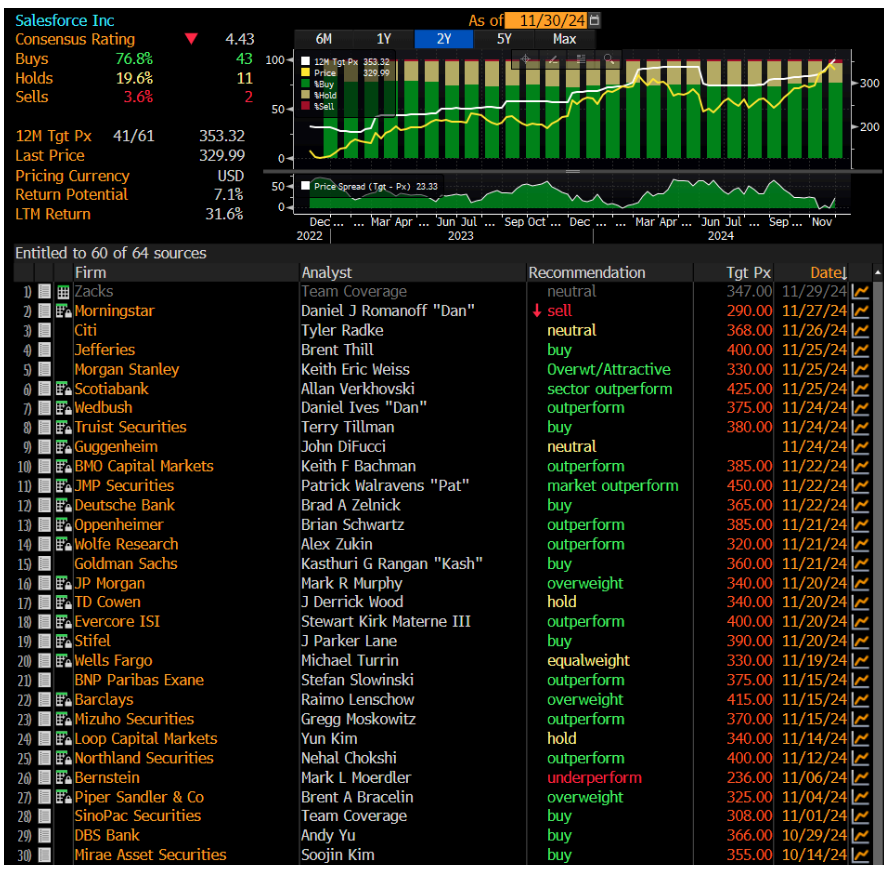


Volume	Today	1d Avg	5d Avg	10d Avg	20d Avg
Call	104,352	23,698	22,841	22,573	23,897
Put	94,795	23,314	22,717	20,101	18,865
Total	199,147	47,012	45,558	42,674	42,762
Open Interest					
Call	269,447	280,947	219,910	238,112	240,077
Put	232,954	233,875	188,330	208,058	216,052
Total	502,401	514,822	408,240	446,170	456,129

Figure 54: Salesforce option Interest: Bloomberg Terminal

The table above shows the options data for Salesforce, Inc. as of 12/23/2024. The volume of options on the given day in the table shows 199,147 total options, with 104,352 (52.40%) being calls and 94,795 (47.60%) being put. The unusually large amount of options was due to the company releasing earnings on the date in which the option interest information was pulled. Showing that investors are cautiously optimistic in Salesforce's future growth, with the balance leaving towards calls. The 1-day average volume was 47,012, with 23,698 (50.41%) being calls and 23,314 (49.59%) being puts. The 20-day average volume was 42,762, with 23,897 (55.88%) being calls and 18,865 (44.12%) being puts. The trend of options reveals that market sentiment has remained steady, with periods of fluctuations as during an earnings release.

Analyst Recommendation



	Firm	Analyst	Recommendation	Tgt Px	Date
1)	Zacks	Team Coverage	neutral	347.00	11/29/24
2)	Morningstar	Daniel J Romanoff "Dan"	↓ sell	290.00	11/27/24
3)	Citi	Tyler Radke	neutral	368.00	11/26/24
4)	Jefferies	Brent Thill	buy	400.00	11/25/24
5)	Morgan Stanley	Keith Eric Weiss	Overwt/Attractive	330.00	11/25/24
6)	Scotiabank	Allan Verkhovski	sector outperform	425.00	11/25/24
7)	Wedbush	Daniel Ives "Dan"	outperform	375.00	11/24/24
8)	Truist Securities	Terry Tillman	buy	380.00	11/24/24
9)	Guggenheim	John DiFucci	neutral		11/24/24
10)	BMO Capital Markets	Keith F Bachman	outperform	385.00	11/22/24
11)	JMP Securities	Patrick Walravens "Pat"	market outperform	450.00	11/22/24
12)	Deutsche Bank	Brad A Zelnick	buy	365.00	11/22/24
13)	Oppenheimer	Brian Schwartz	outperform	385.00	11/21/24
14)	Wolfe Research	Alex Zukin	outperform	320.00	11/21/24
15)	Goldman Sachs	Kasthuri G Rangan "Kash"	buy	360.00	11/21/24
16)	JP Morgan	Mark R Murphy	overweight	340.00	11/20/24
17)	TD Cowen	J Derrick Wood	hold	340.00	11/20/24
18)	Evercore ISI	Stewart Kirk Materne III	outperform	400.00	11/20/24
19)	Stifel	J Parker Lane	buy	390.00	11/20/24
20)	Wells Fargo	Michael Turrin	equalweight	330.00	11/19/24
21)	BNP Paribas Exane	Stefan Slowinski	outperform	375.00	11/15/24
22)	Barclays	Raimo Lenschow	overweight	415.00	11/15/24
23)	Mizuho Securities	Gregg Moskowitz	outperform	370.00	11/15/24
24)	Loop Capital Markets	Yun Kim	hold	340.00	11/14/24
25)	Northland Securities	Nehal Chokshi	outperform	400.00	11/12/24
26)	Bernstein	Mark L Moerdler	underperform	236.00	11/06/24
27)	Piper Sandler & Co	Brent A Bracelin	overweight	325.00	11/04/24
28)	SinoPac Securities	Team Coverage	buy	308.00	11/01/24
29)	DBS Bank	Andy Yu	buy	366.00	10/29/24
30)	Mirae Asset Securities	Soojin Kim	buy	355.00	10/14/24

Figure 53: Salesforce Analyst Recommendations: Bloomberg Terminal

The chart above displays the current analyst recommendations for Salesforce's stock as of 11/30/24. There is a clear and overwhelming expectation that the stock will rise 76.8% (43 analysts), with 19.6% (11 analysts) recommending a hold, and just 3.6% (2 analysts) recommending a sell. Salesforce has consistently outperformed various analyst target price estimates over the past year, as evidenced by its 31.6% return over the last twelve months.Analysts have provided a wide range of target prices, with values spanning from $290 to $450. Several prominent financial institutions, such as Goldman Sachs, JPMorgan, and Morgan Stanley, have assigned buy or outperform ratings with high target price expectations, further reinforcing the bullish sentiment. The consensus rating is 4.443 out of 5.00, , which is between 4.00 and 5.00 corresponding to "Buy" recommendation by analysts. Salesforce's 12M target price is $353.32, with a current share price of 329.99; analysts believe an upside of 7.1% is appropriate.

Significant News

- *11/03/2024: Salesforce announced results for its third quarter fiscal 2025 ended October 31, 2024*[21]
  - 3Q Revenue of $9.44B, up 8% both Year-Over-Year (Y/Y), inclusive of Subscription & Support Revenue of $8.88B, up 9% Y/Y
  - 3Q GAAP Diluted Net Income Per Share was $1.58 and non-GAAP Diluted Net Income Per Share was $2.41. GAAP and non-GAAP Diluted Net Income Per Share were Impacted by Losses on Strategic Investments of $(0.17) and $(0.18), Respectively
  - Third Quarter GAAP Operating Margin of 20.0% and non-GAAP Operating Margin of 33.1%
  - Third Quarter Operating Cash Flow of $1.98B, up 29% Y/Y, and Free Cash Flow of $1.78B, up 30% Y/Y
  - Returned $1.2B in the Form of Share Repurchases and $0.4B in Dividend Payments to Stockholders, Third Quarter Total Cash Returned to Stockholders of $1.6B
- 10/23/2024: *Salesforce Powers Up Manufacturing with New Suite of Capabilities and AI Tools for Connected Asset Management*[22]
  - Salesforce announced Connected Assets, a new suite of capabilities for Manufacturing Cloud that gives manufacturers a comprehensive, real-time view of their connected asset data.
  - Reducing downtime, enhancing asset performance, and enabling predictive maintenance through AI insights.
- 10/21/2024: *Salesforce Launches New Top Secret Authorized Government Cloud Offering for U.S. National Security and Intelligence Agencies*[23]
  - Salesforce announced Government Cloud Premium, a new Software-as-a-Service (SaaS) and Platform-as-Service (PaaS) offering with Top Secret authorization from the U.S. Government that makes Salesforce Platform available for Top Secret use cases.
  - Government Cloud Premium enables rapid application development and adaptation to mission needs, offers high security through a Zero-Trust Architecture, and integrates data sources to deliver comprehensive, actionable intelligence.
- 10/22/2024: *Salesforce Empowers Customers with New Integrated Ecommerce Storefronts in Starter and Pro Suite*[24]
  - Announced the availability of e-commerce storefronts in its Starter and Pro Suites, an all in one sales, service, marketing, and commerce solutions that help customers grow and scale on the top ranked AI CRM.
  - Enables fast setup of D2C online stores, centralized merchandising, and performance dashboards for streamlined operations and increased digital revenue.

[21] Salesforce. "Salesforce Announces Third Quarter Fiscal 2025 Results." Salesforce Newsroom, December 3, 2024. https://www.salesforce.com/news/press-releases/2024/12/03/salesforce-announces-third-quarter-fiscal-2025-results/.

[22]"Artificial Intelligence Salesforce Powers Up Manufacturing with New Suite of Capabilities and AI Tools for Connected Asset Management" Salesforce, October 22, 2024.

[23]"Digital Transformation: Salesforce Launches New Top Secret Authorized Government Cloud Offering for U.S. National Security and Intelligence Agencies" ,Salesforce, October 21, 2024. s/stories/salesforce-announces-top-secret-authorization/.

[24]"Commerce: Salesforce Empowers Customers with New Integrated Ecommerce Storefronts in Starter and Pro Suite" Salesforce, October 28, 2024.

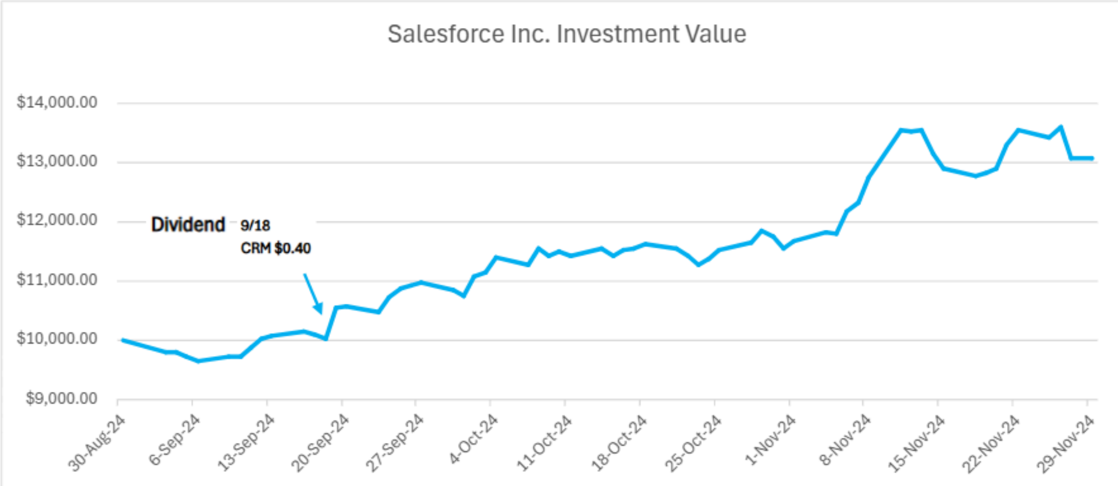
- 10/03/2024: *Salesforce Announces Tableau Einstein Alliance to Help Partners Drive Success in the Agent Era*[25]
    - Introduced the Tableau Einstein Alliance, a new partner community to create and deliver AI solutions and analytical agents for Tableau Einstein, which is built on the Salesforce platform and integrated with Agent force.
    - Exclusive access to Salesforce's AI tools, product insights, co-selling opportunities, and marketing support.
    - Launching February 2025 with 25 initial members, including Capgemini, Deloitte, and IBM, with solutions to be available on Salesforce AppExchange and the upcoming Tableau Marketplace.
- 09/24/2024: *Salesforce Signs Definitive Agreement to Acquire Zoomin* [26]
    - Signed a definitive agreement to acquire Zoomin, a leading data management provider for unstructured data.
    - This acquisition aims to improve AI capabilities in Agentforce, enabling more personalized, data-informed customer interactions.
    - Expected to close in Q4 of Salesforce's fiscal year 2025, pending standard approvals.
- 09/17/2024: *Salesforce and NVIDIA Forge Strategic Collaboration to Advance AI Agent Innovation*[27]
    - Salesforce and NVIDIA announced a strategic collaboration to develop advanced AI capabilities for the enterprise with autonomous agent and interactive avatar experiences.
    - Integrating NVIDIA's AI platform with Salesforce's Agentforce will optimize predictive and generative AI workflows, and is expected to enhance productivity and customer insights across sales, service, marketing, and IT teams.

Updated Assessment

Since the start date of 8/30, Salesforce has seen a return of 30.83% or $3,083.44 on the original $10,000 investment. This growth can be attributed to several positive developments in Salesforce's performance and market perceptions. Since the start of the investment analysis project, Salesforce has reported strong quarterly results, highlighting increased revenue driven by robust demand for its cloud and AI-driven solutions. The company's effective cost-cutting initiatives have played a critical role in boosting margins and improving profitability. This focus on operational efficiency, alongside its $20.0B share buyback program, has demonstrated Salesforce's commitment to delivering shareholder value while maintaining growth investments. Despite its recent rally to $329.99 as of 11/30/24, Salesforce's stock still holds upside potential. The company's strong fundamentals, consistent growth, and strategic focus on integrating AI into its core product offerings suggest potential for further appreciation. Additionally, Salesforce's leadership in the subscription-based software market provides a stable revenue base that supports sustained long-term growth. My initial investment thesis, centered around Salesforce's upside potential due to its innovative use of AI and steady subscription business model, has proven accurate. The company's ability to capitalize on its market share, invest in future growth, and prioritize shareholder returns has led to significant value creation. Moving forward, Salesforce remains a strong company for further growth, driven by its robust market positioning and strategic focus on cutting-edge implementation.

Returns

[25] "Data: Salesforce Announces Tableau Einstein Alliance to Help Partners Drive Success in the Agent Era", Salesforce, October 3, 2024.
[26] "Company News: "Salesforce Signs Definitive Agreement to Acquire Zoomin." Salesforce, September 24, 2024.
[27] "Salesforce and Nvidia Forge Strategic Collaboration to Advance AI Agent Innovation." Salesforce, September 17, 2024.



Salesforce Inc. (CRM)	Values
Purchase Price (8/30/2024)	$ 252.50
Purchase Quanitity	39.60
Initial Value of Investment	$10,000.00
Adjusted Closing Price (11/29/2024)	$ 329.99
Dividend Per Share Paid (09/18/24)	$ 0.40
Ending Value of Investment	$13,083.44
Dollar Return	$ 3,083.44
Holding Period Return	30.83%
Annualized Return	193.01%

The line graph above depicts the total dollar return for a $10,000 investment or 39.60 shares held in Salesforces stock over the 3-month holding period from 8/30/24 to 11/30/24. The stock had experienced a slight decline in early September, but has seen strong exponential growth leading into September. A main driver of this growth as seen in early November, was the election of former President Donald Trump. The original purchase price on 8/30 was $252.50, and it rose to $329.99 on the last day of the holding period on 11/30. This resulted in the ending value of the total $10,000 investment from the 39.60 shares rising to $13,083.44 for a total dollar return of $3,083.44 or 30.83% (193.01% annualized). The effective annual rate is 193.01% higher than the portfolio required rate of return of 16.81% and surpasses the CRM expected return of 22.05%.

Final Assessment: HOLD

Salesforce's performance over the 3-month holding period exceeded the required returns by a substantial amount. Salesforce operates in the software application industry, a highly competitive and innovative improvement that is often won by companies willing to spend. Salesforce's recent acquisition and focus on cost cutting and AI-driven investments has helped them become the model company in their industry. The company's strategic investments in AI and integration into existing products has been received well by consumers, further solidifying the company's position as leader in the software-as-a-service (SaaS) industry. Salesforce's financial performance throughout this period exceeded expectations market wide, with robust growth driven by increased demand in its cloud-based solutions and more importantly its AI-driven tools like Agentforce. Although Salesforce's stock has already delivered substantial gains, there remains room for further upside. The company's strong fundamentals, expanding market opportunities in AI, and continued dedication to deliver better products has poisoned it for sustained long-term growth. Overall, Salesforce has proven to be a highly successful investment during the 3-month holding period, significantly exceeding the expected return calculated previously and the broader market.

The Kroger Company (KR)[28]

Exchange: NYSE

Headquarters: Cincinnati, OH

Sector: Consumer Defensive

Industry: Grocery Stores

Fiscal Year End: 01/31/2024

Beta (5Y Monthly): 0.46

Discount Rate (08/17/2024)[29]: 6.74%

Purchase Price (8/30 adjusted close): $53.21

Purchase Quantity (8/30): ($10,000/$53.21) = 187.93

Expected Return[30]: ($58.34 - $53.21 + $1.28) /$53.21*100 = 12.05%

Security Price Prior to Submission (11/29/2024 adjusted close): $61.08

[28] All information, unless otherwise specified, is sourced from Bloomberg Terminal or Kroger's February 28, 2024 10-K for fiscal year ending January 31, 2024
[29] Source: Bloomberg Terminal, WACC
[30] Expected Return = (1-Year Target - Purchase Price + Dividends) / Purchase Price

Company Description

The Kroger Co. (KR) is one of the largest retailers in the U.S., operating as a supermarket chain. The company was founded in 1883 by Bernard Kroger, who invested his life savings to open a grocery store at 66 Pearl Street in downtown Cincinnati. The supermarket sells a wide variety of products, including meat, seafood, produce, baked goods, beverages, electronics, toys, and frozen, cleaning, kitchen, health, beauty, dairy and household products. Kroger operates supermarkets under various local banner names in 35 states and the District of Columbia. Kroger's supermarkets are operated under several formats, including seamless digital shopping options, price-impact warehouse stores, and multi-department stores.[31]

The company operates more than 2,750 supermarkets, of which 2,256 include pharmacies, and 1,585 have fuel centers. On average, over 12,600 private-label items are available in inventory at its supermarkets. Kroger's reach extends beyond brick-and-mortar operations, as it manufactures and processes food products available for sale online. Additionally, it operates 170 jewelry stores, providing high-margin businesses with good cash flow. Kroger is the only major U.S. supermarket company to operate an economical three-tier distribution system. About 30% of its brands and nearly 45% of its grocery brands sold in its supermarkets are produced in Kroger-owned production plants, while the remaining items are produced by outside manufacturers. Kroger's retail operations represent more than 95% of its sales and are its only reportable segment. Non-perishable goods account for about 50% of its total sales and fresh merchandise accounts for 25%, and fuel and pharmacy account for 10%. The company produces the remaining portion of its sales.

Kroger offers a loyalty card program that provides discounts and other benefits to its customers. The company serves about 62.0M households annually, and about 95% of customer transactions are tied to loyalty cards. They also offer Kroger Precision Marketing, which offers shopping insights to product manufacturers. Kroger aims to grow its customer loyalty by delivering great value and convenience. The company also utilizes the data and traffic generated by its retail business to deliver incremental value and service to its customers, generating alternative profit streams. Kroger has grown substantially and remains one of the top performers in their industry.[32]

Sector & Industry

Kroger operates in the grocery stores industry, within the consumer defensive sector. The consumer defensive sector includes 240 companies across 12 industries, holding a 5.77% market weight. Companies that produce and sell essential products such as food, beverages, household and personal products, packaging, or tobacco are part of this sector. Companies that provide services such as education and training are also included. In 2023, consumer staples fell out of favor as revenue growth slowed and investors shifted to large-cap tech stocks.[33] Over the past year, the consumer defensive sector has seen slow growth of 17%, compared to the S&P 500's 25% growth over the same period. However, more recently, the sector has had a strong return of 9.6% growth compared to the S&P 500's 3.6% growth over the past 3 months.[34] The outlook for the remainder of 2024 into 2025 is largely dependent on future economic data. With economic uncertainty looming, consumer defensive companies are viewed as a safe haven. Spending is expected to slow down as wages have not kept pace with the price of goods. Despite worrisome economic indicators, the grocery industry is expected to continue growing as households will still purchase essential goods, supporting revenue growth for companies in this space.

[31] "Our Business," *The Kroger Co.*, accessed September 17, 2024, https://www.thekrogerco.com/about-kroger/our-business/.
[32] Bloomberg Terminal, Kroger DES
[33] "Consumer Staples Sector," *Fidelity*, accessed September 17, 2024, https://institutional.fidelity.com/advisors/insights/spotlights/2024-equity-sector-performance-outlook/consumer-staples-sector?sapl=pd_search&camp=2021_always_on&misc=58700008700274628%7Cp79938747241&tag=MICROSOFT&gclid=b54c27b0a1bd14d401054157e9fe4e99&gclsrc=3p.ds&.
[34] "Consumer Defensive Stock Performance," *Yahoo Finance*, accessed September 17, 2024, https://finance.yahoo.com/sectors/consumer-defensive/.

Heat Map

Figure 54: Current 3 - month Heat Map of S&P 500. 11/29/2024. Finviz

CONSUMER DEFENSIVE - GROCERY STORES		
KR (Kroger Co)	61.08	+14.79%
KR	61.08	+14.79%
SFM	154.48	+48.47%
ACI	19.85	+1.17%
GO	21.00	+10.88%
WMK	72.83	+7.77%
DNUT	11.02	-2.22%
ASAI	5.26	-37.23%

Figure 55: Current 3 - month Heat Map of S&P 500 Software - Application Industry. 11/29/2024. Finviz

Looking at the 3-month heat map, we can see the small market share held by the consumer defensive sector. Additionally, we observe that Kroger has performed relatively well compared to other companies in the grocery store industry, generating a 5.85% return, which is higher than the industry average return of 3.59%. Over the past three months, Kroger has posted a decent return of 5.85% while the consumer defensive sector has increased by a similar 4.05%. Kroger has presented a cautiously optimistic sales outlook for the remainder of the year, expecting customers to prioritize spending on food and essential items.[35]

Industry Peers

	Name	Mkt Cap (USD)	EV	EV/EBIT...	EV/EBIT... FY1	EV/EBIT... FY2	P/E	P/E FY1	P/E FY2	P/FCF	Dividend Yield
	Median	1.70B	2.87B	9.44	11.28	10.54	20.15	19.47	15.86	17.34	2.33%
101)	KROGER CO	41.30B	57.89B	7.36	7.42	7.26	12.46	12.77	12.50	23.39	2.08%
102)	SYSCO CORP	38.26B	50.54B	11.54	11.28	10.69	18.21	16.92	15.64	17.99	2.58%
103)	CASEY'S GENERAL STORES INC	13.88B	15.19B	13.82	13.03	11.85	26.80	26.12	23.43	35.47	0.48%
104)	PERFORMANCE FOOD GROUP CO	12.14B	17.10B	10.94	10.36	9.56	27.31	15.94	13.88	15.66	--
105)	SPROUTS FARMERS MARKET INC	11.02B	12.46B	21.41	20.83	19.19	33.38	32.41	29.50	45.24	--
106)	ALBERTSONS COS INC - CLASS A	10.71B	24.56B	6.09	6.00	5.98	7.88	7.85	7.75	12.86	2.60%

Figure 56: The Kroger Company relative value compared to Peers. Bloomberg Terminal

Kroger's primary peers include Sysco Corp., Casey's General Stores Inc., Performance Food Group Co., Sprouts Farmers Market Inc., and Albertsons Inc. With a market cap at $40.3B, Kroger is the largest among these peers, followed by Sysco at $38.26B. Currently, Kroger has entered into a merger agreement

[35] "FY 2024 2-Q Updates Without Fuel Guidance," *Kroger*, September 12, 2024, https://s202.q4cdn.com/463742399/files/doc_financials/2024/q1/FINAL-KR-Q1-2024-Earnings-Presentation-Tables.pdf.

with Alberson, whose market cap exceeds $11.0B, valued at over $25.0B. However, this merger is facing a lawsuit from the Federal Trade Commission, which alleges that the deal is anti-competitive. Despite the ongoing legal proceedings, management at both Kroger and Albertsons remains optimistic and is operating under the assumption that the merger will ultimately proceed.[36]

Major Customers

Kroger serves approximately 62.0M households, including families and individuals seeking everyday essentials, as well as health-conscious consumers. The company caters to a diverse range of customers across various age groups and income levels, making it accessible to a broad demographic.

Foreign operations

Kroger is based in Cincinnati and operates supermarkets, multi-department stores, and fulfillment centers in 35 states and in the District of Columbia. The company has no foreign operations and is yet to expand overseas.[37]

Seasonality Issues

The majority of Kroger's revenues are not generally seasonal in nature. However, the company does experience seasonal influence from consumers, reflected in buying patterns and product demands during major holidays. Holidays such as Thanksgiving, Christmas, and Easter lead to spikes in revenue. Additionally, an increase in activity during the back-to-school and summer season activity can be seen. Kroger also participates in seasonal promotions, which further drive demand. Weather-related events, such as winter storms or hurricanes, also lead to spikes in demand for essential goods.[38]

Porter 5 Forces

1. Threat of New Entrants (Moderate to Low):

Barriers to Entry: The grocery industry has high barriers to entry due to the need for significant investments in real estate, supply chain infrastructure, and ongoing operations. Establishing a local-to-national grocery chain requires substantial capital.

Brand Loyalty & Economies of Scale: Kroger benefits from strong brand loyalty from its customers. Additionally, its massive scale and well-established relationships with suppliers make it difficult for new entrants to compete. New entrants struggle to achieve the same economies of scale in purchasing and distribution.

Regulations: New entrants must navigate complex food safety, labor, and environmental regulations, further increasing the difficulty of entering the market.

2. Bargaining Power of Buyers (Moderate to High):

Price Sensitivity: Grocery shoppers tend to be price-sensitive, which increases buyer power. Customers can easily compare prices with competitors and seek better deals, as there are often several grocery stores in a given area.

Low Switching Costs: Consumers can easily switch between grocery stores or buy products from alternative retail chains, including online services. This enhances buyer power, especially in highly competitive areas.

Loyal Programs: Kroger's competitive loyalty program helps to reduce buyer power by incentivizing customers to remain with their services through discounts, personalized offers, and fuel rewards.

3. Bargaining Power of Suppliers (Low):

Supplier Relationships: Kroger is a major player in the grocery industry, and its scale gives it significant bargaining power over its suppliers. It can negotiate favorable terms due to its importance as a customer of food producers and manufacturers.

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[36] Tom Brock, "Lawsuit to Block Kroger-Albertsons Merger Goes to Trial Monday," *Yahoo News*, September 16, 2024, https://www.yahoo.com/news/lawsuit-block-kroger-albertsons-merger-015803798.html.
[37] Bloomberg Terminal, Kroger DES
[38] "FY 2023 10-K," *Kroger*, March 7, 2024, https://s202.q4cdn.com/463742399/files/doc_financials/2023/ar/annual-report-to-security-holders.pdf.

Private Label Products: Kroger's private label brands reduce its reliance on national brands, giving it more leverage in negotiations with suppliers. The company can bypass traditional suppliers by increasing the production and sale of its own products.

Supplier Base Diversity: Suppliers in the food industry are highly fragmented, which limits their collective bargaining power.

4. Threat of Substitutes (High):

Alternative Retail Channels: Customers have numerous options for purchasing food and household items, including discount retailers, warehouse clubs, and online grocery services, which increases the threat of substitutes. Additionally, there are often multiple grocery stores in a given area, further intensifying competition.

Non-Traditional Grocery Stores: Increasing competition from non-traditional grocery retailers, such as online platforms and meal delivery services. Companies like Amazon, Walmart and Target pose a growing threat to Kroger's traditional brick-and-mortar model.

5. Industry Rivalry (High):

Intense Competition: The grocery industry is highly competitive, with strong rivalry among its major players. Additionally, e-commerce companies like Amazon are expanding into the grocery space, intensifying competition.

Price Wars & Low Margins: Grocery retail is characterized by low profit margins and frequent price wars. To remain competitive, Kroger must keep prices in line with its competitors while managing costs.

Innovation: Competitors are expanding their technological capabilities and innovation in areas such as online shopping, delivery, and in-store customer experience. This increases the pressure on Kroger to continuously innovate to maintain its market share. The growing use of AI poses a threat, as companies that adapt quickly will gain a competitive advantage. [39]

Risk Factors

***1. Commodity Price Risk**:* Kroger is exposed to fluctuations in commodity prices, particularly related to meat, seafood, dairy, and other food items.

***2. Interest Rate Risk**:* Kroger manages its exposure to fluctuations in interest rates by using forward-starting interest rate swaps to hedge against potential interest rate increases. These swaps help the company control the variability in future borrowing costs by locking in fixed rates on future debt issuances.

***3. Diesel Fuel Hedge Contracts**:* Kroger utilizes diesel fuel hedge contracts to manage the impact of price fluctuations on fuel costs, directly affecting its logistics and operations. They aim to stabilize fuel prices but do not enter into contracts for speculative trading purposes.

***4. Equity Investment Risk**:* The company is exposed to fluctuations in the market value of equity investments, which can impact financial reporting. Changes in the fair value of these investments are reflected in the company's Consolidated Statements of Operations.

***5. Company-Sponsored Benefit Plans**:* Kroger faces risk from the volatility in pension and post-retirement healthcare plans. These benefit obligations are subject to changes in interest rates and market performance, affecting the funding status of their defined benefit plans.

***6. Legal and Regulatory Risks**:* Kroger is subject to various local, state, and federal laws. Changes in regulations, such as labor laws, environmental regulations, food safety requirements, and healthcare laws, could impact its costs or operations.

7. Competitive Risk:The grocery and retail industry is highly competitive. Competitors may engage in aggressive pricing and promotional activities or adopt new technology that affects Kroger's ability to maintain or grow its market share.

***8. Technological and Cybersecurity Risks**:* As technology becomes increasingly central to Kroger's operations, the company is exposed to risks related to cyber-attacks, data breaches, or system failures.

[39] "FY 2023 10-K," *Kroger*, March 7, 2024, https://s202.q4cdn.com/463742399/files/doc_financials/2023/ar/annual-report-to-security-holders.pdf.

9. Supply Chain and Operational Risks: Disruptions in Kroger's supply chain due to natural disasters, labor disputes, pandemics, or other crises, could impact the availability of products and increase operational costs. Supply chain issues can also lead to product shortages, which could negatively affect Kroger's sales and customer satisfaction.
10. Labor Risks: Kroger's workforce is a significant operational base, exposing the company to risks related to labor costs, union relations, and the availability of a qualified workforce. Changes in minimum wage laws or labor disputes could increase operational costs or lead to disruptions.
11. Environmental Risks: Kroger faces risks associated with environmental regulations and climate change. Natural disasters or changes in weather patterns can disrupt the supply of agricultural products and affect the availability and cost of the goods Kroger sells.
12. Leadership Transition Risk: Kroger faces leadership transition risk that could impact company operations, particularly with the potential absorption of Aberstons if trial commences. However, this risk is mitigated by a well-established succession planning process, ensuring that key executive roles, especially the CEO, are filled with suitable candidates to maintain organizational stability.[40]

Management

Chairman and Chief Executive Officer: Rodney W. McMullen

Rodney W. McMullen has served as the CEO of The Kroger Company since 2014. Born and raised in Pineville, Kentucky, he received both Bachelor's and Master's degrees in Accounting from the University of Kentucky. He joined Kroger in 1978 as a part-time stock clerk in Lexington, KY. During his career with Kroger, he has held positions such as Assistant Treasurer, Vice President of Planning and Capital Management, Corporate Controller, Chief Financial Officer, Senior Vice President, Executive Vice President, and Vice Chairman. He was elected to the board of directors in 2003, and became president and chief operating officer in 2009 before assuming his current position as CEO. In 2015, he was named Chairman of the Board. In 2020 he was honored with the Innovation Leadership Award for his leadership during the COVID-19 pandemic. In 2023 Mr. McMullen and Kroger were recipients of the Clara Barton Award for Humanitarian Service by the American Red Cross.[41]

Board of Directors[42]

Name	Position	Company	Board Director Since
Rodney W. McMullen	Chairman of the Board & CEO	Kroger Co.	2003
Clyde Moore	President & CEO Retired Chairman & CEO Former President and CEO Former President	Gliocas LLC First Service Networks Thomas & Betts FL Industries	1997
Ronald Sargent	Retired Chairman & CEO Former Director Former Director Former Director Former Director	Staples, Inc. Five Below, Inc. Wells Fargo & Company The Home Depot, Inc. Mattel	2006
Amanda J. Sourry Knox	Retired President Former President Board Member Non-Executive Director	Unilever Global Foods Category PVH Corp. OFI	2021

[40] "FY 2023 10-K," *Kroger*, March 7, 2024, https://s202.q4cdn.com/463742399/files/doc_financials/2023/ar/annual-report-to-security-holders.pdf.
[41] "Executive Management," *Kroger*, accessed September 17, 2024, https://ir.kroger.com/governance/executive-management/default.aspx?cjdata=MXxOfDB8WXww&CID=afi.pro.afi_Evergreen-CJ-Affiliates_20230303_b:kroger_c:ship_t:ent&cjevent=9bb4f32073e411ef806b02060a82b824&PID=100357191.
[42] "The Kroger Co. - Governance - Board of Directors," *Kroger*, accessed September 17, 2024, https://ir.kroger.com/governance/board-of-directors/default.aspx.

	Supervisory Director Director	Trivium Packaging B.V. Beautycounter LLC	
Mark Sutton	Chairman & CEO	International Paper	2017
Ashok Vemuri	Former Director & CEO Former CEO & VP Former President, CEO & Board Member Board Member Former Employee Former Employee Board Member	Conduent Incorporated Xerox Business Services, LLC IGATE Corporation Infosys Limited Deutsche Bank Bank of America Opal Fuels	2019
Karen Hoguet	Retired CFO & Strategic Advisor to the CEO Former Board Member Former Board Member Former Board Member Board Member	Macy's, Inc. Nielsen Holdings plc. The Chubb Corporation Cincinnati Bell UCHealth	2019
Anne Gates	Retired President Former CFO for Consumer Products Director & Chair of the Board Director	MGA Entertainment, Inc. The Walt Disney Company Tapestry, Inc. Raymond James Financial, Inc.	2015
Elaine L. Chao	Former President & CEO Former Director Former Banker Former Banker Board Member Board Member	United Way of America Peace Corps Citicorp BankAmerica Capital Markets. ChargePoint Holdings, Inc. Embark Technology, Inc.	2021
Kevin Brown	Executive VP & Supply Chain Officer	Dell Technologies	2021
Nora Aufreiter	Director Emeritus Board Member Chair of The Board Board Member Board Member Board Member	McKinsey & Company The Bank of Nova Scotia MYT Netherlands Parent B.V. Cadillac Fairview St. Michael's Hospital The Canadian Opera Company	2014

Referring to the first figure, the majority of the transactions are granted or payment of exercise price by delivery. The material transactions to mention are CEO Rodney McMcullen purchasing 85,764 shares on 06/26/2024 for approximately $4.23M, as well as his purchase of 144,221 shares on 03/14/2024 for approximately $8.0M. Conflicts of interest identified among the board members include affiliations with companies that operate in the same industry, make predictions on Kroger's stock price, or hold shares in the company. Some of Kroger's board members hold positions in industries that could overlap with Kroger's business interests, particularly in financial and retail sectors. Additionally, the dual role of CEO and Chairman held by Rodney McMullen compromises independent oversight, concentrating power and weakening governance by limiting the board's ability to objectively evaluate management decisions. Kroger's governance framework mandates the disclosure of any potential conflicts, especially those involving outside affiliations or financial interests.

1. Ronald Sargent (The Home Depot & Wells Fargo): A potential conflict arises from his former role at The Home Depot, which competes in certain household goods categories. Additionally, Wells Fargo holds shares in Kroger, and actively provides stock predictions and price targets for the company. His past involvement with these companies could influence decisions that affect Kroger's business strategy or financial interests.

2. Amanda J. Sourry Knox (Unilever & OFI): A potential conflict exists due to her former role at Unilever, a major supplier of products to Kroger. Supplier negotiation or strategic partnerships between the companies may be impacted. Her involvement with OFI, which hold shares of the Kroger, could raise concerns about her impartiality in board decisions that affect both companies

3. Ashok Vemuri (Infosys, Bank of America & Deutsche Bank): A potential conflict arises due to his involvement with Infosys, which could create issues when making decisions related to service contracts or IT partnerships with Kroger. His former involvement with Bank of America, which holds shares, and makes stock predictions and price targets for Kroger, along with Deutsche bank, which also provides stock predictions and price targets for Kroger, adds another layer of potential conflict, especially regarding financial strategies or partnerships between the companies.

4. ***Karen Hoguet (Nielsen Holdings):*** A potential conflict as Nielsen Holdings provides data services to Kroger. Her dual role could pose challenges in maintaining impartiality when making decisions that impact either company.

5. Elaine L. Chao (Bank of America & Former U.S. Transportation Secretary): A potential conflict exists as Bank of America regularly provides stock predictions and price targets for Kroger. If decisions at Kroger are influenced by financial strategies or stock evaluations provided by the bank, this could raise concerns about impartiality.

6. Nora Aufreiter (The Bank of Nova Scotia & McKinsey & Company): A potential conflict exists as The Bank of Nova Scotia holds shares, and provides stock predictions and price targets for Kroger. Additionally, her role at Mckinsey & Company, which provides consulting services to Kroger, may present a potential conflict of interest, given the relationship between the two companies.

Benchmark Comparison

KR US Equity | Settings

Range 12/03/2019 - 12/03/2024 Period Daily No. of Period 1827 Day(s) Table

	Security	Currency	Price Change	Total Return	Difference	Annual Eq
1)	KR US Equity	USD	118.95%	143.83%	82.45%	19.49%
2)	S5CONS Index	USD	41.17%	61.38%	--	10.03%

Figure 57 & 58 : Compares The Kroger Company' (white) relative performance over the past 4 years to the S&P Consumer Staples Sector GICS Level 1 Index (orange). Bloomberg Terminal

The above comparison shows Kroger (KR) (white line), in comparison to the S5CONS index (orange line), which tracks the performance of companies within the Consumer Staples sector of the S&P 500. As you can see, Kroger follows semi-cyclical trends but outperforms the sector by a wide margin. Its annual return is 19.49% in comparison to the S5CONS return of 10.03% in the same period.

Beneficial Owners

	Holder Name	Portfolio Name	Source	Opt	Position	% Out	Latest Chg	File Dt
			All	All				
1.	Vanguard Group Inc/The		ULT-AGG		81,450,515	11.26	223,625	09/30/24
2.	Blackrock Inc		13G		67,356,305	9.31	0	09/30/24
3.	Berkshire Hathaway Inc		13F		50,000,000	6.91	0	09/30/24
4.	State Street Corp		ULT-AGG		33,064,935	4.57	2,110,345	10/31/24
5.	Harris Associates LP	Harris Associates LP	13F		22,605,188	3.12	-1,475,080	09/30/24
6.	Geode Capital Management LLC	Geode Capital Management LLC	13F		16,019,726	2.21	126,303	09/30/24

Figure 59: The Kroger Company Beneficial Owners (as of 08/13/2024). Bloomberg Terminal

Under Section 13(d), a company must file this schedule if, in aggregate, they own more than 5% of a class of voting share. Kroger's beneficial owners that meet these filing requirements include three institutional investors. Under Section 16a-1, an individual or institution who beneficially owns more than 10% of any class of equity security registered under section 12 of the Exchange Act must file this schedule in addition to Section 13(d) filling. For Kroger, only one institutional owner fits this criteria: Vanguard Group Inc., the largest holding company. Vanguard Group Inc. holds 81, 226,890 shares (11.23%), followed by BlackRock Inc., which holds 67,356,305 shares (9.31%). Their third-largest beneficial owner is Berkshire Hathaway Inc., which holds 50,000,000 shares (6.91%). The two largest beneficial owners have recently continued to buy shares, while Berkshire Hathaway have made no changes to their ownership. The increase in share purchases could be seen as a positive sign for investors; however, this activity is more likely tied to index fund performance rather than active management decisions.[43] For non-beneficial owners, the largest is State Street Corp with 33,064,935 shares, representing 4.57% stake in the company; with there latest transactions amounting to 2,110,345 shares being purchased.

Investment Thesis

My reasons for choosing Kroger are largely due to its brand reputation, management team, consistent growth and dividend. Kroger is one of the largest and most well-established grocery chains in the world and continues to generate strong returns. Additional reasons for my selection include its core business operations and vision. The company is committed to its customers, offering affordable prices and personalized promotions. Kroger was recently named the "World's Most Trustworthy Company" by Newsweek.[44] Kroger, being a value stock and having a low beta of 0.46, fit my investor profile and allowed me to select a growth stock for my other security. Kroger's expected return of 12.05% is above my required return of 10% and offers solid growth opportunities with little expected downside. Their management team has demonstrated strong leadership, particularly their CEO, Rodney McMullen, who has been with the company for over forty years and has a vested interest in both the employees and customers. His extensive experience and commitment make him an ideal leader. Additionally, the potential merger with Albertsons strengthens my reasoning for choosing the company. Finally with the uncertainty of the economic landscape, Kroger, a consumer staple stock, offers upside compared to other industries in the event of a downturn or recession.

Auditing Firm

Kroger is audited by PriceWaterhouseCoopers LLP (PWC), which have served as the firm's auditors since 2004. PWC is one one the largest professional service firms in the world, offering a wide range of services across various industries. In their 2024 Annual Report, their financial statements received an unqualified opinion, indicating that all the financial information and supplementary data was presented fairly and free of material error, confirming Kroger's compliance with GAAP principles.[45]

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[43] Arthur L. Zwickel and Alicia M. Harrison, "SEC Reporting Obligations under Section 13 and Section 16 of the Exchange Act: Paul Hastings LLP," *Paul Hastings Events RSS*, February 6, 2019, https://www.paulhastings.com/insights/client-alerts/sec-reporting-obligations-under-section-13-and-section-16-of-the-exchange-act.

[44] "The Kroger Co. - Kroger Named One of America's Most Trustworthy Companies," *Kroger*, accessed September 17, 2024, https://ir.kroger.com/news/news-details/2023/Kroger-Named-One-of-Americas-Most-Trustworthy-Companies/default.aspx.

[45] "FY24 Annual Report," *Salesforce*, February 29, 2024, https://s23.q4cdn.com/574569502/files/doc_financials/2024/ar/salesforce-fy24-annual-report.pdf.

Income Statement

Kroger Co/The (KR US) - BBG Adjusted					
In Millions of USD except Per Share 12 Months Ending	FY 2024 2/3/2024	Yoy Change	FY 2023 1/28/2023	Yoy Change	FY 2022 1/29/2022
Revenue	150,039.00	1.20%	148,258.00	7.52%	137,888.00
+ Sales & Services Revenue	150,039.00	1.20%	148,258.00	7.52%	137,888.00
- Cost of Revenue	116,675.00	0.17%	116,480.00	8.31%	107,539.00
Gross Profit	33,364.00	4.99%	31,778.00	4.71%	30,349.00
+ Other Operating Income	0		0		0
- Operating Expenses	28,643.00	4.97%	27,286.00	4.49%	26,114.00
+ Selling, General & Admin	25,550.00	2.89%	24,833.00	5.51%	23,536.00
+ Selling & Marketing	1,089.00	5.73%	1,030.00	4.67%	*984*
+ General & Administrative	24,461.00	2.76%	23,803.00	5.55%	*22,552.00*
+ Research & Development	0.00		—		—
+ Depreciation & Amortization	3,125.00	5.40%	2,965.00	4.99%	2,824.00
+ Other Operating Expense	-32	93.75%	-512	-108.13%	-246
Operating Income (Loss)	4,721.00	5.10%	4,492.00	1.00%	4,235.00
- Non-Operating (Income) Loss	411	1.99%	403	-33.39%	605
+ Interest Expense, Net	441	-17.57%	535	-6.30%	571
+ Interest Expense	*441*	-17.57%	*535*	-6.30%	*571*
- Interest Income	0		0		0
+ Foreign Exch (Gain) Loss	0		0		0
+ Other Non-Op (Income) Loss	-30	77.27%	-132	-488.24%	34
Pretax Income (Loss), Adjusted	4,310.00	5.40%	4,089.00	12.64%	3,630.00
- Abnormal Losses (Gains)	1,474.00	24.18%	1,187.00	-24.83%	1,579.00
+ Merger/Acquisition Expense	316	618.18%	44	-33.33%	66
+ Abnormal Derivatives	—		—		—
+ Disposal of Assets	-56	-40.00%	-40	9.09%	-44
+ Asset Write-Down	69	-70.26%	232	262.50%	64
+ Impairment of Goodwill	—		—		—
+ Gain/Loss on Sale/Acquisition of Business	—		—		—
+ Legal Settlement	1,475.00	1635.29%	85	N/A	—
+ Restructuring	—		—		136
+ Sale of Investments	-151	-118.39%	821	0.00%	821
+ Unrealized Investments	—		—		—
+ Other Abnormal Items	-179	-497.78%	45	-91.60%	536
Pretax Income (Loss), GAAP	2,836.00	-2.27%	2,902.00	41.49%	2,051.00
- Income Tax Expense (Benefit)	667	2.14%	653	69.61%	385
+ Current Income Tax	821	66.87%	492	18.27%	416
+ Deferred Income Tax	-154	-195.65%	161	619.35%	-31
Income (Loss) from Cont Ops	2,169.00	-3.56%	2,249.00	34.99%	1,666.00
- Net Extraordinary Losses (Gains)	0		0		0
+ Discontinued Operations	0		0		0
+ XO & Accounting Changes	0		0		0
Income (Loss) Incl. MI	2,169.00	-3.56%	2,249.00	34.99%	1,666.00
- Minority Interest	5	0.00%	5	-54.55%	11
- Minority Interest	5	0.00%	5	-54.55%	11
Net Income, GAAP	2,164.00	-3.57%	2,244.00	35.59%	1,655.00
- Preferred Dividends	0		0		0
- Other Adjustments	0		0		0
Net Income Avail to Common, GAAP	2,164.00	-3.57%	2,244.00	35.59%	1,655.00
Net Income Avail to Common, Adj	3,345.30	8.37%	3,086.90	6.97%	2,885.80
Net Abnormal Losses (Gains)	1,181.30	40.15%	842.9	-31.52%	1,230.80
Net Extraordinary Losses (Gains)	0		0		0
Basic Weighted Avg Shares	718	0.00%	718	-3.49%	744
Basic EPS, GAAP	3.01	-3.83%	3.13	40.99%	2.22
Basic EPS from Cont Ops, GAAP	3.01	-3.83%	3.13	40.99%	2.22
Basic EPS from Cont Ops, Adjusted	4.66	8.37%	4.3	10.82%	3.88
Diluted Weighted Avg Shares	725	-0.28%	727	-3.58%	754
Diluted EPS, GAAP	2.96	-3.27%	3.06	41.01%	2.17
Diluted EPS from Cont Ops, GAAP	2.96	-3.27%	3.06	41.01%	2.17
Diluted EPS from Cont Ops, Adjusted	4.59	8.77%	4.22	10.76%	3.81
Source: Bloomberg					

Figure 60: Kroger Income Statement

Revenues

Total Operating Revenue

FY 2024 -2023

- Revenue increased by 1.20% year-over-year by ($1.781B) in sales, from $148.258B to $150.039B.
    - Digital revenue reached $12B, a 12% increase over the prior year, with the key driver being a 25% increase in delivery solutions through the Boost membership program.
    - Kroger's private label, Our Brands, continued to perform well, bringing in over $31B in sales, reflecting stronger customer demand.
    - Kroger Precision Marketing (KRM) contributed $1.3B through targeted advertising, leveraging customer data to create value beyond retail.
    - Although fuel sales decreased due to lower retail fuel prices, they remained a significant component of total revenue.

FY 2023 - 2022

- Revenue increased by 7.52% year-over-year by ($10.27B), from $137.88B to $148.258B.
    - Digital sales grew by 4%, supported by a 25% increase in delivery service, with the key driver being Kroger's Boost membership program and the expansion of the Kroger Delivery Network.
    - Kroger's private label, Our Brands sales contributed over $30B, reflecting a strong preference for Kroger's private-label offerings across various categories.
    - Kroger Precision Marketing and data-driven media services added additional profits, enabling Kroger to further diversify its income sources.
    - Fuel sales surged by 26.9% due to a 28.5% increase in retail fuel prices.

**all charts represent FY 2024, FY 2023, and FY 2022*

Revenue Segmentation

(in millions)	2024	% of total	% Change	2023	% of total	% Change	2022	% of total
Non Perishable	76,903.00	**51.30%**	**3.75%**	74,121.00	**50.00%**	**6.42%**	69,648.00	**50.60%**
Fresh	35,686.00	**23.80%**	**0.71%**	35,433.00	**23.90%**	**4.30%**	33,972.00	**24.60%**
Supermarket Fuel	16,621.00	**11.10%**	**-10.79%**	18,632.00	**12.60%**	**26.94%**	14,678.00	**10.60%**
Pharmacy	14,259.00	**9.50%**	**6.59%**	13,377.00	**9.00%**	**7.87%**	12,401.00	**9.00%**
Other	6,570.00	**4.30%**	**-1.87%**	6,695.00	**4.50%**	**-6.87%**	7,189.00	**5.20%**
Total Sales	**150,039.00**	**100.00%**	**1.20%**	**148,258.00**	**100.00%**	**7.52%**	**137,888.00**	**100.00%**

Figure 61: Kroger Total Sales Breakdown

FY 2024 -2023

Non-Perishable

- Increased by 3.75%, growing from $74.121B to $76.903B, accounting for 51.3% of total sales.
    - This growth reflects steady demand for essential grocery items, driven by Kroger's value-focused offerings.

Fresh

- Grew slightly by 0.71%, from $35.433B to $35.686B, making up 23.8% of total revenue.
    - This slight increase indicates that while fresh products are popular, inflation may have tempered spending on premium fresh items.

Supermarket Fuel

- Declined by 10.79%, from $18.632B to $16.621B, representing 11.1% of total revenue.
    - The drop was due to lower retail fuel prices, showcasing the impact of price volatility on fuel revenue.

Pharmacy

- Rose by 6.59%, from $13.377B to $14.295B, or 9.5% of total sales.

- This growth reflects increased usage of pharmacy services, as Kroger expanded healthcare offerings to meet customer needs.

FY 2023 - 2022

Non-Perishable

- Grew by 6.42%, from $69.648B to $74.121B, making up 50.0% of total sales.
  - The increase reflects steady consumer demand for essential non-perishable goods.

Fresh

- Increased by 4.30%, from $33.972B to $35.433B, representing 23.9% of total sales.
  - This growth aligns with customer interest in high-quality and fresh food options.

Supermarket Fuel

- Surged by 26.94%, from $14.678B to $18.632B, contributing 12.6% of total revenue.
  - The increase was driven by 28.5% rise in fuel prices, illustrating the impact of price hikes on fuel revenue.

Pharmacy

- Rose by 7.87%, from $12.401B to $13.377B, accounting for 9.0% of total revenue.
  - This increase reflects higher demand for healthcare and prescription services as Kroger expanded its pharmacy offerings.

Other

- Declined by 6.87%, from $7.189B to $6.695B, or 4.5% of total revenue.
  - Primarily driven by gains in data analytics and third-party media services through Kroger Precision Marketing.

Revenue Breakdown

(in millions)	2024	2024 Adjusted	% Change	2023	% Change	2022
Total sales to retail customers without fuel	132,284.00	129,868.00	**0.90%**	128,664.00	**5.20%**	122,293.00
Supermarket fuel sales	16,621.00	16,340.00	**-12.30%**	18,632.00	**26.90%**	14,678.00
Other sales	1,134.00	1,120.00	**16.40%**	692.00	**4.90%**	917.00
Total Sales	**150,039.00**	**147,328.00**	**-0.60%**	**147,988.00**	**7.50%**	**137,888.00**

Figure 62: Kroger Revenue Streams

FY 2024 -2023

Total Sales to Retail Customers Without Fuel

- Increased by 0.9%, from $128.664B to $129.868B.
  - The modest growth suggests stable demand for Kroger's grocery offerings despite economic conditions.

Supermarket Fuel Sales

- Decreased by 12.3% from $18.623B to $16.340B.
  - The primary driver of this decline was a drop in retail fuel prices, which impacted total fuel sales although customer demand remained steady.

Other Sales

- Increased by 16.4%, from $1.120B to $629.0M.
  - The growth in this segment reflects Kroger's successful expansion into alternative revenue sources, such as Kroger Precision Marketing, specialty pharmacy, and financial services.

FY 2023 - 2022

Total Sales to Retail Customers Without Fuel

- Grew by 5.3%, from $122.293B to $128.664B.
  - This substantial increase highlights strong customer demand for Kroger's grocery products, driven by both brick and mortar stores and digital channels

Supermarket Fuel Sales

- Increased significantly by 26.9%, from $14.678B to $18.632B.

- The rise was largely due to an increase in retail fuel prices, contributing to strong revenue growth in this segment despite a steady volume of fuel sales.

Other Sales

- Rose by 4.9%, from $917.0M to $962.0M.
  - This category includes revenue from Kroger's digital and financial services, showing a steady increase as Kroger leverages data-driven advertising.

Total Sales

- Increased by 7.5%, from $137.888B to $147.988B.
  - The growth was supported by giants in both core grocery and fuel sales, demonstrating Kroger's robust overall performance across segments.

Gross Profit

(in millions)	2024	% Change	2023	% Chnage	2022
Revenue	**150,039.00**	**1.20%**	**148,258.00**	**7.52%**	**137,888.00**
+ Sales & Services Revenue	150,039.00	**1.20%**	148,258.00	**7.52%**	137,888.00
- Cost of Revenue	116,675.00	**0.17%**	116,480.00	**8.31%**	107,539.00
+ Cost of Goods & Services	116,675.00	**0.17%**	116,480.00	**8.31%**	107,539.00
Gross Profit	**33,364.00**	**4.99%**	**31,778.00**	**4.71%**	**30,349.00**

Figure 63: Kroger Gross Profit

FY 2024 - 2023

Gross Profit

- Increased by 4.99% from $31.778B FY 2023 to $33.364B FY 2024.
  - Total sales (excluding fuel) increased, driven by positive identical sales growth of 0.9%, with identical sales growth at 2.3%.
  - Reduced waste handling costs through 90%+ waste diversion and food waste reduction
  - Kroger's digital sales hit $12.0B in FY 2024, reflecting double-digit growth.

FY 2023 - 2022

Gross Profit

- Increased by 4.71%, from $30.349B FY 2022 to $31.778B FY 2023.
  - Revenue growth was supported by positive identical sales growth of 5.6% (excluding fuel), reflecting strong customer engagement and demand for Kroger's offerings
  - Expansion of the End-to-End Fresh initiative to over 1,400 stores drove increased sales in the fresh category
  - Kroger introduced 680 new private-label products in FY 2023 under brands like Smart Way™ and Simple Truth®

Cost of Revenue

- Rose significantly by 8.31%, from $107.539B to $116.480B.
- The large increase in costs relative to revenue growth indicates that operational expenses rose at a higher rate, partially due to inflationary pressures on goods and services.

Operating Income

(in millions)	2024	% Change	2023	% Chnage	2022
Gross Profit	**33,364.00**	**4.99%**	**31,778.00**	**4.71%**	**30,349.00**
+ Other Operating Income	0		0		0
- Operating Expenses	28,643.00	**4.97%**	27,286.00	**4.49%**	26,114.00
+ Selling, General & Admin	25,550.00	**2.89%**	24,833.00	**5.51%**	23,536.00
+ Selling & Marketing	1,089.00	**5.73%**	1,030.00	**4.67%**	*984*
+ General & Administrative	24,461.00	**2.76%**	23,803.00	**5.55%**	*22,552.00*
+ Research & Development	0.00		—		—
+ Depreciation & Amortization	3,125.00	**5.40%**	2,965.00	**4.99%**	2,824.00
+ Other Operating Expense	-32	**93.75%**	-512	**-108.13%**	-246
Operating Income (Loss)	**4,721.00**	**5.10%**	**4,492.00**	**6.07%**	**4,235.00**

Figure 64: Kroger Operating Income

FY 2024 - 2023

Operating Expenses

- Rose by 4.97%, from $27.286B FY 2023 to $28.643B FY 2023.
    - This includes all operational costs, indicating that while Kroger managed to grow its gross profit, operating expenses grew at a similar rate, impacting the company's bottom line.

Selling, General & Administrative (SG&A)

- Increased by 2.89%, from $24.833B FY 2023 to $25.550B FY 2024.
    - *Selling & Marketing:* grew by 5.73% from $1.030B FY 2023 to $1.089B FY 2024. The increase reflects higher marketing expenses, linked to digital and customer engagement initiatives.
    - *General & Administrative*: rose by 2.76%, from $23.803B FY 2023 to $24.461B FY 2024, driven by raised wages and benefits, with an average hourly wage reaching $18 (or $23.50 with benefits) and the addition of 14 Kroger Delivery locations required logistics and digital platform enhancements.

Depreciation & Amortization

- Increased by 5.40%, from $2.965B FY 2023 to $3.125B FY 2024.
    - Driven by continued investment in technology, equipment, and store refurbishments, additionally the opening of new Kroger Delivery customer fulfillment centers also contributed.

Other Operating Expense

- Increased 93.75%, from -$512.0M FY 2023 to -$32.0M FY 2024.
    - This change positively impacted Kroger’s operating income, reflecting an improvement in the performance of non-core segments and better management of non operating items.

Operating Income

- Increased by 5.10%, from $4.492B FY 2023 to $4.721B FY 2024.
    - Growth shows effective control over expenses and higher gross profit, despite an increase in overall operating expenses.

FY 2023 - 2022

Operating Expenses

- Rose by 4.49%, from $26.114B FY 2022 to $27.286B FY 2023.
    - This increase includes costs associated with both growth initiatives and inflationary pressures on operating expenses,

Selling, General & Administrative (SG&A)

- Increased by 5.51%, from $23.536B FY 2022 to $24.833B FY 2023.

  - *Selling & Marketing Expenses:* grew by 4.67%, from $948.0M FY 2022 to $1.030B FY 2023, Kroger committed nearly $800.0M to increase wages and benefits in FY 2023,
  - *General & Administrative Expenses:* increased by 5.55%, from $22.525B FY 2022 to $23.803B FY 2023, driven by rising administrative costs and investments in technology and infrastructure improvements.

Depreciation & Amortization

- Increased by 4.99%, from $2.824B FY 2022 to $2.965B FY 2023.
  - Growth was driven by ongoing investments in brick and mortar stores, technology enhancements, and expansion of Kroger's digital and fulfillment infrastructure.

Other Operating Expense

- Increased significantly by 108.13%, from $246.0M FY 2022 to $512.0M FY 2023.
  - Significant costs were incurred related to the proposed merger with Albertsons, including third-party professional fees and credit facility expenses, reflecting substantial one-time investments to advance the merger process.

Operating Income

- Increased by 6.07%, from $4.235B FY 2022 to $4.492B FY 2023.
  - Despite the rise in operating expenses and other costs, Kroger's growth in growth profit and control over SG&A helped achieve a solid increase in operating income.

Pretax Income

(in millions)	2024	% Change	2023	% Chnage	2022
Operating Income (Loss)	**4,721.00**	**5.10%**	**4,492.00**	**6.07%**	**4,235.00**
- Non-Operating (Income) Loss	411	1.99%	403	-33.39%	605
+ Interest Expense, Net	441	-17.57%	535	-6.30%	571
+ Interest Expense	*441*	-17.57%	*535*	-6.30%	*571*
- Interest Income	0		0		0
+ Foreign Exch (Gain) Loss	0		0		0
+ Other Non-Op (Income) Loss	-30	77.27%	-132	-488.24%	34
Pretax Income (Loss), Adjusted	**4,310.00**	**5.40%**	**4,089.00**	**12.64%**	**3,630.00**
- Abnormal Losses (Gains)	1,474.00	24.18%	1,187.00	-24.83%	1,579.00
+ Merger/Acquisition Expense	316	618.18%	44	-33.33%	66
+ Abnormal Derivatives	—		—		—
+ Disposal of Assets	-56	-40.00%	-40	9.09%	-44
+ Asset Write-Down	69	-70.26%	232	262.50%	64
+ Impairment of Goodwill	—		—		—
+ Gain/Loss on Sale/Acquisition of Business	—		—		—
+ Legal Settlement	1,475.00	1635.29%	85	N/A	—
+ Restructuring	—		—		136
+ Sale of Investments	-151	-118.39%	821	0.00%	821
+ Unrealized Investments	—		—		—
+ Other Abnormal Items	-179	-497.78%	45	-91.60%	536
Pretax Income (Loss), GAAP	**2,836.00**	**-2.27%**	**2,902.00**	**41.49%**	**2,051.00**

Figure 65: Kroger PreTax Income

FY 2024 - 2023

Non-Operating (Income) Loss

- Recorded a loss of $411.0M FY 2024, which is an increase from the $403.0M FY 2023, marking a 1.99% change.
  - Includes items not directly related to Kroger's core operations.

Interest Expense

- Decreased by 17.57%, from $5335.0M FY 2023 to $441.0M FY 2024.
  - Kroger reduced its total long-term debt by repaying $400.0M of senior notes during FY 2023.

Adjusted Pretax Income

- Increased by 5.40%, reaching $4.310B FY 2024, up from $4.089B FY 2023.

- *Abnormal Losses/Gains:* rose by 24.18%, from $1.187B FY 2023 to $1.474B FY 2024. A substantial portion of this increase arose from elevated legal settlement expenses, including costs associated with compliance and ongoing legal disputes.
- *Merger & Acquisition Expense*: increased by 618%, from $44.0M FY 2023 to $316.0M FY 2024. Substantial third-party consulting, legal, and regulatory compliance fees were incurred to manage the complex merger of Albertsons.
- *Legal Settlement:* increased significantly by 1635.29%, from $85.0M FY 2023 to $1.475B FY 2024. Kroger reached agreements to settle numerous lawsuits alleging its involvement in the opioid epidemic, accounting for the substantial increase in costs compared to FY 2023.
- *Other Abnormal Items:* recorded a significant decrease, showing a 497.78% reduction, from $45.0M FY 2023 to -$179.0M FY 2024. Adjustments are related to favorable outcomes in multi-employer pension fund obligations.

Pretax Income (Loss), GAAP

- Decreased slightly by 2.27%, from $2.902B FY 2023 to $2.836B FY 2024.
  - Expenses related to Kroger's proposed merger with Albertsons increased dramatically, including consulting and legal fees.

FY 2023 - 2022

Non-Operating (Income) Loss

- Decreased significantly by 33.39%, from $605.0M FY 2022 to $403.0M FY 2023.
  - Highlights a reduction in losses from non-core activities.

Interest Expense

- Decreased by 6.30%, from $571.0M FY 2022 to $535.0M FY 2023.
  - Displaying improved debt management and refinancing at more favorable rates.

Adjusted Pretax Income

- Increased by 12.64%, from $3.630B FY 2022 to $4.098B FY 2023.
  - *Abnormal Losses/Gains:* decreased by 24.83%, from $1.579N FY 2022 to $1.187B FY 2023, indicating fewer one-time losses compared to the previous year,
  - *Asset Write-Down:* increased significantly by 262.50%, from $64.0M FY 2022 to $232.0M FY 2023, reflecting adjustments to asset valuation.
  - *Sale of Investments:* remained consistent at $821.0M across both FY 2022 and FY 2023, suggesting stable performance in investment disposals.
  - *Restructuring:* increased from $136.0M FY 2022 to $85.0M FY 2023, indicating ongoing organizational adjustments.

Pretax Income (Loss), GAAP

- Increased significantly by 41.49%, from $2.051B FY 2022 to $2.902B FY 2023.
- This growth reflects improvements, driven by reduction in abnormal losses and better management of non-core expenses.

Effective Tax Rate

(in millions)	2025	2024	2023	2022
Provision for income taxes	-782.00	-667.00	-653.00	-385.00
Effective tax rate	23.00%	23.50%	22.50%	18.80%

Figure 66: Kroger Effective Tax Rate

As provided in their Second Quarter Fiscal 2024 Results, the effective tax rate is expected to be approximately 23% for the full-year moving forward. The provision for the FY 2025 was estimated using the company LTM provision for income taxes, utilizing Bloomberg Terminal.

FY 2024 - 2023

Provision for Income Taxes

- Increased from $653.0M FY 2023 to $667.0M FY 2024.
  - Reflects the higher taxable income and adjustments in effective tax rate, indicating a higher tax expense year-over-year

Effective Tax Rate

- Rose from 22.50% FY 2023 to 23.50% FY 2024.
  - State income taxes, net of federal tax benefits, increased as a proportion of Kroger's taxable income. State-level adjustments often contribute to higher overall effective tax rates.

FY 2023 - 2022

Provision for Income Taxes

- Rose significantly from 385.0M FY 2022 to $653.0M FY 2023.
  - Increase aligns with the higher effective tax rate and adjustments in taxable income, indicating an increase in tax expense year-over-year.

Effective Tax Rate

- Increased from 18.80% FY 2022 to 22.50% FY 2023.
  - Non-deductible charges, such as the impairment of goodwill related to Vitacost.com, added to the tax burden, increasing the effective tax rate relative to FY 2022.

Net Income

(in millions)	2024	% Change	2023	% Chnage	2022
Income (Loss) from Cont Ops	2,169.00	-3.56%	2,249.00	34.99%	1,666.00
- Net Extraordinary Losses (Gains)	0		0		0
+ Discontinued Operations	0		0		0
+ XO & Accounting Changes	0		0		0
Income (Loss) Incl. MI	2,169.00	-3.56%	2,249.00	34.99%	1,666.00
- Minority Interest	5	0.00%	5	-54.55%	11
Net Income, GAAP	2,164.00	-3.57%	2,244.00	35.59%	1,655.00

Figure 67: Kroger Net Income

FY 2024 - 2023

Net Income Decrease

- Moderate decrease of 3.57% from $2.244B FY 2023 to $2.164B FY 2024.
  - *Revenue Growth:* slowed to 1.20% FY 2024, though core grocery sales remained stable, fuel sales declined, contributing to a lowered revenue increase.
  - *Cost Management:* while Kroger implemented cost-saving measures, elevated legal expenses, particularly from non-deductible settlement, offset these savings and put pressure on overall profitability.
  - *Effective Tax Rate:* increased from 22.5% FY 2023 to 23.5% FY 2024, largely due to impact of tax credits and higher non-deductible expenses.
  - *Legal and Operational Casts:* faced substantial non-deductible legal settlement costs and operational investment increased.

FY 2023 - 2022

Net Income Increase

- Experienced a significant increase of 35.59%, rising from $1.655B FY 2022 to $2.44B FY 2023.
- *Revenue Growth:* experienced increase of 7.5% driven by robust core grocery sales and increased fuel prices.

- *Cost Management:* maintained effective cost, limiting SG&A and other operating expenses despite rising operation costs.
- *Effective Tax Rate*: rose from 18.8% FY 2022 to 22.5% FY 2023, primarily due to fewer credits and increased state income taxes, despite the higher tax rate net income benefited from strong revenue growth and cost efficiencies.
- *Investment Growth:* invested in digital transformation and fulfillment center, enhancing customer experience and supporting long-term growth.

Earnings Per Share

(in millions)	2024	% Change	2023	% Chnage	2022
Basic Weighted Avg Shares	718	0.00%	718	-3.49%	744
Basic EPS, GAAP	**3.01**	**-3.83%**	**3.13**	**40.99%**	**2.22**
Basic EPS from Cont Ops, GAAP	**3.01**	**-3.83%**	**3.13**	**40.99%**	**2.22**
Basic EPS from Cont Ops, Adjusted	**4.66**	**8.37%**	**4.3**	**10.82%**	**3.88**

Figure 68: Kroger EPS

FY 2024 - 2023

Basic EPS, GAAP

- Decreased by 3.83%, from $3.13 FY 2023 to $3.01 FY 2024.
    - *Revenue Growth:* slowed to 1.20% FY 2024, the modest increase in revenue and higher costs contributed to the decline in EPS.
    - *Higher Effective Tax Rate:* increased to 23.5% FY 2024, from 22.5% FY 2023, leading to higher tax provision and reducing net income, affecting EPS.
    - *Legal and Settlement Costs:* elevated non-deductible legal settlements expense FY 2024 negatively impacted net income, contributing to the decline in EPS.

Basic EPS, Adjusted

- Increased by 8.37%, from $4.30 FY 2023 to $4.66 FY 2024.
    - This growth reflects Kroger's focus on operational efficiency and cost control in its core operations, despite overall higher costs.

FY 2023 - 2022

Basic EPS, GAAP

- Increased significantly by 40.99%, from $2.22 FY 2022 to $3.13 FY 2023.
    - *Revenue and Gross Profit Growth:* revenue rose by 7.5%, supported by strong core grocery sales and higher fuel prices, driving a substantial increase in EPS.
    - *Effective Tax Rate Impact*: rose from 18.8% FY 2022 to 22.5% FY 2023, resulted in higher tax expense, however overall strong financial performance outperformed, leading to a significant EPS rise.
    - *Operational Efficiency:* effective control over operating expenses helped boost profitability, contributing to strong increase in EPS.

Basic EPS, Adjusted

- Increased by 10.82%, from $3.88 FY 2022 to $4.30 FY 2023.
    - Reflects Kroger's improvements in its core business operations, excluding certain on-time costs, giving a clear picture of ongoing profitability.

Balance Sheet

Total Assets

Kroger Co/The (KR US) - Standardized					
In Millions of USD except Per Sha	FY 2024		FY 2023		FY 2022
12 Months Ending	2/3/2024	Yoy Change	1/28/2023	Yoy Change	1/29/2022
Total Assets					
+ Cash, Cash Equivalents & STI	1,883.00	85.52%	1,015.00	-44.26%	1,821.00
+ Cash & Cash Equivalents	1,883.00	85.52%	1,015.00	-44.26%	1,821.00
+ ST Investments	0		0		0
+ Accounts & Notes Receiv	2,136.00	-4.39%	2,234.00	22.21%	1,828.00
+ Accounts Receivable, Net	2,136.00	-4.39%	2,234.00	22.21%	1,828.00
+ Notes Receivable, Net	0		0		0
+ Inventories	7,105.00	-6.02%	7,560.00	11.46%	6,783.00
+ Other ST Assets	1,824.00	-1.99%	1,861.00	6.83%	1,742.00
+ Derivative & Hedging Assets	0		—		—
+ Assets Held-for-Sale	—		0		0
+ Deferred Tax Assets	—		0		0
+ Taxes Receivable	—		0		—
+ Misc ST Assets	1,824.00	-1.99%	1,861.00	6.83%	1,742.00
Total Current Assets	**12,948.00**	2.19%	**12,670.00**	4.07%	**12,174.00**
+ Property, Plant & Equip, Net	31,922.00	1.70%	31,388.00	2.97%	30,484.00
+ Property, Plant & Equip	63,385.00	5.59%	60,030.00	6.09%	56,582.00
- Accumulated Depreciation	31,463.00	9.85%	28,642.00	9.75%	26,098.00
+ LT Investments & Receivables	401	0.00%	401	-59.37%	987
+ LT Investments	401	0.00%	401	-59.37%	987
+ Other LT Assets	5,234.00	1.36%	5,164.00	-5.09%	5,441.00
+ Total Intangible Assets	3,815.00	0.00%	3,815.00	-5.05%	4,018.00
+ Goodwill	*2,916.00*	0.00%	*2,916.00*	-5.20%	*3,076.00*
+ Other Intangible Assets	*899*	0.00%	*899*	-4.56%	*942*
+ Derivative & Hedging Assets	35		—		0
+ Prepaid Pension Costs	—		—		—
+ Misc LT Assets	1,384.00	2.59%	1,349.00	-5.20%	1,423.00
Total Noncurrent Assets	**37,557.00**	1.63%	**36,953.00**	0.11%	**36,912.00**
Total Assets	**50,505.00**	1.78%	**49,623.00**	1.09%	**49,086.00**
Source: Bloomberg					

Figure 69: Kroger Balance Sheet - Total Assets

Total Liabilities & Equity

Kroger Co/The (KR US) - Standardized					
In Millions of USD except Per Sha	FY 2024		FY 2023		FY 2022
12 Months Ending	2/3/2024	Yoy Chang	1/28/2023	Yoy Chang	1/29/2022
Liabilities & Shareholders' Equity					
+ Payables & Accruals	11,704.00	32.02%	8,865.00	0.14%	8,853.00
+ Accounts Payable	10,381.00	45.82%	7,119.00	0.03%	7,117.00
+ Accrued Taxes	0		0		0
+ Interest & Dividends Payable	0		0		0
+ Other Payables & Accruals	1,323.00	-24.23%	1,746.00	0.58%	1,736.00
+ ST Debt	868	-55.98%	1,972.00	63.65%	1,205.00
+ ST Borrowings	0		0		0
+ ST Lease Liabilities	843	2.93%	819	8.62%	754
+ ST Finance Leases	*173*	10.19%	*157*	50.96%	*104*
+ ST Operating Leases	*670*	1.21%	*662*	1.85%	*650*
+ Current Portion of LT Debt	25	-97.83%	1,153.00	155.65%	451
+ Other ST Liabilities	3,486.00	-45.54%	6,401.00	2.17%	6,265.00
+ Deferred Revenue	0		0		0
+ Derivatives & Hedging	0		—		0
+ Deferred Tax Liabilities	—		0		0
+ Misc ST Liabilities	3,486.00	-45.54%	6,401.00	2.17%	6,265.00
Total Current Liabilities	**16,058.00**	**-6.85%**	**17,238.00**	**5.61%**	**16,323.00**
+ LT Debt	18,379.00	-0.33%	18,440.00	-4.13%	19,235.00
+ LT Borrowings	10,162.00	0.23%	10,139.00	-10.23%	11,294.00
+ LT Lease Liabilities	8,217.00	-1.01%	8,301.00	4.53%	7,941.00
+ LT Finance Leases	*1,866.00*	-3.27%	*1,929.00*	27.33%	*1,515.00*
+ LT Operating Leases	*6,351.00*	-0.33%	*6,372.00*	-0.84%	*6,426.00*
+ Other LT Liabilities	4,467.00	13.64%	3,931.00	-4.10%	4,099.00
+ Accrued Liabilities	0		0		0
+ Pension Liabilities	385	-11.70%	436	-8.79%	478
+ Deferred Revenue	0		0		0
+ Deferred Tax Liabilities	1,579.00	-5.56%	1,672.00	7.04%	1,562.00
+ Derivatives & Hedging	3		—		0
+ Misc LT Liabilities	2,500.00	37.14%	1,823.00	-11.46%	2,059.00
Total Noncurrent Liabilities	**22,846.00**	**2.12%**	**22,371.00**	**-4.13%**	**23,334.00**
Total Liabilities	**38,904.00**	**-1.78%**	**39,609.00**	**-0.12%**	**39,657.00**
+ Preferred Equity and Hybrid Capital	0		0		0
+ Share Capital & APIC	5,840.00	2.04%	5,723.00	2.65%	5,575.00
+ Common Stock	1,918.00	0.00%	1,918.00	0.00%	1,918.00
+ Additional Paid in Capital	3,922.00	3.07%	3,805.00	4.05%	3,657.00
- Treasury Stock	20,682.00	0.15%	20,650.00	4.71%	19,722.00
+ Retained Earnings	26,946.00	5.25%	25,601.00	6.38%	24,066.00
+ Other Equity	-489	22.63%	-632	-35.33%	-467
Equity Before Minority Interest	**11,615.00**	**15.66%**	**10,042.00**	**6.24%**	**9,452.00**
+ Minority/Non Controlling Interest	-14	50.00%	-28	-21.74%	-23
Total Equity	**11,601.00**	**15.85%**	**10,014.00**	**6.20%**	**9,429.00**
Total Liabilities & Equity	**50,505.00**	**1.78%**	**49,623.00**	**1.09%**	**49,086.00**
Source: Bloomberg					

Figure 70: Kroger Balance Sheet - Liabilities & Shareholders Equity

Total Current Assets

(in millions)	2024	% Change	2023	% Chnage	2022
Total Assets					
+ Cash, Cash Equivalents & STI	1,883.00	85.52%	1,015.00	-44.26%	1,821.00
+ Cash & Cash Equivalents	1,883.00	85.52%	1,015.00	-44.26%	1,821.00
+ ST Investments	0		0		0
+ Accounts & Notes Receiv	2,136.00	-4.39%	2,234.00	22.21%	1,828.00
+ Accounts Receivable, Net	2,136.00	-4.39%	2,234.00	22.21%	1,828.00
+ Notes Receivable, Net	0		0		0
+ Inventories	7,105.00	-6.02%	7,560.00	11.46%	6,783.00
+ Other ST Assets	1,824.00	-1.99%	1,861.00	6.83%	1,742.00
+ Derivative & Hedging Assets	0		—		—
+ Assets Held-for-Sale	—		0		0
+ Deferred Tax Assets	—		0		0
+ Taxes Receivable	—		0		—
+ Misc ST Assets	1,824.00	-1.99%	1,861.00	6.83%	1,742.00
Total Current Assets	**12,948.00**	**2.19%**	**12,670.00**	**4.07%**	**12,174.00**

Figure 71: Kroger Total Current Assets

FY 2024 - 2023

Total Current Assets

- Increased by 2.19%, from $12.670B FY 2023 to $12.948B FY 2024.
  - Kroger emphasized fresh food growth through End-to-End Fresh-certified stores, with over 2,100 locations ensuring longer shelf-life produce.
  - Mercado line, featuring 50 new Hispanic-inspired products, along with the plan to launch 800 new products under Our Brands

Cash, Cash Equivalents & Short-Term Investments

- Rose significantly by 85.52%, from $1.015B FY 2023 to $1.833B FY 2024.
  - Driven by a strong operational cash flow, growth in sales of 2.3% and sustainable savings, including a 26.2% cumulative reduction in retail food waste since 2017 and Achieving 90%+ waste diversion from landfills.

Accounts & Notes Receivable, Net

- Slight decline of 4.39%, from $2.234B FY 2023 to $2.136B FY 2024.
  - Kroger's termination of its agreement with Express Scripts effective December 31, 2022 led to reduced receivables from pharmacy operations.

Inventories

- Decrease by 6.02%, from $7.560B FY 2023 to $7.105B FY 2024.
  - Kroger implemented improved inventory practices as part of its ongoing efforts to reduce, shrink and optimize supply chain operations.
  - Enhanced inventory tracking and replenishment systems to better match supply with demand.

Other Short-Term Assets

- Decreased by 1.99%, from $1.861B FY 2023 to $1.824B FY 2024.
  - Kroger optimized prepaid expenses for marketing, insurance, and IT services to maintain liquidity and streamline short-term assets.

FY 2023 - 2022

Total Current Assets

- Increased by 4.07% , from $12.174B FY 2022 to $12.670B FY 2023.

- ○ The FIFO inventory value increased significantly, from $8.353B in FY 2022 to $9.756B in FY 2023, reflecting higher inventory levels due to inflationary pressures and strategic forward buying to protect margins amidst supply chain challenges.

Cash, Cash Equivalents & Short-Term Investments

- Declined 44.26%, from $1.821B FY 2022 to $1.015B FY 2023.
    - Driven by increased capital investments in property and equipment increasing significantly in FY 2023, totaling $3.078B compared to $2.614B in the prior year.
    - Additionally, Kroger repaid $400.0M of senior notes in FY 2023.

Accounts & Notes Receivable, Net

- Significantly increased 22.21%, from $1.828B FY 2022 to $2.234B FY 2023.
    - An increase in pharmacy receivables was noted due to timing delays in cash collections from insurers and government programs.

Inventories

- Increase of 11.46%, from $6.783B FY 2022 to $7.560B FY 2023.
    - Increased inflationary pressures during FY 2023 caused higher costs for goods across several categories, leading to an increase in inventory valuation, particularly for grocery and other merchandise

Other Short-Term Assets

- Increased by 6.83%, from $1.742B FY 2022 to $1.861B FY 2023.
    - There was an increase in prepaid expenses, particularly related to contractual arrangements, which reflected operational adjustments to secure better terms.
    - Additionally, costs associated with the implementation of cloud computing arrangements rose in FY 2023, which are considered short-term assets until amortized.

Total Non-Current Assets

(in millions)	2024	% Change	2023	% Chnage	2022
Total Current Assets	**12,948.00**	**2.19%**	**12,670.00**	**4.07%**	**12,174.00**
+ Property, Plant & Equip, Net	31,922.00	1.70%	31,388.00	2.97%	30,484.00
+ Property, Plant & Equip	63,385.00	5.59%	60,030.00	6.09%	56,582.00
- Accumulated Depreciation	31,463.00	9.85%	28,642.00	9.75%	26,098.00
+ LT Investments & Receivables	401	0.00%	401	-59.37%	987
+ LT Investments	401	0.00%	401	-59.37%	987
+ Other LT Assets	5,234.00	1.36%	5,164.00	-5.09%	5,441.00
+ Total Intangible Assets	3,815.00	0.00%	3,815.00	-5.05%	4,018.00
+ Goodwill	*2,916.00*	0.00%	*2,916.00*	-5.20%	*3,076.00*
+ Other Intangible Assets	*899*	0.00%	*899*	-4.56%	*942*
+ Derivative & Hedging Assets	35		—		0
+ Prepaid Pension Costs	—		—		—
+ Misc LT Assets	1,384.00	2.59%	1,349.00	-5.20%	1,423.00
Total Noncurrent Assets	**37,557.00**	**1.63%**	**36,953.00**	**0.11%**	**36,912.00**

Figure 72: Kroger Total Non-current Assets

FY 2024 - 2023

Property, Plant & Equipment, Net

- Rose by 1.70%, from $31.386B FY 2023 to $31.922B FY 2024.
    - Reflects Kroger's ongoing investments in physical infrastructure and equipment, necessary to maintain and expand retail operations.

Accumulated Depreciation

- Increased by 9.85%, from $28.642B FY 2023 to $31.463B FY 2024.
    - Increase played a significant role in offsetting $400.0M of net income in FY 2024.

- Driven by renovating and upgrading stores, FY 2024 saw more new builds and renovations than in the past five years.

Miscellaneous Long-Term Assets

- Grew by 2.59%, from $1.349B FY 2023 to $5.234B FY 2024.
  - Kroger's focus on digital sales and alternative revenue streams, including $12.0B in digital sales and growth in its retail media business, required investments in long-term technology and platforms.

FY 2023 - 2022

Property, Plant & Equipment, Net

- Increased by 2.97%, from $30.484B FY 2022 to $31.386B FY 2023.
  - Driven by increased capital expenditures, as the company invested $3.078B in property and equipment during FY 2023, up from $2.614B in FY 2022.

Accumulated Depreciation

- Grew by 9.75%, from $26.098B FY 2023 to $28.642B FY 2024.
  - Kroger reported substantial investments in property, plant, and equipment, which are recorded at cost. The depreciation expenses related to these assets contribute directly to the increase in accumulated depreciation.
  - Accumulated depreciation offsets property, plant, and equipment (PP&E) by directly reducing the gross carrying value of PP&E on the balance sheet.

Other Long-Term Assets

- Decreased 5.09%, from $5.441B FY 2022 to $5.164B FY 2023, reflecting Kroger's re-evaluation of its long-term investments and divestment or reclassification of certain non-core assets.
  - *Total Intangible Assets:* decreased by 5.05%, from $4.018B FY 2022 to $3.815B FY 2023, driven by amortization of intangible assets acquired in previous years.
  - *Goodwill:* decreased by 5.20%, from $3.076B FY 2022 to $2.916B FY 2023, resulted from goodwill impairments, which occurred due to fair value of acquired entities decline or adjustments to previous acquisitions.
  - *Other Intangible Assets:* decreased by 4.56%, from $942.0M FY 2022 to $899.0M FY 2023, due to amortization expenses on intangible assets, as well as potential write-downs or re-evaluations of intangible asset values.

Miscellaneous Long-Term Assets

- Grew by 2.59%, from $1.349B FY 2023 to $5.234B FY 2024.
  - Reflecting incremental increases in assets that don't fall under primary asset categories.

Total Assets

(in millions)	2024	% Change	2023	% Chnage	2022
Total Assets	50,505.00	1.78%	49,623.00	1.09%	49,086.00

Figure 73: Kroger Total Assets

FY 2024 - 2023

- Increased by 1.78%, rising from $49.623B FY 2023 to $50.505B FY 2024.
  - *Cash, Cash Equivalents & Short-Term Investments:* rose by 85.52%, from $1.015B in FY 2023 to $1.833B in FY 2024. Driven by strong operational cash flow, with Kroger delivering $5.0B in adjusted FIFO operating profit.
  - *Property, Plant & Equipment, Net (PP&E):* 2.19% increase in PP&E, from $31.388B FY 2023 to $31.922B FY 2024. Driven by heavy investments in store renovations, new builds, and supply chain infrastructure.

- ○ *Miscellaneous Long-Term Assets:* grew significantly by 2.59%, from $1.349B FY 2023 to $5.234B in FY 2024, driven by investments in technology and digital platforms and costs associated with the proposed merger with Albertsons.

FY 2023 - 2022

- Grew by 1.09%, from $49.086B FY 2022 to $49.623B FY 2023.
  - ○ *Property, Plant & Equipment, Net (PP&E):* net PPE balance increased by $904.0M, as Kroger continued to invest in property, plant, and equipment (PPE), reflecting their strategy to enhance their store infrastructure and digital capabilities.
  - ○ *Strategic Investments:* investments in its "Accelerating with Digital" strategy to improve e-commerce, delivery infrastructure, and personalized customer experiences, requiring long-term investments that increase asset balances.

Total Current Liabilities

(in millions)	2024	% Change	2023	% Chnage	2022
Liabilities & Shareholders' Equity					
+ Payables & Accruals	11,704.00	32.02%	8,865.00	0.14%	8,853.00
+ Accounts Payable	10,381.00	45.82%	7,119.00	0.03%	7,117.00
+ Accrued Taxes	0		0		0
+ Interest & Dividends Payable	0		0		0
+ Other Payables & Accruals	1,323.00	-24.23%	1,746.00	0.58%	1,736.00
+ ST Debt	868	-55.98%	1,972.00	63.65%	1,205.00
+ ST Borrowings	0		0		0
+ ST Lease Liabilities	843	2.93%	819	8.62%	754
+ ST Finance Leases	*173*	10.19%	*157*	50.96%	*104*
+ ST Operating Leases	*670*	1.21%	*662*	1.85%	*650*
+ Current Portion of LT Debt	25	-97.83%	1,153.00	155.65%	451
+ Other ST Liabilities	3,486.00	-45.54%	6,401.00	2.17%	6,265.00
+ Deferred Revenue	0		0		0
+ Derivatives & Hedging	0		—		0
+ Deferred Tax Liabilities	—		0		0
+ Misc ST Liabilities	3,486.00	-45.54%	6,401.00	2.17%	6,265.00
Total Current Liabilities	**16,058.00**	-6.85%	**17,238.00**	5.61%	**16,323.00**

Figure 74: Kroger Total Current Liabilities

FY 2024 - 2023

Total Current Liabilities

- Decreased by 6.85%, from $17.238B FY 2023 to $16.058B FY 2024.
  - ○ Reduced inventory by 6.02%, from $7.560B in FY 2023 to $7.105B in FY 2024, the decrease in inventory led to lower accounts payable balances as Kroger optimized its supply chain and purchasing.
  - ○ Prioritized reducing short-term obligations to improve its liquidity position, aligning with the significant 85.52% increase in Cash, Cash Equivalents & Short-Term Investments, from $1.015B to $1.833B.

Payables and Accruals

- Increased significantly by 32.025, from $8.865B FY 2023 to $11.704B FY 2024.
  - ○ Significantly increased its purchases for fresh products and private-label inventory to meet customer demand, as reflected in its focus on the End-to-End Fresh initiative.
  - ○ Additionally, Kroger accrued substantial legal, administrative, and consulting costs related to the proposed merger with Albertsons Co.

Other Payables and Accruals

- Declined by 24.23%, from $1.764B FY 2023 to $1.323B FY 2024.
  - ○ An 18% increase in digitally engaged households signals a shift toward data-driven, efficient marketing strategies, which require fewer upfront accruals for campaigns and customer incentives.

  - Additionally, Kroger's proposed merger with Albertsons Companies may have prompted a reclassification to align with strategic financial reporting goals.

Short-Term Debt

- Dropped by 55.98% from $1.972B FY 2023 to $868.0M FY 2024.
  - Increased its cash, cash equivalents, and short-term investments by 85.52%, from $1.015B in FY 2023 to $1.833B in FY 2024
  - Inventories decreased by 6.02%, from $7.560B in FY 2023 to $7.105B in FY 2024; reduction in working capital requirements likely decreased the need for short-term borrowing to fund inventory purchases.

ST Finance Leases

- Increased slightly by 2.93%, from $819.0M FY 2023 to $843.0M FY 2024.
  - Kroger engaged in significant store renovations and new builds in FY 2024, with more projects completed than in the past five years; some of these expansions and updates likely involved additional lease agreements for equipment or facilities, contributing to short-term finance lease obligations.

Miscellaneous Short-Term Liabilities

- Decreased significantly by 45.54%, from $6.401B FY 2023 to $3.486B FY 2024.
  - Largely attributed to the repayment of short-term liabilities accrued in FY 2023, including one-time or non-recurring obligations.
  - Kroger's 85.52% increase in Cash, Cash Equivalents & Short-Term Investments from $1.015B to $1.833B, supported the timely settlement of these liabilities.

FY 2023 - 2022

Total Current Liabilities

- Increased by 5.61%, from $16.323B FY 2022 to $17.238B FY 2023.
  - Kroger's inventory grew slightly by reflecting inflationary pressures and efforts to meet consumer demand.

Short-Term Debt

- Increased significantly by 63.65%, from $1.205B FY 2022 to $1.927B FY 2023.
  - Invested significantly in capital projects during FY 2022-23, allocating $3.3B to initiatives such as improving in-store experiences and expanding digital and fulfillment capabilities.
  - Additionally, the company faced inflationary pressures and rising costs, which required greater liquidity to maintain operations and inventory.

ST Finance Leases

- Increased significantly by 50.96%, rising from $104.0M FY 2022 to $157.0M FY 2023.
  - Opened four new delivery fulfillment centers. These facilities utilize robotic equipment leased under finance lease agreements.
  - Recorded finance lease assets of $629.0M and finance lease liabilities of $583.0M associated with these openings.

Current Portion of Long-Term Debt

- Increased by 155.65%, from $451.0M FY 2022 to $1.153B FY 2023.
  - Driven by scheduled debt maturities, the increase reflects a reclassification of long-term debt due in 2023 from non-current liabilities to current liabilities.
  - The total long-term debt was $11.292B as of FY 2023, with $1.153B marked for maturity in 2023.

Miscellaneous Short-Term Liabilities

- Increased by 2.17%, from $6.265B FY 2022 to $6.401B FY 2023.

- ○ Kroger includes the current portion of self-insurance liabilities, which are actuarially determined for workers' compensation claims, in its miscellaneous short-term liabilities. FY 2023, the current portion of this liability was $236.0M.

Total Noncurrent Liabilities

(in millions)	2024	% Change	2023	% Chnage	2022
Total Current Liabilities	**16,058.00**	**-6.85%**	**17,238.00**	**5.61%**	**16,323.00**
+ LT Debt	18,379.00	-0.33%	18,440.00	-4.13%	19,235.00
+ LT Borrowings	10,162.00	0.23%	10,139.00	-10.23%	11,294.00
+ LT Lease Liabilities	8,217.00	-1.01%	8,301.00	4.53%	7,941.00
+ LT Finance Leases	*1,866.00*	-3.27%	*1,929.00*	27.33%	*1,515.00*
+ LT Operating Leases	*6,351.00*	-0.33%	*6,372.00*	-0.84%	*6,426.00*
+ Other LT Liabilities	4,467.00	13.64%	3,931.00	-4.10%	4,099.00
+ Accrued Liabilities	0		0		0
+ Pension Liabilities	385	-11.70%	436	-8.79%	478
+ Deferred Revenue	0		0		0
+ Deferred Tax Liabilities	1,579.00	-5.56%	1,672.00	7.04%	1,562.00
+ Derivatives & Hedging	3		—		0
+ Misc LT Liabilities	2,500.00	37.14%	1,823.00	-11.46%	2,059.00
Total Noncurrent Liabilities	**22,846.00**	**2.12%**	**22,371.00**	**-4.13%**	**23,334.00**

Figure 75: Kroger Total Non Current Liabilities

FY 2024 - 2023

Total Noncurrent Liabilities

- Increased by 2.12%, from $22.371B FY 2023 to $22.846B FY 2024.
  - ○ Kroger likely refinanced or reallocated some short-term obligations into long-term debt, as evidenced by the 55.98% decrease in short-term debt from $1.972B FY 2023 to $868.0M in FY 2024.
  - ○ Long-term liabilities likely increased due to the costs associated with Kroger's proposed merger with Albertsons Companies.

Deferred Tax Liabilities

- Decreased by 5.56%, from $1.672B FY 2023 to $1.579B FY 2024.
  - ○ Deferred tax liabilities often arise from differences in the depreciation methods or rates used for financial reporting versus tax reporting.
  - ○ Changes in the tax basis of Kroger's assets due to disposals, revaluations, or tax credits could reduce deferred tax liabilities.

Miscellaneous Long-Term Liabilities

- Increased significantly by 37.14%, from $1.823B FY 2023 to $2.500B FY 2024.
  - ○ Kroger recognized $1.129B of the nationwide opioid settlement liability as part of Miscellaneous Long-Term Liabilities.

FY 2023 - 2022

Total Noncurrent Liabilities

- Decreased by 4.13%, from $23.334B FY 2022 to $22.371B FY 2023.
  - ○ Long-term debt of $1.153B is scheduled to mature in FY 2023, reducing the noncurrent portion of total liabilities
  - ○ During FY 2022, Kroger repaid $552.0M in long-term debt, further reducing noncurrent liabilities.

Long-Term Debt

- Declined by 4.13%, from $19.235B FY 2022 to $18.439B FY 2023.

- $1.153B of long-term debt was classified as current because it is scheduled for repayment within 12 months

Long-Term Borrowing

- Declined by 10.23%, from $11.294B FY 2022 to $10.139B FY 2023.
  - During FY 2022, Kroger repaid $400.0M of senior notes bearing an interest rate of 2.80%, using cash on hand.

Deferred Tax Liabilities

- Increased by 7.04%, from $1.562B FY 2022 to $1.672B FY 2023.
  - Deferred tax liabilities related to depreciation and amortization increased from $1.954B in FY 2022 to $2.006B in FY 2023.
  - Deferred tax liabilities linked to equity investments rose from $8.0M in FY 2022 to $147.0M in FY 2023.

Miscellaneous Long-Term Liabilities

- Decreased by 11.46%, from $2.059B FY 2022 to $1.823B FY 2024.
  - The long-term portion of self-insurance liabilities was $476.0M in FY 2023, a reduction compared to FY 2022.

Total Liabilities

(in millions)	2024	% Change	2023	% Chnage	2022
Total Liabilities	38,904.00	-1.78%	39,609.00	-0.12%	39,657.00

Figure 76: Kroger Total Liabilities

FY 2024 - 2023

- Slight decrease of 1.78%, moving from $39.609B FY 2023 to $38.904B FY 2024.
  - Driven by a decrease in Current Liabilities -$1.180B, reflecting effective debt repayment strategies, with particular focus on reducing high-interest debt and lease liabilities.
  - Reflects Kroger's prudent approach to managing debt levels, prioritizing financial flexibility and reducing interest costs.

FY 2023 - 2022

- Minor decrease of 10.12%, from $39.657B FY 2022 to $39.609B FY 2023.
  - Driven by a decrease in both Long-Term Borrowings -$1.555B, and Miscellaneous Long-Term Liabilities -$236.0M, reflecting Kroger's strategic debt repayment and efficient cash management efforts.
  - Reflects Kroger's strategic approach to maintaining debt levels, prioritizing financial flexibility, and reducing their interest expenses.

Shareholder's Equity

(in millions)	2024	% Change	2023	% Chnage	2022
Total Liabilities	38,904.00	-1.78%	39,609.00	-0.12%	39,657.00
+ Preferred Equity and Hybrid Capital	0		0		0
+ Share Capital & APIC	5,840.00	2.04%	5,723.00	2.65%	5,575.00
+ Common Stock	1,918.00	0.00%	1,918.00	0.00%	1,918.00
+ Additional Paid in Capital	3,922.00	3.07%	3,805.00	4.05%	3,657.00
- Treasury Stock	20,682.00	0.15%	20,650.00	4.71%	19,722.00
+ Retained Earnings	26,946.00	5.25%	25,601.00	6.38%	24,066.00
+ Other Equity	-489	22.63%	-632	-35.33%	-467
Equity Before Minority Interest	11,615.00	15.66%	10,042.00	6.24%	9,452.00
+ Minority/Non Controlling Interest	-14	50.00%	-28	-21.74%	-23
Total Equity	11,601.00	15.85%	10,014.00	6.20%	9,429.00

Figure 77: Kroger Shareholder's Equity

FY 2024 - 2023

Total Equity

- Grew by 15.85%, from $10.014B FY 2023 to $11.601B FY 2024.
    - Reflects Kroger's ability to return earrings, manage share repurchases, and sustain shareholder value, supported by a solid performance in retained earnings and effective capital management.

Share Capital & Additional Paid-in Capital

- Increased by 2.04%, reaching $5.840B FY 2024, compared to $5.723B FY 2023.
    - Kroger issued shares as part of its employee long-term incentive plans. The inclusion of these issued shares increased Additional Paid-in Capital, reflecting compensation expenses settled through equity awards.

Retained Earnings

- Increased significantly by 5.25%, rising from $25.606B FY 2023 to $26.946B FY 2024.
    - Adjusted net income for FY 2024, totaled $3.345B, which represents a 7.4% increase from FY 2023.
    - Returned $796.0M to shareholders through dividends in FY 2024, a 16.7% increase compared to the $682.0M paid in FY 2023.

Other Equity

- Increased by 22.63%, from -$632.0M FY 2023 to -$489.0M FY 2024.
    - Driven by pension and postretirement benefit adjustments and foreign currency translation adjustments.

FY 2023 - 2022

Total Equity

- Increased by 6.20%, from $9.429B FY 2022 to $10.14B FY 2023.
    - Kroger achieved $2.244B in net income in FY 2023, a 35.6% increase from FY 2022.

Share Capital & Additional Paid-in Capital

- Increased by 2.65%, reaching $5.723B FY 2023, up from $5.575B FY 2022.
    - A significant portion of this increase is tied to the issuance of shares under Kroger's employee stock compensation programs, including stock options and restricted stock grants.

Retained Earnings

- Increased by 6.38%, from $24.066B Fy 2022 to $25.606B FY 2023.
    - Adjusted net income for FY 2024, totaled $3.086B, which represents a 6.97% increase from FY 2023.
    - During FY 2023, Kroger distributed $682M in cash dividends.

Treasury Stock

- Rose by 4.71%, from $19.772B FY 2022 to $20.650B FY 2023.
    - During FY 2023, Kroger repurchased $993M worth of shares, which were added to its treasury stock balance.

Other Equity

- Decreased by 35.35%, from -$467.0M FY 2022 to $632.0M FY 2023.
    - Due to changes in the net actuarial loss and other components associated with pension and post-retirement benefit obligations.

Statement of Cash Flow

Kroger Co/The (KR US) - Standardized					
In Millions of USD except Per Share	FY 2024		FY 2023		FY 2022
12 Months Ending	2/3/2024	Yoy Change	1/28/2023	Yoy Change	1/29/2022
Cash from Operating Activities					
+ Net Income	2,164.00	-3.57%	2,244.00	35.59%	1,655.00
+ Depreciation & Amortization	3,125.00	5.40%	2,965.00	4.99%	2,824.00
+ Non-Cash Items	768	-39.76%	1,275.00	92.60%	662
+ Stock-Based Compensation	172	-9.47%	190	-6.40%	203
+ Deferred Income Taxes	-155	-196.27%	161	619.35%	-31
+ Other Non-Cash Adj	751	-18.72%	924	88.57%	490
+ Chg in Non-Cash Work Cap	731	136.81%	-1,986.00	-289.32%	1,049.00
+ (Inc) Dec in Accts Receiv	14	106.31%	-222	-263.93%	-61
+ (Inc) Dec in Inventories	342	124.96%	-1,370.00	-1812.50%	80
+ Inc (Dec) in Accts Payable	545	18066.67%	3	-99.32%	438
+ Inc (Dec) in Other	-170	57.18%	-397	-167.06%	592
+ Net Cash From Disc Ops	0		0		0
Cash from Operating Activities	6,788.00	50.91%	4,498.00	-27.33%	6,190.00
Cash from Investing Activities					
+ Change in Fixed & Intang	-3,803.00	-26.77%	-3,000.00	-21.90%	-2,461.00
+ Disp in Fixed & Intang	101	29.49%	78	-49.02%	153
+ Disp of Fixed Prod Assets	*101*	29.49%	*78*	-49.02%	*153*
+ Disp of Intangible Assets	*0*		*0*		*0*
+ Acq of Fixed & Intang	-3,904.00	-26.84%	-3,078.00	-17.75%	-2,614.00
+ Acq of Fixed Prod Assets	*-3,904.00*	-26.84%	*-3,078.00*	-17.75%	*-2,614.00*
+ Acq of Intangible Assets	*0*		*0*		*0*
+ Net Change in LT Investment	0		0		0
+ Dec in LT Investment	0		0		0
+ Inc in LT Investment	0		0		0
+ Net Cash From Acq & Div	0		0		0
+ Cash from Divestitures	0		0		0
+ Cash for Acq of Subs	0		0		0
+ Cash for JVs	0		0		0
+ Other Investing Activities	53	453.33%	-15	90.00%	-150
+ Net Cash From Disc Ops	0		0		0
Cash from Investing Activities	-3,750.00	-24.38%	-3,015.00	-15.47%	-2,611.00
Cash from Financing Activities					
+ Dividends Paid	-796	-16.72%	-682	-15.79%	-589
+ Cash From (Repayment) Debt	-1,286.00	-132.97%	-552	60.17%	-1,386.00
+ Cash From (Repay) ST Debt	0		0		0
+ Cash From LT Debt	15	N/A	0	-100.00%	56
+ Repayments of LT Debt	-1,301.00	-135.69%	-552	61.72%	-1,442.00
+ Cash (Repurchase) of Equity	-12	98.60%	-859	41.76%	-1,475.00
+ Increase in Capital Stock	50	-62.69%	134	-22.09%	172
+ Decrease in Capital Stock	-62	93.76%	-993	39.71%	-1,647.00
+ Other Financing Activities	-76	61.22%	-196	-4020.00%	5
+ Net Cash From Disc Ops	0		0		0
Cash from Financing Activities	-2,170.00	5.20%	-2,289.00	33.56%	-3,445.00
Effect of Foreign Exchange Rates	0		0		0
Net Changes in Cash	868	207.69%	-806	-701.49%	134
Cash Paid for Taxes	751	7.59%	698	36.06%	513
Cash Paid for Interest	488	-10.46%	545	-10.21%	607
Source: Bloomberg					

Figure 78: Kroger Statement of Cash Flow

Operating Activities

(in millions)	2024	% Change	2023	% Chnage	2022
Cash from Operating Activities					
+ Net Income	2,164.00	-3.57%	2,244.00	35.59%	1,655.00
+ Depreciation & Amortization	3,125.00	5.40%	2,965.00	4.99%	2,824.00
+ Non-Cash Items	768	-39.76%	1,275.00	92.60%	662
+ Stock-Based Compensation	172	-9.47%	190	-6.40%	203
+ Deferred Income Taxes	-155	-196.27%	161	619.35%	-31
+ Other Non-Cash Adj	751	-18.72%	924	88.57%	490
+ Chg in Non-Cash Work Cap	731	136.81%	-1,986.00	-289.32%	1,049.00
+ (Inc) Dec in Accts Receiv	14	106.31%	-222	-263.93%	-61
+ (Inc) Dec in Inventories	342	124.96%	-1,370.00	-1812.50%	80
+ Inc (Dec) in Accts Payable	545	18066.67%	3	-99.32%	438
+ Inc (Dec) in Other	-170	57.18%	-397	-167.06%	592
+ Net Cash From Disc Ops	0		0		0
Cash from Operating Activities	**6,788.00**	**50.91%**	**4,498.00**	**-27.33%**	**6,190.00**

Figure 79: Kroger Operating Activities

FY 2024 - 2023

- Increased significantly by 50.91%, from $4.498B FY 2023 to $6.788B FY 2024.
  - *Net Income:* decreased by 3.57%, from $2.44B FY 2023 to $2.164B FY 2024, incurred $1.475B in pre-tax charges related to nationwide opioid settlement agreements during FY 2024
  - *Depreciation & Amortization:* increased by 5.40%, reaching $3.125B FY 2024 up from $2.965B FY 2023, driven by the opening of new Kroger Delivery customer fulfillment centers which increased the depreciation of assets recorded under finance leases.
  - *Non-Cash Items:* decreased by 39.76%, from $1.275B FY 2023 to $768.0M FY 2024, LIFO charge decreased significantly from $626.0M in FY 2023 to $113.0M in FY 2024.
  - S*tock-Based Compensation:* decreased by 9.47%, from $190.0M FY 2023 to $172.0M FY 2024, strategically scaled back the volume or value of stock options and restricted stock awards granted during FY 2024.
  - *Change in Non-Cash Working Capital:* increased by 136.81%, up from -$1.986B FY 2023 to $731.0M FY 2024, due to more favorable cash flows for FIFO inventory in FY 2024, attributed to lower inflationary effects on inventory balances compared to the prior year and better inventory planning.
  - *Accounts Receivable:* increase showing an inflow of 106.31%, going from -$222.0M FY 2023 to $14.0M FY 2024, influenced by improved timing of cash receipts, especially for pharmacy receivables, which saw a reduction in outstanding balances.
  - *Inventory Management:* improved 124.96%, going from -$1.370B FY 2023 to -$313.0M FY 2024, decrease was largely due to lower product cost inflation in FY 2024 compared to FY 2023.
  - *Accounts Payable:* increased from $3.0M FY 2023 to $545.0M FY 2024, due to reclassification of a portion of its Other Current Liabilities to Accounts Payable FY 2024 to align with its internal reporting structure.

FY 2023 - 2022

- Decreased by 27.33%, from $6.190B FY 2022 to $4.498B FY 2023.
  - *Net Income:* increased by 35.99%, from $1.655B FY 2022 to $2.44B FY 2023, driven by disciplined margin management, cost savings initiatives exceeding $1.0B, and higher identical sales growth excluding fuel of 5.6%).
  - *Depreciation & Amortization:* increased by 4.99%, reaching $2.965B FY 2024, up from $2.824B FY 2022, increased its investment in new stores, remodels, and customer

fulfillment centers during FY 2023; with total capital investments, including changes in construction-in-progress payables, amounting to $3.3B.

- *Non-Cash Items:* significantly increased by 92.60%, up from $662.0M FY 2022 to $1.275B FY 2023, driven by Depreciation and amortization increasing by $141.0M and LIFO charge increasing to $626.0M FY 2023, up from $197.0M FY 2022
- *Stock-Based Compensation:* decreased by 6.40%, from $203.0M FY 2022 to $190.0M FY 2023, driven by fewer stock option grants as well as the weighted-average fair value of stock options being slightly lower FY 2023.
- *Deferred Income Taxes:* increased significantly by 619.35%, going from -$31.0M FY 2022 to $161.0M FY 2023, driven by differences in the timing of depreciation between tax and financial reporting significantly impacted deferred tax liabilities.
- *Other-Non-Cash Adjustments:* increased by 88.57%, from $490.0M FY 2022 to $924.0M FY 2023, recorded $164.0M in goodwill and fixed asset impairment charges related to Vitacost.com during FY 2023.
- *Changes in Non-Cash Working Capital:* decreased by 289.32%, going from $1.049B FY 2022 to -$1.986B FY 2023, inventories rose significantly due to inflationary costs, $1.37B FY 2023.
- *Accounts Receivable:* increased, showing an inflow of -263.93%, going from -$61.0M FY 2022 to -$222.0M FY 2023, driven by higher customer and vendor balances and inflationary pressures felt industry wide.
- *Inventory Management:* rose by 1812.50%, moving from $-70.0M FY 2022 to $-1.370B FY 2023, inflationary pressures on goods, particularly in consumer staples, led to higher inventory costs.
- *Accounts Payable:* decreased by 99.32%, from $438.0M FY 2022 to $3.0M FY 2023, driven by accelerated payments to suppliers and vendors to strengthen relationships, capitalize on early payment discounts, or improve supply chain reliability.

Investing Activities

(in millions)	2024	% Change	2023	% Chnage	2022
Cash from Investing Activities					
+ Change in Fixed & Intang	-3,803.00	-26.77%	-3,000.00	-21.90%	-2,461.00
+ Disp in Fixed & Intang	101	29.49%	78	-49.02%	153
+ Disp of Fixed Prod Assets	*101*	29.49%	*78*	-49.02%	*153*
+ Disp of Intangible Assets	*0*		*0*		*0*
+ Acq of Fixed & Intang	-3,904.00	-26.84%	-3,078.00	-17.75%	-2,614.00
+ Acq of Fixed Prod Assets	*-3,904.00*	-26.84%	*-3,078.00*	-17.75%	*-2,614.00*
+ Acq of Intangible Assets	*0*		*0*		*0*
+ Net Change in LT Investment	0		0		0
+ Dec in LT Investment	0		0		0
+ Inc in LT Investment	0		0		0
+ Net Cash From Acq & Div	0		0		0
+ Cash from Divestitures	0		0		0
+ Cash for Acq of Subs	0		0		0
+ Cash for JVs	0		0		0
+ Other Investing Activities	53	453.33%	-15	90.00%	-150
+ Net Cash From Disc Ops	0		0		0
Cash from Investing Activities	**-3,750.00**	**-24.38%**	**-3,015.00**	**-15.47%**	**-2,611.00**

Figure 80: Kroger Investing Activities

FY 2024 - 2023

- Decreased by 24.38%, from -$3.015B FY 2023 to -$3.750B FY 2024.
  - *Change in Fixed & Intangible Assets:* decreased by 26.77%, from -$3.0B FY 2023 to -$3.803B FY 2024, due to the expansion of Kroger Delivery customer fulfillment centers and infrastructure related to its digital and fulfillment network.

- *Disposals in Fixed & Intangible Assets:* Increased by 29.49%, from $78.0M FY 2023 to $101.0 FY 2024, increased by 29.49%, from $78.0M FY 2023 to $101.0M FY 2024, conducted a review of its asset portfolio and disposed of properties or equipment that no longer aligned with its long-term operational goals.
- *Acquisition of Fixed & Intangible Assets:* Increased by 26.84%, reaching -$3.904B FY 2022 compared to -$3.078B FY 2023, investments in store modernization and infrastructure upgrades significantly increased capital spending (enhancements to existing store locations under the End-to-End Fresh initiative & construction of new facilities to support expanding operations).
- *Other Investing Activities:* Increased significantly by 453.33%, from -$15.0M FY 2023 to $53.0M FY 2024, likely generated proceeds from the divestiture of non-core assets.

FY 2023 - 2022

- Decreased by 24.38%, from -$3.015B FY 2023 to -$3.750B FY 2024.
    - *Change in Fixed & Intangible Assets:* decreased by 21.90%, from -$2.461B FY 2022 to -$3.0B FY 2023, total capital investments increased, amounting to $3.3B, up from $3.2B FY 2022; investment in construction-in-progress, which supports new store openings and facility upgrades, contributed to the increase.
    - *Disposals in Fixed & Intangible Assets:* decreased by 49.02%, from $153.0M FY 2022 to $78.0 FY 2023, decline in proceeds from asset sales reflects fewer transactions involving the disposal of surplus property, equipment, or intangible assets.
    - *Acquisition of Fixed & Intangible Assets:* decreased by 17.75%, from -$2.614B FY 2022 to -$3.078B FY 2023, capital allocated to ongoing construction projects increased to $4.044B in FY 2023 from $3.831B FY 2022.
    - Other Investing Activities: improved by 90.0%, from -$150.0M FY 2022 to -$15.0M FY 2023, driven by reduced non-core investment activities.

Financing Activities

(in millions)	2024	% Change	2023	% Chnage	2022
Cash from Financing Activities					
+ Dividends Paid	-796	-16.72%	-682	-15.79%	-589
+ Cash From (Repayment) Debt	-1,286.00	-132.97%	-552	60.17%	-1,386.00
+ Cash From (Repay) ST Debt	0		0		0
+ Cash From LT Debt	15	N/A	0	-100.00%	56
+ Repayments of LT Debt	-1,301.00	-135.69%	-552	61.72%	-1,442.00
+ Cash (Repurchase) of Equity	-12	98.60%	-859	41.76%	-1,475.00
+ Increase in Capital Stock	50	-62.69%	134	-22.09%	172
+ Decrease in Capital Stock	-62	93.76%	-993	39.71%	-1,647.00
+ Other Financing Activities	-76	61.22%	-196	-4020.00%	5
+ Net Cash From Disc Ops	0		0		0
Cash from Financing Activities	**-2,170.00**	**5.20%**	**-2,289.00**	**33.56%**	**-3,445.00**

Figure 81: Kroger Financing Activities

FY 2024 - 2023

- Slight increase of 5.20%, from -$2.289B FY 2023 to -$2.190B FY 2024. This slight improvement reflects Kroger's strategic reduction in financing outflows, driven by lower spending on share repurchases and a disciplined approach to meaning debt repayments.
    - *Dividends Paid:* decreased by 16.72%, from -$682.0M FY 2023 to -$796.0M FY 2024, increased its quarterly dividend per share from $0.26 in FY 2023 to $0.29 in FY 2024, reflecting its confidence in sustained cash flow generation.
    - *Cash From Repayment of Debt*: increased outflow by 132.97%, from -$552.0M FY 2023 to $1.301B FY 2024, emphasizing debt reduction to improve financial flexibility and maintain

its investment-grade credit rating in preparation for its proposed merger with Albertsons, resulting in higher repayments of long-term obligations.

- *Cash from Long-Term Debt:* small inflow of $15.0M compared to no long-term debt proceeds FY 2023, resulted from minimal borrowings under finance leases or related obligations.
- *Repayments of Long-Term Debt:* increased by 135.69%, going from -$522.0M FY 2023 to -$1.301B FY 2024, Kroger repaid $1.1B of senior notes during FY 2024, $600.0M of senior notes at a 3.85% interest rate and $500.0M of senior notes at a 4.00% interest rate.
- *Cash Repurchase of Equity:* decreased by 98.60%, from -$859.0M FY 2023 to -$12.0M FY 2024, due to the suspension of its share repurchase program during the third quarter of FY 2022.
- *Other Financing Activities:* increased by 61.22%, from -$196.0M FY 2023 to -$76.0M FY 2024, recorded adjustments for settlement-related obligations, including the ongoing implementation of the opioid settlement charges.

FY 2023 - 2022

- Increased by 33.56%, going from -$3.445B FY 2022 to -$2.298B FY 2023. The increase indicates a notable reduction in cash outflows from financing activities, as Kroger scaled back on debt repayments and share repurchases, allowing more cash to be reinvested within the company.
  - *Dividends Paid:* increased by 15.79%, from -$589.0M FY 2022 to -$682.0M FY 2023, increase in dividends per share, from $0.78 in FY 2022 to $0.94 in FY 2023, a 20.5% increase.
  - *Cash From Repayment of Debt:* increased outflow by 60.17%, from -$1.38B FY 2022 to -$552.0M FY 2023, repaid $400.0M of senior notes with an interest rate of 2.80%.
  - *Cash From Long-Term Debt:* decreased by 100.0%, from $56.0M FY 2022 to $0 FY 2023, no new long-term debt was issued in FY 2023.
  - *Repayments of Long-Term Debt:* increased by 61.72%, from -$1.442B FY 2022 to -$552.0 FY 2023, executed repayments for maturing long-term debt obligations, including $400.0M of senior notes at a 2.80% interest rate using cash on hand.
  - *Cash Repurchase of Equity:* increased by 41.76%, from -$1.475B FY 2022 to -$859.0M FY 2023, repurchased shares under its authorized programs, with open-market purchases amounting to $821.0M.
  - *Other Financing Activities:* decreased significantly by 4020.0%, going from $5.0M FY 2022 to -$196.0M FY 2023, part of its merger agreement with Albertsons, Kroger entered into financing agreements, including bridge term loans.

Net Cash Flow

(in millions)	2024	% Change	2023	% Chnage	2022
Cash from Operating Activities	6,788.00	50.91%	4,498.00	-27.33%	6,190.00
Cash from Investing Activities	-3,750.00	-24.38%	-3,015.00	-15.47%	-2,611.00
Cash from Financing Activities	-2,170.00	5.20%	-2,289.00	33.56%	-3,445.00
Effect of Foreign Exchange Rates	0		0		0
Net Changes in Cash	868	207.69%	-806	-701.49%	134

Figure 82: Kroger Net Cash Flow

FY 2024 - 2023

- Increased by 207.69%, going from $-806.0M FY 2023 to $868.0M FY 2024. This significant increase in net flash flow reflects stringer inflows from operating activities, which notably outweighed the outflows in investing and financing activities.

- *Cash from Operating Activities:* increased significantly by 50.91% to \$6.788B, driven by an increase in operating income (5.10%), supported by efficient working capital adjustments and non-cash items like depreciation, indicating that operational efficiency helped maintain cash flow.
- *Cash From Investing Activities:* outflows rose by 24,38%, reaching -\$3.750B, reflecting Kroger's continued investments in store enhancements, technology, infrastructure, aimed at supporting long-term growth.
- *Cash From Financing Activities:* Saw a slight increase of 5.20%, reaching -\$2.170B, largely due to debt repayments and strategic adjustments to share repurchases, showing Kroger's commitment to meaning debt while preserving cash.

FY 2023 - 2022

- Decreased by 701.49%, going from \$134.0M FY 2022 to -\$806.0M FY 2023, the decline in net cash flow was due to reduced inflows from operating activities and increased outflows in Investing Activities.
    - *Cash from Operating Activities:* decreased by 27.33% to \$4.49B, impacted by higher working capital demands and limited growth in net income, reflecting some operational headwinds.
    - *Cash from Investing Activities:* outflows rose by 15.47%, reaching -\$3.015B, reflecting capital expenditures in PP&E to support future growth.
    - *Cash from Financing Activities:* increased by 33.56%, going from \$3.445B FY 2022 to -\$2.289B FY 2023, reflects a reduction in cash outflows, as Kroger scald back on debt repayments and share repurchases compared to the previous year, allowing more cash to be retained within the company.

Ratios

Profitability & Efficiency Ratios

Return on Assets (ROA)

Return on Assets (ROA)	FY 2024	FY 2023	FY 2022
Kroger	4.32	4.55	3.39
Casey's	8.17	7.8	6.82
Sysco	8.19	7.88	6.25

Figure 83: Kroger and Peers ROA

Kroger's ROA slightly decreased from 4.55% in FY 2023 to 4.32% FY 2024. Net income decreased by \$80.0M, from \$2.244B in FY 2023 to \$2.164B in FY 2024, due to increased operational costs and the one time charges of \$1.5B in opioid settlement costs and \$316.0M in merger-related expenses. Total assets increased by 1.78%, from \$49.262B in FY 2023 to \$50.138B in FY 2024.

Kroger's increase from 3.39% FY 2022 to 4.55% FY 2023 reflects an improvement in asset efficiency and a large growth of 35.59% in net income. Compared to its peers, Kroger's ROA illustrates a balanced but conservative approach, favoring asset growth and suitability over aggressive profit maximization. Casey's ROA consistently outperformed both Kroger and Sysco, with an increase to 8.17% FY 2024 from 7.8% FY 2023, up from 6.82% FY 2022. This upward trend highlights Casey's robust asset utilization and strong profitability, benefiting from high-margin product offerings and a focused market strategy. Sysco's ROA also showed positive growth, increasing from 7.88% FY 2023 to 8.19% FY 2024, reflecting Sysco's emphasis on streamlining operations and enhancing asset efficiency within the food service industry. Casey's and Sysco are maximizing asset returns through focused high margin strategies, while Kroger adopts a more asset intensive approach, balancing profitability with growth initiatives.

Adjusted Return on Assets (ROA)

Adjusted ROA	FY 2024	FY 2023	FY 2022
Kroger	6.60	6.26	5.71

Figure 84: Kroger Adjusted ROA

Kroger's Adjusted ROA showed a positive trend, increasing from 5.71% FY 2022 to 6.26% FY 2023, and further rising to 6.60% FY 2024. This upward trend in Adjusted ROA highlights Kroger's improving asset efficiency and profitability after accounting for certain non-operational adjustments. The company's Adjusted Net Income increased by ($258.4M) from $3.086B FY 2023 to $3.345B FY 2024, while assets grew 1.78% for FY 2023 to FY 2024. Adjusted items that contributed included merger related costs of $316.0M. The opioid settlement charges of $1.5B, and unrealized gains investments of $151.0M. The growth in Adjusted ROA suggests that Kroger has effectively enhanced its asset utilization by focusing on core options and optimizing expenses, delivering stranger returns relative to its asset base.

Return on Equity (ROE)

Return on Equity (ROE)	FY 2024	FY 2023	FY 2022
Kroger	19.98	23.02	17.40
Casey's	17.69	18.23	16.28
Sysco	101.07	104.4	92.59

Figure 85: Kroger and Peers ROE

Kroger's ROE decreased from 23.02% FY 2023 to 19.98% FY 2024, following an initial rise from 17.40% FY 2022. The decline in FY 2024, The company's net income decreased by ($80.0M) from $2.244B FY 2023 to $2.164B FY 2024, while Total Equity increased by 1.587B FY 2024 from 10.014B FY 2023 to 11.601B FY 2024. The decreased, reflecting a strategic focus on reducing debt levels relative to equity. This reduction in leverage dilutes the magnifying effect of debt on ROE.Kroger reduced its long-term debt obligations, including repayments of senior notes totaling $1.1B, which contributed to a decline in debt servicing costs but reduced financial leverage. While this impacts short-term returns, the improved debt position positions the company for sustained operational performance. The interplay between leverage and ROA emphasizes Kroger's focus on balancing profitability with lower risk exposure. Casey's ROE experienced a gradual increase over three years, from 16.28% FY 2022 to 18.23% FY 2023 and reaching 17.69% FY 2024. Although there was a slight decline in FY 2024, the sustained improvement over FY 2022 and FY 2023 demonstrates Casey's ability to drive returns while balancing returns in core operations. Sysco's ROE shows a substantial and consistent upward trajectory, from 92.59% in FY 2022 to 104.4% FY 2023 and 101.07% in FY 204. This notably high ROE suggests Sysco's effective use of equity to generate significant returns, driven by high margin operations and efficient asset utilization. It's worth noting that the discrepancy is largely due to Syco operating as a food distribution company, which often requires less capital investment in fixed assets compared to retailers like Kroger.

Adjusted Return on Equity (ROE)

Adjusted ROE	FY 2024	FY 2023	FY 2022
Kroger	28.71	30.91	29.64

Figure 86: Kroger Adjusted ROE

Kroger's Adjusted ROE has shown slight fluctuation over the past three fiscal years. In FY 2022, the Adjusted ROE was 29.64%, rising marginally to 30.91% in FY 2023 before decreasing to 28.71% in FY 2024. The company's adjusted net income rose from $2.885B FY 2022 to $3.086B FY 2023, while equity increased from $9.429B FY 2022 to $10.014B FY 2023. Adjusted items that contributed were unrealized losses of $561.0M related to equity investments, $164.0M impairment related to Vistacost.com, legal settlement costs of $67.0M and merger-related costs of $34.0M.The increase from FY 2022 to FY 2023 reflects Kroger's effective utilization of equity, driven by operational efficiencies and strategic cost management efforts. The company's adjusted net income increased from $3.086B FY 2023 to $3.345B FY 2024, while equity also increased from $10.014B FY 2023 to $11.601B FY 2024. Adjusted items that contributed were merger-related costs of $316.0M, the opioid settlement charge of $1.5B, and unrealized gains of $151.0M. The slight decline reflects a lower adjusted net income relative to equity during the period. Kroger' overall Adjusted ROE levels remain robust, reflecting a strong underlying profitably and efficient use of shareholder capital within the retail and grocery industry.

Total Debt to Total Equity

Total Debt to Total Equity	FY 2024	FY 2023	FY 2022
Kroger	165.91	203.83	216.78
Casey's	58.50	67.34	80.22
Sysco	684.56	546.85	805.37

Figure 87: Kroger and Peers TD/TE Ratio

Kroger's Total Debt to Total Equity (TD/TE) has shown a significant decline over the last three fiscal periods, from 216.78% FY 2022 to 165.91% FY 2024. This reflects Kroger's strategic focus on debt reduction, prioritizing long-term financial stability while maintaining flexibility to reinvest in operation improvements. The reduction in debt relative to equity decreases the leverage effect on ROE. During FY 2023, Kroger repaid $600.0M of senior notes at a 3.85% interest rate and $500.0M of senior notes at a 4.00% interest rate, reducing its total long-term debt to $12.028B as of FY 2024, compared to $12.068B the prior year. The company's total debt decreased by $1.165B FY 2024, going from $20.412B FY 2023 to $19.247B FY 2024, while equity increased by $1.587 from FY 2023 to FY 2024. Casey's TD/TE ratio has shown a more conservative leverage approach, decreasing from 80.22% FY 2022 to 58.50% FY 2024. This reduction signals a low reliance debt, enhancing Casey's financial resilience. Sysco maintains a notably high TD/TE ratio, moving from 805.37% FY 2022 to 684.56% FY 2024. Sysco's reliance on debt for expansion shows its growth focused strategy, aiming to capitalize on scale and market presence. Additionally, bringing increased financial risk, particularly in fluctuating economic environments. Overall, Kroger and Casey's TD/TE ratios demonstrate a conservative approach trend, with Casey's adopting the most cautious approach and Sysco the most aggressive and risky.

Gross Margin

Gross Margin	FY 2024	FY 2023	FY 2022
Kroger	22.24	21.43	22.01
Casey's	22.53	20.35	21.33
Sysco	18.53	18.28	17.95

Figure 88: Kroger and Peers Gross Margin

Kroger's Gross Margin improved slightly, rising from 21.43% FY 2023 to 22.24% FY 2024, building on its FY 2022 level of 22.01%. The company had revenues increase $1.781B FY 2024 and from $148.258B FY 2023 to $150.039B FY 2024, while Cost of Goods Sold (COGS) increased $195.0M FY 2024, up from $116.480B FY 2023 to $116.674B FY 2024. Gross margin was driven by decreased LIFO charges of $113.0M, strong "Our Brands" performance and reduced transportation costs. Costs were driven by promotional pricing investments and higher investor loss as a percentage of sales. Casey's demonstrated the stronger gross margin among the three, increasing from 21.33% FY 2022 to 22.53% FY 2024. The rise particularly from 20.35% FY 2023 to 22.53% FY 2024, highlights the company's ability to optimize their cost structure and improve operational efficiency. Sysco also saw a gradual increase in gross margin, going from growing from 17.95% FY 2022 to 18.53% FY 2024. While Sysco's margins are lower than those of its two peers, the incremental growth reflects its efforts to enhance pricing power and manage costs.

Operating Margin

Operating Margin	FY 2024	FY 2023	FY 2022
Kroger	2.06	2.78	2.52
Casey's	4.77	4.24	3.84
Sysco	4.06	3.98	3.42

Figure 89: Kroger and Peers Operating Margin

Kroger experienced a decline in Operating Margin, dropping from 2.78% FY 2023 to 2.06% FY 2024, following a previous increase from 2.52% FY 2022. The company's operating income increased by $229.0M FY 2024 going from $4.492B FY 2023 to $4.721B FY 2024, while revenues increased by $1.781B FY 2024. The decline in margins underscores Kroger's need to manage costs more effectively in order to sustain probability in a highly competitive market. Casey's has shown a steady improvement, growing from 3.84% FY 2022 to 4.24% FY 2023, and further to 4.77% FY 2024. This upward trend points to Casey's success in meaning its costs relative to sales growth. Sysco demonstrates a gradual increase from 3.42% FY 2022 to 3.98% FY 2023 and reaching 4.06% FY 2024. This steady improvement reflects Sysco's focus on managing distribution and operation expenses in a high volume, law margin industry. Overall, Casey leads in operating margin growth, showcasing strong cost control and pricing power. Sysco exhibits consistent, moderate gains that reflect an emphasis on operational efficiency. While Kroger faces headwinds with a notable drop in FY 2024, highlighting the impact of rising costs in a competitive retail environment.

Net Profit Margin

Net Profit Margin	FY 2024	FY 2023	FY 2022
Kroger	1.44	1.51	1.20
Casey's	3.38	2.96	2.62
Sysco	2.48	2.32	1.98

Figure 90: Kroger and Peers Net Profit Margin

Kroger saw a decline in Net Profit Margin, decreasing from 1.51% FY 223 to 1.44% FY 2024, after an increase from 1.20% FY 2022. FY 2024 the company had a revenue increase of $1.781B FY 2024 and from $148.258B FY 2023 to $150.039B FY 2024, while net income decreased $80.0M from $2.444B FY 2023 to $2.164B FY 2024. This decline was driven primarily by higher expenses associated with strategic initiatives and increased investments in associates. Although interest expense decreased in FY 2024, likely due to a slightly lower debt burden or improved interest income, the higher effective tax rate—rising to 23.5% in FY 2024 from the prior year, further pressured net income. These factors collectively offset the gains from increased revenue, resulting in a lower net profit margin for the year. Caseys has demonstrated consistent growth, improving from 2.62% FY 2022 to 2.96% FY 2023, and reaching 3.38% FY 2024. This positive trend shows Casey's efficiency in managing costs relative to revenue growth. Sysco also experienced an upward trend, rising from 1.98% FY 2022 to 2.32% FY 2023, and further to 2.48% FY 2024. This growth points to Sysco's continuous efforts to control costs and enhance operational efficiency. Overall, the comparison highlights Casey's effective cost control, Sysco's gradual efficient gains, and Kroger's struggle to offset cost pressure within a competitive retail space.

Adjusted Net Profit Margin

Adjusted NPM	FY 2024	FY 2023	FY 2022
Kroger	2.22	2.09	2.03

Figure 91: Kroger Adjusted Net Profit Margin

Kroger's Adjusted Net Profit Margin has shown a steady increase over the last three fiscal years, going from 2.03% FY 2022 to 2.09% FY 2023, and reaching 2.22% FY 2024. The company had an adjusted net income increase of $258.4B FY 2024, going from $3.086B FY 2023 to $3.345B FY 2024, while revenues increased $1.781B FY 2023, going from $148.258B FY 2023 to $150.039B FY 2024. The adjusted items impacting Kroger's financial results included merger-related costs amounting to 316.0M in reaction, a $1.5B opioid settlement charge, with a net tax impact of $1.2B and a gain of $151.0M in other income. This upward trend reflects Kroger's focus on improving underlying profitability through operational efficiency and effective cost management. Despite external cost pressures within the sector, Kroger's adjusted net profit margin growth suggests resilience in controlling expenses and optimizing operations to maintain a steady improvement in profit growth relative to revenue.

Inventory Turnover

Inventory Turnover	FY 2024	FY 2023	FY 2022
Kroger	15.91	16.24	15.53
Casey's	28.62	31.13	29.85
Sysco	14.03	13.99	13.85

Figure 92: Kroger and Peers Inventory Turnover

Kroger's Inventory Turnover Ratio has slightly declined, moving from 16.24 FY 2023 to 15.91 FY 2024, following an increase from 15.53 FY 2022. The company's Cost of Goods Sold increased $195.0M FY 2024, going from $116.48B FY 2023 to $116.675B FY 2024, while inventory they had an decrease of $455.0M in inventory going from $7.56B FY 2023 to $7.105 FY 2024. This minor reduction is due to a buildup of stock as Kroger implements a more cautious inventory strategy in response to uncertain economic conditions. Casey's inventory turnover dropped from 31.13 FY 2023 to 28.62 FY 2024, with a slight decrease from the prior year. This indicates that Casey's may be holding onto inventory longer, possibly in response to changes in consumer demand or supply chain adjustments. Sysco saw a minor decline in inventory turnover from 13.99 FY 2023 to 14.03 FY 2024, reflecting a stable approach to inventory management. This suggests Sysco is closing aligning inventory with its demand, due to its focus on supply efficiency for food services where rapid turnover is less variable. All three companies have each adjusted their strategic responses to economic conditions, balancing stock levels to manage demand and supply chain challenges effectively.

Solvency & Liquidity Ratios

Current Ratio

Current Ratio	FY 2024	FY 2023	FY 2022
Kroger	0.81	0.74	0.75
Casey's	0.87	0.99	0.8
Sysco	1.20	1.24	1.20

Figure 93: Kroger and Peers Current Ratio

Kroger's Current Ratio has seen a steady improvement, moving from 0.74 FY 2023 to 0.81 FY 2024, following a slight dip from 0.75 FY 2022. This positive shift reflect an increase in current assets $278.0M FY 2024 going from $12.67B FY 2023 to $12.948B FY 2024, while current liabilities decreased $1.18B FY 2024 going from $17.238B FY2023 to $16.058B FY 2014. Despite the positive trend, Kroger's current ratio remains below 1.0, reflecting an industry norm for grocery companies that rely on high inventory turnover and quick cash cycles. Cassey's current ratio decreased from 0.99 FY 2023 to 0.87 FY 2024, reflecting efficient cash management in its convenience-oriented retail mode. Casey's operates with a business model that benefits from rapid product turnover and minimal current asset recruitment, with their lower ratio suiting them. Sysco maintains a higher current ratio, at 1.24 FY 2023 and 1.20 FY 2024. The consistency reflects a more conservative approach, with Sysco holding more current assets relative to current liabilities, providing a buffer to manage short-term obligations. This aligns with their distribution-heavy business model, where a slightly higher ratio ensures operational stability, as supply chains demand fluctuation. The comparison highlights Kroger's and Casey's efficiency in meaning liquidity within their industry standard, while Sysco's approach provides added security in line within their sub-sector.

Quick Ratio

Quick Ratio	FY 2024	FY 2023	FY 2022
Kroger	0.25	0.19	0.22
Casey's	0.38	0.54	0.3
Sysco	0.65	0.68	0.65

Figure 94: Kroger and Peers Quick Ratio

Kroger's Quick Ratio has shown a slight improvement, moving from 0.19 FY 2023 to 0.25 FY 2024, following a slight dp from 0.22 FY 2022. The company had Cash and Cash Equivalents of $1.883B FY 2024, a $868.0M increase from $1.015B FY 2024, while there Accounts & Notes Receivable were $2.136B FY 2024, a $98.0M decrease from $2.234B FY 2023. Kroger had current liabilities of $16.058B FY 2024, a $1.180 decrease from $17.238B FY 2023. While this indicates a marginal increase in Kroger's liquid assets relative to its current liabilities, the ratio remains well below 1.0 which is considered safe. Kroger appears relatively illiquid compared to industry peers, as its quick ratio is well below the threshold of 1.0. This low quick ratio aligns with the grocery industry stand, where businesses often operate with minimal quick assets due to reliance on inventory turnover and cash inflow. Casey's quick ratio decreased significantly from 0.54 FY 2023 to 0.38 FY 2024, after rising from 0.30 FY 2022. The company's lower quick ratio reflects its efficient use of resources and fast inventory cycles, in their convenience drive business mode. Sysco maintained a higher quick ratio, consistent at 0.65 from FY 2022 to FY 2024, with a minor increase to 0.68 FY 2023. The company's stability in maintaining a strong quick ratio aligns with its large-scale distribution mode, which benefits from holding higher liquid assets to manage short-term liabilities. This comparison highlights that Kroger and Casey's operate efficiently in their business models, while Sysco's approach provides added flexibility to meet their necessary operation needs.

Projections
Sustainable Growth Rate
Dividend Discount Model

Sustainable Growth Rate	2024	2023	2022	5-Year Average
Return on Common Equity	19.98%	23.02%	17.40%	21.79%
Dividend Payout Ratio	36.78%	30.39%	35.59%	30.54%
Dividend Growth Rate	17.02%	20.51%	14.71%	20.36%
Retention Ratio	63.22%	69.61%	64.41%	69.46%
Dividend Per Share	$ 1.13	$ 0.94	$ 0.78	$ 0.83
Sustainable Growth Rate	**12.63%**	**16.03%**	**11.20%**	**15.33%**

Figure 95: Kroger Sustainable Growth Rate

The Sustainable Growth Rate for Kroger was calculated using a five-year geometric average which came out to 15.33%. In 2023, Kroger achieved the highest sustainable growth rate at 16.03%, supported by a Return on Common Equity (ROE) of 23.02% and a Retention Ratio of 69.61%. This reflects a relatively modest Dividend Payout Ratio of 30.39%, allowing the company to reinvest a larger portion of its earrings. In 2024, the Sustainable Growth rate declined to 12.63%, aligning with a reduction in ROE to 19.98%, and a slightly higher Dividend Payout Ratio of 36.78%, resulting in a lower Retention Ratio of 63.22%. The changes suggest that Kroger allocated a larger share of its earnings to dividends, impacting its growth rate. The lowest sustainable growth rate during the five-year period was in 2022, at 11.20%, which aligned with the lowest ROE of 17.40% and a higher Dividend Payout Ratio at 35.59%. Overall Kroger's 5-year average growth reflects its ability to balance dividend distribution with reinvestment, sustaining moderate growth in shareholder value over the period.

Year	Dividend Per Share	% Change	1+ Change
2022	$ 0.78	-	-
2023	$ 0.94	0.21	1.21
2024	$ 1.13	0.20	1.20
Geometric Average			20.36%

Figure 96: Kroger Average Growth Rate for DPS

The Dividend Per Share for Kroger increased steadily from 2022 to 2024, with a geometric average growth rate of 20.36% over this period. In 2023, the dividend per share rose from $0.78 to $0.94, representing a 21% increase. This growth trend continued into 2024, with the dividend per share reaching $1.13, marking an additional 20% increase over the prior year. The consecutive year-over-year growth, highlights Kroger's commitment to returning value to shareholders through increasing dividends, aligning with a strategic approach to maintain shareholder interest and confidence.

Effective Tax Rate

Year	Effective Tax Rate
2022	18.77%
2023	22.50%
2024	23.52%
2025	23.00%

Figure 97: Kroger Effective Tax Rate

The Effective Tax Rate has shown a gradual increase from 18.77% in 2022 to a projected 23.0% by 2025. In 2023, the rate rose to 22.5%, marking a significant increase from the prior year, reflecting adjustments in tax policy and Kroger's financial strategy. The upward trend continued in 2024 with a rate of 23.52% For 2025, Kroger's projected effective tax rate is expected to rise to 23%, as indicated in its most recent 10-Q.

Geometric Averages

Revenue

Year	Revenue	% Change	1+ Change
2020	$122,286.00	-	-
2021	$132,498.00	8.35%	1.08
2022	$137,888.00	4.07%	1.04
2023	$148,258.00	7.52%	1.08
2024	$150,039.00	1.20%	1.01
Geometric Average			5.25%

Figure 98: Kroger Geometric Average forRevenue

Gross Profit

Year	Gross Profit	% Change	1+ Change
2020	$ 26,992.00	-	-
2021	$ 30,901.00	14.48%	1.14
2022	$ 30,349.00	-1.79%	0.98
2023	$ 31,778.00	4.71%	1.05
2024	$ 33,364.00	4.99%	1.05
Geometric Average			**5.44%**

Figure 99: Kroger Geometric Average for Gross Profit

Operating Income

Year	Operating Income	% Change	1+ Change
2020	$ 2,251.00	-	-
2021	$ 2,780.00	23.50%	1.24
2022	$ 3,477.00	25.07%	1.25
2023	$ 4,126.00	18.67%	1.19
2024	$ 3,096.00	-24.96%	0.75
Geometric Average			**8.29%**

Figure 100: Kroger Geometric Average for Operating Income

Net Income

Year	Net Income (Adj)	% Change	1+ Change
2020	$ 1,756.80	-	-
2021	$ 2,748.70	56.46%	1.56
2022	$ 2,885.80	4.99%	1.05
2023	$ 3,086.90	6.97%	1.07
2024	$ 3,345.30	8.37%	1.08
Geometric Average			**17.47%**

Figure 101: Kroger Geometric Average for Net Income

Pro Forma Income Statement

In Millions USD	FY 2025	Growth Rate	FY 2024
Revenue	**$157,910.50**	**5.25%**	**$150,039.00**
Cost of Goods Sold	$122,731.07		$116,675.00
Gross Profit	**$35,179.44**	**5.44%**	**$33,364.00**
Operating Expenses	$30,066.85		$28,643.00
Operating Income (Loss)	**$5,112.58**	**8.29%**	**$4,721.00**
Other Expenses (Income)	$9.05		$441.00
Pre-Tax Income (Adjusted)	**$5,103.54**	**Tax Rate: 23.0%**	**$4,310.00**
Income Tax Expense	$1,173.81		$667.00
Net Income (Adjusted)	**$3,929.72**	**17.47%**	**$3,345.30**

Figure 102: Kroger Pro Forma Income Statement

Net Income and Pre-Tax Income were based on Kroger's FY 2024 adjusted amounts, to better address any abnormal or extreme changes to the current net net income that still have a possibility of occurring in the future. The FY 2025 Projected Income Statement assumes that revenue will increase at a rate of 5.25%, Gross Profits at a rate of 5.44%, Operating Income at 8.29%, and Adjusted Net Income at 17.47%. The effective tax rate is expected to be 23.0% FY 2025.

Pro Forma Balance Sheet

In Millions USD	FY 2025	Change ($)	FY 2024
Current Assets	$14,402.70	$ 1,454.70	$12,948.00
Noncurrent Assets	$41,776.50	$ 4,219.50	$37,557.00
Total Assets	**$56,179.20**	**$5,674.20**	**$50,505.00**
Current Liabilites	$17,157.39	$ 1,099.39	$16,058.00
Noncurrent Liabilites	$24,410.13	$ 1,564.13	$22,846.00
Total Liabilites	**$41,567.52**	**$ 2,663.52**	**$38,904.00**
Shareholders Equity	$14,611.68	$ 3,010.68	$11,601.00
Total Liabilites and Shareholder's Equity	**$56,179.20**	**$5,674.20**	**$50,505.00**

Figure 103: Kroger Pro Forma Balance Sheet

Assumptions:

- Kroger will spend $919.04M on annual dividends FY 2025.
  - Forward Dividend & Yield: $1.28 per share.
  - $1.28 per Share *718.0M shares outstanding = $919.04M
- Kroger will suspend share repurchases FY 2025.
  - Kroger announced a pause in its share repurchase program to prioritize debt reduction in anticipation of the proposed merger with Albertsons Company per its fiscal year 2024 guidance.
- Retained Earnings are projected to increase by $3.010B FY 2025.
  - Change in Retained Earnings= FY 2025 Adjusted Net Income - Projected Dividend Payment - Repurchase projections.
  - Change in Retained Earnings = $3.929B - $919.04M - $0.0
  - Change in Retained Earnings = $3.010B
- Total Equity FY 2025 will be $14.551B.
  - FY 2025 Equity = FY 2023 Equity + Change in Retained Earnings
  - FY 2025 Equity = $11.601B +$3.010B
  - FY 2025 Equity = $14.611B
- Total Current Assets and Total Fixed Assets are based on their total weight in comparison to Total Assets FY 2024.
  - Current Asset Weight: $12.948B / $50.505B = 25.64% of total assets
  - Fixed Assets Weight: $37.557B / $50.505B = 74.36% of total assets
  - Current Liabilities, Noncurrent Liabilities, will all remain the same FY 2025.
- The change in Retained Earnings is the only assumption, Total Assets will equal projected liabilities and Shareholders Equity FY 2025. Total Assets will be calculated by multiplying Current Assets and Fixed Assets by their weight of Total Assets to find their FY 2025 projections
  - FY 2025 Current Assets: $53.168B * 25.64% = $13.630B
  - FY 2025 Fixed Assets: $53.168B * 74.36% = $39.537B

Year	Sales	Avg Total Assets	TATO
FY 2024	$ 150,039.00	$ 50,505.00	2.97
FY 2025	$ 157,910.50	$ 53,168.52	2.95

- Additional Financing Needed Calculations: $157.910B/2.97 = $53.168B
  - $53.168B - $50.505B = $2.663B
- There will be an additional financing need of $2.663B. This will be allocated by proportions in Current-Fixed assets and Current/Noncurrent Liabilities.
  - FY 2025 Additional Current Assets: $2.663B * 25.64% = $682.84M
  - FY 2025 Additional Fixed Assets: $2.663B * 74.36% = $1.980B
  - FY 2025 Additional Current Liabilities: $2.663B * 41.28% = $1.099B
  - FY 2025 Additional Noncurrent Liabilities: $2.663B * 58.72% = $1.564B
    - FY 2025 Current Liabilities = $17.157B = $1.099B + $16.058B
    - FY 2025 NoncurrentLiabilities: = $41.776B = $1.564B + $22.846B
    - FY 2025 Current Assets: = $14.402B = $682.84M + $771.85M + $12.948B
    - FY 2025 Fixed Assets: = $41.776B = $1.980B + $2.238B + $37.557B

Insider Transactions

KR US Equity | 25) Export | Settings

KROGER CO CUSIP 50104410

1) Current | 2) Historical | 3) Matrix | 4) Ownership Summary | 5) Insider Transactions | 6) Options | 7) Issuer Debt

Transaction Type: All | Range 08/30/23 - 11/27/24 | 10) Chart | 11) Table

Shareholders: All

	Trade Date↑	No. Part	Participants	Net Sell (Shares)	Net Buy (Shares)	Close Price	Volume
12)	10/07/2024	1	Nichols Brian			55.9600	2.761MLN
13)	09/23/2024	1	Jabbar Valerie	-3,000		56.1400	2.893MLN
14)	09/17/2024	2	Fike Carin, Nichols Brian	-4,000		55.0400	2.78MLN
15)	09/13/2024	2	Jabbar Valerie, Foley Todd	-1,047		55.9100	5.607MLN
16)	07/19/2024	1	Nichols Brian	-2,000		54.5100	2.775MLN
17)	07/15/2024	8	Brown Kevin, Aufreiter Nora, Fike Carin, Knox Judith A...		27,438	52.1200	3.734MLN
18)	07/12/2024	3	Nichols Brian, Kimball Kenneth, Ellen Adcock Mary	-1,106		52.4900	3.586MLN
19)	06/26/2024	1	McMullen William		85,764	49.3800	5.28MLN
20)	06/21/2024	1	Massa Timothy			50.2100	16.747MLN
21)	04/26/2024	1	Foley Todd		1,389	55.4900	3.472MLN
22)	04/25/2024	1	Kimball Kenneth			55.9100	3.219MLN
23)	04/24/2024	1	Moore Clyde	-3,500		56.1500	3.62MLN
24)	04/23/2024	4	Ellen Adcock Mary, Fike Carin, Massa Timothy, Jabbar ...	-16,257		55.6300	5.149MLN
25)	03/14/2024	12	Nichols Brian, Foley Todd, Fike Carin, Kimball Kenneth...		477,309	55.5100	5.443MLN
26)	03/12/2024	10	Fike Carin, Kimball Kenneth, Jabbar Valerie, Ellen Adc...	-26,236		55.3100	5.802MLN
27)	03/11/2024	11	Fike Carin, Kimball Kenneth, Arreaga Gabriel, Jabbar V...	-25,593		54.9900	6.773MLN
28)	03/08/2024	11	Fike Carin, Kimball Kenneth, Arreaga Gabriel, Jabbar V...	-72,293		55.9700	9.642MLN
29)	12/08/2023	2	Arreaga Gabriel, Fike Carin	-1,011		44.5800	2.82MLN
30)	09/22/2023	1	Fike Carin	-798		45.6600	3.727MLN
31)	09/15/2023	5	Fike Carin, Jabbar Valerie, Foley Todd, Cosset Yael, Ait...	-5,679		46.3200	22.036MLN
32)	09/12/2023	1	Massa Timothy			45.6800	4.061MLN

KR US Equity | 25) Export | Settings

KROGER CO CUSIP 50104410

1) Current | 2) Historical | 3) Matrix | 4) Ownership Summary | 5) Insider Transactions | 6) Options | 7) Issuer Debt

Transaction Type: All Open Market Buy/Sell | Range 08/30/23 - 11/27/24 | 10) Chart | 11) Table

Shareholders: All

	Trade Date↑	No. Part	Participants	Net Sell (Shares)	Net Buy (Shares)	Close Price	Volume
12)	10/07/2024	1	Nichols Brian	-6,922		55.9600	2.761MLN
13)	09/23/2024	1	Jabbar Valerie	-3,000		56.1400	2.893MLN
14)	09/17/2024	2	Fike Carin, Nichols Brian	-7,010		55.0400	2.78MLN
15)	07/19/2024	1	Nichols Brian	-2,000		54.5100	2.775MLN
16)	04/26/2024	1	Foley Todd	-6,616		55.4900	3.472MLN
17)	04/25/2024	1	Kimball Kenneth	-30,251		55.9100	3.219MLN
18)	04/23/2024	4	Ellen Adcock Mary, Fike Carin, Jabbar Valerie, Massa T...	-131,705		55.6300	5.149MLN
19)	09/22/2023	1	Fike Carin	-4,798		45.6600	3.727MLN
20)	09/15/2023	1	Fike Carin	-6,000		46.3200	22.036MLN
21)	09/12/2023	1	Massa Timothy	-23,000		45.6800	4.061MLN

Figure 104: Kroger Insider Transactions: Bloomberg Terminal HDS function

The figures displayed above outlines insider transactions for Kroger Co. over the past year, from 10/23/2023 to 10/23/2024. Net sales came out to 162,520 shares compared to 591,900 shares that were purchased over the period, which could signal that insiders are relatively optimistic about the company's outlook and future growth potential. The largest stock purchase was 477,309 shares on 03/14/2024 at a closing price of $55.31, which could indicate a large level of insider confidence at this price level. This transaction included 38 insiders, with 26 transactions being Grant, Award acquisition and the remainder being payment of exercise price by derivative. The largest grant was given to Willaim McMullen CEO, who received 202,797 of the 477,309 total shares. The largest stock sale during the period was 72,293 shares on 03/08/2024, with a closing price of $55.97. This transaction included 12 insiders, with all the types being payment of exercise price by derivative. There were 10 transactions of open market sales that amounted to 221,320, with no buys. These transactions reveal a trend of open market sale, with all the recent portion of the activity focused on sales rather than purchases. Such insider selling can be concerning, however the amount is nowhere needed material.

Short Interest

KR US Equity | Export

Exchange Reported | Markit Securities Finance - Daily | S3 BLACKLIGHT Market Composite Rate

Date 12/03/23 - 12/03/24 | Markit SI Score 0 | S3 Squeeze 18

Short Interest 8,273,402 | Short Interest Ratio 2.40 | % Float 1.24 | Currency USD

Change in Short Interest -128,021 | Change in SI Ratio -.31 | Change in % Float -0.02 | Chart | Table

Date	Short Interest	Closing Price	Average Daily Volume	Short Interest Ratio
11/15/2024	8,273,402	58.02	3.45 M	2.395
10/31/2024	8,401,423	55.77	3.10 M	2.708
10/15/2024	9,684,500	56.14	2.97 M	3.264
09/30/2024	10,192,327	57.30	4.26 M	2.395
09/13/2024	12,457,453	55.91	5.82 M	2.139
08/30/2024	14,067,632	53.21	4.08 M	3.449
08/15/2024	11,909,542	52.89	3.83 M	3.114
07/31/2024	13,390,651	54.50	3.61 M	3.712
07/15/2024	13,595,715	52.12	5.08 M	2.677
06/28/2024	16,045,071	49.93	9.29 M	1.728
06/14/2024	16,273,290	50.38	4.45 M	3.659
05/31/2024	15,174,459	52.37	6.68 M	2.273
05/15/2024	16,622,003	54.38	4.12 M	4.033
04/30/2024	14,585,000	55.38	4.33 M	3.370
04/15/2024	15,358,518	55.36	4.33 M	3.549
03/28/2024	15,607,590	57.13	4.71 M	3.314
03/15/2024	13,373,088	56.06	7.45 M	1.795
02/29/2024	17,345,357	49.61	5.56 M	3.122
02/15/2024	22,003,241	46.87	4.94 M	4.452
01/31/2024	17,270,723	46.14	4.02 M	4.291
01/12/2024	19,842,524	46.03	3.77 M	5.266
12/29/2023	19,899,624	45.71	3.81 M	5.223
12/15/2023	24,315,072	44.11	6.00 M	4.054

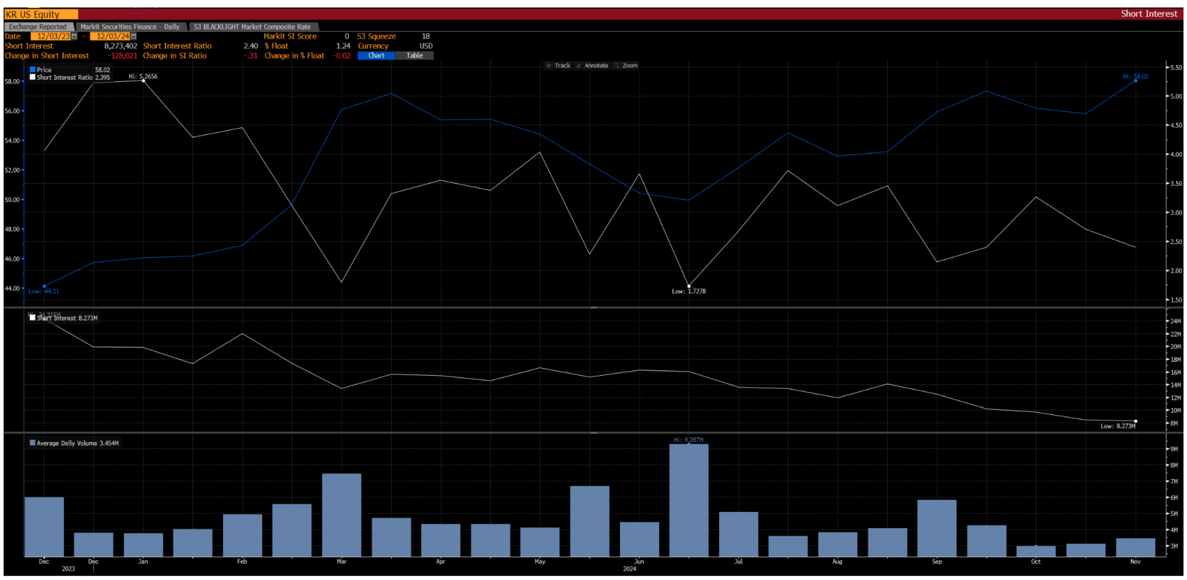
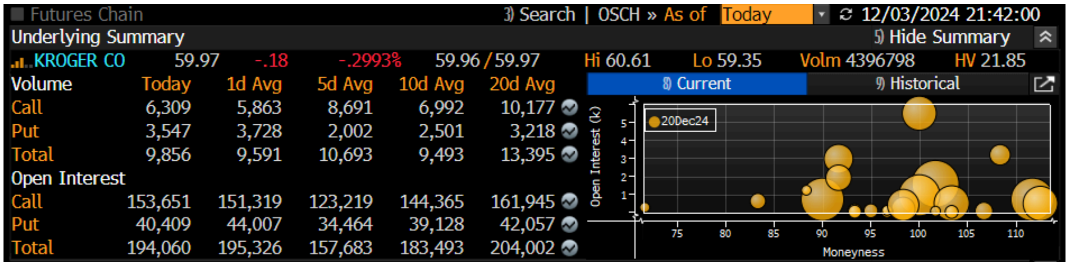


Figure 105 & 106: Kroger Short Interest: Bloomberg Terminal

The figures above display the short interests for Kroger over the past 12-month period. Short interest has declined over the period, ranging from a low of 8,273,402 on 11/15/2024 to a high of 24,315,072 on 12/15/2023. The company's stock price has seen significant fluctuations during the period, starting at $44.11 (low) and peaked at $58.02 (high). As the stock price increased, short interest consistently declined, suggesting that short sellers might have been covering their positions. The reduction in short interest and stable short interest ratio reflect improved market sentiment toward Kroger.

Option Interest



Volume	Today	1d Avg	5d Avg	10d Avg	20d Avg
Call	6,309	5,863	8,691	6,992	10,177
Put	3,547	3,728	2,002	2,501	3,218
Total	9,856	9,591	10,693	9,493	13,395
Open Interest					
Call	153,651	151,319	123,219	144,365	161,945
Put	40,409	44,007	34,464	39,128	42,057
Total	194,060	195,326	157,683	183,493	204,002

Figure 107: Kroger Option Interest

The table and graph above provide an overview of the option interest for Kroger Co. as of 1130/2024. Total outstanding option contracts amount to 239,424 with 83.01% (198,756) of the contracts being calls and 16.98% (40,668) being puts. This distribution suggests a positive investor sentiment, as the majority of options are calls indicating general expectation for the stock price to increase. The volume of options on the given day in the table shows 2,513 calls compared to 1,091 put contracts. The high volume of calls relative to puts suggest a bullish outlook, with investors potentially expecting Kroger's stock to increase in value. The 1-day average call contracts are 6,610, while put contracts are 1,368, continuing to show investors recent optimism. The 5-day average shows a call preference with 7,495 calls compared to 2,253 puts. The 10-day average reflects similar trends, further supporting consistent optimism among investors. While the 20-day shows a narrower difference, suggesting calls have been gaining traction within the last 20 days. Overall, the options activity suggests a bullish stance, wth call options significantly outnumbering put options in both volume and open interest. This reflects optimism in the stock's performance through the end of 2024 and into early 2024, with traders likely positioning for upward movement.

Analyst Recommendation

Consensus Rating		3.96
Buys	52.2%	12
Holds	43.5%	10
Sells	4.3%	1
12M Tgt Px	21/27	59.76
Last Price		61.08
Pricing Currency		USD
Return Potential		-2.2%
LTM Return		41.2%

	Firm	Analyst	Recommendation	Tgt Px	Date
1)	BNP Paribas Exane	Rob Joyce	neutral	56.00	11/29/24
2)	Telsey Advisory Group	Joseph I Feldman "Joe"	outperform	65.00	11/27/24
3)	Evercore ISI	Michael Montani	outperform	67.00	11/26/24
4)	Guggenheim	John Heinbockel	buy	63.00	11/24/24
5)	Zacks	Team Coverage	neutral	63.00	11/14/24
6)	NorthCoast Research	Charles E Cerankosky "Chuck"	buy	60.00	11/04/24
7)	M Science Investment Research	Matthew Goodman	no rating system		10/24/24
8)	BNP Paribas Exane	Anna Schumacher	underperform	48.00	10/01/24
9)	Wells Fargo	Edward Joseph Kelly Jr	overweight	65.00	09/23/24
10)	Melius Research LLC	Jacob Aiken-Phillips	hold	55.00	09/23/24
11)	Wolfe Research	Gregory Robert Badishkanian "...	outperform	59.00	09/16/24
12)	Baptista Research	Ishan Majumdar	hold	60.40	09/16/24
13)	R5 Capital	Scott A Mushkin	sell	52.00	09/15/24
14)	Argus Research Company	Christopher Graja	buy	72.00	09/13/24
15)	Morgan Stanley	Simeon Gutman	Equalwt/In-Line	58.00	09/13/24
16)	ROTH MKM	William J Kirk "Bill"	neutral	52.00	09/13/24
17)	Deutsche Bank	Krisztina Katai	hold	53.00	09/13/24
18)	Morningstar	Noah Rohr	hold	57.00	09/13/24
19)	HSBC	Daniela M Bretthauer	hold	58.00	09/12/24
20)	JP Morgan	Ken Goldman	overweight	59.00	09/12/24
21)	Oppenheimer	Rupesh D Parikh	market perform		09/12/24
22)	BMO Capital Markets	Kelly Bania	outperform	60.00	09/12/24
23)	Jefferies	Rob Dickerson	hold	54.00	09/12/24

Figure 108: Kroger Analyst Recommendations: Bloomberg Terminal

The chart above displays the current analyst recommendations for Kroger's stock as of 11/30/24. There is a slight expectation that the stock will rise 52.2% (12 analysts), with 43.5% (10 analysts) recommending a hold, and just 4.3% (1 analyst) recommending a sell. Prominent firms like Evercore ISI, Telsey Advisory Group, and Wells Fargo have issued "Outperform" or "Overweight" ratings, signaling strong expectations for Kroger's growth potential. Conversely, BNP Paribas Exane and Baptista Research have provided neutral or underperform ratings, reflecting concerns that the stock may be overvalued. Analysts have provided a wide range of target prices, with values spanning from $54 to $67. The consensus rating is 3.96 out of 5.00, which is just outside of the 4.00 and 5.00 range that corresponds to "Buy" recommendation by analysts. Kroger's 12M target price is $59.76, with a current share price of $61.08 analysts believe a downside of (2.2%) is appropriate. While the consensus target price implies limited upside, the stock's recent performance and positive sentiment surrounding the merger with Albertsons may continue to drive investor interest.

Significant News

- 11/02/2024: *Kroger Announces Extension of Exchange Offers and Consent Solicitations for Albertsons Companies, Inc. Notes* [46]
  - Kroger extended the expiration date for its offers to exchange all outstanding Albertsons-related notes for up to $7.44B in Kroger notes and cash, now set to expire on November 1, 2024.
  - The exchange and amendments are conditional on Kroger's merger with ACI, expected to close in Q4 2024, though the merger itself does not depend on these offers.
- 10/28/2024: *Disney+, Hulu, or ESPN+ Now Included with Boost by Kroger Plus Annual Membership* [47]
  - Announced Boost by Kroger Plus will now include Disney streaming options as part of annual memberships.
  - Includes free delivery options, 2X fuel points on purchases, monthly exclusive offers, and nutrition consultations.
- 10/04/2024: *Kroger Closes Sale of Specialty Pharmacy Business* [48]
  - Announced the transaction to sell its specialty pharmacy business to Elevance Health has closed.
  - This sale does not include Kroger's in-store retail pharmacies or The Little Clinics. It was structured to ensure minimal disruption to patients and employees.
  - The transaction is not expected to impact Kroger's 2024 financial guidance.
- 10/02/2014: *Kroger Supports Disaster Response to Uplift Communities Impacted by Hurricane Helene* [49]
  - Announced its supporting disaster relief with various activations, food and funds across the affected regions.

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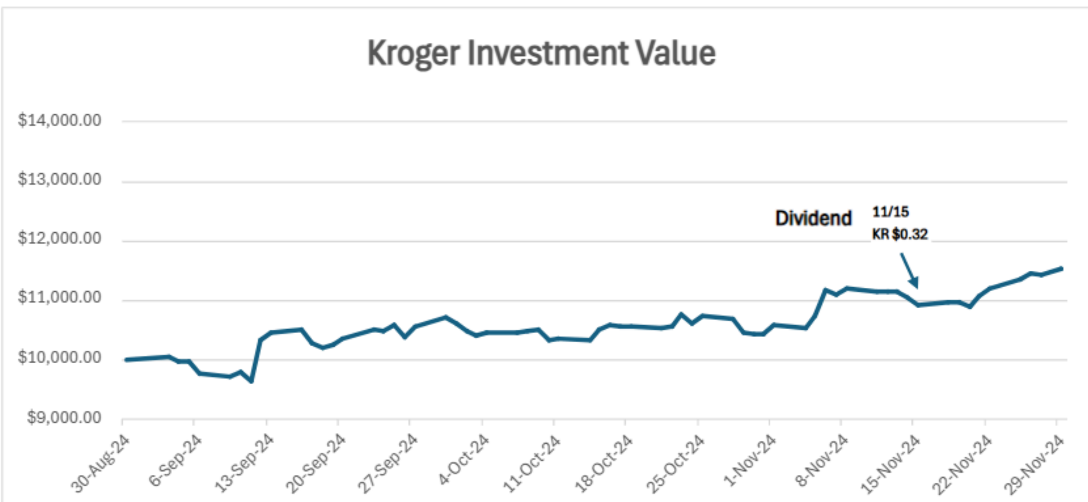
[46] "The Kroger Co. - Kroger announces extension of Exchange offers and consent solicitations for Albertsons Companies, Inc.. Notes." Accessed October 24, 2024.
[47] "The Kroger Co. - Disney+, Hulu, or ESPN+ now included with boost by Kroger Plus Annual Membership." Accessed October 24, 2024.
[48] "The Kroger Co. - Kroger Announces Definitive Agreement for sale of its specialty pharmacy business." Accessed October 24, 2024.
[49] "The Kroger Co. - Kroger supports disaster response to uplift communities impacted by Hurricane Helene." Accessed October 24, 2024.

Updated Assessment

Since the start date of 8/30, Kroger has seen a return of 15.39% or $1,538.90 on the original $10,000 dollar investment. This was originally largely driven by its proposed merger with Albertsons CompaniesInc. The anticipation of enhanced market expansion, economies of scale, increased buying power has positively influenced investor sentiment. The merger holds the promise of significant benefits, including cost savings and improved competitiveness. To address potential antitrust concerns, Korger and Albertsons have proposed divesting hundreds of stores, potentially creating a standalone public company. However, uncertainty surrounding regulatory approval remains a key risk factor, and the market will likely respond sharply to any developments regarding the merger's finalization. More recently, the election of former President Trump and improving economic indicators have helped boost the stock. Real GDP growth and CPI ticked up 0.2% in October and is at 2.8% for the year while real GDP was 2.8% for Q2 and 3.0% for Q3, both coming in stronger than expected. improving economic conditions have strengthened consumer confidence, leading to increased consumer spending, an important indicator for Kroger as it heads into the holiday season. The improving macroeconomic backdrop, coupled with seasonal demand, supports a continued positive outlook for the stock. Given the 15.39% return and the expected return of 12.05%, the investment in Kroger has been a success.

Returns



The Kroger Company (KR)	Values
Purchase Price (8/30/2024)	$ 53.21
Purchase Quanitity	187.93
Initial Value of Investment	$ 10,000.00
Adjusted Closing Price (11/29/24)	$ 61.08
Dividend Per Share Paid (11/15/24)	$ 0.32
Ending Value of Investment	$ 11,538.90
Dollar Return	$ 1,538.90
Holding Period Return	15.39%
Annualized Return	77.28%

The line graph above depicts the total dollar return for a $10,000 investment or 187.93 shares held in Krogers stock over the 3-month holding period from 8/30/24 to 11/30/24. The stock had experienced a slight decline in mid September then fluctuated until early November where it spiked. A main driver of this was the broader market, correlated to the election of Donald Trump. After the stock declined until mid November where it has since increased. The original purchase price on 8/30 was $53.21, and it rose to $61.08 on the last day of the holding period on 11/30. This resulted in the ending value of the total $10,000 investment from the 187.93 shares rising to $11,538.90 for a total dollar return of $1,538.90 or 15.39% (77.28% annualized). The effective annual rate is 77.28% higher than the portfolio required rate of return of 16.81% and surpasses the KR expected return of 12.05%.

Final Assessment: HOLD

Kroger’s performance over the 3-month holding period exceeded the required return by a significant amount. Over the three-month period from 8/30/24 to 11/30/2024, Kroger has delivered a return of 15.39%, equating to $1,538.90 return on the original investment. The proposed merger with Albertsons Co., has been a significant catalyst, with expectations of market expansion. The proposed divestiture of hundreds of stores to address antitrust concerns has been well-received by investors, further boosting market sentiment. Real GDP growth exceeded expectations, with Q3 2024 growth at 3.0%, while CPI was up 2.8% year-to-date; As customers returned to higher levels of discretionary spending, the holiday shopping season has provided a favorable tailwind for Kroger's sales and margins. Additionally, The election of former President Trump brought optimism to the broader market, expectations of pro-growth policies, deregulation, and a favorable corporate tax policy. These factors have supported a broader rally in retail and consumer stocks, including Kroger. My original reasoning for choosing Kroger was its market share, defensive nature and the proposed merger with Albertsons Co. Overall, I am very pleased with the performance of Kroger and the overall outlook as the company remains a stable and attractive investment with significant long-term potential.

The Gabelli Growth AAA Fund[50]

Company: GAMCO Investors, Inc.

Ticker: GABGX

Exchange: OTC

Headquarters: One Corporate Center, Rye, NY 10580

Inception: April 9th, 1987

Beta: 1.21

Benchmark: S&P 500

GABGX 5-year Average Return: 15.57%

Adjusted Purchase Price (08/30/2024)[51]: $109.15

Purchase Quantity: ($10,000/$109.15) = 91.62

Expected Return: 15.54% (From Morningstar)

Security Price prior to Submission (11/29/2024): $118.20

[50] All information, unless otherwise specified, is sourced from Bloomberg Terminal, Morningstar, Yahoo Finance or Gabelli Funds webpage.
[51] "Gabelli Growth Fund (GABGX) Stock Price, News, Quote & History - Yahoo Finance." Yahoo Finance. Accessed September 17, 2024. https://finance.yahoo.com/quote/GABGX/.

Fund Manager Background

Portfolio Manager: Howard F. Ward, CFA

Howard F. Ward is GAMCO's Chief Investment Officer of Growth Equities and the Portfolio Manager for the Gabelli Large-Cap Growth AAA Fund. He is also the Co-Manager of the GAMCO Global Growth Fund. Mr. Ward graduated from Northwestern University in 1978 with a Bachelor's Degree in Economics. He spent four years as Investment Officer at Brown Brothers Harriman & Co., before joining Scudder, Stevens and Clark, where he was Managing Director and Product Leader of Schudder's large-cap growth product and Lead Portfolio Manager of the Scudder Large Company Growth Fund and the Scudder Balanced Fund, where he spent twelve years. Mr. Ward joined GAMCO Investors in 1995 as Senior Vice President and Portfolio Manager of the GAMCO Growth Fund. He is a Chartered Financial Analyst and member of the New York Society of Security Analysts.[52]

Fund Investment Strategy

The Gabelli Large Cap Growth AA Fund (GABGX) is an open-end fund that primarily invests in large-cap companies with strong growth potential. The fund's investment objective is to provide capital appreciation to its investors, as well as to produce current income. The fund's investment strategy focuses on common stocks, particularly securities of companies that appear to have favorable, undervalued prospects for earnings growth and price appreciation. The fund invests in companies that are believed to have above-average or expanding market shares, profit margins, and return on equity. Advisors of the fund use fundamental analysis to develop earnings forecasts to identify investment opportunities. The goal is to invest in companies with high future earnings potential relative to their current valuations.[53]

Morningstar Style Box

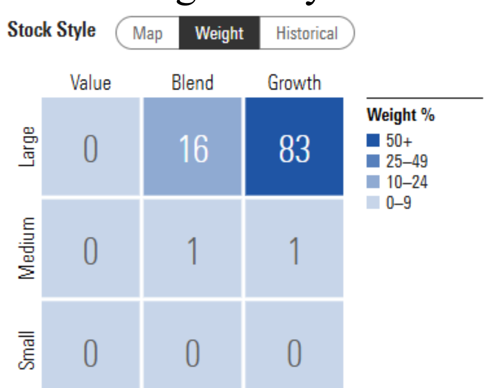


Figure 109: Moringstar's Style Box for the Gabelli Growth AA Fund.

The figure above shows the fund's asset allocation, market capitalization, and investment style. The style box shows that nearly all of the fund's holdings are in large-cap stocks, as the fund focuses on large, well-established companies. The style box also shows the fund is heavily invested in growth stock, with 83% of its holdings in this category. The fund has 16% holdings in blended stocks, which make up a mix of value and growth companies, balancing capital appreciation and consistent income. The fund additionally has nonmaterial holdings of 1% in medium-cap blend and growth stocks. While there are no holdings in small-cap companies or medium-cap value companies, the fund remains focused on large-cap companies who have strong potential for future growth.

[52] "Portfolio Manager: Howard F. Ward, Cfa - Gamco Investors, Inc.." Gabelli Funds. Accessed September 17, 2024. https://www.gabelli.com/funds/portfolio_managers/10007.

[53] "FY 2023 Annual Report." Gabelli Funds, February 29, 2024. https://gab-annual-reports.s3.us-east-2.amazonaws.com/GrowthAnnualReport.

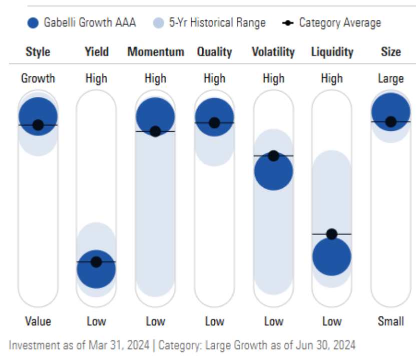


Figure 110: Morningstar Factor Profile for GABGX.

The Factor Profile above shows the fund's performance and positioning in comparison to their five-year historical range as well as the category average. The factor profile reveals the fund has a strong focus on growth stocks, outperforming the category average. The fund has a low yield, below the category average and close to the floor of its range, indicating that it does not prioritize dividend-paying stocks. The high momentum shows that the fund invests in stocks that have recently been performing well, above the category average and at the ceiling of its five-year range. The fund is regarded as having high quality, meaning it is able to identify and invest in companies with strong metrics and stable earrings, above the category average and at the ceiling of its range. The fund's volatility is high, which is typical of growth funds, yet it is below the category average. While the fund tends to invest in highly liquid stocks, it has recently opted for low liquidity stocks, below the category average, which could be of concern in market downturns. The fund heavily invests in large-cap stocks which tend to be well-established, in line with its historical average and slightly above the category average. The GABGX Fund is heavily concentrated in large-cap growth stocks with high momentum and quality. It also carries high volatility and market fluctuation, with potential for capital and price appreciation.

Category & Ranking

Total Return %	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD
Investment	9.80	5.11	2.83	29.49	1.83	34.18	39.12	22.48	-39.04	45.39	31.02
Category	10.00	3.60	3.23	27.67	-2.09	31.90	35.86	20.45	-29.91	36.74	23.91
Index	14.66	3.84	5.46	27.12	-1.40	34.98	37.24	26.37	-31.71	40.25	27.63
Quartile Rank											
Percentile Rank	54	39	52	38	16	33	31	50	90	21	11
# of Invest. in Cat.	1,710	1,681	1,463	1,363	1,405	1,360	1,289	1,237	1,235	1,200	1,128
Category Name	LG	LG	LG	LG	LG	LG	LG	LG	LG	LG	LG

Figure 111: Morningstar: GABGX Category and Ranking for day ending 10/26/2024

The Gabelli Large-Cap Growth AAA Fund has experienced impressive returns of 31.02% year-to-date (YTD), while the category and index returns are 23.91% and 27.63%, respectively. The fund also posted strong returns in 2017 (29.49%), 2019 (34.18%), and in 2023 (45.39%). The significant decline in 2022 (-39.04) can be attributed to an overall market downturn due to rising interest rates, high inflation and large tech sell-off. While the company's quarterly rank has fluctuated, it has been in the top 25% since 2023 and was previously featured in the top two quartiles for six of the past nine years. As for the percentile rank, the fund has had a mean of 39th, and more recently, it was ranked in the 21st percentile in 2023 and in the 7th percentile YTD. The number of investments in the category has been declining since 2014, dripping from 1,710 to 1,200, indicating consolidation in the large-cap growth category. The GABGX Fund has demonstrated strong performance, though it faced challenges in certain years like 2022. More recently, it has re-emerged as a competitive player in the large-cap growth space.

Sector Holdings

The table to the right shows the sector allocations of the GABGX fund in comparison to the category averages. The fund is invested in eight sectors, with the top 3 sector holdings making up over 75% of the fund. The largest weighted sector, Technology makes up 44.57% of its allocation while it has no holdings in Real Estate, Basic Materials, or Energy. This is in line with the category holdings, as there is no significant material difference, except for the Communication Services sector, where the fund holds 19.31% in comparison to the category's 12.27%. The heavy investments in Technology and Communications Services, along with the lack of exposure to defensive sectors, indicates a more aggressive growth strategy. The aim is to capture potential significant upside in high-growth industries, which may be more vulnerable during periods of market downturn or high volatility.

	Sectors	Investment %	Cat %
Cyclical	Basic Materials	0.00	1.15
	Consumer Cyclical	11.24	13.26
	Financial Services	7.47	8.27
	Real Estate	0.00	0.83
Sensitive	Communication Services	19.31	12.27
	Energy	0.00	0.90
	Industrials	6.53	6.33
	Technology	44.57	42.02
Defensive	Consumer Defensive	1.38	2.77
	Healthcare	8.64	11.72
	Utilities	0.85	0.48

Investment as of Jun 30, 2024 | Category: Large Growth as of Aug 31, 2024 | Sector data is based on the rescaled long position of the holdings. | Source: Holdings-based calculations.

Figure 113: Morningstar: GABGX Holdings vs Category

Top 10 Security Holdings

Holdings	% Portfolio Weight	First Bought	Market Value as of Jun 30, 2024	Cur	Share Change %	1-Year Return
Microsoft Corp	13.29	Mar 31, 1996	150,666,845	USD	0.00	29.02
NVIDIA Corp	12.26	Dec 31, 2019	138,982,500	USD	0.00	161.91
Amazon.com Inc	7.70	Jun 30, 2008	87,349,000	USD	0.00	28.75
Alphabet Inc Class A	5.49	Jun 30, 2005	62,295,300	USD	0.00	15.47
Apple Inc	5.38	Mar 31, 2006	60,953,428	USD	0.00	28.28
Eli Lilly and Co	4.83	Dec 31, 2022	54,775,490	USD	↓ 7.35	55.08
Meta Platforms Inc Class A	4.70	Jun 30, 2012	53,245,632	USD	↓ 12.51	72.30
Netflix Inc	4.34	Sep 30, 2017	49,198,752	USD	0.00	69.09
Alphabet Inc Class C	3.32	Dec 31, 2015	37,674,468	USD	0.00	15.47
Mastercard Inc Class A	2.67	Jun 30, 2007	30,307,692	USD	0.00	19.12

Figure 113: Morningstar: GABGX Top 10 Holdings

As shown in the table above, the top holding within GABGX is Microsoft Corporation 13.29%. Additionally, it is the largest holding in the technology sector. Microsoft has had a strong performance over the past year, contributing significantly to the fund's overall return. The second largest holding is NVIDIA Corporation, one of the more recent purchases, which has been the top performer in the portfolio over the last year, showing remarkable growth of 161.91%, driven by its leadership in AI. GABGX is made up of 24 securities, with the top 10 holdings making up 64.8% of the fund's total holdings. The total market value as of 06/30/24 was $1,133,770,086.[54] The portfolio manager has sold off 12.51% of its shares in Meta Platforms Inc. Class A and 7.35% of its shares in Eli Lilly and Co. This can be attributed to the fund's active management; despite strong performance, a disciplined approach to profit-taking and risk management is evident. Although not shown in the table, GABGX added non-material amounts of GE Aerospace, and KKR & Co Inc Ordinary Shares to the fund. Additionally, they increased their non-material positions in Eaton Corp PLC, Applied Materials Inc., and Spotify technologies PLC Class A, and reduced their positions in Costco Wholesale Corp. and Uber Technologies. This level of activity contributes to higher fees.[55]

[54] "FY 2023 Semi-Annual Report." Gabelli Funds, July 30, 2024. https://gab-semi-annuals.s3.us-east-2.amazonaws.com/GrowthSAR.
[55] "GABGX – Portfolio – Gabelli Growth AAA | Morningstar." Gabelli Growth AAA GABGX. Accessed September 17, 2024. https://www.morningstar.com/funds/xnas/gabgx/portfolio.

Benchmark Graph

GABGX US Equity | Settings

Range 12/03/2019 - 12/03/2024 Period Daily No. of Period 1827 Day(s) Table

	Security	Currency	Price Change	Total Return	Difference	Annual Eq
1)	GABGX US Equity	USD	71.37%	118.12%	6.55%	16.86%
2)	SPX Index	USD	95.59%	111.58%	--	16.15%

Figure 114 & 115: Bloomberg COMP Function (GABGX)

The graph above depicts GABGX's performance over the past five years relative to its benchmark index used in the firm's annual report, S&P 500 Index (SPX Index). The fund and index's performance was down in March of 2019 due to covid, but bounced back rising till around December of 2021. Since their decline, they have consistently shown strong growth since December of 2022. Over the 5-year period, GABGX achieved a strong total return of 114.21%, outperforming the S&P 500 (108.91%). Over the past five years GABGX has outperformed SPX Index by an annualized equivalent return of 0.58%. The mutual fund GABGX and its peer indexes are highly correlated with their price movements only having slight discrepancies. GABGX provides competitive returns with a moderate growth tilt, positioned just below the S&P 500 returns.

Fund Peers

Name	Treynor 1Y Weekly	Treynor 1Y Weekly	Last Px	Last Px	Curncy	Curncy	Fund Mgr Start Dt	Tot Ret↓ 1Y	Fund Mgr Start Dt	Tot Ret 1Y	Sharpe 1Y Weekly
GABELLI GROWT...	0.36	0.36	113.46	113.46	USD	USD	N.A.	51.03%	N.A.	51.03%	2.53
1) KINETICS INTER...	1.43	1.43	88.23	88.23	USD	USD	6/01/99	68.22%	6/01/99	68.22%	2.83
2) ALGER FOCUS EQ...	0.53	0.53	72.65	72.65	USD	USD	12/01/...	64.46%	12/01/...	64.46%	2.97
3) ALGER CAPITAL ...	0.51	0.51	45.51	45.51	USD	USD	9/01/04	62.20%	9/01/04	62.20%	2.85
4) TRANSAM CAPIT...	0.48	0.48	29.70	29.70	USD	USD	1/01/16	52.61%	1/01/16	52.61%	2.01
5) ZEVENBERGEN G...	0.41	0.41	35.36	35.36	USD	USD	8/01/15	52.37%	8/01/15	52.37%	2.09
6) CIBC ALTAS ALL ...	0.53	0.53	43.54	43.54	USD	USD	N.A.	52.09%	N.A.	52.09%	2.88
7) MS INSIGHT FUN...	0.47	0.47	30.64	30.64	USD	USD	10/01/...	51.69%	10/01/...	51.69%	2.00
8) FIDELITY EQUIT...	0.52	0.52	14.45	14.45	USD	USD	1/01/23	51.67%	1/01/23	51.67%	2.92

Figure 116: Bloomberg Rv Function (GABGX)

The two fund peers I selected to analyze with GABGX are Alger Focus Equity A (ALGRX) and Zevenbergen Growth Investor (ZVNBX). These funds were selected for being in the same category as GABGX as a Large-Cap Growth fund. ALGRX's strategy is to seek long-term capital appreciation, investing primarily in growth stocks. Similar to the GABGX fund, ALGRX heavily invests in technology stocks with holdings of 47.39%. ZVNBX's strategy is to also seek long-term capital appreciation by investing primarily in growth focused stocks. Additionally, the fund's largest sector holding is Technology at 48.49%.

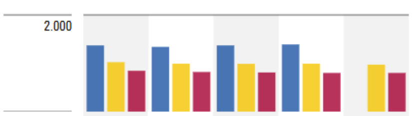
Ratio Analysis

Capture Ratios	Investment	Category
Alpha	-4.47	-4.56
Beta	1.21	1.12
R2	83.83	87.01
Sharpe Ratio	0.28	0.28
Standard Reviation	23.13	21.28
Treynor Ratio (5 yr)	12.53	0.21

Figure 117: Morningstar Risk and Volatility Measures, Treynor Ratio sourced from Yahoo Finance

This figure shows the 1-year ratios of GABGX as well as the 5-year Treynor Ratio in comparison to its category (Large-Cap Growth Fund). GABGX had an alpha of -4.47%, indicating a slight underperformance relative to its benchmark, with a category average of -4.66%. This suggests that the fund has struggled to generate returns above the expected benchmark on a risk-adjusted basis. The fund's beta of 1.21 is above the category average of 1.12, meaning that GABGX is more volatile than the market, experiencing larger fluctuations in response to market movements. The fund has an R^2 of 84.29%, meaning that 84.29% of the fund's price movements are in line with its benchmark, while 15.71% are due to other factors. The category's average is slightly higher at 87.24%. The Sharpe Ratio, which measures the fund's total risk adjusted return, is 0.15, which is relatively in line with the category's 0.16. The Treynor Ratio, which measures how much excess return a portfolio generates for each unit of systematic risk is 12.53%. The category's Treynor Ratio of 0.21 is considerably lower than GABGX, indicating that the fund is delivering far greater excess returns relative to its level of market risk than the average large-cap growth fund. This suggests that GABGX has relatively outperformed its peers in terms of risk-adjusted returns, especially when considering market related risk.

Historical Expense Ratio %



	2020	2021	2022	2023	2024
Investment	1.370	1.340	1.370	1.390	–
Category Average	1.022	0.992	0.988	0.992	0.971
Comparison Group	0.845	0.820	0.810	0.800	0.800

Expense Ratio: Annual Report | Fee Level Comparison Group: Large Cap No Load

Expense Analysis

As seen in the image to the left, the GABGX Fund has higher-than-average fees compared to the category average and its comparison group. While peers in the same category are lowering fees, the fund has slightly increased its own. The fund has a gross expense ratio and net expense ratio of 1.39%. The fund requires a minimum initial investment of $1,000.[56]

Figure 118: Morningstar Expense Ratio for GABGX

Performance Table

Trailing Returns — Day End | Month End | Quarter End

Total Return %	1-Day	1-Week	1-Month	3-Month	YTD	1-Year	3-Year	5-Year	10-Year	15-Year
Investment	0.29	-0.38	1.89	10.06	31.02	51.06	6.35	16.36	14.82	13.85
Category	0.24	-0.73	1.73	8.90	23.91	44.79	5.94	16.03	13.91	14.13
Index	0.44	0.07	2.41	10.28	27.63	48.17	7.95	18.02	15.25	15.57
Quartile Rank										
Percentile Rank	52	36	46	25	11	19	58	49	36	61
# of Invest. in Cat.	1,149	1,148	1,144	1,140	1,128	1,118	1,061	998	788	598

Figure 119: Morningstar Performance Table for GABGX with Investment Returns for day ending 10/25/2024

The performance table above displays the trailing returns for the GABGX fund compared to its category and index over various periods, ranging from 1-day to 15-years. The 15-Year performance shows

[56] "Gabelli Growth Fund AAA - GAMCO Investors, Inc." Gabelli Funds. Accessed September 17, 2024. https://www.gabelli.com/funds/open_ends/406.

that the fund has performed slightly below the category and index. However, the YTD and 1-year reveal the fund has outperformed both the category and index.

Investment Thesis

My reasoning for selecting the Gabelli Large-Cap Growth AAA Fund (GABGX) is largely due to its focus on high-quality large-cap stocks, an impeccable management team, and a proven track record. The fund's beta of 1.21 reflects moderate risk but fits within my investor profile as well as my large-cap oriented investment strategy. Additionally, the fund prioritizes undervalued large-cap companies with prospects for earnings growth and price appreciation.[57] The most prominent reason for selecting this fund was the management team, specifically the founder, Mario Gabelli who heavily influences the strategy used by portfolio managers at GAMCO. Howard Ward has a strong track record, providing the fund with excellent returns since becoming the Portfolio manager in 1995. The Gabelli Asset Management firm is largely successful in identifying value-oriented stocks and has earned a strong reputation. Finally, the fund's phenomenal 35.83% return this year is a significant reason for my selection.

Peer Analysis[58]

Category Rank: figures 120-122: GABGX & Peer Category Rankings
GABGX: Gabelli Growth AAA

Total Return %	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD
Investment	9.80	5.11	2.83	29.49	1.83	34.18	39.12	22.48	-39.04	45.39	31.02
Category	10.00	3.60	3.23	27.67	-2.09	31.90	35.86	20.45	-29.91	36.74	23.91
Index	14.66	3.84	5.46	27.12	-1.40	34.98	37.24	26.37	-31.71	40.25	27.63
Quartile Rank											
Percentile Rank	54	39	52	38	16	33	31	50	90	21	11
# of Invest. in Cat.	1,710	1,681	1,463	1,363	1,405	1,360	1,289	1,237	1,235	1,200	1,128
Category Name	LG	LG	LG	LG	LG	LG	LG	LG	LG	LG	LG

GABGX generated an 45.39% return in 2023, outperforming the category. It ranked in the 1st quartile and placed in the 21st percentile. Its current YTD performance is strong with a return of 31.02%, outperforming the category and is currently in the 1st quartile and the 11th percentile rank.

Total Return %	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD
Investment	14.02	7.06	1.08	33.71	1.35	33.92	45.75	19.68	-35.94	44.20	40.52
Category	10.00	3.60	3.23	27.67	-2.09	31.90	35.86	20.45	-29.91	36.74	23.91
Index	14.66	3.84	5.46	27.12	-1.40	34.98	37.24	26.37	-31.71	40.25	27.63
Quartile Rank											
Percentile Rank	11	22	69	16	18	34	18	64	79	25	1
# of Invest. in Cat.	1,710	1,681	1,463	1,363	1,405	1,360	1,289	1,237	1,235	1,200	1,128
Category Name	LG	LG	LG	LG	LG	LG	LG	LG	LG	LG	LG

ALGRX: Alger Focus Equity I
ALGRX generated a return of 44.20% 2023, outperforming the category. It ranked in the 1st quartile and placed in the 25st percentile. Its current YTD performance is exceptional with a return of 40.52%, outperforming the category and is currently in the 1st quartile and the 1th percentile rank.

Total Return %	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD
Investment	—	—	-3.17	33.71	5.88	37.73	123.87	-9.11	-54.79	63.92	25.35
Category	10.00	3.60	3.23	27.67	-2.09	31.90	35.86	20.45	-29.91	36.74	23.91
Index	14.66	3.84	5.46	27.12	-1.40	34.98	37.24	26.37	-31.71	40.25	27.63
Quartile Rank	—	—									
Percentile Rank	—	—	93	16	4	10	1	99	98	1	45
# of Invest. in Cat.	*1,710*	*1,681*	1,463	1,363	1,405	1,360	1,289	1,237	1,235	1,200	1,128
Category Name	—	LG	LG	LG	LG	LG	LG	LG	LG	LG	LG

ZVNBX: Zevenbergen Growth Investor
ALGRX generated a return of 63.92% 2023, outperforming the category. It ranked in the 1st quartile and placed in the 1st percentile. Its current YTD performance is not as good with a return of 25.35%, still outperforming the category and is currently in the 2nd quartile and the 45th percentile rank.

[57] "Gabelli Growth Fund (GABGX) Stock Price, News, Quote & History - Yahoo Finance." Yahoo Finance. Accessed September 17, 2024. https://finance.yahoo.com/quote/GABGX/.
[58] All graphs, unless otherwise specified, are sourced from Morningstar (as of 10/21/24)

Category Summary:

The category total returns fluctuated significantly over the years, reflecting the volatility of large-cap growth funds. All of the funds experienced down years in 2016 and 2018 due to broader market declines, and in 2022. The category experienced a 1-year return of 36.74% which all three funds were able to beat. ZYNBX outperformed its peers and the category with a 63.92% return in 2023, while ALGRX had a return of 44.20%, while GABGX was in between the two with a return of 45.39%. The category's 5-year return of 16.03% was surpassed by GABGX (16.36%) and ALGRX (19.73%), while ZYNBX had a return of 1570. All three funds were ranked in the top quartile and were top-25 in percentile rank with ZVNBX in 1st. Overall GABGX has similar returns to ALGR in the short term, while ZYNBX has far superior returns in comparison. When furthering the time horizon, GABGX has a greater return than ZYNNX but trails ALGRX by a wide margin.

Peer Sector Breakdown

Figures: 123-125: GABGX & Peers Sector Breakdown

GABGX

	Sectors	Investment %	Cat %
Cyclical	Basic Materials	0.00	1.16
	Consumer Cyclical	11.24	13.31
	Financial Services	7.47	8.36
	Real Estate	0.00	0.84
Sensitive	Communication Services	19.31	12.34
	Energy	0.00	0.83
	Industrials	6.53	6.11
	Technology	44.57	42.01
Defensive	Consumer Defensive	1.38	2.72
	Healthcare	8.64	11.85
	Utilities	0.85	0.48

ALGRX

	Sectors	Investment %	Cat %
Cyclical	Basic Materials	0.60	1.16
	Consumer Cyclical	10.14	13.31
	Financial Services	4.51	8.36
	Real Estate	0.99	0.84
Sensitive	Communication Services	14.36	12.34
	Energy	0.73	0.83
	Industrials	7.92	6.11
	Technology	48.34	42.01
Defensive	Consumer Defensive	0.00	2.72
	Healthcare	10.29	11.85
	Utilities	2.13	0.48

ZVNBX

	Sectors	Investment %	Cat %
Cyclical	Basic Materials	0.00	1.16
	Consumer Cyclical	26.59	13.31
	Financial Services	0.00	8.36
	Real Estate	0.00	0.84
Sensitive	Communication Services	9.93	12.34
	Energy	0.00	0.83
	Industrials	4.67	6.11
	Technology	48.49	42.01
Defensive	Consumer Defensive	3.18	2.72
	Healthcare	7.13	11.85
	Utilities	0.00	0.48

75 GABGX:The Gabelli Growth Fund AAA is a highly concentrated portfolio which touches just eighth sectors in total, with their top . Its heaviest sector emphasis is Technology, with holdings of 44.57%, which is slightly higher than the category's holding of 42.02%. The next largest holding in the funds portfolio is Communication Services with a holding of 19.31%, which is higher than the category's holding of 12.34%. The fund's next largest sector holdings are Consumer Cyclical and Healthcare, with holdings of 11.24% and 8.64% respectively. Both of these sector holdings are lower than the respective category. The fund has holdings in financial services of 7.47% and Industrials with a holding of 6.53%. The fund has a larger holding in industrials but a lower holding in financial services, in comparison to the categories holding. Additionally, the fund has small holdings in Utilities with 0.85% and in Consumer Defensive with 1.38%. The fund is largely exposed to technology stocks which tend to perform well in times of growth but poor in economic downturns. This large concentration could cause underperformance or losses during periods of economic distress.

73 ALGRX: In comparison to GABGX, ALGRX has similar weights across the sectors with a large concentration in Technology stocks. ALGRX's largest holding is Technology (48.34%), 3.77% more weight in the sector than GABGX. The fund's second largest sector holding, similar to GABGX, is Communication Services (14.36%), 4.95% less than GABGX. Like GABGX the fund is invested in Consumer Cyclical (10.14), 1.1% less weight in the sector. The fund, similar to GABGX, has holdings in Healthcare, Industrials, Financial Services and Utilities of similar weight. In addition ALGRX has small holdings in Energy, Basic Materials, and Real Estate. Overall, ALGRX shows a more diversified sector allocation with defensive elements, while GABGX is more concentrated in growth-oriented sectors like technology and communications services as they have a larger combined sector weight.

85 ZVNBX: This fund has a similar sector holding weight to GABGX with slight discrepancies and a much less diversified weight compared to ZVNBX. The funds main holding similar to GABGX is Technology (48.49%), 3.92% more than GABGX. The fund's second largest holding is Consumer Cyclical (26.59%), this being the only major difference in the funds with 15.35% more than GABGX. ZVNBXalso has holdings in Communication Services (9.93%), 9.38% less than GABGX. Additionally, ZVNBX has holdings in Healthcare, Consumer Defense, and Industrials, with similar weights to GABGX. The fund holds no Finicla Services, while GABGX holds 7.47%. Overall, ZVNBX is more consumer and cycle-sensitive, while GABGX is balanced across growth and more communication-focused sectors.

Top 10 Security Holdings

Figures: 126-128: GABGX & Peers Top 10 Security Holdings

GABGX:

Holdings	% Portfolio Weight	First Bought	Market Value as of Jun 30, 2024	Cur	Share Change %	1-Year Return	Forward P/E
Microsoft Corp	13.29	Mar 31, 1996	150,666,845	USD	0.00	26.56	32.57
NVIDIA Corp	12.26	Dec 31, 2019	138,982,500	USD	0.00	238.85	36.23
Amazon.com Inc	7.70	Jun 30, 2008	87,349,000	USD	0.00	54.73	31.85
Alphabet Inc Class A	5.49	Jun 30, 2005	62,295,300	USD	0.00	31.89	18.62
Apple Inc	5.38	Mar 31, 2006	60,953,428	USD	0.00	35.82	31.35
Eli Lilly and Co	4.83	Dec 31, 2022	54,775,490	USD	↓ 7.35	53.08	39.37
Meta Platforms Inc Class A	4.70	Jun 30, 2012	53,245,632	USD	↓ 12.51	91.88	23.81
Netflix Inc	4.34	Sep 30, 2017	49,198,752	USD	0.00	83.51	31.55
Alphabet Inc Class C	3.32	Dec 31, 2015	37,674,468	USD	0.00	32.15	18.83
Mastercard Inc Class A	2.67	Jun 30, 2007	30,307,692	USD	0.00	32.02	30.49

ALGRX:

Holdings	% Portfolio Weight	First Bought	Market Value as of Jul 31, 2024	Cur	Share Change %	1-Year Return	Forward P/E
Microsoft Corp	12.76	Jul 31, 2015	203,035,295	USD	0.00	26.56	32.26
NVIDIA Corp	12.43	Sep 30, 2019	197,801,363	USD	↓ 0.39	238.85	35.97
Amazon.com Inc	6.41	Apr 30, 2008	101,973,844	USD	0.00	54.73	31.65
Apple Inc	6.00	Oct 31, 2004	95,422,224	USD	0.00	35.82	31.15
Meta Platforms Inc Class A	5.86	Mar 31, 2023	93,236,194	USD	0.00	91.88	23.58
Alphabet Inc Class C	3.20	Oct 31, 2015	50,862,986	USD	↑ 7.65	32.15	18.83
AppLovin Corp Ordinary Shares - Class A	3.06	Apr 30, 2024	48,714,710	USD	↑ 7.72	347.11	25.45
Broadcom Inc	2.89	Dec 31, 2023	45,983,884	USD	↑ 18.17	106.10	27.70
Heico Corp Class A	2.32	Dec 31, 2023	36,949,399	USD	0.00	54.10	46.30
Taiwan Semiconductor Manufacturing Co Ltd ADR	2.26	May 31, 2023	35,953,730	USD	↑ 6.50	134.64	22.08

ZVNBX:

Holdings	% Portfolio Weight	First Bought	Market Value as of Jun 30, 2024	Cur	Share Change %	1-Year Return	Forward P/E
NVIDIA Corp	9.73	Sep 30, 2017	11,464,512	USD	↓ 13.67	238.85	35.97
MercadoLibre Inc	6.97	Sep 30, 2015	8,217,000	USD	↓ 1.96	71.90	45.87
Amazon.com Inc	6.65	Sep 30, 2015	7,836,288	USD	↓ 6.78	54.73	31.65
Tesla Inc	6.21	Sep 30, 2015	7,321,560	USD	↑ 3.21	26.73	78.74
The Trade Desk Inc Class A	5.86	Sep 30, 2018	6,910,152	USD	↓ 12.76	66.69	92.59
Shopify Inc Registered Shs -A- Subord Vtg	4.81	Dec 31, 2016	5,670,392	USD	↑ 5.79	63.02	60.24
Uber Technologies Inc	4.52	Jun 30, 2019	5,327,444	USD	↓ 4.43	83.28	32.57
Axon Enterprise Inc	4.13	Dec 31, 2021	4,869,672	USD	↓ 6.50	113.85	70.92
Meta Platforms Inc Class A	3.59	Jun 30, 2023	4,235,448	USD	0.00	91.88	23.58
Advanced Micro Devices Inc	3.52	Dec 31, 2022	4,144,466	USD	↓ 8.91	62.65	28.82

GABGX: The top holdings for GABGX are Microsoft (13.29%), NVIDIA (12.26%), Amazon (7.70%), Alphabet (5.49%), and Apple (5.38%). The fund comprises 34 equity holdings with no bond holdings, and 6 additional positions. The fund's top 10 holdings account for 64% of its total assets, and the fund has a reported turnover rate of 31%, indicating moderate activity.

ALGRX: ALGRX shares many top holdings with GABGX, including Microsoft (12.76%), NVIDIA (12.43%), Amazon (6.41%), Apple (6.00%), and Meta (5.86%). With a portfolio of 48 equity holdings, no bond holdings, and 1 other position, ALGRX overlaps with 6 of GABGX's top 10 holdings and 3 of the ZVNBX. The fund's top 10 holdings represent 57% of the portfolio, with a high turnover rate of 99.51%, suggesting a more actively managed strategy.

ZVNBX: The top holdings for the fund are NVIDIA (9.73%), MercadoLibre (6.97%), Amazon (6.65%), Tesla (6.21%), and The Trade Desk (5.86%). The fund holds 35 equities, no bonds, and 2 additional positions. ZVNBX shares just 3 top holdings with both GABGX and ALGRX. Its top 10 holdings makeup 56% of their portfolio, with a low turnover rate of 13.62%, and a diversified sector allocation indicating a more stable, long-term approach.

Peer Group Performance

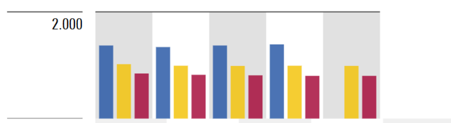
Total Return %	1-Year	3-Year	5-Year	10-Year
GABGX	51.06%	6.35%	16.36%	14.82%
Percentile Rank	19	58	49	36
ALGRX	64.46%	9.15%	19.73%	16.68%
Percentile Rank	1	22	11	8
ZVNBX	55.77%	-6.22%	15.70%	-
Percentile Rank	8	97	58	-
Category Return %	**44.79%**	**5.94%**	**16.03%**	**13.91%**

Figure 129: Trailing Returns for GABGX & Peers

The first table above displays the trailing returns for GABGX and its two Peers, and the respective category for the past year, 3 years, 5 years, and 10 years. The table shows that ALGRX consistently outperforms both its peers and the category average across all time periods, ranking in the top percentiles due to its active high turnover strategy that captures growth effectively. GABGX also exceeds the category returns in all periods with a smaller margin, reflecting a steadier stream of moderate growth. ZVNBX, has a strong short-term performance, ranking in the 8th percentile for 1-year returns, but struggles in longer periods, showing volatility and underperformance over the 3-year and 10-year spans. Its low turnover and centration in cyclical sectors contribute to these fluctuations, making more appealing for short-term gains during economic upturns but less predictable over long term. Additionally in the second and third images we can see the 5-year annual equivalent returns of the three funds. ALGRX has led the way with a 22.29% return, followed by GABGX at 16.24%, and then ZVNBX at 15.58%.

Expense Comparison

Historical Expense Ratio %



	2020	2021	2022	2023	2024
Investment	1.370	1.340	1.370	1.390	–
Category Average	1.020	0.990	0.986	0.990	0.987
Comparison Group	0.845	0.820	0.810	0.800	0.800

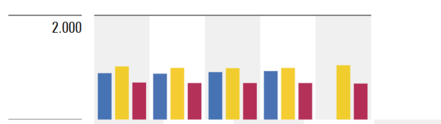
Expense Ratio: Annual Report | Fee Level Comparison Group: Large Cap No Load

GABGX:

GABGX had an expense ratio of 1.390 in 2023, which is greater than the category average by 40 bps. This is an increase of 2 bps year over year, and an increase of 20 bps since 2020. Over the years, GABGX's expense ratio has remained above both the category average and the comparison group, which has concisely lower expense ratios. GABGX has the highest expense ratio out of its peer funds, this higher expense ratio could affect net returns for investors.

Figure 130: Morningstar Expense Ratio for GABGX

Historical Expense Ratio %



	2020	2021	2022	2023	2024
Investment	0.890	0.880	0.910	0.930	–
Category Average	1.020	0.991	0.986	0.990	1.042
Comparison Group	0.710	0.700	0.700	0.700	0.690

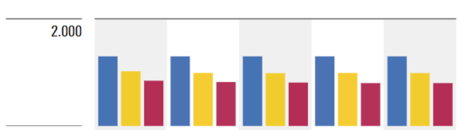
Expense Ratio: Annual Report | Fee Level Comparison Group: Large Cap Institutional

ALGRX:

In 2023, ALGRX had an expense ratio of 0.930, which is slightly below the category average of 0.990 for the year, but above the comparison group average of 0.700. The funds expense ratio has increased 20 bps year over year and 40 bps since 2020. Despite being higher than the comparison group, ALGRX has the lowest expense ratio among the three funds being compared. This allows ALGRX to be competitive within its category offering relatively lower costs compared to similar funds. This expense efficiency may contribute to ALGRX's appeal, especially given its strong performance.

Figure 131: Morningstar Expense Ratio for ALGRX

Historical Expense Ratio %



	2020	2021	2022	2023	2024
Investment	1.300	1.300	1.300	1.300	1.300
Category Average	1.020	0.990	0.986	0.990	0.987
Comparison Group	0.845	0.820	0.810	0.800	0.800

Expense Ratio: Annual Report | Fee Level Comparison Group: Large Cap No Load

ZVNBX:

In 2024, ZVNBX had an expense ratio of 1.300, the same as in 2023, which is 31 basis points higher than the 2024 category average of 0.987 and significantly above the comparison group average of 0.800. XVNBX's expense ratio has remained stable at 1.300% since 2020, showing no increase or decrease over the years, unlike the slight fluctuations seen in the category average. Despite this stability, ZVNBX's expense ratio is consistently higher than both its category and comparison group, which could impact net returns, especially when compared to funds with lower cost structures like ALGRX.

Figure 132: Morningstar Expense Ratio for ZVNBX

Ratio Analysis

	5-Year			
	GABGX	ALGRX	ZVNBX	Category
Alpha	-4.47	-2.15	-16.18	-4.56
Beta	1.21	1.16	1.47	1.12
R^2	83.83	83.40	57.09	87.01
Sharpe	0.28	0.38	-0.09	0.28
Standard Deviation	23.13	22.33	34.02	21.28
Treynor (5-Year)	12.53	15.73	10.58	0.21

Figure 133: Morningstar (Treynor is sourced from Yahoo Finance)

Alpha: All funds show a negative alpha, indicating underperform relative to the benchmark. ALGRX has the least negative alpha at -2.15, outperforming its peers and the category average of -4.56, showing it is the most effective in generating returns above the benchmark after adjusting for risk. GABGX follows with an alpha of -4.77, closely aligned with the category, while ZVBOX has the lowest alpha at -16.18, reflecting significant underperformance and suggesting it has struggled to achieve excess returns relative to the benchmark.

Beta: ALGRX has the lowest beta of 1.16, which indicates it is less volatile and less sensitive to market fluctuations compared to its peers and the category average of 1,12. GABGX has a beta of 1.21, showing moderate exposure to market risk, while ZVNBX has the highest beta at 1.47, making it the most vulnerable to market volatility. The high beta of ZVNBX suggests it is more reactive to market swings, which aligns with its higher standard deviation and lower Sharpe Ratio.

Sharpe Ratio: The Sharpe Ratio measures risk-adjusted performance, and all funds except ZVNBX have positive Sharpe Ratios. ALGRX leads with the highest Sharpe Ratio of 0.38, outperforming both the category average of 0.28 and its peers, meaning it generates better risk-adjusted returns. GABGX has a Shapre Ratio of 0.28, on par with the category, while ZVNBX has a negative Sharpe Ratio of -0.09, indicating it has failed to produce excess returns relative to the risk taken, reflecting poor risk-adjusted performance.

Treynor Ratio: The Treynor Ratio considers systematic risk, using beta to gauge excess return. ALGRX has the highest Treynor Ratio at 15.73, showing the best performance in terms of excess return per unit of market risk, significantly higher than the category average of 0.21. GABGX follows with a Treynor RAtio of 12.53, indicating it also provides strong returns relative to its beta. ZVNBX has a Treynor Ratio of 10.58, lower than its peers but still positive, suggesting it generates excess returns relative to market risk, though less efficiently than ALGRX and GABGX.

Scorecard

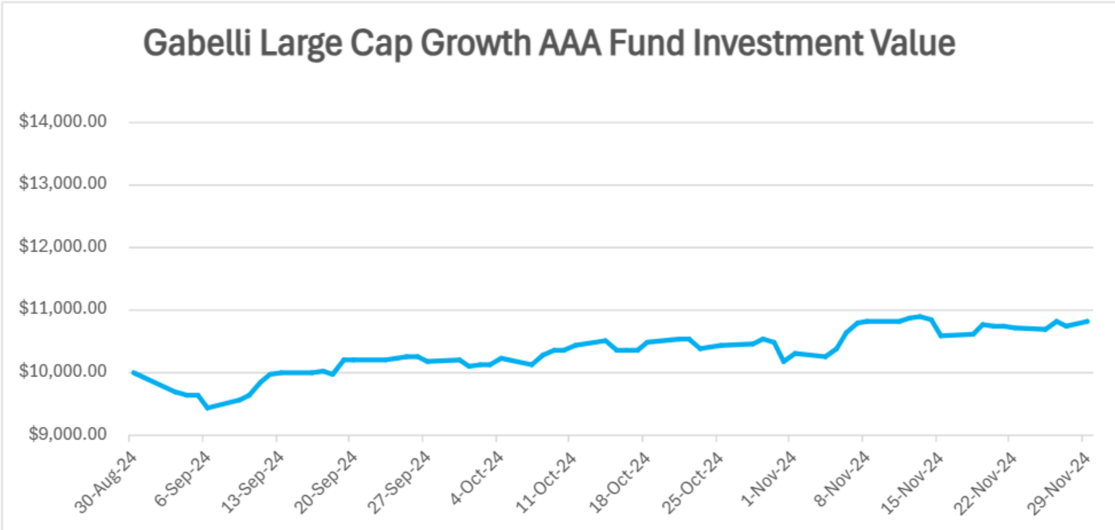
		Fund Scorecard Comparison		
Criteria		GABGX	ALGRX	ZVNBX
Performance	Short-Term (YTD)		☑	
	Long-Term (3,5,10)		☑	
Diversification	Sector		☑	
	Top 10 Holdings		☑	
Ratios	Alpha		☑	
	Beta		☑	
	Sharpe		☑	
	Treynor		☑	
Expenses	Fees		☑	

Figure 134: Scorecard Comparison for GABGX & Peers

Updated Assessment

GABGX has generated a solid return of 8.29% or $829.48 relative to the initial 10,000 investment. After analyzing GABGX with its Large-Cap Growth peers, ALGRX and ZVNBX, it's evident that GABGX has both strengths and areas where it lags behind its competitors. When analyzing performance across multiple periods, GABGX lags behind ALGRX, which outperforms the category in long term returns, consistently ranking in higher percentiles over 3, 5, and 10-year periods. In the short term, ALGRX reported the highest YTD return, outperforming its peers and ranking in the top quartile, while GABGX and XVNBX followed behind. Despite trailing in some performance metrics, GABGX maintains a stable presence, achieving moderate returns and maintaining average performance compared to the category. In terms of diversification, ALGRX has a broader distribution across sectors, giving it a strong defensive position and reducing reliance on any single industry. This diversification allows it to be better hedged during economic downturns. Additionally, ZVNBX maintains the lowest concentration in its top 10 holdings at 56% of its assets, compared to GABGX at 64%, providing more extensive sector coverage and reduced concentration risk. ALGRX also includes more sectors in its top 10 holdings, reflecting a more diversified approach compared to GABGX and ZVNBX. This broader spread of sector weights positions ALGRX to navigate market shifts more effectively. Expense ratios further differentiate these funds. ALGRX has the most comparative fee structure at 0.930, below both GABGX (1.390) and ZVNBX (1.300). This lower expense ratio allows ALGRX to retain more of its returns for investors, contributing to its strong risk-adjusted performance. GABGX has the highest fee among the three, potentially lowering net returns over time. While GABGX demonstrates string risk and volatility ratios compared to ZVNBX. Although all three funds and the category average show negative alpha, GABGX's alpha of -4.47 is close to the category's average and better than ZVNBX's (-16.18), indicating it holds up relatively well under benchmark comparison. ALGRX has an alpha of -2.15, better than the category average and the two peer funds. Additionally, GABGX maintains a moderate beta of 1.21, limiting its exposure to systemic risk relative to the category average. With a Shapre Ratio of 0.38, indicating better risk-adjusted returns per unit of standard deviation. Lastly, GABGX achieves a Tryner Ratio of 12.53, outperforming ZVNBX (10.59) and reflecting a strong excess return per unit of systematic risk, driven by its moderate beta. ALGRX appears to be the obvious choice among the three funds. Its long-term performance, high Sharpe and Treynor Ratios, lower expenses, and broad diversification attribute to this conclusion. However, GABGX still stands as a competitive option with a balanced risk profile, string diversification within its top holdings, and an effective performance relative to its beta. Overall, since my investment strategy is to gain the highest required rate of return, ALGRX would have more than likely been a better choice, especially after adjusting for fee structure.

Returns



Gabelli Large Cap Growth AAA Fund (GABGX)	Values
Purchase Price (8/30/2024)	$ 109.15
Purchase Quanitity	91.62
Initial Value of Investment	$10,000.00
Adjusted Closing Price (11/29/2024)	$ 118.20
Ending Value of Investment	$10,829.48
Dollar Return	$ 829.48
Holding Period Return	8.29%
Annualized Return	37.54%

The line graph above depicts the total dollar return for a $10,000 investment or 91.62 shares held in Salesforces stock over the 3-month holding period from 8/30/24 to 11/30/24. The stock had experienced a slight decline in early September, and since then remained relatively steadily increasing then spiking in early November. A main driver of this growth as seen in early November, was the election of former President Donald Trump. Since the election news the fund has been relatively stable, neither decreasing or increasing substantially at the end of the holding period. The original purchase price on 8/30 was $109.15, and it rose to $118.48 on the last day of the holding period on 11/30. This resulted in the ending value of the total $10,000 investment from the 91.62 shares rising to $10,829.48 for a total dollar return of $829.48 or 8.29% (37.54% annualized). The effective annual rate is 37.54% higher than the portfolio required rate of return of 16.81% and surpasses the GABGX expected return of 16.36%.

Final Assessment: SELL

The Gabelli Large-Cap Growth AAA Fund had a 3-month performance that exceeded the required returns by a substantial amount. The fund has benefited largely from favorable market conditions stemming from the election of former President Trump. GABGX's top holdings include Microsoft, NVIDIA, Amazon, Alphabet, and Apple, which collectively make up a significant portion of the portfolio, have been standout performers during the period. The fund’s allocation to tech-heavy growth stocks has capitalized on strong market momentum, as investors continue to reward companies with robust earnings growth and future AI-driven capabilities. The broader macroeconomic environment provided a boost for GABGX’s holdings; as real GDP growth came in stronger than expected at 3.0% in Q3 2024, signaling economic resilience with the CPI up 2.8% year-to-date. These conditions helped boost confidence in large-cap growth stocks, particularly those with strong balance sheets and high free cash flow, which are well-represented in the fund. My original rationale for investing in GABGX was its exposure to large-cap growth stocks, which offer a mix of stability and upside potential during periods of economic growth. Over the past three months, this has been proven to be accurate, as the fund has outperformed broader benchmarks by capturing strong returns from its leading holdings in technology and communications. While I wouldn't pick the fund again due to its expense ratio, overall I am very pleased with the performance of GABGX and its outlook based on the funds holdings.

Portfolio Analysis

Portfolio Performance

Security	Initial Beta	Current Beta	Inital Investment	Inital Weights	Current Value	Current Weights	Portfolio Beta
CRM	1.30	1.29	$ 10,000.00	33.00%	$ 13,083.44	36.90%	0.48
KR	0.46	0.47	$ 10,000.00	33.00%	$ 11,538.90	32.55%	0.15
GABGX	1.21	1.20	$ 10,000.00	33.00%	$ 10,829.48	30.55%	0.37
Portfolio	0.99	0.99	$ 30,000.00	100.00%	$ 35,451.83	100.00%	1.00

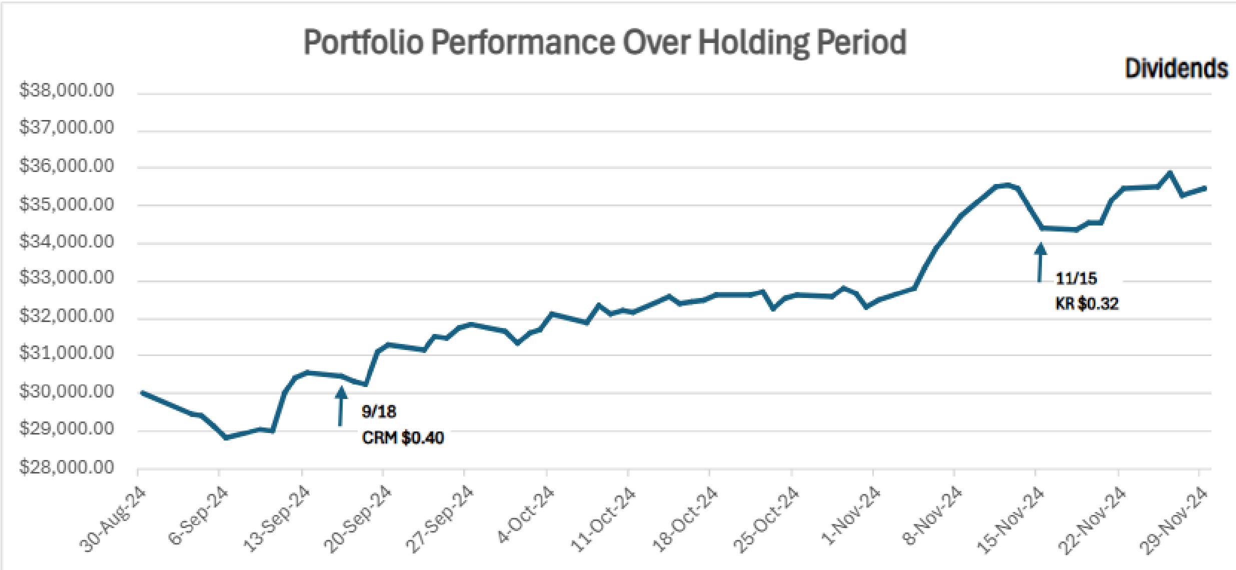
The chart above displays the initial beta for each security taken on the initial pricing day 8/30/24 and its change over the 3-month period ending on 11/30/24. The changes for each security's beta over the period are as follows:

- Salesforce, Inc. (CRM): decreased from 1.30 to 1.29 (-0.77%)
- The Kroger Corporation (KR): increased from 0.46 to 0.47 (2.17%)
- The Gabelli Large-Cap AAA Growth Fund (GABGX): decreased from 1.21 to 1.20 (-0.83%)

Over the three-month holding period, Kroger's Beta increased slightly, while The Gabelli Large-Cap AAA Growth Fund and Salesforce's beta's minimally decreased. Due to these changes, the portfolio beta rose by 0.01 to a new portfolio average of 1.0. Despite the increases, the portfolio average still meets my original required portfolio beta of 1.0. All three securities experienced a movement of .01 while Kroger experienced the biggest percent change with an increase of 2.17%

The portfolio weights all started out being equal (33.33%) and were allotted the same $10,000 initial investment. All of my securities generated a positive return, and CRM ended up having the largest current weight of (36.90%), followed by KR (32.55%), and lastly GABGX (30.55%). The new portfolio beta came out to 1.0, which was calculated utilizing the new investment weights, increasing from 0.99 to 1.0 (0.01 or by 1.01%). The new portfolio beta meets my exact required beta (1.0).

Returns



Investment Portfolio	Values
Initial Value of Investment	$30,000.00
Ending Value of Investment	$35,451.83
Total Dollar Return	$ 5,451.83
Holding Period Return	18.17%
Annualized Return	95.02%

The graph above depicts the entire portfolio performance, consisting of the two stocks and mutual fund ending investment value over the three-month holding period. The initial value of the portfolio folio investment rose from $30,000 to $35,451.83, generating a holding period return of 18.17% and a total dollar return of $5,451.83. This was driven by the performance of each security which generated a positive return. Salesforce earned the highest return resulting in an ending investment value of $13,083.44, followed by Kroger with $11,538.90 , and lastly GABGX with $10,829.48. The portfolio performance has largely been a consistent upward trend, with sizable fluctuations that were experienced in the broader market like the election of former President Trump. The portfolio's lowest investment value was on 09/06/24 at the beginning of the holding period, dropping to $28,803.54 or a -3.99% loss. Its highest investment value was at its close on 11/26/24 at $35,881.97, as the largest value was also recorded on 11/26/24 for CRM. Overall, the investment portfolio performed extremely well as a whole, with the annualized return significantly surpassing the expected return of 16.81% by a substantial 78.21%.

One-Year Projection Analysis

Security	Original Price	Current Price	Original 1-Year Target	Current 1-Year Target	Original Expected Return	Current Expected Return
CRM	$ 252.50	$ 329.99	$ 306.50	$ 351.05	22.02%	6.77%
KR	$ 53.21	$ 61.08	$ 58.34	$ 60.89	12.05%	2.31%
GABGX	$ 109.15	$ 118.20	N/A	N/A	15.54%	16.36%

On the original purchase day of 8/30/24, the 1-year target price estimate for Salesforce Incorporated was $306.50. Over the three-month holding period, the target rose to $389.11 on 11/30/24, an increase of $82.61 or 26.95%. This is an indication that the stock price is expected to continue to rise, and the analysts and investors have a very positive outlook for the company. This is also supported by the 4.43 consensus rating on the stock, which indicates a “Buy”, with an overwhelming 43 out of 56 analysts recommending a “Buy”. The analysts’ 12-month target price is at $353.32, which is also higher than the original 1-year estimated target price. The upward trend of Salesforce's target price and strong analyst consensus reflect growing confidence in the company’s future growth and ability to capitalize on emerging opportunities. Salesforce’s dominance in the CRM space, successful rollout of its AI-powered Einstein tools, and increased adoption of cloud and digital transformation solutions combined with the company's strong financial performance and strategic focus on high-growth segments, suggest a positive outlook.

The Kroger Corporation’s 1-year target price estimation on 8/30/24 was stated at $58.34, and it has risen to $60.89 as of 11/30/24. This is an increase of $2.55 or by 4.37%, and this also indicates that investors have a positive outlook on the stock and future growth but nearly as much as Salesforce. Analyst recommendations reported that 12 or 52.2% recommend a “Buy” with 10 or 43.5% recommending a “Hold”. The increase reflects a moderate but positive outlook for the company's future growth. The upward adjustment suggests investors and analysts remain cautiously optimistic, driven by the proposed merger with Albertsons Companies, which promises market expansion, cost savings, and improved competitiveness. The current average 12-month target price of $59.76, which is slightly below the most recent target, further suggests that while growth is anticipated, analysts are pricing in risks and uncertainties.

Economic Assessment & Risk-Free Rate Analysis

The security performance over the period from 8/30/24 to 11/30/24 reacted to key economic data releases from the Bureau of Labor Statistics and Federal Reserve events, particularly the impact of inflation and interest rate policy. The consumer price index (CPI), a key measure of inflation, and Federal Open Market Committee (FOMC) meetings significantly influenced market sentiment and my holdings of Kroger (KR), Salesforce (CRM), and the Gabelli Large Cap Growth AAA Fund (GABGX).

Inflationary pressures have remained persistent, with the CPI for October reported at 2.8%, showing a slight increase from 2.6% in September. While inflation remains within the Federal Reserve’s target range, the gradual uptick caused some market unrest. The Federal Reserve maintained the benchmark federal funds rate at 5.25% to 5.50% during its November 2024 meeting, leaving investors speculating about the timing of potential rate cuts in 2025. The Fed’s decision to hold rates steady reflects its cautious approach to managing inflation while ensuring economic stability. However, with inflation still above pre-pandemic levels and economic indicators like unemployment at 3.8%, expectations of a “soft landing” for the economy continue to bolster investor confidence in the long term. The Fed has remained confident in their 2.00% to 2.25% target price for sometime in 2025. Kroger experienced some fluctuations, particularly following the October CPI report, as inflationary pressures raised concerns about consumer spending. However, Kroger’s defensive nature and the proposed merger with Albertsons helped offset these concerns. Salesforce showed strong performance, despite the broader market’s sensitivity to inflation, the company's classification as a technology sector acted as a multiplier during a bullish 3-month period. GABGX’s performance aligned with its growth-oriented investment strategy, benefiting from the broader market rally in technology which made up 44.57% of the fund's holdings.

The 10-year Treasury yield declined from 3.911% on 8/30/24 to 4.17% by 11/30/24. While inflation had shown signs of moderation earlier in the year, the slight uptick in the CPI during this period (2.6% in September to 2.8% in October) likely fueled concerns about persistent inflation. Strong economic data, such as real GDP growth of 3.0% in Q3 2024, indicated that the economy was more robust than anticipated. Drawing investors away from safer long-term bonds has reduced fears of a near-term recession that were felt in the market. Optimism about the economy achieving a "soft landing" further reduced the appeal of long-term government bonds as a safe haven.

Final Portfolio Assessment

The investment portfolio assigned to construct was based on the parameters set by my moderate investment style, which was derived from my scores on the Charles Schwab Question based on time horizon and risk tolerance. From the given criteria, I selected three large-capitalization stocks, which led me to calculate my required rate of return which came out to 10%. I felt that choosing a highly defensive company with a sizable dividend, and low beta, like Kroger would provide a solid base for my portfolio and allow me to take excess risk elsewhere. This led me to my choice of Salesforce, a company heavily leveraged in acquisitions and strategic investment that offers an exponential return with their AI-driven tools. My reasoning for selecting the Gabelli Growth Large-Cap AA Fund, originated with my high regard for Mario Gabelli (CEO) of GAMCO. I decided on a large-cap growth fund due to the appeal of exposure to companies like NVIDIA, MSFT, and APPLE with a strong focus on information technology and communications, the two sectors with the highest return over the prior two year period. Over the course of the three-month holding period (8/30-11/30), each security yielded positive returns, resulting in my portfolio growing to $35,451.83.

Salesforce as expected, had the greatest returns over the period having an ending investment value of $13,083.44. Its annualized return (193.01%) was significantly higher than my required rate of return and its expected return of 22.02%. This was largely driven by the company's strategic advancements in AI-powered tools (Einstein AI), its ability to capitalize on the growing demand for enterprise cloud solutions, and strong Q3 earnings reports during the period. Kroger surprised me by having the second greatest returns over the period having an ending investment value of $11,538.90. Its annualized return (77.28%) was significantly higher than my required rate of return and its expected return of 12.05%. This was largely driven by the company's proposed merger with Albertsons Companies, which has fueled investor optimism regarding potential market expansion, cost savings, and competitive advantages. The Gabelli Large-Cap Growth fund also exceeded my expectations despite having the worst return of the three over the period with an ending investment value of $10,829.48. Its annualized return (37.54%) was higher than my required rate of return and more than double its expected return of 16.81%. by the fund's exposure to high-quality large-cap growth stocks which benefited from favorable market conditions and strong earnings during the period. It's important to note that all three securities were positively impacted by the election of Donald Trump which affected the broader market.

My major takeaway from this investment analysis is that to truly understand a company you must take it apart from top to bottom, looking at every possible metric to understand their positioning and management's thinking. Additionally, estimates are only estimates, history is only history, and "Mr. Market " often operates with a mind of his own, driven by emotions, news, and broader macroeconomic conditions.

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