



December 6, 2023

Q3 FY2024 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 statements regarding Veeva's products and services and guidance, provided as of December 6, 2023, 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 issues related to the performance, security, or privacy of our products, competitive factors, customer decisions and priorities, events that impact the life sciences industry, general macroeconomic and geopolitical events (including inflationary pressures, changes in interest rates, currency exchange fluctuations, changes in applicable laws and regulations, and impacts related to Russia's invasion of Ukraine and the Israel-Hamas conflict), and issues that impact our ability to hire, retain and adequately compensate talented employees. We have summarized what we believe are the principal risks to our business in a section titled "Summary of Risk Factors" on pages 38 and 39 in our filing on Form 10-Q for the period ended July 31, 2023 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-Q and in our subsequent SEC filings, which you can access at [sec.gov](https://www.sec.gov). We recommend that you familiarize yourself with these risks and uncertainties before making an investment decision.

Q3 Business Update

Peter Gassner, Founder & CEO



Financial Results

We had a solid Q3 with revenue and operating income coming in ahead of our guidance. Total revenue was \$617 million, up 12% year over year. Non-GAAP operating income was \$235 million, or 38% of total revenue. Normalizing for the one-time impact related to the standardization of termination for convenience (TFC) rights, total revenue increased 14% and operating income was 39% of total revenue.

Macroeconomic Environment

As I shared at our investor day in early November, the macro environment remains challenging as the industry continues to navigate inflation, higher interest rates, global conflicts, and the Inflation Reduction Act. These headwinds are having an impact on our services revenue, as companies look for cost reductions by delaying services engagements or using more internal resources.

Due to a lower-than-expected services outlook we reduced our prior revenue guidance at our investor day by \$15 million for fiscal 2024 and \$50 million – to at least \$2.75 billion – for fiscal 2025. We are still on track to meet our \$3 billion revenue run rate goal roughly one year ahead of target.

Looking at the bigger picture, the business is very healthy and durable. Our overall opportunity continues to grow as there are many critical areas where we can drive greater efficiency and effectiveness. Our innovation engine and execution are as strong as ever, creating product and market expansions that are the foundation for a long runway of growth ahead.

We added 70 net employees in the quarter, less than normal. This reflects disciplined hiring given the current environment particularly in services. We continue to hire and manage for performance with a long-term view, investing in the right people and lean teams to ensure profitable growth.

Innovating to Deliver the Industry Cloud

I have never been more confident in our product strategy as we build the industry cloud for life sciences by delivering excellent software, data, and high-value services. Picking the right big markets, developing excellent products in every area, and delivering on customer success builds industry-wide trust, fuels reference selling, and creates significant opportunity for the future.

We made several important product strategy decisions in the last two quarters. This includes new products in the clinical, quality, and safety areas of Development Cloud. In Commercial Cloud, we announced we're adding Marketing Automation and Patient CRM. Data Cloud is expanding to clinical.

Our software and data, together with business consulting and other high-value services, form a powerful industry cloud that will be transformational for the industry for years to come. While it is early days, we are well positioned to deliver against our large and growing market opportunity.

Veeva Development Cloud

We continue to make great progress in establishing Veeva Development Cloud as the technology foundation for drug development. In the quarter, we saw further adoption across all areas of Development Cloud and progressed several large enterprise opportunities.

Clinical, which represents our biggest market potential in R&D, continues to grow well in both established and newer areas. EDC, in the clinical data management area, is the largest single application opportunity we have in Development Cloud. Our newer clinical data products – CDB, RTSM, and ePRO – together more than double the opportunity we have in EDC. These markets take time, but we are playing the long game and are confident we have the right vision and products for the future of clinical.

In regulatory, we continue to expand our leadership position. Today, 15 of the top 20 biopharmas have at least one Vault RIM application and we are actively engaged with most of the other top 20s. Vault Submissions Publishing, our newest RIM product, is progressing very well. Publishing is a highly complex area where speed, accuracy, and global scale are crucial. We help customers speed submissions and reduce errors with templates and validation kept current for submissions to health authorities in more than 100 countries.

It was another great quarter for quality with about 20 wins in each for QMS, QualityDocs, and Training. Newer products like LIMS and the recently announced Batch Release are generating a lot of interest.

Overall, I am pleased with our progress in Development Cloud and the impact it is having in streamlining drug development.

Veeva Commercial Cloud

As we've done with Development Cloud, we aim to provide the industry the technology foundation for commercial, all on the Vault Platform. This means excellent software that's integrated and modular, so it all fits together but customers can adopt it in a way that works for them.

We shared our new Commercial Cloud vision at our European Commercial Summit last week in Madrid. Building on the Vault Platform, we are now able to expand to new areas like service center, marketing, and patient CRM specifically for life sciences.

The keynote also featured two top 20 biopharmas who announced they have selected Vault CRM. We expect these migrations to begin in 2025.

Development of Marketing Automation and Patient CRM will start in 2024 with dedicated teams. The vision is to provide better industry-specific solutions that work well together. In Marketing Automation, we'll continue to partner, but also offer our own life sciences-specific campaign management solution. Veeva Patient CRM for the U.S. market will typically replace custom applications to give customers a robust, industry-specific solution to manage sensitive patient information and workflows.

In the quarter we continued to extend our CRM leadership, with nine CRM customer wins – six for Veeva CRM and three for Vault CRM. Planned for general availability in April 2024, Vault CRM will be the go-forward product for all new CRM customers in most markets, except LatAm and Asia which will be December 2024.

Crossix also saw solid bookings, including brand expansions at a top 20 biopharma and momentum in newer audience products.

In all, it's great to see continued strong uptake of our commercial solutions across the board and how well our new Commercial Cloud vision is resonating.

Veeva Data Cloud

Data Cloud is a modern data platform for life sciences that includes OpenData for reference data, Link for deep data, Compass for transaction data, and Pulse data coming next year. While each product runs with autonomy, we are now doing the hard work to standardize our data products on a common data architecture providing common definitions for things like therapeutic areas, disease areas, product classes, and specialties. This standardization, consistency, and modern foundation is unique in the industry and will be very powerful, much in the same way Vault Platform has been very powerful for Development Cloud.

From a strong start in commercial, we are now expanding to offer data products for clinical, including OpenData Clinical, Link SiteBase, and Pulse Clinical.

OpenData Commercial now has high quality data for more than 100 countries. In the quarter we had 14 OpenData Commercial wins, including our first top 20 biopharma win in Asia for about 10 countries mostly in Southeast Asia and India. In late November, we also announced that a second top 20 biopharma selected OpenData Commercial globally.

Link Key People is emerging as a standard for the industry and newer Link products are gaining momentum. Two top 20 biopharmas selected Link Key People in Q3 and there is increasing interest in Link Medical Insights and Link Workflow.

Compass had a record quarter with 13 new brands added for Compass Patient. Nine are new customers and the rest are expansions, including two existing top 20 biopharma customers. It's great validation as we start to see the market reception to a modern and innovative data alternative from Veeva. The next big milestone for Compass is the January 2024 planned availability of Compass Prescriber and Compass National, which will largely complete the Compass suite. Prescriber and National are projected data products, primarily used for incentive compensation, segmentation, and targeting.

Data Cloud is a very important area for Veeva and the industry. The data market in life sciences moves somewhat slower than the software market, and we see headwinds from IQVIA's anti-competitive behavior, but we are leading with innovation and making steady progress.

Looking Ahead

In summary, I am pleased with our execution and have never been more excited about our strategy and market position. Our innovation and continued focus on product excellence and customer success has us well positioned to deliver durable profitable growth for many years ahead.



Peter Gassner, Founder & CEO

Q3 Financial Update

Brent Bowman, CFO



Fiscal Year 2024 Third Quarter Performance

We had a solid third quarter of execution. Total revenue increased 12% year over year to \$617 million. Subscription revenue was up 12% year over year to \$495 million. Non-GAAP operating income was \$235 million, or 38% of revenue.

Standardizing customer contracts to include termination for convenience (TFC) rights created a \$12 million revenue and non-GAAP operating income headwind in the quarter, consistent with expectations. The impact from foreign exchange (FX) was also roughly in line with our expectations, resulting in an immaterial impact on revenue and a modest reduction to non-GAAP operating income.

Normalizing for the impact of TFC and FX, total revenue increased 14% and subscription revenue increased 15%. Non-GAAP operating margin, normalized for TFC, was about 39%.

R&D Solutions subscription revenue growth continues to be broad based. In Commercial Solutions, Vault Commercial Content and Veeva Link continue to drive subscription revenue growth.

Professional services revenue increased 10% year over year to \$122 million, primarily driven by R&D professional services and Veeva Business Consulting.

Normalized billings were \$429 million, up 15% year over year. The underperformance compared to our guidance was primarily due to the negative impact of macroeconomic factors on our professional services business, which we discussed on our investor day call last month, and, to a lesser extent, a smaller-than-expected FX tailwind.

Recall, normalized billings reflect calculated billings adjusted for the impact of customer term changes in renewal business. A reconciliation of normalized to calculated billings can be found in our supplemental investor presentation.

In Q3, we added 70 net employees, reflecting disciplined hiring that sets us up well to execute on our 2025 targets.

Our Q3 non-GAAP operating income came in above our guidance and preliminary results at \$235 million, driven by operating expense discipline.

In Q3, non-GAAP cash flow from operations was \$79 million, which excluded an excess tax benefit of about \$3 million. At the end of the quarter we had roughly \$3.9 billion of cash and short-term investments.

Guidance for Fourth Quarter and Fiscal Year 2024

As Peter mentioned, the macroeconomic environment overall is trending slightly worse compared to 90 days ago. This is primarily impacting the outlook for our professional services business. As we communicated at our recent investor day event, this resulted in a \$15 million reduction to our fiscal year 2024 total revenue guidance. Our current guidance assumes the challenging macro environment continues and that FX rates will remain at current levels.

For Q4, we expect total revenue between \$620 and \$622 million, with subscription revenue of about \$517 million. This guidance includes an expected \$9 million headwind from TFC standardization and an immaterial FX impact.

We anticipate Q4 non-GAAP operating income to be around \$227 million. This guidance also includes the expected \$9 million headwind from TFC standardization and an immaterial FX impact.

Non-GAAP earnings per share for Q4 is anticipated to be about \$1.30 based on a fully diluted share count of approximately 164 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.

For Q4, we expect normalized billings of about \$1.040 billion. This includes the impact of the revised services outlook, a lower-than-expected proportion of anticipated new business having annual billing terms, and deal timing.

As a reminder, there are numerous factors that make year-over-year comparisons of normalized 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. Full-year subscription revenue and normalized billings guidance are better indicators of our momentum.

Our Q4 guidance implies the following for fiscal year 2024:

- Total revenue of \$2.353 to \$2.355 billion, including an expected \$90 million headwind related to TFC standardization and a roughly \$12 million headwind from FX.
- Subscription revenue of about \$1.897 billion, consisting of Commercial Solutions subscription revenue of roughly \$993 million and R&D Solutions subscription revenue of roughly \$904 million. Our full-year revenue guidance attributes substantially all of the expected \$90 million TFC headwind to R&D Solutions.
- Professional services revenue of \$456 to \$458 million.
- Non-GAAP operating income of about \$830 million, including an expected \$90 million headwind related to TFC standardization and a modest headwind from FX.
- Normalized billings of about \$2.576 billion, up 13% year over year, including an immaterial FX impact. We continue to expect normalized billings to be roughly consistent with calculated billings for the full year.

Non-GAAP earnings per share for the fiscal year is expected to be approximately \$4.76 based on a fully diluted share count of approximately 163 million.

Non-GAAP cash flow from operations, which excludes excess tax benefit, is expected to be roughly \$870 million, an increase of \$10 million from our prior guidance. This is primarily driven by the increase in operating income.

Guidance for Fiscal Year 2025

As a reminder, we previously provided guidance for fiscal year 2025 to give additional visibility on the momentum we see in the business in light of the TFC impact to our fiscal year 2024 results. For fiscal year 2025, we are reiterating expectations for at least \$2.75 billion in total revenue, which reflects growth normalized for TFC and FX of about 13%, and at least \$1.0 billion in non-GAAP operating income. Recall the

guidance reflects about a \$50 million reduction in total revenue, primarily driven by a reduced services outlook and to a lesser extent additional FX headwinds compared to our prior expectations. Importantly, our subscription revenue outlook is essentially unchanged relative to our prior expectations.

In closing, we are well positioned to deliver durable growth and profitability for many years to come. We are executing well against the significant opportunity in life sciences and are tracking about a year ahead of our 2025 targets.

A handwritten signature in black ink, appearing to read "Brent Bowman", with a stylized, cursive script.

Brent Bowman, CFO