



NEWS RELEASE

Veeva Announces Fourth Quarter and Fiscal Year 2023 Results

3/1/2023

Fiscal Year 2023 Total Revenues of \$2,155.1M, up 16% Year Over Year;
Q4 Total Revenues of \$563.4M, up 16% Year Over Year

Fiscal Year 2023 Subscription Services Revenues of \$1,733.0M, up 17% Year Over Year;
Q4 Subscription Services Revenues of \$460.2M, up 16% Year Over Year

PLEASANTON, Calif., March 1, 2023 /PRNewswire/ -- Veeva Systems Inc. (NYSE: VEEV), a leading provider of industry cloud solutions for the global life sciences industry, today announced results for its fourth quarter and fiscal year ended January 31, 2023.

"Our partnership with the industry strengthened in all customer segments and geographies this year as we build a durable, growth business for the long term," said CEO Peter Gassner. "We are early in our very large industry cloud opportunity with an exceptional product innovation and execution engine. It's this combination of opportunity and execution that positions us well for the future."

Fiscal 2023 Fourth Quarter Results:

- Revenues: Total revenues for the fourth quarter were \$563.4 million, up from \$485.5 million one year ago, an increase of 16% year over year. Subscription services revenues for the fourth quarter were \$460.2 million, up from \$395.7 million one year ago, an increase of 16% year over year.
- Operating Income and Non-GAAP Operating Income (1): Fourth quarter operating income was \$108.9 million, compared to \$119.7 million one year ago, a decrease of 9% year over year. Non-GAAP operating income for

the fourth quarter was \$209.4 million, compared to \$186.3 million one year ago, an increase of 12% year over year.

- Net Income and Non-GAAP Net Income (1): Fourth quarter net income was \$188.5 million, compared to \$97.1 million one year ago, an increase of 94% year over year. Non-GAAP net income for the fourth quarter was \$186.3 million, compared to \$147.0 million one year ago, an increase of 27% year over year.
- Net Income per Share and Non-GAAP Net Income per Share (1): For the fourth quarter, fully diluted net income per share was \$1.16, compared to \$0.60 one year ago, while non-GAAP fully diluted net income per share was \$1.15, compared to \$0.90 one year ago.

Fiscal Year 2023 Results:

- Revenues: Total revenues for the fiscal year ended January 31, 2023 were \$2,155.1 million, up from \$1,850.8 million one year ago, an increase of 16% year over year. Subscription services revenues were \$1,733.0 million, up from \$1,484.0 million one year ago, an increase of 17% year over year.
- Operating Income and Non-GAAP Operating Income (1): Fiscal year 2023 operating income was \$459.1 million, compared to \$505.5 million one year ago, a decrease of 9% year over year. Non-GAAP operating income for fiscal year 2023 was \$830.5 million, compared to \$758.7 million one year ago, an increase of 9% year over year.
- Net Income and Non-GAAP Net Income (1): Fiscal year 2023 net income was \$487.7 million, compared to \$427.4 million one year ago, an increase of 14% year over year. Non-GAAP net income for fiscal year 2023 was \$695.6 million, compared to \$604.7 million one year ago, an increase of 15% year over year.
- Net Income per Share and Non-GAAP Net Income per Share (1): For fiscal year 2023, fully diluted net income per share was \$3.00, compared to \$2.63 one year ago, while non-GAAP fully diluted net income per share was \$4.28, compared to \$3.73 one year ago.

"Veeva ended the fiscal year with another quarter of broad-based growth and profitability," said CFO Brent Bowman. "We are taking a disciplined, long-term approach, and investing in the right people and the right markets as we progress toward achieving our 2025 targets a year early."

Recent Highlights:

- Expanding Partnership with the Life Sciences Industry — Progressing on its vision to become the most

strategic partner to the industry, Veeva finished the year with 1,388 customers, up 174 from the year prior. Veeva Commercial Solutions ended the year with a total of 684 customers and Veeva R&D Solutions ended the year with a total of 1,025 customers.(2)(3)

- Veeva Vault EDC for Six Top 20 Pharmas — Veeva Vault EDC signed three additional top 20 pharma in the fourth quarter for a total of six top 20 pharma now committed to using Vault EDC for all new clinical trials. Vault EDC is part of Veeva's overall clinical data management suite, which also includes solutions for data cleansing and aggregation, ePro, and RTSM.
- Surpassing \$2 Billion in Revenue with a Long Runway Ahead — This milestone reflects growing revenue across Commercial and R&D Solutions. Early in its industry cloud opportunity and with a focus on customer success and product excellence, Veeva continues to innovate to support the most critical functions for a life sciences company and now delivers more than 30 major software and data products designed to advance the industry.

Financial Outlook:

Veeva is providing guidance for its fiscal first quarter ending April 30, 2023 as follows:

- Total revenues between \$514 and \$516 million.
- Non-GAAP operating income between \$141 and \$143 million(4).
- Non-GAAP fully diluted net income per share between \$0.79 and \$0.80(4).

Veeva is providing guidance for its fiscal year ending January 31, 2024 as follows:

- Total revenues between \$2,350 and \$2,360 million.
- Non-GAAP operating income of about \$800 million(4).
- Non-GAAP fully diluted net income per share of approximately \$4.33(4).

Veeva is providing guidance for its fiscal year ending January 31, 2025 for the following metrics:

- Total revenues of at least \$2,800 million.
- Non-GAAP operating income of at least \$1,000 million(4).

Conference Call Information

Prepared remarks and an investor presentation providing additional information and analysis can be found on Veeva's investor relations website at ir.veeva.com. Veeva will host a Q&A conference call at 2:00 p.m. PT today, March 1, 2023, and a replay of the call will be available on Veeva's investor relations website.

| | |
|----------------------|---|
| What: | Veeva Systems Fourth Quarter and Fiscal Year 2023 Results Conference Call |
| When: | Wednesday, March 1, 2023 |
| Time: | 2:00 p.m. PT (5:00 p.m. ET) |
| Online Registration: | https://conferencingportals.com/event/badXudFz |
| Webcast: | ir.veeva.com |

(1) This press release uses non-GAAP financial metrics that are adjusted for the impact of various GAAP items. See the section titled "Non-GAAP Financial Measures" and the tables entitled "Reconciliation of GAAP to Non-GAAP Financial Measures" below for details.

(2) The combined customer counts for Commercial Solutions and R&D Solutions exceed the total customer count in each year because some customers subscribe to products in both areas. Commercial Solutions consist of our Veeva Commercial Cloud, Veeva Data Cloud, and Veeva Claims solutions. R&D Solutions consist of our Veeva Development Cloud, Veeva RegulatoryOne, and Veeva QualityOne solutions.

(3) Customer count totals are presented net of customer attrition during the period.

(4) Veeva is not able, at this time, to provide GAAP targets for operating income and fully diluted net income per share for the first fiscal quarter ending April 30, 2023, fiscal year ending January 31, 2024, or fiscal year ending January 31, 2025 because of the difficulty of estimating certain items excluded from non-GAAP operating income and non-GAAP fully diluted net income per share that cannot be reasonably predicted, such as charges related to stock-based compensation expense. The effect of these excluded items may be significant.

About Veeva Systems

Veeva is the global leader in cloud software for the life sciences industry. Committed to innovation, product excellence, and customer success, Veeva serves more than 1,000 customers, ranging from the world's largest pharmaceutical companies to emerging biotechs. As a Public Benefit Corporation, Veeva is committed to balancing the interests of all stakeholders, including customers, employees, shareholders and the industries it serves. For more information, visit veeva.com.

Veeva uses its ir.veeva.com website as a means of disclosing material non-public information, announcing upcoming investor conferences, and for complying with its disclosure obligations under Regulation FD. Accordingly, you should monitor our investor relations website in addition to following our press releases, SEC filings, and public conference calls and webcasts.

Forward-looking Statements

This release contains forward-looking statements regarding Veeva's expected future performance and, in particular, includes quotes from management and guidance provided as of March 1, 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 this release 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, issues that impact

our ability to hire, retain and adequately compensate talented employees, and general macroeconomic and geopolitical events (including inflationary pressures, rising interest rates, currency exchange fluctuations, impacts related to Russia's invasion of Ukraine, and the pandemic). We have summarized what we believe are the principal risks to our business in a section titled "Summary of Risk Factors" on pages 39 and 40 in our filing on Form 10-Q for the period ended October 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-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.

Investor Relations Contact:

Ato Garrett

Veeva Systems Inc.

925-271-4204

ir@veeva.com

Media Contact:

Maria Scurry

Veeva Systems Inc.

781-366-7617

pr@veeva.com

VEEVA SYSTEMS INC. CONSOLIDATED BALANCE SHEETS (In thousands) (Unaudited)

| | January 31, 2023 | January 31, 2022 |
|---|---------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 886,465 | \$ 1,138,040 |
| Short-term investments | 2,216,163 | 1,238,064 |
| Accounts receivable, net | 703,055 | 631,134 |
| Unbilled accounts receivable | 82,174 | 63,266 |
| Prepaid expenses and other current assets | 81,456 | 36,679 |
| Total current assets | 3,969,313 | 3,107,183 |
| Property and equipment, net | 49,817 | 54,495 |
| Deferred costs, net | 31,825 | 33,106 |
| Lease right-of-use assets | 55,336 | 49,640 |
| Goodwill | 439,877 | 439,877 |
| Intangible assets, net | 82,476 | 101,940 |

| | | |
|---|---------------------|---------------------|
| Deferred income taxes | 136,697 | 5,097 |
| Other long-term assets | 38,955 | 25,127 |
| Total assets | \$ 4,804,296 | \$ 3,816,465 |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 41,678 | \$ 20,348 |
| Accrued compensation and benefits | 44,282 | 33,834 |
| Accrued expenses and other current liabilities | 35,306 | 36,109 |
| Income tax payable | 4,946 | 7,761 |
| Deferred revenue | 869,285 | 731,746 |
| Lease liabilities | 11,306 | 10,981 |
| Total current liabilities | 1,006,803 | 840,779 |
| Deferred income taxes | 1,492 | 2,216 |
| Lease liabilities, noncurrent | 49,670 | 43,607 |
| Other long-term liabilities | 30,079 | 18,226 |
| Total liabilities | 1,088,044 | 904,828 |
| Stockholders' equity: | | |
| Class A common stock | 2 | 2 |
| Class B common stock | — | — |
| Additional paid-in capital | 1,532,627 | 1,196,547 |
| Accumulated other comprehensive loss | (31,129) | (11,958) |
| Retained earnings | 2,214,752 | 1,727,046 |
| Total stockholders' equity | 3,716,252 | 2,911,637 |
| Total liabilities and stockholders' equity | \$ 4,804,296 | \$ 3,816,465 |

VEEVA SYSTEMS INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands, except per share data)
(Unaudited)

| | Three months ended January 31, | | Fiscal year ended January 31, | |
|--|-----------------------------------|------------------|----------------------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Revenues: | | | | |
| Subscription services(5) | \$ 460,152 | \$ 395,683 | \$ 1,733,002 | \$ 1,483,976 |
| Professional services and other(6) | 103,237 | 89,816 | 422,058 | 366,801 |
| Total revenues | 563,389 | 485,499 | 2,155,060 | 1,850,777 |
| Cost of revenues (7): | | | | |
| Cost of subscription services | 68,913 | 60,137 | 257,635 | 224,911 |
| Cost of professional services and other | 95,401 | 75,744 | 351,770 | 278,767 |
| Total cost of revenues | 164,314 | 135,881 | 609,405 | 503,678 |
| Gross profit | 399,075 | 349,618 | 1,545,655 | 1,347,099 |
| Operating expenses (7): | | | | |
| Research and development | 142,538 | 105,275 | 520,278 | 382,035 |
| Sales and marketing | 89,049 | 79,239 | 348,691 | 288,061 |
| General and administrative | 58,565 | 45,386 | 217,595 | 171,507 |
| Total operating expenses | 290,152 | 229,900 | 1,086,564 | 841,603 |
| Operating income | 108,923 | 119,718 | 459,091 | 505,496 |
| Other (losses) income, net | 26,440 | (239) | 50,005 | 6,815 |
| Income before income taxes | 135,363 | 119,479 | 509,096 | 512,311 |
| Provision for income taxes | (53,170) | 22,383 | 21,390 | 84,921 |
| Net income | \$ 188,533 | \$ 97,096 | \$ 487,706 | \$ 427,390 |
| Net income per share: | | | | |
| Basic | \$ 1.20 | \$ 0.63 | \$ 3.14 | \$ 2.79 |
| Diluted | \$ 1.16 | \$ 0.60 | \$ 3.00 | \$ 2.63 |
| Weighted-average shares used to compute net income per share: | | | | |
| Basic | 156,512 | 153,937 | 155,385 | 153,251 |
| Diluted | 162,104 | 162,681 | 162,437 | 162,277 |
| Other comprehensive income: | | | | |
| Net change in unrealized gain (loss) on available-for-sale investments | \$ 15,868 | \$ (5,828) | \$ (14,854) | \$ (9,872) |
| Net change in cumulative foreign currency translation loss | (1,355) | (392) | (4,317) | (3,078) |
| Comprehensive income | \$ 203,046 | \$ 90,876 | \$ 468,535 | \$ 414,440 |

(5) Includes subscription services revenues from the following product areas:

| | | | | |
|---|-------------------|-------------------|---------------------|---------------------|
| Veeva Commercial Solutions | \$ 242,896 | \$ 227,302 | \$ 946,252 | \$ 876,458 |
| Veeva R&D Solutions | 217,256 | 168,381 | 786,750 | 607,518 |
| Total subscription services | <u>\$ 460,152</u> | <u>\$ 395,683</u> | <u>\$ 1,733,002</u> | <u>\$ 1,483,976</u> |
| (6) Includes professional services and other revenues from the following product areas: | | | | |
| Veeva Commercial Solutions | \$ 44,161 | \$ 40,845 | \$ 177,188 | \$ 165,086 |
| Veeva R&D Solutions | 59,076 | 48,971 | 244,870 | 201,715 |
| Total professional services and other | <u>\$ 103,237</u> | <u>\$ 89,816</u> | <u>\$ 422,058</u> | <u>\$ 366,801</u> |
| (7) Includes stock-based compensation as follows: | | | | |
| Cost of revenues: | | | | |
| Cost of subscription services | \$ 1,651 | \$ 1,281 | \$ 6,257 | \$ 4,795 |
| Cost of professional services and other | 13,307 | 9,714 | 50,341 | 36,293 |
| Research and development | 39,430 | 22,374 | 141,571 | 83,837 |
| Sales and marketing | 23,010 | 15,058 | 87,509 | 56,830 |
| General and administrative | 18,147 | 13,290 | 66,229 | 52,881 |
| Total stock-based compensation | <u>\$ 95,545</u> | <u>\$ 61,717</u> | <u>\$ 351,907</u> | <u>\$ 234,636</u> |

VEEVA SYSTEMS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

| | Three months ended January 31, | | Fiscal year ended January 31, | |
|---|-----------------------------------|---------------------|----------------------------------|---------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Cash flows from operating activities | | | | |
| Net income | \$ 188,533 | \$ 97,096 | \$ 487,706 | \$ 427,390 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 7,679 | 7,041 | 29,122 | 27,448 |
| Reduction of operating lease right-of-use assets | 3,136 | 2,889 | 12,198 | 11,445 |
| (Accretion) Amortization of discount on short-term investments | (2,608) | 1,405 | (3,624) | 6,264 |
| Stock-based compensation | 95,545 | 61,717 | 351,907 | 234,636 |
| Amortization of deferred costs | 4,989 | 6,624 | 22,096 | 26,050 |
| Deferred income taxes | (43,133) | 905 | (127,502) | 11,079 |
| (Gain) Loss on foreign currency from mark-to-market derivative | (222) | (1,150) | 971 | (782) |
| Bad debt expense (recovery) | (954) | 77 | 256 | 272 |
| Changes in operating assets and liabilities: | | | | |
| Accounts receivable | (459,243) | (419,490) | (72,177) | (67,020) |
| Unbilled accounts receivable | (89) | 4,704 | (18,908) | (16,060) |
| Deferred costs | (8,939) | (5,639) | (20,815) | (17,084) |
| Other current and long-term assets | (43,649) | (6,188) | (47,399) | (2,910) |
| Accounts payable | 766 | (5,262) | 21,429 | (2,997) |
| Accrued expenses and other current liabilities | 6,622 | 793 | 9,276 | 9,439 |
| Income taxes payable | (49,520) | (6,718) | (2,815) | 5,275 |
| Deferred revenue | 362,485 | 315,186 | 140,472 | 116,144 |
| Operating lease liabilities | (2,908) | (3,005) | (10,644) | (11,607) |
| Other long-term liabilities | 4,808 | 3,069 | 8,921 | 7,481 |
| Net cash provided by operating activities | <u>63,298</u> | <u>54,054</u> | <u>780,470</u> | <u>764,463</u> |
| Cash flows from investing activities | | | | |
| Purchases of short-term investments | (280,628) | (181,450) | (1,996,878) | (1,117,076) |
| Maturities and sales of short-term investments | 245,273 | 135,856 | 1,002,707 | 792,918 |
| Acquisitions, net of cash and restricted cash acquired | — | (5,647) | — | (7,780) |
| Long-term assets | (3,907) | (3,919) | (13,512) | (14,214) |
| Net cash used in investing activities | <u>(39,262)</u> | <u>(55,160)</u> | <u>(1,007,683)</u> | <u>(346,152)</u> |
| Cash flows from financing activities | | | | |
| Reduction of lease liabilities - finance leases | — | — | — | (384) |
| Proceeds from exercise of common stock options | 13,538 | 8,228 | 43,654 | 51,538 |
| Taxes paid related to net share settlement of equity awards | (15,779) | (18,784) | (63,030) | (55,294) |
| Net cash used in financing activities | <u>(2,241)</u> | <u>(10,556)</u> | <u>(19,376)</u> | <u>(4,140)</u> |
| Effect of exchange rate changes on cash, cash equivalents, and restricted cash | (489) | (243) | (4,986) | (4,657) |
| Net change in cash, cash equivalents, and restricted cash | 21,306 | (11,905) | (251,575) | 409,514 |
| Cash, cash equivalents, and restricted cash at beginning of period | 868,344 | 1,153,130 | 1,141,225 | 731,711 |
| Cash, cash equivalents, and restricted cash at end of period | <u>\$ 889,650</u> | <u>\$ 1,141,225</u> | <u>\$ 889,650</u> | <u>\$ 1,141,225</u> |

Supplemental disclosures of other cash flow information:

Non-GAAP Financial Measures

In Veeva's public disclosures, Veeva has provided non-GAAP measures, which it defines as financial information that has not been prepared in accordance with generally accepted accounting principles in the United States, or GAAP. In addition to its GAAP measures, Veeva uses these non-GAAP financial measures internally for budgeting and resource allocation purposes and in analyzing its financial results. For the reasons set forth below, Veeva believes that excluding the following items provides information that is helpful in understanding its operating results, evaluating its future prospects, comparing its financial results across accounting periods, and comparing its financial results to its peers, many of which provide similar non-GAAP financial measures.

- **Excess tax benefits.** Excess tax benefits from employee stock plans are dependent on previously agreed-upon equity grants to our employees, vesting of those grants, stock price, and exercise behavior of our employees, which can fluctuate from quarter to quarter. Because these fluctuations are not directly related to our business operations, Veeva excludes excess tax benefits for its internal management reporting processes. Veeva management also finds it useful to exclude excess tax benefits when assessing the level of cash provided by operating activities. Given the nature of the excess tax benefits, Veeva believes excluding it allows investors to make meaningful comparisons between our operating cash flows from quarter to quarter and those of other companies.
- **Stock-based compensation expenses.** Veeva excludes stock-based compensation expenses primarily because they are non-cash expenses that Veeva excludes from its internal management reporting processes. Veeva's management also finds it useful to exclude these expenses when they assess the appropriate level of various operating expenses and resource allocations when budgeting, planning and forecasting future periods. Moreover, because of varying available valuation methodologies, subjective assumptions and the variety of award types that companies can use under FASB ASC Topic 718, Veeva believes excluding stock-based compensation expenses allows investors to make meaningful comparisons between our recurring core business operating results and those of other companies.
- **Amortization of purchased intangibles.** Veeva incurs amortization expense for purchased intangible assets in connection with acquisitions of certain businesses and technologies. Amortization of intangible assets is a non-cash expense and is inconsistent in amount and frequency because it is significantly affected by the timing, size of acquisitions and the inherent subjective nature of purchase price allocations. Because these costs have already been incurred and cannot be recovered, and are non-cash expenses, Veeva excludes these expenses for its internal management reporting processes. Veeva's management also finds it useful to

exclude these charges when assessing the appropriate level of various operating expenses and resource allocations when budgeting, planning and forecasting future periods. Investors should note that the use of intangible assets contributed to Veeva's revenues earned during the periods presented and will contribute to Veeva's future period revenues as well.

- Income tax effects on the difference between GAAP and non-GAAP costs and expenses. The income tax effects that are excluded relate to the imputed tax impact on the difference between GAAP and non-GAAP costs and expenses due to stock-based compensation and purchased intangibles for GAAP and non-GAAP measures.

There are limitations to using non-GAAP financial measures because non-GAAP financial measures are not prepared in accordance with GAAP and may be different from non-GAAP financial measures provided by other companies. The non-GAAP financial measures are limited in value because they exclude certain items that may have a material impact upon our reported financial results. In addition, they are subject to inherent limitations as they reflect the exercise of judgments by Veeva's management about which items are adjusted to calculate its non-GAAP financial measures. Veeva compensates for these limitations by analyzing current and future results on a GAAP basis as well as a non-GAAP basis and also by providing GAAP measures in its public disclosures.

Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Veeva encourages its investors and others to review its financial information in its entirety, not to rely on any single financial measure to evaluate its business, and to view its non-GAAP financial measures in conjunction with the most directly comparable GAAP financial measures. A reconciliation of GAAP to the non-GAAP financial measures has been provided in the tables below.

VEEVA SYSTEMS INC.
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
(Dollars in thousands)
(Unaudited)

The following tables reconcile the specific items excluded from GAAP metrics in the calculation of non-GAAP metrics for the periods shown below:

Reconciliation of Net Cash Provided by Operating Activities (GAAP basis to non-GAAP basis)

| | Three months ended January 31, | | Fiscal year ended January 31, | |
|---|-----------------------------------|--------------------|----------------------------------|---------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Net cash provided by operating activities on a GAAP basis | \$ 63,298 | \$ 54,054 | \$ 780,470 | 764,463 |
| Excess tax benefits from employee stock plans | (76,028) | (10,708) | (82,009) | (56,172) |
| Net cash (used in) provided by operating activities on a non-GAAP basis | <u>\$ (12,730)</u> | <u>\$ 43,346</u> | <u>\$ 698,461</u> | <u>\$ 708,291</u> |
| Net cash used in investing activities on a GAAP basis | <u>\$ (39,262)</u> | <u>\$ (55,160)</u> | <u>\$ (1,007,683)</u> | <u>\$ (346,152)</u> |
| Net cash used in financing activities on a GAAP basis | <u>\$ (2,241)</u> | <u>\$ (10,556)</u> | <u>\$ (19,376)</u> | <u>\$ (4,140)</u> |

Reconciliation of Financial Measures (GAAP basis to non-GAAP basis)

| | Three months ended January 31, | Fiscal year ended January 31, |
|--|-----------------------------------|----------------------------------|
|--|-----------------------------------|----------------------------------|

| | 2023 | 2022 | 2023 | 2022 |
|--|-------------------|-------------------|---------------------|---------------------|
| Cost of subscription services revenues on a GAAP basis | \$ 68,913 | \$ 60,137 | \$ 257,635 | \$ 224,911 |
| Stock-based compensation expense | (1,651) | (1,281) | (6,257) | (4,795) |
| Amortization of purchased intangibles | (1,126) | (1,076) | (4,469) | (3,902) |
| Cost of subscription services revenues on a non-GAAP basis | <u>\$ 66,136</u> | <u>\$ 57,780</u> | <u>\$ 246,909</u> | <u>\$ 216,214</u> |
| Gross margin on subscription services revenues on a GAAP basis | 85.0 % | 84.8 % | 85.1 % | 84.8 % |
| Stock-based compensation expense | 0.4 | 0.3 | 0.4 | 0.3 |
| Amortization of purchased intangibles | 0.2 | 0.3 | 0.3 | 0.3 |
| Gross margin on subscription services revenues on a non-GAAP basis | <u>85.6 %</u> | <u>85.4 %</u> | <u>85.8 %</u> | <u>85.4 %</u> |
| Cost of professional services and other revenues on a GAAP basis | \$ 95,401 | \$ 75,744 | \$ 351,770 | \$ 278,767 |
| Stock-based compensation expense | (13,307) | (9,714) | (50,341) | (36,293) |
| Amortization of purchased intangibles | (139) | (139) | (550) | (550) |
| Cost of professional services and other revenues on a non-GAAP basis | <u>\$ 81,955</u> | <u>\$ 65,891</u> | <u>\$ 300,879</u> | <u>\$ 241,924</u> |
| Gross margin on professional services and other revenues on a GAAP basis | 7.6 % | 15.7 % | 16.7 % | 24.0 % |
| Stock-based compensation expense | 12.9 | 10.7 | 11.9 | 9.9 |
| Amortization of purchased intangibles | 0.1 | 0.2 | 0.1 | 0.1 |
| Gross margin on professional services and other revenues on a non-GAAP basis | <u>20.6 %</u> | <u>26.6 %</u> | <u>28.7 %</u> | <u>34.0 %</u> |
| Gross profit on a GAAP basis | \$ 399,075 | \$ 349,618 | \$ 1,545,655 | \$ 1,347,099 |
| Stock-based compensation expense | 14,958 | 10,995 | 56,598 | 41,088 |
| Amortization of purchased intangibles | 1,265 | 1,215 | 5,019 | 4,452 |
| Gross profit on a non-GAAP basis | <u>\$ 415,298</u> | <u>\$ 361,828</u> | <u>\$ 1,607,272</u> | <u>\$ 1,392,639</u> |
| Gross margin on total revenues on a GAAP basis | 70.8 % | 72.0 % | 71.7 % | 72.8 % |
| Stock-based compensation expense | 2.7 | 2.2 | 2.7 | 2.2 |
| Amortization of purchased intangibles | 0.2 | 0.3 | 0.2 | 0.2 |
| Gross margin on total revenues on a non-GAAP basis | <u>73.7 %</u> | <u>74.5 %</u> | <u>74.6 %</u> | <u>75.2 %</u> |
| Research and development expense on a GAAP basis | \$ 142,538 | \$ 105,275 | \$ 520,278 | \$ 382,035 |
| Stock-based compensation expense | (39,430) | (22,374) | (141,571) | (83,837) |
| Amortization of purchased intangibles | (29) | (29) | (113) | (113) |
| Research and development expense on a non-GAAP basis | <u>\$ 103,079</u> | <u>\$ 82,872</u> | <u>\$ 378,594</u> | <u>\$ 298,085</u> |

VEEVA SYSTEMS INC.
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES (continued)
(Dollars in thousands, except per share data)
(Unaudited)

| | Three months ended January 31, | | Fiscal year ended January 31, | |
|--|-----------------------------------|-------------------|----------------------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Sales and marketing expense on a GAAP basis | \$ 89,049 | \$ 79,239 | \$ 348,691 | \$ 288,061 |
| Stock-based compensation expense | (23,010) | (15,058) | (87,509) | (56,830) |
| Amortization of purchased intangibles | (3,555) | (3,518) | (14,105) | (13,728) |
| Sales and marketing expense on a non-GAAP basis | <u>\$ 62,484</u> | <u>\$ 60,663</u> | <u>\$ 247,077</u> | <u>\$ 217,503</u> |
| General and administrative expense on a GAAP basis | \$ 58,565 | \$ 45,386 | \$ 217,595 | \$ 171,507 |
| Stock-based compensation expense | (18,147) | (13,290) | (66,229) | (52,881) |
| Amortization of purchased intangibles | (57) | (56) | (227) | (227) |
| General and administrative expense on a non-GAAP basis | <u>\$ 40,361</u> | <u>\$ 32,040</u> | <u>\$ 151,139</u> | <u>\$ 118,399</u> |
| Operating expense on a GAAP basis | \$ 290,152 | \$ 229,900 | \$ 1,086,564 | \$ 841,603 |
| Stock-based compensation expense | (80,587) | (50,722) | (295,309) | (193,548) |
| Amortization of purchased intangibles | (3,641) | (3,603) | (14,445) | (14,068) |
| Operating expense on a non-GAAP basis | <u>\$ 205,924</u> | <u>\$ 175,575</u> | <u>\$ 776,810</u> | <u>\$ 633,987</u> |
| Operating income on a GAAP basis | \$ 108,923 | \$ 119,718 | \$ 459,091 | \$ 505,496 |
| Stock-based compensation expense | 95,545 | 61,717 | 351,907 | 234,636 |
| Amortization of purchased intangibles | 4,906 | 4,818 | 19,464 | 18,520 |
| Operating income on a non-GAAP basis | <u>\$ 209,374</u> | <u>\$ 186,253</u> | <u>\$ 830,462</u> | <u>\$ 758,652</u> |
| Operating margin on a GAAP basis | 19.3 % | 24.7 % | 21.3 % | 27.3 % |
| Stock-based compensation expense | 17.0 | 12.7 | 16.3 | 12.7 |
| Amortization of purchased intangibles | 0.9 | 1.0 | 0.9 | 1.0 |
| Operating margin on a non-GAAP basis | <u>37.2 %</u> | <u>38.4 %</u> | <u>38.5 %</u> | <u>41.0 %</u> |
| Net income on a GAAP basis | \$ 188,533 | \$ 97,096 | \$ 487,706 | \$ 427,390 |
| Stock-based compensation expense | 95,545 | 61,717 | 351,907 | 234,636 |
| Amortization of purchased intangibles | 4,906 | 4,818 | 19,464 | 18,520 |
| Income tax effect on non-GAAP adjustments(8) | (102,691) | (16,680) | (163,508) | (75,827) |
| Net income on a non-GAAP basis | <u>\$ 186,293</u> | <u>\$ 146,951</u> | <u>\$ 695,569</u> | <u>\$ 604,719</u> |
| Diluted net income per share on a GAAP basis | \$ 1.16 | \$ 0.60 | \$ 3.00 | \$ 2.63 |
| Stock-based compensation expense | 0.59 | 0.38 | 2.17 | 1.45 |

Amortization of purchased intangibles
Income tax effect on non-GAAP adjustments(8)
Diluted net income per share on a non-GAAP basis

| | | | |
|----------------|----------------|----------------|----------------|
| 0.03 | 0.03 | 0.12 | 0.11 |
| (0.63) | (0.11) | (1.01) | (0.46) |
| <u>\$ 1.15</u> | <u>\$ 0.90</u> | <u>\$ 4.28</u> | <u>\$ 3.73</u> |

(8) For the three months and fiscal years ended January 31, 2023 and 2022, management used an estimated annual effective non-GAAP tax rate of 21.0%.

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