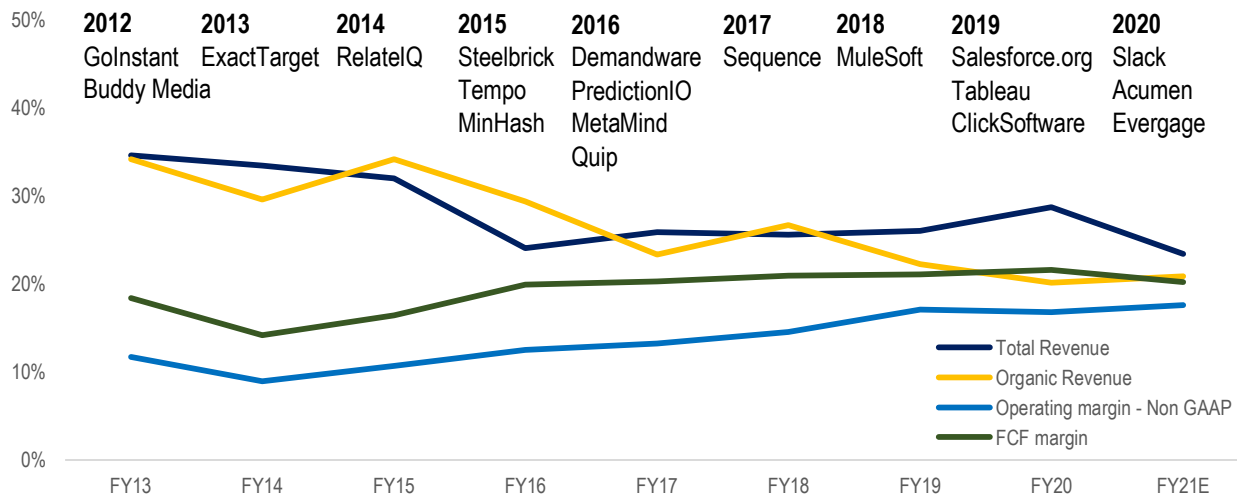




Salesforce – secular growth driven by strategic acquisitions

Figure 1: Salesforce’s total/organic revenue growth, YoY, Non-GAAP operating margin, FCF margin, and major M&As



Source: company data, AMTD Research; Note: FY20 ended 31 Jan 2020

AMTD views: CRM is a mature market segment. In the face of fierce competition from legacy giants, such as Microsoft, Oracle, and SAP, Salesforce can still maintain growth and leadership, which we believe is attributable to its successful “technology + product” strategic M&A roadmap. Specifically, technology acquisition enables it to obtain R&D capabilities in the shortest time, such as social media, AI & big data; product acquisition can help it meet booming demand with great agility. This is a successful SaaS business model. On the one hand, acquisition boosts organic growth, and on the other hand, the cost synergies from the acquisition continue to increase the company's operating leverage, which generates strong cash flow ready for new acquisitions. Now, Salesforce’s revenue growth stays above 20% with an operating margin close to 20%. According to its latest guidance, total revenue is expected to grow 23% YoY/21% YoY in FY21/22, OCF/FCF will grow 12%-13%/15%-16% in FY21, respectively, with a capex ratio of 3%.

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SaaS

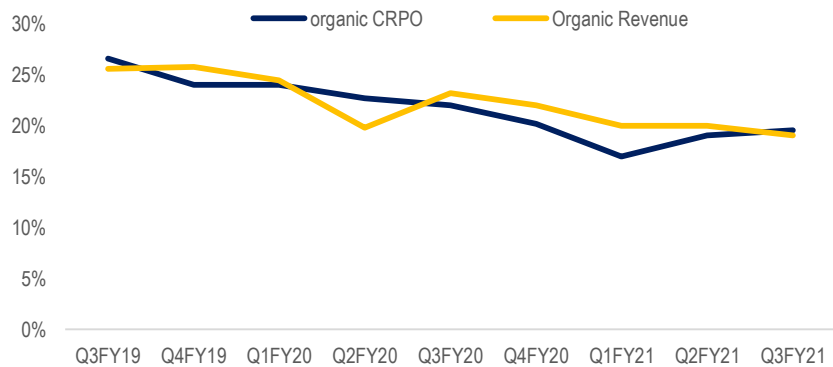
Salesforce

Strong quarter, raises guidance, agreed to acquire Slack with a premium

Salesforce reported strong Q3 results. Current remaining performance obligations (CRPO) bookings was US\$15.3bn, up 19% YoY. Total revenue came in at US\$5.42bn, up 20% YoY. As Q3 represented Tableau's fifth quarter at the company; therefore, the YoY growth rate has now normalized. Non-GAAP operating margin stood at 19.8%, thanks to the T&E savings from the pandemic. Operating cash flow was up 14% YoY to US\$339mn. GAAP/non-GAAP EPS came in at US\$1.15 and US\$1.74, respectively, driven by unrealized gains on the strategic investment of Snowflake IPO. Given the strong Q3 results, the company has raised full-year revenue guidance to US\$21.1bn to US\$21.1bn, which includes US\$120mn from Vlocity, and maintained non-GAAP operating margin guidance of 17.6% and operating cash flow YoY growth of 12%~13%. (Source: [Salesforce](#))

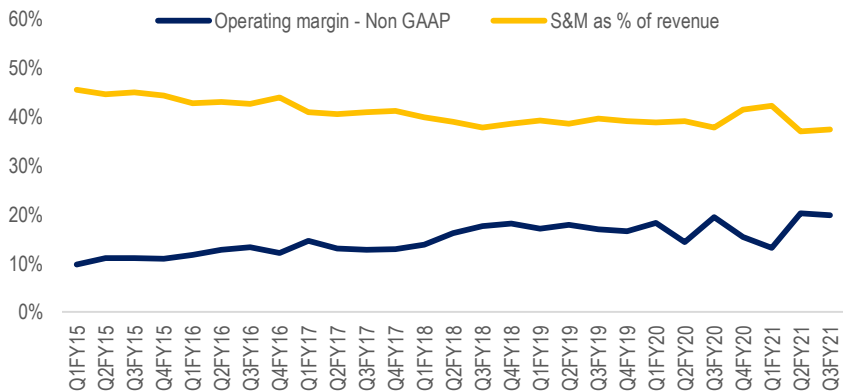
AMTD views: Salesforce agreed to buy Slack for US\$27.7bn in cash and stock, implying a 24x FY22E P/S. Such a premium indicates Salesforce's resolution to expand its footprint into collaboration and workflows, and to compete effectively against Microsoft's growing cloud CRM solution "Dynamics + Teams". Salesforce will keep Slack as an independent brand to continue to serve its customers, in the same time, Slack will be integrated to become the user interface for the Salesforce's Customer 360. Salesforce has initiated FY22 revenue guidance of approx. US\$25.45bn to US\$25.55bn, up 21% YoY, which includes approx. US\$600mn related to the acquisition of Slack.

Figure 2: Salesforce's organic CRPO, total organic revenue growth, YoY



Source: Company data, AMTD Research; Note: Q3FY21 ended 31 Oct 2020

Figure 3: Salesforce's operating margin (Non-GAAP) and S&M ratio



Source: Company data, AMTD Research; Note: Q3FY21 ended 31 Oct 2020

News update

2 Dec 2020

SaaS

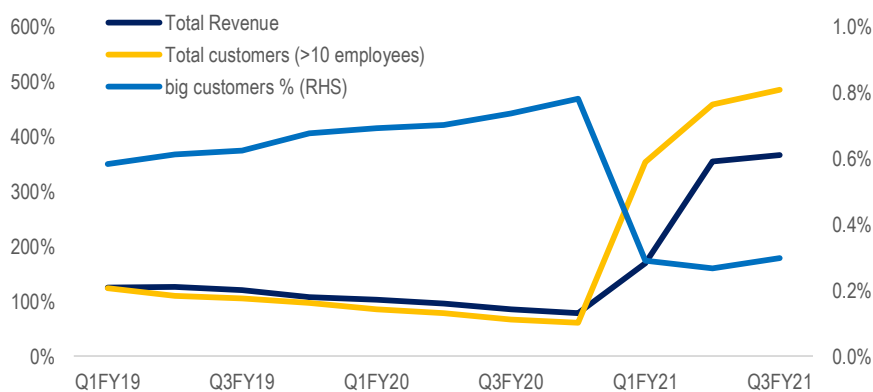
Zoom

Beats expectation, raises guidance

Zoom reported strong Q3 results. Revenue soared to US\$777.2mn, up more than 350% YoY for the second consecutive quarter, driven by the subscription from new customers, which accounted for approximately 81% of the YoY increase. Zoom added 63,500 of new customers with more than 10 employees and these customers grew 485% YoY to 433,700 in Q3. Non-GAAP gross margin was 68.2%, compared to 82.9% in Q3 last year and 72.3% last quarter, mainly due to a higher proportion of free users this quarter. Non-GAAP operating margin stood high at 36.8%, reflecting expanding operating leverage as a result of the extraordinary revenue growth. Non-GAAP EPS came in at US\$0.99, US\$0.25 ahead of its guidance. Given the strong momentum, the company raised FY21 full-year revenue guidance to US\$2.57bn to US\$2.58bn from US\$2.37bn to US\$2.39bn in Q2, implying a 314% YoY growth, and non-GAAP operating income was expected to be US\$865mn to US\$870mn. (Source: [Zoom](#))

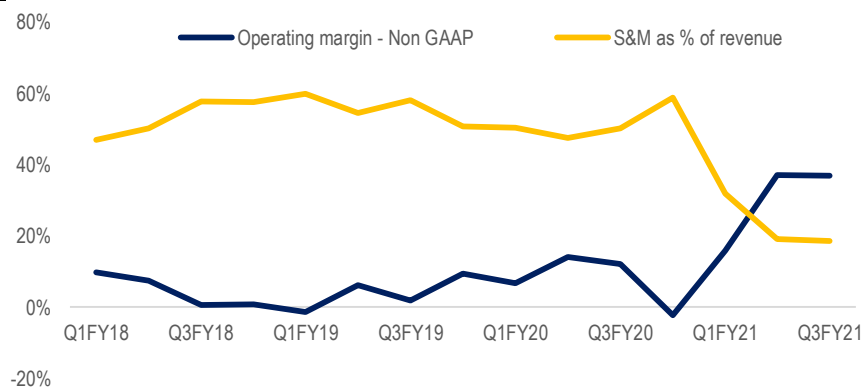
AMTD views: Zoom did benefit from accelerated trends of remote work caused by COVID-19. But more importantly, the rapid growth of total customers and the sharp decline in proportion of big customers indicates the structure change of its target market. Zoom has entered the even-larger mass market and gained new growth momentum, in our view. On the other hand, continuous hyper-growth in revenue has amplified the operating leverage and greatly enhanced the profitability of the company.

Figure 4: Zoom's No. of customers (>10 employees) growth vs revenue growth, YoY, and big customer ratio



Source: Company data, AMTD Research; Note: Q3FY21 ended 31 Oct 2020

Figure 5: Zoom's operating margin (Non-GAAP) and S&M ratio



Source: Company data, AMTD Research; Note: Q3FY21 ended 31 Oct 2020

5 Dec 2020

Component/Sensor

Samsung

Samsung is working on a 600MP camera sensor

Samsung was reported to work on a 600MP sensor (an ISOCELL 600MP sensor) as the trend of 4K and 8K video recording is going to become popular. Development of a bigger camera sensor, which retains the quality of the video even when zoomed, is expected to make 4K and 8K recording retain the video quality. There is still some time before the sensor makes it way into an upcoming Samsung smartphone. (Source: [Gsmarena](#))

4 Dec 2020

Semiconductor

Nvidia

Nvidia RTX 30 series is in supply shortages

Nvidia explained RTX 30 stock shortage issue, mainly due to the wafer shortage. Besides, there are other problems with supporting resources and materials, as well as logistics – making the situation rather complicated. Nvidia confirmed that they would continue to work during the quarter on their supply and believe that demand will probably exceed supply in Q4 for overall gaming. (Source: [Hexus](#))

3 Dec 2020

Semiconductor

Samsung

Samsung Exynos 2100 may debut with the Galaxy S21 series

Samsung's real flagship chipset Exynos 2100 is reported to debut with the Galaxy S21 series. The upcoming SoC is built using Samsung's 5nm EUV process, and it is expected to feature one brand-new Cortex-X1 CPU core, three Cortex-A78 CPU cores, four Cortex-A55 CPU cores, and the Mali-G78 GPU. The new Exynos will be a more power-efficient chip than prior generations, improving battery life. (Source: [Samsung](#))

3 Dec 2020

Cloud

Amazon

AWS leveraged EC2 Intel Habana Gaudi AI processors

AWS announced EC2 instances that will leverage up to eight Habana® Gaudi® accelerators and deliver up to 40% better price performance than current graphics processing unit-based EC2 instances for machine learning workloads. Gaudi accelerators are specifically designed for training deep learning models for workloads that include natural language processing, object detection and machine learning training, classification, recommendation and personalization. (Source: [Businesswire](#))

2 Dec 2020

Cloud

Google

Google enters agreement to acquire Actifio

Google announced that it has entered into a definitive agreement to acquire Actifio, a data management company focused on backup and disaster recovery. Actifio's business continuity solutions will help Google Cloud customers prevent data loss and downtime due to external threats, network failures, human errors and other disruptions. (Source: [Google](#))

2 Dec 2020

Semiconductor

Intel/TSMC

Intel to outsource production to TSMC for 7 nm chips, Atom & Xeon processors

Intel is considering outsourcing production to TSMC for 7nm chips, but remains an integrated device manufacturer (IDM) that produces most of its own chipsets. Intel's 7-nm chips were originally slated to be ready in the fourth quarter of 2021, but due to a defect in manufacturing technology, the company was forced to push back the release until 2023. Besides, Intel is reported to shift its Atom and Xeon processors over to TSMC. (Source: [Taiwannews](#))

2 Dec 2020

Semi/Smartphone

Qualcomm/Xiaomi

Qualcomm announced Snapdragon™ 888 5G, firstly with Xiaomi Mi 11 flagship

Qualcomm introduced its latest flagship Qualcomm® Snapdragon™ 888 5G Mobile Platform. It is based on a 5nm process and has a Snapdragon X60 5G modem. This particular modem supports mmWave and sub-6 5G connectivity. The upcoming Xiaomi Mi 11 will be the first smartphone to fuel the Qualcomm Snapdragon 888 chipset. The main camera is said to be a 4-in-1 50MP shooter, while the telephoto lens is supposed to be a 12MP snapper. The flagship is expected to debut in the later of this month. (Source: [Qualcomm](#))

1 Dec 2020

Cloud

Amazon

AWS launched Trainium, its new custom ML training chip

AWS announced the launch of AWS Trainium, the company's next-gen custom chip dedicated to training machine learning models. The company promises that it can offer higher performance than any of its competitors in the cloud, with support for TensorFlow, PyTorch and MXNet. It will be available as EC2 instances and inside Amazon SageMaker, the company's machine learning platform. New instances based on these custom chips will launch in the first half of next year. (Source: [Techcrunch](#))

30 Nov 2020

5G

Ericsson

Ericsson estimated 220 million 5G subscriptions by end of the year

Ericsson has raised its year-end 2020 estimate for global 5G subscriptions to 220 million. The increase is largely due to rapid uptake in China, reaching 11% of its mobile subscription base. The report estimates that by the end of this year, more than 1 billion people will live in an area that has 5G coverage rolled out. In 2026, 60% of the world's population will have access to 5G coverage, with 5G subscriptions forecast to reach 3.5 billion. (Source: [Ericsson](#))

30 Nov 2020

Software

Microsoft

Windows 10 might soon be able to run Android apps

Windows 10 might soon be able to run Android due to a new piece of software called "Project Latte". This software would allow app developers to bring their Android apps to Windows 10 with little to no code changes by packaging them as an MSIX and allowing developers to submit them to the Microsoft Store. It is reported that the project would show up as soon as next year. (Source: [Cloudpro](#))

30 Nov 2020

Cloud

Intel/Google

Intel and Google Cloud to simplify Hybrid and Multi-Clouds deployment

Intel and Google Cloud announced their collaboration to simplify enterprises' ability to adopt and deploy cloud-first business models using their existing self-managed hardware. The two organizations co-developed reference architectures optimized for the now-generally available "Anthos on bare metal" solution, which can help customers expedite hybrid and multi-cloud deployments within their enterprise. (Source: [Intel](#))

30 Nov 2020

Cloud

Amazon/Zoom

AWS and Zoom Video extended strategic relationship

Amazon announced that Zoom Video has selected AWS as its preferred cloud provider. The multi-year agreement extends the longstanding relationship between the two companies, enabling Zoom to rapidly scale its service on the world's leading cloud. In addition, AWS and Zoom are collaborating to develop new solutions for Zoom's enterprise users, leveraging the breadth and depth of AWS to integrate Zoom services with Amazon devices and capabilities. (Source: [Businesswire](#))

27 Nov 2020

AI/SaaS

ServiceNow

ServiceNow to acquire AI pioneer - Element AI for US\$500 million

ServiceNow announced it has signed an agreement to acquire Element AI. Element AI will enhance ServiceNow's commitment to build the world's most intelligent workflow platform. With the acquisition of Element AI, ServiceNow will create an AI Innovation Hub in Canada to accelerate customer-focused AI innovation in the Now Platform. The terms weren't disclosed, but the transaction price is reported to reach about US\$500 million. (Source: [ServiceNow](#))

26 Nov 2020

Smartphone

Xiaomi

Xiaomi released three Note9 series phones, starting at RMB 999

Xiaomi released three phones in the Note9 series: Note 9 Pro, Note 9 and Note 9 4G, priced at RMB 1,599, RMB 1,299 and RMB 999, respectively. Redmi Note 9 Pro first released the Qualcomm Snapdragon 750G chip and uses a 100-megapixel camera. Redmi Note 9, Note 9 4G are respectively equipped with Dimensity 800U 5G processor, Snapdragon 662 processor. They also have 48 million AI triple cameras. (Source: [Xiaomi](#))

25 Nov 2020

Semiconductor

Apple/Qualcomm

Apple iPhone 12 uses Snapdragon X55 5G modem, the most expensive part

The most expensive component on the iPhone 12 and iPhone 12 Pro is the Qualcomm X55 5G modem that is at US\$90. Compared to the A14 Bionic processor manufactured by TSMC, it's only US\$40. After the modem, the OLED display that is made by Samsung and LG is the second most expensive internal on the new iPhone models. It is said to cost US\$70. The built-in RAM and flash memory are amongst the other parts that reportedly cost US\$12.8 and US\$19.2, respectively. (Source: [Nikkei](#))

23 Nov 2020

Semiconductor

TSMC

Monthly capacity at TSMC's 12-inch fab in Nanjing to reach 20,000 wafers

Monthly capacity at TSMC's Nanjing fab has come to 20,000 wafers, which is in line with the foundry's target set previously. The fab is engaged in the manufacture of chips using the foundry's 12nm and 16nm FinFET process technologies. TSMC claims that there are still no specific plans for capacity expansion at its 12-inch fab in Nanjing. (Source: [Digitimes](#))

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We, Brian Li, Halsey Wu and Alyssa Han, hereby certify that (i) all of the views expressed in this research report reflect accurately our personal views about the subject companies and their securities; and (ii) no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed by us in this research report, nor is it tied to any specific investment banking transactions performed by AMTD Global Markets Limited.

As of the date the report is published, Brian Li holds financial interest in the securities of Amazon mentioned in the report.

Firm Disclosure

AMTD Global Markets Limited has an investment banking relationship with Xiaomi Corporation and/or its affiliate(s) within the past 12 months.

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