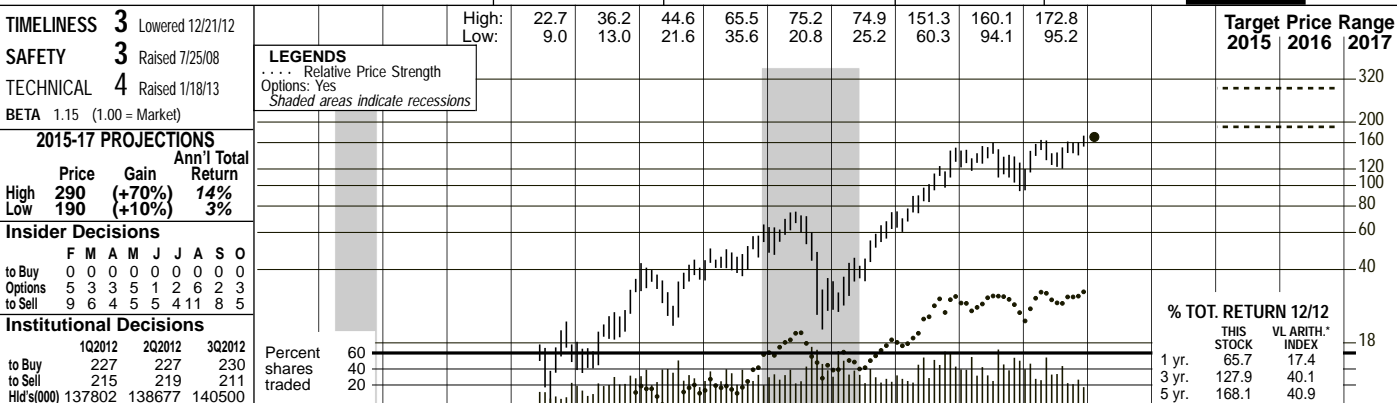


SALESFORCE.COM NYSE-CRM

RECENT PRICE **169.97** P/E RATIO **NMF** (Trailing:NMF Median:NMF) RELATIVE P/E RATIO **NMF** DIV'D YLD **Nil** VALUE LINE



TIMELINESS 3 Lowered 12/21/12
SAFETY 3 Raised 7/25/08
TECHNICAL 4 Raised 1/18/13
BETA 1.15 (1.00 = Market)

2015-17 PROJECTIONS

| | | |
|-----------------|---------------|--------------------|
| Price | Gain | Ann'l Total Return |
| High 290 | (+70%) | 14% |
| Low 190 | (+10%) | 3% |

Insider Decisions

| | | | | | | | | |
|---------|---|---|---|---|---|---|----|---|
| | F | M | A | M | J | A | S | O |
| to Buy | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Options | 5 | 3 | 3 | 5 | 1 | 2 | 6 | 2 |
| to Sell | 9 | 6 | 4 | 5 | 5 | 4 | 11 | 8 |

Institutional Decisions

| | | | | |
|------------|--------|--------|--------|-----------------------|
| | 1Q2012 | 2Q2012 | 3Q2012 | Percent shares traded |
| to Buy | 227 | 227 | 230 | 60 |
| to Sell | 215 | 219 | 211 | 40 |
| Hld's(000) | 137802 | 138677 | 140500 | 20 |

LEGENDS
 ... Relative Price Strength
 Options: Yes
 Shaded areas indicate recessions

Target Price Range
 2015 2016 2017

% TOT. RETURN 12/12

| | |
|-------------|-----------------|
| THIS STOCK | VL ARITH. INDEX |
| 1 yr. 65.7 | 17.4 |
| 3 yr. 127.9 | 40.1 |
| 5 yr. 168.1 | 40.9 |

salesforce.com, inc. is a provider of on-demand customer relationship management (CRM). The initial public offering of 10,000,000 shares of common stock at a price of \$11.00 per share was made in June, 2004 through Morgan Stanley, and included Deutsche Bank Securities, UBS Investment Bank, Wachovia Securities, and William Blair and Company.

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | © VALUE LINE PUB. LLC | 15-17 |
|---------------------------------|-------|------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|---------------|---------------------------------|---------------|
| Revenues per sh ^A | 1.67 | -- | 1.68 | 2.80 | 4.34 | 6.28 | 8.77 | 10.27 | 12.47 | 16.54 | 21.75 | 27.15 | Revenues per sh ^A | 44.30 |
| "Cash Flow" per sh | d.22 | -- | .10 | .25 | .11 | .36 | .65 | 1.05 | 1.06 | 1.06 | d.65 | 2.20 | "Cash Flow" per sh | 5.05 |
| Earnings per sh ^{AB} | d.31 | -- | .07 | .18 | -- | .15 | .35 | .63 | .47 | d.09 | d2.00 | d.09 | Earnings per sh ^{AB} | 2.50 |
| Div'd's Decl'd per sh | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | Nil | Div'd's Decl'd per sh | Nil |
| Cap'l Spending per sh | .08 | -- | .04 | .21 | .19 | .37 | .50 | .42 | .84 | 1.11 | 1.15 | 1.20 | Cap'l Spending per sh | 1.25 |
| Book Value per sh ^C | d1.95 | -- | 1.38 | 1.78 | 2.46 | 3.79 | 5.47 | 8.21 | 9.60 | 11.58 | 15.70 | 18.55 | Book Value per sh ^C | 24.30 |
| Common Shs Outst'g ^D | 30.48 | -- | 104.99 | 110.51 | 114.54 | 119.31 | 122.85 | 127.15 | 132.92 | 137.04 | 140.00 | 140.00 | Common Shs Outst'g ^D | 140.00 |
| Avg Ann'l P/E Ratio | -- | -- | NMF | NMF | NMF | NMF | NMF | NMF | NMF | NMF | NMF | NMF | Avg Ann'l P/E Ratio | NMF |
| Relative P/E Ratio | -- | -- | NMF | NMF | NMF | NMF | NMF | NMF | NMF | NMF | NMF | NMF | Relative P/E Ratio | NMF |
| Avg Ann'l Div'd Yield | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | Avg Ann'l Div'd Yield | Nil |

CAPITAL STRUCTURE as of 10/31/12
 Total Debt \$514.9 mill. Due in 5 Yrs \$496.1 mill.
 LT Debt None LT Interest None

Leases, Uncapitalized: Annual rentals \$70.3 mill.

No Defined Benefits Pension Plan
 Pfd Stock None

Common Stock 142,000,000 shares

MARKET CAP: \$24.1 billion (Large Cap)

CURRENT POSITION 2010 2011 10/31/12 (\$MILL.)

| | | | |
|----------------|--------|--------|--------|
| Cash Assets | 497.0 | 777.9 | 605.5 |
| Receivables | 426.9 | 683.7 | 418.6 |
| Other | 151.0 | 210.6 | 233.2 |
| Current Assets | 1074.9 | 1672.2 | 1257.3 |
| Accts Payable | 18.1 | 33.3 | 57.9 |
| Debt Due | -- | 496.1 | 514.9 |
| Other | 1258.4 | 1794.1 | 1750.4 |
| Current Liab. | 1276.5 | 2323.5 | 2323.2 |

ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '09-'11 to '15-'17

| | | | |
|-------------|----|-------|-------|
| Revenues | -- | 35.0% | 19.5% |
| "Cash Flow" | -- | 47.0% | 26.0% |
| Earnings | -- | 32.5% | 37.0% |
| Dividends | -- | -- | Nil |
| Book Value | -- | 39.0% | 11.5% |

QUARTERLY REVENUES ^{AB} (\$mill.)

| Fiscal Year Begins | Apr. 30 | Jul. 31 | Oct. 31 | Jan. 31 | Full Fiscal Year |
|--------------------|------------|------------|------------|--------------|------------------|
| 2009 | 304.9 | 316.1 | 330.5 | 354.1 | 1305.6 |
| 2010 | 376.8 | 394.3 | 429.1 | 456.9 | 1657.1 |
| 2011 | 504.4 | 546.0 | 584.2 | 631.9 | 2266.5 |
| 2012 | 695.5 | 731.6 | 788.4 | 829.5 | 3045 |
| 2013 | 875 | 920 | 960 | 1045 | 3800 |

EARNINGS PER SHARE ^{AB}

| Fiscal Year Begins | Apr. 30 | Jul. 31 | Oct. 31 | Jan. 31 | Full Fiscal Year |
|--------------------|------------|------------|------------|-------------|------------------|
| 2009 | .15 | .17 | .16 | .16 | .63 |
| 2010 | .13 | .11 | .15 | .08 | .47 |
| 2011 | -- | d.03 | d.03 | d.03 | d.09 |
| 2012 | d.14 | d.07 | d.15 | d.24 | d2.00 |
| 2013 | .12 | .15 | .15 | .18 | .60 |

QUARTERLY DIVIDENDS PAID

| Calendar | Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|----------|--------|--------|--------|--------|-----------|
| 2009 | | | | | |
| 2010 | | | | | |
| 2011 | | | | | |
| 2012 | | | | | |
| 2013 | | | | | |

NO CASH DIVIDENDS BEING PAID

BUSINESS: salesforce.com, inc. is a leading provider of on-demand customer relationship management (CRM) services. It offers services to manage and share information regarding sales, customer service and support, and marketing operations worldwide. As of 1/31/12 it had over 100,000 customers in more than 70 countries. Revenues by region: The Americas (68% of fiscal 2011 revenues); Europe (18%); Asia Pacific (14%). Has around 7,785 employees. Off. and dir. own 9.4% of common stock; FMR Corp., 14.6%; BlackRock, Inc., 5.7%; Prudential Financial, 6.1% (5/12 proxy). Chairman & CEO: Marc Benioff. Incorporated: Delaware. Address: The Landmark One Market, Suite 300, San Francisco, CA 94105. Telephone: 415-901-7000. Internet: www.salesforce.com

salesforce.com's share deficit will likely widen in fiscal 2012. (Year ends January 31, 2013.) Management updated its full-year revenue guidance in its October-period earnings release to \$3.041 billion—\$3.046 billion. We think the company should be able to hit the high end of this range, which would represent revenue growth of 34%. Still, a \$149 million non-cash charge related to income tax expense led to a share loss of \$1.55 in the third quarter. This, along with higher stock-based compensation expenses, acquisition-related charges, R&D expenses, and marketing & sales costs should keep salesforce deeply entrenched in the red.

The tide will probably turn in fiscal 2013. Revenues should rise around 25% next year, lifted by healthy demand for products such as *Sales Cloud*, *Service Cloud*, and *Marketing Cloud*, among others. What's more, salesforce should continue reaping the benefits from recently acquired entities. Further, we believe the company will push further into the social media and mobile arenas and broaden its presence in the government sector both domestically and overseas. These initia-

tives will likely help salesforce widen its geographic footprint, particularly in emerging markets, and aid it in securing larger deals. All told, we expect the company to post a profit of \$0.60 a share.

Finances should improve in the coming years. The purchase of Buddy Media last August was the primary reason for the decrease in cash assets over the past year (salesforce funded a portion of the deal with roughly \$498 million in cash). Nevertheless, free cash flow should top the \$300 million mark by mid-decade and continue to increase going forward. These funds should help the company maintain its dominant position in the enterprise cloud computing space.

This stock does not impress for the year ahead or the pull to 2015-2017. It has dropped one notch in Timeliness since our October report, to 3 (Average) and offers below-average appreciation potential over the 3- to 5-year time frame. The recent P/E multiple suggests that it is too richly valued at this juncture and the above-market Beta limits its appeal to risk-averse investors.

Randy Shrikishun January 18, 2013

(A) Fiscal year ends January 31st of the following year. (B) Diluted earnings. Pro forma results for 2002-2003. Earnings may not sum to total due to rounding. Excludes nonrecurring gains: '03, \$0.08; '05, \$0.06. Next earnings report due mid-February. (C) Includes intangibles: In 2011, \$785.4 mill., \$5.73 per share. (D) In millions.

Company's Financial Strength A
Stock's Price Stability 45
Price Growth Persistence 100
Earnings Predictability 30

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