

SALESFORCE COM INC
Form 10-Q
November 25, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended October 31, 2009

OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Commission File Number: 001-32224

salesforce.com, inc.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

94-3320693
(IRS Employer
Identification No.)

The Landmark @ One Market, Suite 300

San Francisco, California 94105

(Address of principal executive offices)

Telephone Number (415) 901-7000

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (the Exchange Act) during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 31, 2009, there were approximately 124.9 million shares of the Registrant's Common Stock outstanding.

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salesforce.com, inc.**Condensed Consolidated Balance Sheets**

(in thousands)

	October 31, 2009 (unaudited)	January 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 242,888	\$ 483,834
Short-term marketable securities	202,446	213,769
Accounts receivable, net	191,297	266,555
Deferred commissions	37,065	39,384
Deferred income taxes	26,992	31,900
Prepaid expenses and other current assets	62,227	33,115
Total current assets	762,915	1,068,557
Marketable securities, noncurrent	624,758	184,962
Fixed assets, net	95,598	77,027
Deferred commissions, noncurrent	17,077	17,699
Deferred income taxes, noncurrent	30,695	26,589
Capitalized software, net	32,780	29,989
Goodwill	45,402	44,872
Other assets, net	33,976	30,127
Total assets	\$ 1,643,201	\$ 1,479,822
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 15,617	\$ 16,379
Accrued expenses and other current liabilities	174,309	163,205
Income taxes payable	3,050	3,619
Deferred revenue	533,502	583,763
Total current liabilities	726,478	766,966
Income taxes payable, noncurrent	19,298	12,490
Long-term lease liabilities and other	14,952	7,616
Deferred revenue, noncurrent	11,933	10,263
Total liabilities	772,661	797,335
salesforce.com stockholders' equity:		
Common stock	125	123
Additional paid-in capital	775,838	648,724
Accumulated other comprehensive loss	(3,239)	(2,905)
Retained earnings	86,167	25,842

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Total stockholders' equity - controlling interest	858,891	671,784
Total stockholders' equity - noncontrolling interest	11,649	10,703
Total stockholders' equity	870,540	682,487
Total liabilities and stockholders' equity	\$ 1,643,201	\$ 1,479,822

See accompanying Notes to Condensed Consolidated Financial Statements.

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Condensed Consolidated Statements of Operations

(in thousands, except per share data)

(unaudited)

	Three months ended October 31,		Nine months ended October 31,	
	2009	2008	2009	2008
Revenues:				
Subscription and support	\$ 306,870	\$ 253,403	\$ 882,078	\$ 718,464
Professional services and other	23,679	23,084	69,456	68,722
Total revenues	330,549	276,487	951,534	787,186
Cost of revenues (1):				
Subscription and support	40,745	32,424	116,744	91,802
Professional services and other	24,825	23,924	73,122	69,935
Total cost of revenues	65,570	56,348	189,866	161,737
Gross profit	264,979	220,139	761,668	625,449
Operating expenses (1):				
Research and development	32,763	26,270	95,450	70,070
Marketing and sales	152,166	136,452	436,647	389,930
General and administrative	49,909	41,284	139,818	117,797
Total operating expenses	234,838	204,006	671,915	577,797
Income from operations	30,141	16,133	89,753	47,652
Interest, net	7,211	3,840	18,987	17,270
Other income (expense)	(336)	534	(1,037)	(1,069)
Income before provision for income taxes and noncontrolling interest	37,016	20,507	107,703	63,853
Provision for income taxes	(15,573)	(8,824)	(45,426)	(29,693)
Consolidated net income	21,443	11,683	62,277	34,160
Less: Net income attributable to noncontrolling interest	(752)	(1,559)	(1,952)	(4,485)
Net income attributable to salesforce.com	\$ 20,691	\$ 10,124	\$ 60,325	\$ 29,675
Earnings per share - basic and diluted:				
Basic net income per share attributable to salesforce.com common shareholders	\$ 0.17	\$ 0.08	\$ 0.49	\$ 0.25
Diluted net income per share attributable to salesforce.com common shareholders	\$ 0.16	\$ 0.08	\$ 0.48	\$ 0.24
Shares used in computing basic net income per share	124,561	121,635	123,871	120,759
Shares used in computing diluted net income per share	128,596	125,133	126,993	125,173

(1) Amounts include stock-based expenses, as follows:

Cost of revenues	\$ 2,995	\$ 2,817	\$ 9,322	\$ 8,149
Research and development	2,707	2,494	8,741	6,852

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Marketing and sales	9,055	9,235	28,314	26,105
General and administrative	5,650	4,730	16,570	15,119

See accompanying Notes to Condensed Consolidated Financial Statements

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Condensed Consolidated Statements of Cash Flows

(in thousands)

(unaudited)

	Three months ended October 31,		Nine months ended October 31,	
	2009	2008	2009	2008
Operating activities:				
Consolidated net income	\$ 21,443	\$ 11,683	\$ 62,277	\$ 34,160
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	13,601	7,910	37,890	24,938
Amortization of deferred commissions	15,698	14,784	45,959	43,414
Expenses related to stock-based awards	20,407	19,276	62,947	56,225
Excess tax benefits from employee stock plans	(7,401)	(17,706)	(32,536)	