

Salesforce.com (CRM) 3/9/10

CRM provides a range of software application for customers to use for customer relation management processes. CRM generates revenue through the subscription and licensing fees associated with its software. Customers benefit from having tools to store, analyze, and compute various customer data information. CRM was founded in 1999 and is headquartered in San Francisco, California.

Current Price	\$73.68
52 Week High	75.53
52 Week Low	\$29.70
One Yr Target	n/a
Market Cap (in billions)	\$9.30
P/E (Trailing)	116.95
P/E(1 Yr Forward)	45.20
P/E/G	1.84
ROA	4.30%
ROE	9.41%
EPS	\$0.63
Beta	1.50
Annualized Dividend	\$0.00
Dividend Yield	0.00%
Analyst Consensus	2.10
Debt to Equity	0.91



Income Statement

Annual EPS

2006	0.00	
2007	0.02	2233.88%
2008	0.03	74.17%
2009	0.03	11.80%
ttm	0.63	1820.17%

Annual Revenue (in millions)

2006	\$497.10	
2007	\$748.70	50.61%
2008	\$1,076.77	43.82%
2009	\$1,305.58	21.25%

Annual Net Income (in millions)

2006	\$0.48	
2007	\$18.36	3725.00%
2008	\$43.43	136.55%
2009	\$80.72	85.86%

Gross Profit Margin

2006	76.08%	
2007	77.08%	1.31%
2008	79.52%	3.17%
2009	80.24%	0.90%

Analysis

Fantastic growth in EPS and Net Income

Huge margins, some of the highest in the market

Balance Sheet

Total Assets (in millions)

2006	\$664.83	
2007	\$1,089.59	63.89%
2008	\$1,479.82	35.81%
2009	\$2,460.20	66.25%

Total Liabilities (in millions)

2006	\$383.04	
2007	\$637.53	66.44%
2008	\$808.04	26.75%
2009	\$1,416.40	75.29%

Total Equity (in millions)

2006	\$281.80	
2007	\$452.05	60.42%
2008	\$671.78	48.61%
2009	\$1,043.80	55.38%

Debt/Equity Ratio

2006	1.36	
2007	1.41	3.76%
2008	1.20	-14.71%
2009	1.36	12.81%

Return on Equity

2006	0.17%	
2007	4.06%	2284.44%
2008	6.46%	59.18%
2009	7.73%	19.62%

Analysis

Recently added some Debt, possibly for Long Term Asset investment, but really not a problem
Nice growth in Retained Earnings, would hope to see Treasury Stock purchases soon

Statement of Cash Flows

Cash Flows from Operations (in millions)

2006	\$111.22	
2007	\$204.28	83.67%
2008	\$229.56	12.38%
2009	\$270.91	18.01%

Net Cash Flows (in millions)

2006	-\$13.24	
2007	\$192.50	1553.93%
2008	\$204.74	6.36%
2009	\$527.48	157.63%

Free Cash Flows (in millions)

2006	\$89.10	
2007	\$160.73	80.39%
2008	\$168.50	4.83%
2009	\$217.01	28.79%

Capital Expenditures/Net Income

2006	4608.33%	
2007	237.20%	-94.85%
2008	140.59%	-40.73%
2009	66.77%	-52.51%

Analysis

Great growth in Operating Cash Flow numbers

Capital Expenditures is huge, but not really a concern due to the expansion of the company

Valuation Models

Required Rate of Return

13.75%

Dividend Growth Model

Present Value of 2015 Price

n/a

Holding Period Return (5 years)

n/a

Expected Annualized Return Model

Present Value of 2015 Price

\$39.78

Holding Period Return (5 years)

-10.06%

Residual Income Model

Intrinsic Stock Price

\$11.46

Sortino Ratio

631.18

Summary

Positives

Solid financial ratios and fantastic growth in financial statements

Negatives

According to the EAR and RI valuation models the stock price is overvalued

Industry Analysis

The Software Industry should benefit from the return of business and IT related spending

CRM is heavily dependant upon the emergence of cloud computing technology

CRM is one of the few competitors in its direct market, a great sign

Summary

CRM is a good company and one that is growing like crazy. It has solid financial ratios that should only get strong and financial statements that should grow, but perhaps not as much as in the past. CRM offers a great product and one that benefits a wide range of small to medium businesses for which it is not economical to generate their own customer relation programs. Some concern with CRM is that larger businesses are concerned about security over cloud computing and thus would be hesitant to employ CRM's systems. CRM has a crazy high P/E ratio but is balanced out by a PEG ratio around 1.5, a sign of just how much growth is expected of this company. CRM may be a good stock to hold long term, but in the present it seems to be overvalued and thus could remain flat for the coming year.