



ANALYST QUICK NOTES

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

Target Price: \$95

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3/1/2017

Overview

- Salesforce reported 4Q and year-end FY17 results after the market close on February 28.

4Q17 Results

- Salesforce reported non-GAAP EPS growth of 47% off of 27% revenue growth.
- GAAP loss was \$0.07 a share, widening from a loss of \$0.04 a share in 4Q16.
- Salesforce also raised its full-year FY18 revenue guidance by \$50 million on both the top and bottom ends of the range to \$10.15 billion to \$10.2 billion.
- However, CRM's first-quarter revenue guidance of \$2.34 to \$2.35 billion came in \$21 million below consensus at the midpoint and EPS guidance came in \$0.04 below consensus.
- CRM were initially down 2% in premarket trading.

Salesforce Remains an Argus BUY

- Salesforce is simply growing at a multiple of its closest large competitors Oracle, SAP and Microsoft -- which we think means that it continues to take share in the CRM software market.
- Salesforce's key differentiators:
 - a rapid innovation cycle;
 - expansion into adjacent markets;
 - a refocused marketing program aimed at industry verticals;
 - Salesforce is native to the cloud without having to defend an on-premise customer hardware base.
- The company's core Sales Cloud business has reached \$3 billion in annual sales and reaccelerated to 14% year-over-year growth in 4Q17.
- Deferred revenue rose 29% to \$5.54 billion and unbilled deferred revenue rose 27% to \$9 billion in 4Q17, indications of a strong sales pipeline.

Conclusion

- We are maintaining our BUY rating on Salesforce to a target price of \$95.
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