September 1, 2021

Q2 FY2022 Earnings Prepared Remarks

Peter Gassner, Founder, CEO
Brent Bowman, CFO

Legal Disclaimer

These prepared remarks contain forward-looking statements regarding trends, our strategies, and the anticipated performance of our business. These forward-looking statements are based on our current views and expectations and are subject to various risks and uncertainties. Our actual results may differ materially. Please refer to the risks listed in our earnings release and the risk factors included in our most recent filing on Form 10-Q, which is available on our IR website at ir.veeva.com and on the SEC's website at www.sec.gov. Forward-looking statements in these prepared remarks are made as of September 1, 2021 and are based on the facts available to us as of that date. We disclaim any obligation to update or revise any forward-looking statements. We provide guidance in these remarks, but we will not provide any further guidance or updates on our performance during the quarter unless we do so in a public forum. These prepared remarks also contain certain non-GAAP metrics that we believe aid in the understanding of our financial results. A reconciliation to comparable GAAP metrics can be found in our earnings press release and in the supplemental investor presentation, both of which are available on our IR website. Our earnings press release also includes important information about our use of non-GAAP metrics and our non-GAAP guidance for future periods.

Q2 Business Update

Peter Gassner, Founder, CEO

Financial Results

It was another strong quarter with results ahead of guidance and continued strength across the business. Total revenue in the quarter was $456 million, up 29% year over year, and subscription revenue was up 29% to $366 million. Non-GAAP operating income was $192 million, or 42% of total revenue.

The Macro Environment

From a macro perspective, the life sciences industry is doing well. Innovations in medical science and an industry-wide move to digital are creating healthy demand for our offerings that we expect to continue for the foreseeable future.

We are also seeing the same unusual inflation and labor market trends as others. Demand for talent is high and has accelerated quickly this year. We compete well in this environment by being an employee-centric company with a clear vision, strong ethics, and a reputation for product excellence, and customer success.

Our Work Anywhere approach has also been a real advantage. It's helping us tap into broader pools of talent and diversity of perspectives. It's bringing innovation and fresh thinking to Veeva. Work Anywhere at Veeva means you can work from home or the office on any given day. And if you move within a country, your salary does not change. We will continue to invest in great offices that our people appreciate as hubs for connecting.

Given the highly unusual inflationary pressures and market dynamics, we are also investing by increasing salaries. Effective September 1, we are giving a one-time 5% salary increase to the majority of employees. The increase does not apply to members of our leadership team and highly compensated individuals earning more than $300,000. We've never done this type of off-cycle and uniform salary increase before, but it's the right thing for Veeva, our employees, and our customers.

Customers will see a modest increase in professional services costs over time as salary increases flow through to billing rates. We are not raising prices for our software or data products at this time.

Veeva Commercial Cloud

In commercial, we continue to grow our software, data, and business consulting offerings to advance our customers' transformation to digital and new ways of working. For instance, we are expanding the desktop and mobile capabilities in Veeva CRM to enable an increasingly hybrid workforce and ensure an optimal experience as people work from home, the office, and the road.

Moving our customers to digital is driving greater field force efficiency and effectiveness. As we noted in Q3 last year, we believe this will result in a roughly 10% reduction in pharma sales reps, and we expect the impact of these reductions will be more than offset by our growing market share and increased commercial product adoption over time.

We saw these trends play out in the quarter and expect them to continue through the next year or so. In Q2, a few enterprise customers reduced Veeva CRM seats for their field forces by roughly 5 to 10 percent. At the same time, we had a healthy revenue increase in Veeva Commercial Cloud overall with 21 new Veeva CRM customer wins and good traction with Veeva CRM add-ons, Crossix, and Veeva Link.

Our data business is progressing well. Veeva Link added two new top 20 pharmas in the quarter, including our first enterprise-wide global Veeva Link agreement for all therapeutic areas. We now have a total of 7 seven-figure Veeva Link customers.

Veeva Link is a real-time customer intelligence platform where we collect information daily from hundreds of sources on the key scientific, clinical, and digital leaders that are critical to our customers' commercial success. We curate this data and deliver it through intuitive software, alerts, and via a structured data feed.

In Veeva Data Cloud, we are taking an innovative patient-first approach to patient, prescriber, and sales data that better suits today's specialty therapies and the need for more complex segmentation and targeting. The legacy approach in the market is based upon prescription sales and oriented to the blockbuster retail drug model of the past.

Veeva Data Cloud is very early in its product and customer lifecycle and specific to the U.S. for now. This is a big market with an established player. It will be a marathon, but we are executing well in the Veeva Way by assembling a great team and focusing on innovation, product excellence, and early adopter success. We will then leverage that success and plan to achieve market leadership over time.

Veeva OpenData for customer reference data also continues to make steady progress around the world. Veeva OpenData, Veeva Link, and Veeva Data Cloud are integrated together via common identifiers, so there is benefit to customers as they get more data products from Veeva.

IQVIA's anticompetitive practices have certainly slowed our transition from CRM to the full Commercial Cloud of software, data, and consulting. It hurts the industry and provides a headwind that we don't have on the R&D side.

But we are making steady progress now building our own data products so that we can provide a full alternative to IQVIA. Our antitrust case against IQVIA, which we first filed in 2017, is starting to move again as COVID restrictions relax and new judges are appointed in New Jersey. We expect the case to go to trial in the first half of 2023.

Overall, I am very pleased with our progress in commercial. We have a clear strategy, we are executing well, and customers are successful with our products and services.

Veeva Vault

It was another great quarter for Veeva Vault, especially in Veeva Development Cloud where we are helping streamline drug development. We are especially pleased with our achievements in newer areas, including Vault Safety and Vault CDMS, as well as our early progress in digital trials.

Vault Safety had a very significant development in Q2 with the signing of our first enterprise agreement with a top 20 pharma. Safety is an important and risk averse area. The fact that a top 20 pharma is standardizing on Vault Safety globally is a testament to how quickly the product is evolving and our strong reputation of delivering on our commitment to customer success and product excellence. Consistent with our reference selling model, we will focus on getting this customer live and happy and expand to more enterprise customers from there.

Vault CDMS had an outstanding quarter as well. We signed our second enterprise agreement with a top 20 pharma, and we are advancing discussions in a number of other enterprise accounts. Our CRO partner program is also gaining traction and will be an important channel for Vault CDMS as more CROs include it as part of their recommended technology stack. The future is bright for Veeva in clinical data management.

These are important milestones for Vault Safety and Vault CDMS. If we continue to execute well, they will be very significant revenue contributors over time.

Looking at the bigger picture in clinical, we are advancing our vision to move the industry to digital trials that are patient-centric and paperless. On the product side, we are growing our product team significantly to support further innovations. On the customer side, early adopters are progressing with Veeva eConsent and Veeva Site Connect, and momentum with Veeva SiteVault Free continues. We are learning a lot as we bring sponsors, clinical research sites, and patients together in the Veeva Clinical Network. It's an exciting area, and digital trials have the potential to change the course of drug development worldwide.

Veeva Vault for Consumer Products and Chemicals

Q2 saw good uptake with new and existing customers in consumer products and chemicals. A division of a top five CPG company selected Veeva in RegulatoryOne as part of their initiative to modernize compliance systems and processes. The cosmetics industry is also rebounding, and a top five CPG company expanded its adoption of Veeva QualityOne to three additional cosmetic brands.

Delivering on our Vision

We have a bold vision to drive the industry's move to digital and are very happy with the progress in the quarter. I'd like to thank the entire Veeva team, as we continue to execute according to our values of doing the right thing, customer success, employee success, and speed.

Peter Gassner, Founder, CEO

Q2 Financial Update

Brent Bowman, CFO

Second Quarter Results

As Peter mentioned, it was a quarter of great execution across the business which drove our continued outperformance. Total revenue increased 29% year over year to $456 million. Subscription revenue was also up 29% to $366 million fueled by record bookings in the previous two quarters. Non-GAAP operating income was 42% at $192 million.

In Veeva Development Cloud, our Q2 bookings performance was led by quality, regulatory, and clinical, highlighting the significant opportunity in R&D. Top contributors to Veeva Development Cloud subscription revenue growth rate included established products, such as Vault QualityDocs, Vault eTMF and Vault Submissions, and newer products like Vault CTMS and Vault QMS.

Veeva Commercial Cloud had a strong quarter as we continue to expand our offerings and market leadership. Veeva CRM bookings benefited from growth within existing customers and new SMB wins. We are also encouraged by the progress of Veeva Link, which had an impressive bookings quarter. As expected, a few enterprise Veeva CRM customers reduced sales reps within the quarter. Overall, the Veeva Commercial Cloud business continues to perform well. Please note, normalizing for the impact of the outsized Veeva CRM Engage bookings in the fourth quarter of our last fiscal year and the pandemic-related favorable year-over-year comparison for our Crossix business, Veeva Commercial Cloud subscription growth in the quarter would have been about 14%.

Services revenue of $89 million was within our guidance for Q2, driven by continued strong demand for Veeva Development Cloud services. This reflects a lower and more typical overall utilization compared to the prior quarter as Veeva employees and our customers took more time off when travel restrictions eased. As a reminder, services revenue can vary due to a number of factors, including those discussed above, timing of project starts, and other customer requirements.

Calculated billings came in $11 million above our guidance for the quarter and grew 33% year-over-year. As we noted last quarter, Q2 billings growth benefitted a few percentage points from bookings in recent quarters that increased the proportion of renewals that occur in Q2 versus Q3.

Q2 non-GAAP operating income benefited from subscription revenue outperformance, the timing of new data supplier arrangements, and other lower than expected expenses. Non-GAAP operating income also continues to reflect lower travel and event spending due to the pandemic. We added 236 net employees in the quarter as we continue to build capacity across the business.

In Q2, cash flow from operations was $101 million, excluding an excess tax benefit of about $18 million, and we exited Q2 with more than $2.2 billion of cash and short-term investments.

Guidance for Third Quarter and Fiscal Year 2022

For the third quarter, we expect total revenue between $464 and $466 million, with subscription revenue of about $376 million.

We anticipate Q3 non-GAAP operating income to be between $179 and $181 million. Our non-GAAP operating income guidance reflects increased investments in employees and new data suppliers. The 5% salary adjustment Peter discussed will lower operating income by about $4 million in Q3.

Non-GAAP earnings per share for Q3 is anticipated to be between $0.87 and $0.88 based on a diluted share count of approximately 164 million shares. We are maintaining our non-GAAP tax rate at 21% for the fiscal year and will continue to monitor the impact of any tax law changes.

Calculated billings for Q3 are projected to be about $315 million. This guidance reflects a $14 million headwind in billings due to changes in customer billing terms. Also as noted above, recently closed business had a greater percentage of renewals in Q2 versus Q3. Please remember that there are numerous factors that make year-over-year comparisons of this metric highly variable on a quarterly basis. Therefore, we do not believe quarterly billings growth is a good indicator of the underlying momentum of our business, and we do not manage to it internally. Our subscription revenue guidance and calculated billings guidance for the full year are better indicators of our momentum.

For the full fiscal year, we now expect total revenue of $1.830 billion to $1.835 billion, representing a $10 million increase to the top end of our previous guidance.

Subscription revenue for the fiscal year is projected to be roughly $1.475 billion, with Vault subscription revenue of roughly $775 million and Veeva Commercial Cloud subscription revenue of roughly $700 million. As a reminder, full year subscription revenue guidance reflects our expectation that pharma sales rep reductions will increase in the second half of the year.

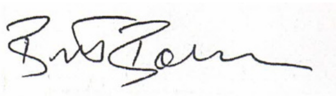
We project non-GAAP operating income for the fiscal year of roughly $730 million with the increase primarily driven by our higher subscription revenue expectation. Our guidance reflects continued investment in employees which includes $10 million related to the previously mentioned salary increases, ongoing data investments, and a roughly 200 basis point benefit from lower travel expenses.

Non-GAAP earnings per share for the fiscal year is expected to be approximately $3.57 based on a fully diluted share count of about 163 million.

Fiscal year 2022 calculated billings are expected to be $1.940 billion, up 21% year over year. Normalized for previously mentioned changes to customer billing terms that occurred last year and an additional $4 million from more recent billing term changes that we expect to be billed in FY23, our full fiscal year calculated billings estimate reflects 23% year-over-year growth.

We are also raising our fiscal year guidance for cash flow from operations, net of the excess tax benefit, to $710 million, primarily driven by our updated full fiscal year billings guidance.

In summary, the team continues to deliver strong results through our focus on disciplined execution. Our innovative products are well positioned for growth and we look to the large opportunity ahead.



Brent Bowman, CFO