



>: Salesforce-dot-BOMB?

Tuesday, March 14, 2006 / Wayne Mulligan

This is an article that might be a bit difficult for you to read -- it was very difficult for me to even write it.

For FY 2005, the company earned a little over \$7 million.

The company I'm going to discuss is one that I think is in a unique market, has helped to redefine an industry, and has a lot of potential. Why for Investment Officer But now it's trading at about \$35 a share. I think the company is terribly overvalued. If you were one of the earlier investors in this company, then I'm sure this company holds a special place in your heart. Its stock has given investors a return of over 100% in less than two years.

You may have been one of those people who invested in Salesforce.com (SYM: CRM) when it first began trading in the summer of 2004. In that case, your investment has obviously done very well for you. But if you're one of those people who are thinking about investing in the company at today's prices, do yourself a favor and think again.

Business Overview

First, let me talk to you a little bit about the business itself ...

Basically, Salesforce.com provides Customer Relationship Management (CRM) software for businesses. What makes the company unique is that it allows these businesses to use the software over the web (as opposed to having a downloaded program on your computer). This allows companies to run the software for less money than traditional CRM software. On top of that, they have the convenience of not having to manage the software on their own servers.

This is what allowed Salesforce.com to double sales each year for the past two years. I've used their system myself. It's very user friendly and definitely gets the job done. Salesforce.com is also a pioneer in this space, and has captured significant market share from old-line CRM players such as Siebel systems (recently acquired by Oracle).

So you may be asking, "OK, Wayne, then what's wrong with buying the stock??"

Risks

Well, as you've heard me say many times in the past, before I buy any stock, I ask myself two questions:

If I need to pay more than 60 cents on the dollar for a business, then I simply won't invest in it. So let's take a look at Salesforce.com's financials for the latest fiscal year: