June 1, 2022

# Q1 FY2023 Earnings Prepared Remarks

Peter Gassner, Founder, CEO
Brent Bowman, CFO

# Legal Disclaimer

These prepared remarks contain forward-looking statements regarding Veeva's expected future performance and, in particular, includes guidance provided as of June 1, 2022 about Veeva's expected future financial results. Estimating guidance accurately for future periods is difficult. It involves assumptions and internal estimates that may prove to be incorrect and is based on plans that may change. Hence, there is a significant risk that actual results could differ materially from the guidance we have provided in these prepared remarks, and we have no obligation to update such guidance. There are also numerous risks that have the potential to negatively impact our financial performance, including as a result of competitive factors, customer decisions and priorities, events that impact the life sciences industry, issues related to the security or performance of our products, the pandemic, issues that impact our ability to hire, retain and adequately compensate talented employees, and general macroeconomic and geo-political events (including inflationary pressures and impacts related to Russia's invasion of Ukraine). We have summarized what we believe are the principal risks to our business in a section titled "Summary of Risk Factors" on pages 13-14 in our filing on Form 10-K for the fiscal year ended January 31, 2022, which you can find here. Additional details on the risks and uncertainties that may impact our business can be found in the same filing on Form 10-K and in our subsequent SEC filings, which you can access at sec.gov. We recommend that you familiarize yourself with these risks and uncertainties before making an investment decision.

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 available on the Veeva website here. Our earnings press release also includes important information about our use of non-GAAP metrics and our non-GAAP guidance for future periods.

# Q1 Business Update

**Peter Gassner, Founder, CEO**

## Financial Results

We had another strong quarter delivering results ahead of guidance. Total revenue was $505 million, up 16% year over year with subscription revenue growing 18% to $403 million. Non-GAAP operating income was $200 million or 40% of total revenue.

This quarter we reached a $2 billion revenue run rate with strong profitability and high durability. Thank you to the Veeva team past and present for your skill, teamwork, and focus on customer success that brought Veeva to this point. Thank you to our customers for your partnership.

## Bringing the Industry Together

Veeva Summits are a big part of how we build the industry cloud. We bring the industry together to share knowledge and develop relationships that help advance the industry, fuel product excellence, and move business forward for Veeva.

After two years, we're back to in-person events and had our Commercial Summit on May 5 in Boston with more than 1,400 attendees. It was incredibly energizing for the Veeva team and our customers. We all came away with important connections and ideas for the future. We're now looking forward to our European R&D Summit in Zurich next week.

Going forward we're expanding our large summits to a full two-day schedule. The industry needs to get together to evolve – especially with the increase in remote working – and Veeva Summits play an important part in that.

## Commercial Solutions

Our focus in commercial is to help the industry get to commercial excellence, which means being highly efficient and well-coordinated across sales, medical, and marketing in order to best serve doctors and patients.

We do this by delivering excellent software, data, and business consulting. We started on the software side, and the bulk of our business is still in software, but data and consulting are starting to play more significant roles today and this trend will continue as we move forward.

To reflect the significance of our growing portfolio of data products, we announced Veeva Data Cloud as the overall brand for our data applications. Data Cloud includes Veeva OpenData for customer reference data, Veeva Link for real-time intelligence, and Veeva Compass for patient, prescriber, and sales data in the U.S. market (formerly called "Data Cloud"). So, Veeva Commercial Cloud is now the family of our software products and Veeva Data Cloud is the family of our data products.

Turning to the details of the quarter, execution was strong across the board on the software side including CRM, commercial Vault, and Crossix. We saw significant CRM expansions, including particular strength in Japan, and 12 new CRM customer wins.

Product excellence and innovation are fueling customer success and growth as we deliver the next generation of CRM across devices to support reps working from anywhere with all the digital capabilities they need for compliant online engagement with physicians including scheduling, signature capture, meetings, content sharing, and compliant chat.

It was another strong quarter for Veeva Link with eight new customers wins as well as major enterprise expansions. We also announced four new products that can roughly double the Veeva Link market opportunity. At its core, Veeva Link is a powerful data platform for real-time intelligence that we can use to build many data applications. Link is early in its lifecycle, but it's evolving quickly and has high potential. As we have seen with Vault, taking a platform approach for Link allows us to build high-value data applications with speed and quality.

We added new Veeva Compass early adopter customers in the quarter and our level of customer engagement, especially in enterprise accounts, is increasing. We continue to refine the Compass products and focus on the success of our early adopters. We have the right strategy, but it will take many years of focused execution to build the business and become the market leader.

Overall, our commercial business is going strong and on a great trajectory with a commitment to customer success and product excellence.

## R&D Solutions

In R&D, we are making progress on our vision to establish Veeva Development Cloud as the operating system for drug development.

In the quarter, a top 20 pharma selected Veeva Development Cloud to help streamline and accelerate the development of innovative medicines. Spanning 12 products across clinical, quality, and regulatory, it's one of our largest deals ever, and a landmark for Veeva and the industry. While it's not typical for a top 20 to go all in across so many areas of R&D all at once, we increasingly see companies partnering with us deeply in this way on a long-term vision and roadmap for drug development.

We also had another top 20 pharma select Vault eTMF — their first product on the R&D side — and, through customer success, we are hopeful it will grow into a broader relationship. eTMF has now been selected by 18 of the top 20 and saw 29 new customer wins in the quarter. We continue to innovate and extend our lead in eTMF and it's an area that typically serves as a strong starting point for us on the R&D side.

Vault eTMF is a great example of network effects that can happen with high quality industry specific solutions. There's now a significant base of resources and companies that know and use Vault eTMF, which is a strong positive for large enterprises not only for the trusted ecosystem it creates but also because it enables faster and less disruptive integration of acquisitions when all parties are on Vault.

Quality had 29 new customer wins in the quarter, driven by strong execution in Vault QualityDocs, Vault QMS, and Vault Training. Development of Vault LIMS, a large new application for quality control in manufacturing, is progressing well and we expect to have our first early adopters by the end of the year.

It’s early days for Veeva in R&D. We’re only 15% into our current $7 billion total addressable market opportunity. There is a long tail of growth ahead for our established products and we have a number of major products very early in their lifecycle like Vault CDMS and Vault Safety.

## Looking Ahead

I continue to be encouraged by the level of opportunity and impact we have in R&D and commercial. We have a great team, deep customer relationships, and our innovation engine is strong. We are set-up for a long runway of organic growth as we build the industry cloud for life sciences.

**Peter Gassner, Founder, CEO**

# Q1 Financial Update

**Brent Bowman, CFO**

## Fiscal Year 2023 First Quarter Performance

We had a strong first quarter of execution with revenue, billings, and operating income all coming in above the high end of our guidance. Total revenue increased 16% year over year to $505 million. Subscription revenue was up 18% year over year to $403 million. Non-GAAP operating income was $200 million, 40% of total revenue.

Bookings performance and subscription revenue growth continued to be broad-based across our R&D Solutions with clinical, quality and regulatory all making significant contributions.

Commercial Solutions also posted solid subscription revenue growth. Vault Commercial and Crossix were the largest drivers of revenue growth among our Commercial Solutions in Q1. The CRM Suite also contributed to Q1 revenue growth, driven by increased adoption of CRM add-on products. Veeva Data Cloud revenue growth in the quarter was driven by a larger contribution from Veeva Link.

Professional services revenue of $102 million exceeded Q1 guidance, reflecting strong demand for professional service associated with our R&D Solutions and continued contribution from Veeva Business Consulting.

Q1 calculated billings came in above guidance at $499 million, growing 19% year over year. The impact of changes in customer billings terms was higher than we expected and created a $4 million net benefit to Q1 calculated billings. Normalized for billing term changes, Q1 calculated billings grew 18% year over year.

Our Q1 non-GAAP operating income came in above guidance at $200M, which was primarily due to our revenue outperformance in the quarter. As expected, we have seen an increase in travel and event related spend, but are still well below pre-COVID levels. Q1 was another quarter of strong hiring in which we added 203 net employees.

In Q1, non-GAAP cash flow from operations was $476 million, this excludes an excess tax benefit of about $5 million, and we exited the quarter with more than $2.8 billion of cash and short-term investments.

## Guidance for Second Quarter and Fiscal Year 2023

For Q2, we expect total revenue between $529 and $531 million, with subscription revenue of about $426 million.

We anticipate Q2 non-GAAP operating income to be between $201 and $203 million. Our non-GAAP operating income guidance reflects continued investments in employees, growth initiatives, and increasing travel and event spending.

Non-GAAP earnings per share for Q2 is anticipated to be between $1.00 and $1.01 based on a fully diluted share count of approximately 160 million. We are maintaining our non-GAAP tax rate at 21% for the fiscal year and continue to monitor the impact of any tax law changes.

We expect calculated billings to be about $480 million in Q2. This guidance includes an approximately $8 million benefit from changes in customer billing terms.

As a reminder, there are numerous factors that make year over year comparisons of calculated billings 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 year, we expect total revenue of $2.165 to $2.175 billion, an increase of $5 million from our prior guidance. Included in this guidance is an approximate $20 million expected headwind related to recent foreign currency exchange rate (FX) movements. Most of our foreign currency revenue exposure is to the euro and yen. More than 80% of our revenue is billed in USD, as many of our largest customers contract in USD globally. Therefore, FX movements have not historically had a significant impact on revenue. In the last 90 days, however, FX movements have been larger than normal and warrant a specific callout.

Subscription revenue for the fiscal year is projected to be roughly $1.745 billion. Our subscription revenue guidance consists of Commercial Solutions subscription revenue of roughly $955 million and R&D Solutions subscription revenue of roughly $790 million. Our full year revenue guidance reflects our continuing expectation that our bookings mix will be slightly more weighted toward the second half of the fiscal year.

We project non-GAAP operating income for the fiscal year of approximately $835 million, an increase of $10 million from prior guidance. Note, the impact of FX movements to operating income is minimal given the largely offsetting foreign currency exposures of our costs and revenue. This guidance continues to reflect investments in our existing employees, ongoing hiring plans, and growth initiatives. For FY23, we anticipate travel and event spend to be roughly 1.5% of total revenue, which remains below our pre-COVID level of about 3% and above our FY22 rate of roughly 0.5% of total revenue.

Non-GAAP earnings per share for the fiscal year is expected to be approximately $4.16 based on a fully diluted share count of approximately 161 million.

We expect full year calculated billings to be about $2.320 billion, up 19% year over year. Normalizing fiscal year 2022 billings for the impact of customer billing changes, we expect our fiscal year 2023 calculated billings growth rate to be 18%. Note that our calculated billings guidance includes an approximately $30 million FX headwind.

We project fiscal year 2023 non-GAAP cash flow from operations, which is net of the excess tax benefit, to be about $740 million. Note, this guidance also continues to exclude the potential impact of newly effective tax legislation requiring the capitalization of R&D expenses. We anticipate this legislation to be deferred during fiscal 2023. If the new requirement is not deferred, our fiscal 2023 cash flow from operations would be reduced by roughly $70 to $80 million.

First quarter results leave Veeva well positioned to deliver on our full year financial forecasts. We remain focused on execution and delivering customer success and we continue to track ahead to our 2025 targets of $3 billion in revenue and 35%+ in non-GAAP operating margin.

**Brent Bowman, CFO**