

Salesforce.com Inc. (CRM)

Company Overview

Salesforce.com Inc is a Customer Relationship Management (CRM) platform for businesses. It offers enterprise cloud based solutions, social and mobile cloud applications and professional services to facilitate the adoption of its solutions. Salesforce.com was founded in 1999 and it is headquartered in San Francisco, California.

Industry Overview

- Market Size
 - o CRM software totaled \$26.3B worldwide in 2015 (up 12.3% from \$23.4B in 2014)
 - o The top five CRM providers hold 45% of the total market
 - o The leading CRM providers are Salesforce, SAP, Oracle, Microsoft and Adobe
 - o CRM software market projected to grow at a 14.8% compound annual growth rate through 2017, with SaaS CRM growing at 22.6%
- Characteristics
 - o Advanced analytics, machine learning and artificial intelligence will have a huge impact on CRM in the next few years
 - o Companies are focused on building patent portfolios to remain competitive in the evolving market
 - o There are low barriers to entry with software products, but it is difficult to become a competitive player based on established strong networks
- Risks
 - o The CRM market is highly competitive, rapidly changing, and significantly affected by new products. Therefore, current players must stay on the upper end of the innovation curve in order to stay competitive.

Key Financials

NYSE: **CRM**

Current Price: **\$70.91**

52 Week Range: **\$52.60–\$84.48**

Market Cap: **\$48.2B**

EBITDA: **\$559.61M**

P/E Ratio: **55.83**

EPS: **0.32**

Revenue: **\$7.47B**

Competitive Advantage

Salesforce.com is the lead CRM provider in the industry because the company is driven by innovative solutions tailored to their customers. The company is a leader in CRM integration and software customization allowing customers to seamlessly adopt their product. Salesforce.com is a hosted CRM provider with no implementation or maintenance fees making them a desirable provider and lower cost. With about 19.7% of the overall market shares,

Salesforce.com has established a brand for itself that has allowed it to develop a strong network of users. Some of the company's major customers include Coca-Cola, Virgin America and American Express.

Management Team

- Marc Benioff
 - o CEO, Charisperson, Co-founder
 - o Experience: Oracle, Apple
- Parker Harris
 - o Co-founder, VP of Technology
 - o Experience: Left Coast Software, Metropolis Software
- Keith Block
 - o President, COO
 - o Experience: Oracle, Booz Allen Hamilton Consulting
- Mark Hawkins
 - o CFO
 - o Experience: Autodesk, Logitech, Dell, Hewlett-Packard

Recommendation

Salesforce.com entered the CRM industry as a smaller player, being left ignored while it achieved market penetration. The company has positioned itself to be prepared to compete in the upcoming competitive landscape with a robust suite of social networking and cloud based tools and a strong track record for profitable acquisitions. With the expected growth of almost 15% for the CRM software market, Salesforce.com's near 20% holding of that share will position them well for growth. Revenue increased by 27% in the last quarter and annual sales approach \$10B as they look to expand into larger businesses and worldwide. As a result of these findings, it is recommended to purchase this stock.

Sources: Edgar SEC, Yahoo Finance, Morningstar, Forbes