



ANALYST QUICK NOTES

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Salesforce.com Inc. (NYSE: CRM: BUY)

Target Price: \$95

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Key takeaways from Salesforce Analyst Day

- Management's growth framework calls for 20% to 30% revenue growth, 100 to 300 basis points of non-GAAP operating margin expansion each year and operating cash flow growth about equal to revenue growth.
 - Salesforce achieved 24% revenue growth in FY16 and about 33% growth in 1H FY17.
 - Non-GAAP operating margin expanded 180 basis points to 12.4% in FY16 and about 300 basis points in 1H FY17.
 - Operating cash flow grew 37% in FY16.
- Management's goals include:
 - reaching \$20 billion in revenue; and
 - at maturity, achieving a mid-30's non-GAAP operating margin.
- Salesforce has been taking share in the growing CRM software market and has almost 20% of the market.
- Salesforce's rapid innovation cycle is a competitive advantage but we also think that it is advantaged by not having to preserve legacy systems and by making savvy acquisitions that have both bolstered core products and expanded TAM.
- Salesforce is introducing Einstein its artificial intelligence application this year at Dreamforce, its annual customer conference.
 - The company is looking to power CRM solutions with AI.
- CEO Mark Benioff will give his vision for Salesforce's future this evening.

Recommendation

- We have a BUY on Salesforce.com to a target price of \$95.
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