December 5, 2024

Q3 FY2025 Earnings Prepared Remarks

Peter Gassner, Founder & CEO
Brian Van Wagener, CFO

Veeva

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 5, 2024, 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, availability, 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 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 36 and 37 in our filing on Form 10-Q for the period ended July 31, 2024 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. 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 delivered results ahead of guidance in the third quarter with total revenue of $699 million, up 13% year over year, 12% when normalizing for the one-time impact related to the standardization of termination for convenience (TFC) rights. Non-GAAP operating income was $304 million, or 43% of total revenue.

Building the Technology Foundation for Life Sciences

We had another quarter of strong execution and innovation, delivering significant value to customers across their most critical functions. The macro environment is relatively unchanged from last quarter, and we think the industry has adjusted to current conditions. The funding environment has stabilized for smaller biotechs. As compared to a year ago, large biopharmas are focusing more on building long-term capabilities supported by core systems that Veeva provides.

Veeva Development Cloud

In Development Cloud our long-term vision is to be the technology standard in drug development with connected software suites across clinical, regulatory, safety, and quality. We executed very well this quarter in Development Cloud across all areas and customer segments.

One of the highlights was how we progressed several large, strategic partnership opportunities with top 20 biopharmas spanning multiple product areas of Development Cloud. While these opportunities did not contribute to Q3 results, they are very encouraging signs as we look toward the next few years.

Strength in clinical continued with a number of wins and significant go-lives, particularly with CTMS. CTMS is a deep application we've been advancing for some time and it's now becoming the recognized industry standard with customers of all sizes live and highly successful, much in the same way Vault eTMF is today. We continue to innovate in eTMF and CTMS by adding new functionality and improving existing functionality while at the same time working to avoid complexity.

Our newer clinical applications including, Site Connect, Study Training, RTSM, and eCOA, also have great potential for market leadership as customers increasingly look to Veeva as their end-to-end clinical platform with CTMS and EDC as the core pillars.

Safety is a critical area and not fast moving, but Vault Safety is gathering momentum and I think we're approaching a tipping point, especially since Safety Signal and Safety Workbench are now available to complete the suite. We are seeing growing interest from top 20 biopharmas who are looking to move away from legacy systems and achieve greater levels of automation and integration. In the coming year, we will continue to focus on customer success and increasing the levels of advanced automation in our safety applications.

Quality had another strong quarter with 27 new customer additions. Our core applications — QualityDocs, QMS, and Training — all continue to grow nicely. Vault LIMS, a large and new opportunity for us in the quality control area, is also progressing well. There we are focused on the success of our early adopters, rounding out the product, and engaging with top 20 biopharmas that could become early adopter customers over time.

Veeva Commercial Cloud

There were many outstanding highlights across Commercial Cloud in the quarter. First, thanks to the exceptional execution by our CRM product team, we are on track to deliver on our aggressive plan. This month's release of Vault CRM will have the full functionality of Veeva CRM, additional new capabilities, and a robust set of migration tools. That's remarkable considering we announced Vault CRM just two years ago. I am very proud of our team's consistent delivery and focus on product excellence.

We just had our European Commercial Summit in Madrid where we announced a number of new innovations coming in Vault CRM, including two new AI capabilities – CRM Bot and Voice Control. CRM Bot is a GenAI assistant in Vault CRM. Voice Control is a voice interface for Vault CRM, leveraging Apple Intelligence. Both are included in Vault CRM for no additional charge and are planned for availability in late 2025.

We also announced MLR Bot, an AI application in Vault PromoMats to perform content quality and compliance checks with a Veeva-hosted large language model. Planned for availability in late 2025, MLR Bot will require a separate license.

These innovations are part of our overall AI strategy to deliver specific AI applications that provide tangible value and enable customers and partners with the AI Partner Program, as well as the Vault Direct Data API, for the data needed to power all forms of AI.

It was also clear at Summit that there is a lot of excitement from customers about the potential to bring sales, marketing, and medical together with Vault CRM Suite. We are delivering against that vision as planned with the release of Service Center in August and Campaign Manager coming this month.

Vault CRM had 13 new SMB wins in the quarter and in November the fourth top 20 biopharma committed to Vault CRM. Migrations are on track, with seven smaller customers that plan to be fully moved to Vault CRM this month. Our first top 20 biopharma is planning to complete their migration of more than 15,000 users in over 50 countries by late 2025.

Crossix also had another strong quarter in both Measurement and Audiences as we expand our offerings and market leadership. The growth of Crossix has been a real strong point in Commercial this year.

Veeva Data Cloud

I am pleased with the progress we are making with Veeva Data Cloud. Data is critical for the industry and we are delivering better data solutions.

Veeva Compass had another strong quarter of customer wins and expansions, adding 17 new brands for Compass Patient. We also announced a strategic partnership with Walgreens that extends the breadth of our data network.

Veeva Link continues to progress well. We are advancing several top 20 biopharma opportunities for Link Key People and are seeing early traction with newer Link products including Link Key Accounts, Link Medical Insights, and Link Workflow.

Veeva 2030

Veeva is a very durable company with a lot of room to grow in our core life sciences market. That opportunity is reflected in our 2030 revenue run rate goal of $6 billion. This means doubling from our planned 2025 run rate and, most importantly, doubling the value to customers and the industry. Our growth path to 2030 is mostly organic and includes continued strong profitability.

To reach our 2030 goal, we have to execute well in many areas. I am confident we have the right team, product strategy, and customer partnerships to get there.

We also announced another big step for Veeva with our planned expansion into new horizontal enterprise applications markets. We are taking a platform first approach and our focus for the next year or so is on building a next-generation enterprise application platform with some major innovations. We haven't made any final decisions on which specific application areas or customer segments we will target first.

Overall, we are executing well against the large opportunity ahead. Our innovation engine and increasing strategic partnerships have us well-positioned to deliver profitable growth through 2030 and beyond.

Peter Gassner, Founder & CEO

Q3 Financial Update

Brian Van Wagener, CFO

Fiscal Year 2025 Third Quarter Performance

Q3 was a strong quarter of execution, with results ahead of guidance for all metrics. Total revenue grew 13% year over year to $699 million with subscription revenue of $581 million, growing 17% year over year. Normalizing for the estimated impact of termination for convenience (TFC), total revenue increased about 12% and subscription revenue increased about 15% in Q3.[1] Non-GAAP operating income in Q3 was $304 million, or 43% of revenue.

Subscription revenue growth in R&D Solutions continues to be broad-based. In Commercial Solutions, growth was driven primarily by Crossix and Commercial Content.

Professional services revenue in Q3 declined 3% year over year to $118 million, driven by a decline in core professional services revenue, partially offset by continued strength in Business Consulting.

Q3 normalized billings[2] were $468 million, up 12% year over year. The outperformance compared to guidance was primarily driven by timing of services billings and new subscription bookings.

Q3 non-GAAP operating income was $304 million, ahead of guidance due to revenue outperformance, timing of certain expenses, and continued operating expense discipline.

The impact from foreign exchange (FX) was also roughly in line with our expectations, resulting in an immaterial impact on all financial metrics in the quarter.

Net headcount increased by 88 in the quarter. Q3 non-GAAP cash flow from operations was about $163 million, and at the end of the quarter, cash and short-term investments totalled over $5.0 billion.

Guidance for Fourth Quarter and Fiscal Year 2025

For Q4, we expect total revenue between $696 and $699 million, which represents growth of about 10% when normalized for the estimated impact of TFC standardization in fiscal 2024.

We anticipate subscription revenue of about $596 million in Q4. This represents growth of about 13% when normalized for the estimated impact of TFC standardization in fiscal 2024.

We expect Q4 services revenue to be between $100 and $103 million, which includes the impact of fewer billable days due to timing of holidays and our internal field kickoff events.

---

[1] Customer contracts were standardized to include TFC rights effective February 1, 2023, which created a one-time impact to revenue in fiscal 2024. The normalized fiscal 2025 growth rates reflect our reported revenue compared to our estimated fiscal 2024 revenue had TFC rights always been in place. We view these normalized growth rates as a better reflection of the underlying momentum of the business.

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

We expect Q4 non-GAAP operating income of about $275 million. This implies a non-GAAP operating margin of about 39%, reflecting typical seasonality and timing of certain expenses.

Non-GAAP earnings per share for Q4 is anticipated to be about $1.57 based on a fully diluted share count of approximately 166 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 normalized billings of about $1.184 billion in Q4. Normalized billings is expected to be about $38 million below calculated billings due to billing term changes in customer renewals, roughly in line with our prior expectations.

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 normalized billings and subscription revenue guidance are better indicators.

The macroeconomic environment was relatively stable in Q3 and our guidance continues to assume there will be no significant changes in the near term. We also assume FX rates stay at current levels, the impact from which is similar to prior guidance.

Our Q4 guidance implies the following for fiscal year 2025:

- Total revenue of $2.722 to $2.725 billion, an increase of $15 million at the high end compared to prior guidance. This represents growth of about 12% when normalized for the estimated impact of TFC standardization in fiscal 2024.
- Subscription revenue of about $2.272 billion, representing growth of about 15% when normalized for the estimated impact of TFC standardization in fiscal 2024. This consists of Commercial Solutions subscription revenue of about $1.095 billion, an increase of $5 million from prior guidance, and R&D Solutions subscription revenue of about $1.177 billion, an increase of $10 million from prior guidance. The improved outlook reflects continued strong execution and anticipated demand for both established and newer solutions.
- Professional services revenue of $450 to $453 million, in line with the high end of prior guidance.
- Non-GAAP operating income of about $1.120 billion, an increase of $40 million from prior guidance and representing non-GAAP operating margin of approximately 41%.
- Normalized billings of about $2.900 billion, an increase of $20 million from prior guidance and representing growth of about 12%. Full-year normalized billings is expected to be about $18 million below calculated billings due to customer billing term changes in customer renewals.

Non-GAAP earnings per share for the fiscal year is expected to be about $6.44 based on a fully diluted share count of approximately 165 million.

Non-GAAP cash flow from operations, which excludes excess tax benefit, is expected to be roughly $1.060 billion, an increase of $30 million from our prior guidance. This is primarily driven by the increase to non-GAAP operating income.

Looking Ahead

As we spoke about at our investor day in November, we are building a durable company with a long runway of growth ahead. We made great progress expanding our partnership with the life sciences industry in the quarter, and I am confident in our people, product strategy, and execution to reach our new 2030 revenue run-rate goal of $6 billion.

Brian Van Wagener, CFO