

SALESFORCE COM INC  
Form 10-Q  
August 30, 2013  
Table of Contents

**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 July 31, 2013

**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)

**Delaware**  
(State or other jurisdiction of

**94-3320693**  
(IRS Employer

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incorporation or organization)

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 (§232.405 of this chapter) 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 July 31, 2013, there were approximately 596.0 million shares of the Registrant's Common Stock outstanding.

**Table of Contents**

salesforce.com, inc.

**INDEX**

	<b>Page No.</b>
<b><u>PART I. FINANCIAL INFORMATION</u></b>	
<b>Item 1. <u>Financial Statements:</u></b>	
<u>Condensed Consolidated Balance Sheets as of July 31, 2013 and January 31, 2013</u>	1
<u>Condensed Consolidated Statements of Operations for the three and six months ended July 31, 2013 and 2012</u>	2
<u>Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended July 31, 2013 and 2012</u>	3
<u>Condensed Consolidated Statements of Cash Flows for the three and six months ended July 31, 2013 and 2012</u>	4
<u>Notes to Condensed Consolidated Financial Statements</u>	5
<b>Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>	33
<b>Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u></b>	59
<b>Item 4. <u>Controls and Procedures</u></b>	60
<b><u>PART II. OTHER INFORMATION</u></b>	
<b>Item 1. <u>Legal Proceedings</u></b>	60
<b>Item 1A. <u>Risk Factors</u></b>	61
<b>Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u></b>	78
<b>Item 3. <u>Defaults Upon Senior Securities</u></b>	78
<b>Item 4. <u>Mine Safety Disclosures</u></b>	78
<b>Item 5. <u>Other Information</u></b>	78
<b>Item 6. <u>Exhibits</u></b>	79

**Table of Contents****PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS**

salesforce.com, inc.

**Condensed Consolidated Balance Sheets**

(in thousands)

	July 31, 2013 (unaudited)	January 31, 2013
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 579,881	\$ 747,245
Short-term marketable securities	43,610	120,376
Accounts receivable, net	599,543	872,634
Deferred commissions	119,503	142,311
Prepaid expenses and other current assets	355,628	133,314
Total current assets	1,698,165	2,015,880
Marketable securities, noncurrent	306,517	890,664
Property and equipment, net	1,184,861	604,669
Deferred commissions, noncurrent	105,864	112,082
Capitalized software, net	537,380	207,323
Goodwill	3,503,681	1,529,378
Other assets, net	633,428	168,960
Total assets	\$ 7,969,896	\$ 5,528,956
<b>Liabilities, temporary equity and stockholders' equity</b>		
Current liabilities:		
Accounts payable, accrued expenses and other liabilities	\$ 764,083	\$ 597,706
Deferred revenue	1,734,841	1,798,640
Convertible 0.75% senior notes, net	534,391	521,278
Term loan, current	30,000	0
Total current liabilities	3,063,315	2,917,624
Convertible 0.25% senior notes, net	1,035,271	0
Term loan, noncurrent	270,000	0
Deferred revenue, noncurrent	54,807	64,355
Other noncurrent liabilities	687,355	175,732
Total liabilities	5,110,748	3,157,711
Temporary equity	40,499	53,612
Stockholders' equity:		
Common stock (1)	596	586
Additional paid-in capital (1)	2,908,914	2,410,892
Accumulated other comprehensive income	11,239	17,137
Accumulated deficit	(102,100)	(110,982)

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Total stockholders' equity	2,818,649	2,317,633
Total liabilities, temporary equity and stockholders' equity	\$ 7,969,896	\$ 5,528,956

- (1) Prior period results have been adjusted to reflect the four-for-one stock split through a stock dividend which occurred in April 2013.  
See accompanying Notes.

**Table of Contents**

salesforce.com, inc.

**Condensed Consolidated Statements of Operations**

(in thousands, except per share data)

(unaudited)

	<b>Three Months Ended July 31,</b>		<b>Six Months Ended July 31,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Revenues:</b>				
Subscription and support	\$ 902,844	\$ 687,493	\$ 1,745,065	\$ 1,342,713
Professional services and other	54,250	44,156	104,662	84,403
<b>Total revenues</b>	<b>957,094</b>	<b>731,649</b>	<b>1,849,727</b>	<b>1,427,116</b>
<b>Cost of revenues (1)(2):</b>				
Subscription and support	160,908	118,519	314,458	227,263
Professional services and other	56,809	43,899	112,253	86,706
<b>Total cost of revenues</b>	<b>217,717</b>	<b>162,418</b>	<b>426,711</b>	<b>313,969</b>
<b>Gross profit</b>	<b>739,377</b>	<b>569,231</b>	<b>1,423,016</b>	<b>1,113,147</b>
<b>Operating expenses (1)(2):</b>				
Research and development	148,079	99,442	280,018	194,218
Marketing and sales	480,621	380,160	947,111	749,949
General and administrative	150,534	103,095	280,284	204,695
<b>Total operating expenses</b>	<b>779,234</b>	<b>582,697</b>	<b>1,507,413</b>	<b>1,148,862</b>
<b>Loss from operations</b>	<b>(39,857)</b>	<b>(13,466)</b>	<b>(84,397)</b>	<b>(35,715)</b>
Investment income	4,387	7,173	7,741	11,634
Interest expense	(19,656)	(8,033)	(31,539)	(14,403)
Other income (expense)	(1,678)	294	(2,552)	(416)
<b>Loss before benefit from income taxes</b>	<b>(56,804)</b>	<b>(14,032)</b>	<b>(110,747)</b>	<b>(38,900)</b>
Benefit from income taxes (3)	133,407	4,203	119,629	9,596
<b>Net income (loss)</b>	<b>\$ 76,603</b>	<b>\$ (9,829)</b>	<b>\$ 8,882</b>	<b>\$ (29,304)</b>
<b>Basic net income (loss) per share (4)</b>	<b>\$ 0.13</b>	<b>\$ (0.02)</b>	<b>\$ 0.02</b>	<b>\$ (0.05)</b>
<b>Diluted net income (loss) per share (4)</b>	<b>\$ 0.12</b>	<b>\$ (0.02)</b>	<b>\$ 0.01</b>	<b>\$ (0.05)</b>
Shares used in computing basic net income (loss) per share (4)	593,955	557,700	591,210	555,156
Shares used in computing diluted net income (loss) per share (4)	624,656	557,700	623,865	555,156

(1) Amounts include amortization of purchased intangibles from business combinations, as follows:

	<b>Three Months Ended July 31,</b>		<b>Six Months Ended July 31,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Cost of revenues	\$ 22,550	\$ 17,668	\$ 43,855	\$ 35,116
Marketing and sales	4,476	2,407	6,936	5,834

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

	<b>Three Months Ended</b>		<b>Six Months Ended July 31,</b>	
	<b>July 31,</b>		<b>2013</b>	<b>2012</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Cost of revenues	\$ 9,981	\$ 7,864	\$ 20,659	\$ 15,117
Research and development	26,032	16,089	50,461	31,756
Marketing and sales	56,133	44,781	115,935	86,768
General and administrative	18,330	16,683	38,150	33,042

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- (3) Amounts include a \$128.8 million tax benefit recorded during the three months ended July 31, 2013 as a result of the partial release of the Company's tax valuation allowance. See Note 8.
  
- (4) Prior period results have been adjusted to reflect the four-for-one stock split through a stock dividend which occurred in April 2013. See accompanying Notes.

**Table of Contents**

salesforce.com, inc.

**Condensed Consolidated Statements of Comprehensive Income (Loss)**

(in thousands)

(unaudited)

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>July 31,</b>		<b>July 31,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Net income (loss)	\$ 76,603	\$ (9,829)	\$ 8,882	\$ (29,304)
Other comprehensive income (loss), before tax and net of reclassification adjustments:				
Foreign currency translation and other gains (losses)	(1,431)	10,135		