

Salesforce's 1Q loss widens, outlook disappoints

The Associated Press

Salesforce.com Inc.'s losses widened during its latest quarter as the company spent more money to expand its online software service in an effort to maintain the rapid growth that has propelled its stock.

The results announced Thursday largely fell in line with analyst estimates, as did Salesforce's forecast for the current quarter and the rest of the fiscal year.

Investors evidently were expecting bigger things from the San Francisco company. Salesforce's stock shed \$2.84, or 6.2 percent, to \$42.75 in extended trading after the numbers came out.

Salesforce lost \$67.7 million, or 12 cents per share, in its fiscal first quarter ending April 30. That compared to a loss of \$19.5 million, or 4 cents per share, at the same time last year.

The higher loss largely reflected a nearly \$100 million increase in Salesforce's marketing and sales expenses from the same time last year. The amount totaled \$466 million in the most recent quarter, a 26 percent jump from the same time last year.

If not for certain accounting items unrelated to its ongoing business, Salesforce said it would have earned 10 cents per share. That figure matched the average estimate among analysts surveyed by FactSet.

Revenue for the period climbed 28 percent from last year to \$892.6 million — about \$6 million above analyst projections.

For the current quarter, Salesforce predicted its adjusted earnings will be 11 cents or 12 cents per share on revenue ranging from \$931 million to \$936 million. Analysts, on average, are expecting adjusted earnings of 12 cents per share on revenue of \$935 million.

Wall Street has become accustomed to more stellar performances and more aggressive forecasts from Salesforce.com. The company emerged as a stock market and technology star by winning over more corporate converts to its method of selling software in monthly subscription packages instead of charging a big upfront fee to install the programs on individual computers kept in a customer's office.

Salesforce's subscribers can access the software for managing customer relationships and other parts of a business on any computer with an Internet-connected device. The programs are automatically updated, enabling customers to avoid costly fees for improvements and maintenance.

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This approach, known as "cloud computing," has proven so popular that long-established business-software makers such as Oracle Corp. and SAP AG have been spending billions to expand into the field in hopes of preventing Salesforce from luring away their customers.

Salesforce's success has helped it stock increase by 15-fold since its initial public offering nine years ago.

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