

March 2, 2022

Q4 FY2022 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 March 2, 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 impacts related to events in Ukraine). We have summarized on one page what we believe are the principal risks to our business in a section titled "Summary of Risk Factors" on page 39 in our filing on Form 10-Q for the period ended October 31, 2021, 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.

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.

Q4 Business Update

Peter Gassner, Founder, CEO



First, a point about Ukraine before we get into the numbers. We condemn Russia's invasion of Ukraine and are hopeful for a quick and positive resolution. Our hearts go out to all the people impacted by this act of aggression.

Financial Results

The fourth quarter was a solid finish to what was an exceptional year for Veeva as we outperformed against our guidance for the quarter and the year. Total revenue was \$485 million, up 22% year over year and subscription revenue grew 23% to \$396 million. Non-GAAP operating income was \$186 million or 38% of total revenue. Fiscal year revenue was \$1.85 billion, up 26% and subscription revenue also grew 26% to \$1.48 billion.

I am very proud of what our team accomplished this year. But before we get into the details of the quarter and year, I'd like to share a few thoughts as we've just crossed the 15-year mark.

We founded Veeva on the idea that industry cloud was a major untapped opportunity in enterprise software. Fifteen years in, we're now at a nearly \$2 billion run rate and delivering significant value for more than 1,200 customers. And it's still early days for industry cloud and for Veeva.

We have a significant opportunity ahead to enable the most critical functions for the \$2 trillion life sciences industry with software, consulting, services, and data. The trust we've built within the industry, our focused execution, and product excellence creates a long runway of strong organic growth and profitability for Veeva well beyond 2025.

Commercial Solutions

Our market leading position in commercial expanded in the quarter and year. First, we gained share with core Veeva CRM, adding nearly 50 new customers in the year. Q4 saw eight CRM additions and significant expansions geographically.

Core Veeva CRM for field reps is our flagship commercial product and the foundation for expansion into newer commercial areas, which are now a growing part of the mix. As of Q4, roughly 40% of commercial subscription revenue is in data, analytics, and content, which aren't licensed by the rep. As these areas grow, we expect them to continue to become a larger portion of the revenue.

The industry's move to digital is also driving expansion of our commercial content business with Veeva Vault PromoMats, now adopted by nearly 450 customers, up more than 60 in the year and 13 in Q4.

Veeva Crossix analytics continued to gain momentum with two seven-figure enterprise wins and accelerating growth with SMB customers. In the year, we also had our first top 20 pharma commit to using Crossix analytics across all brands.

In data, Veeva Link ended the year strong with our fourth top 20 pharma selecting Veeva Link for all therapeutic areas after starting with oncology earlier in the year. Link is becoming a high leverage platform for Veeva. It's a powerful, modern data platform that we can use to build additional data products.

Veeva Data Cloud is very early in its maturity. We closed the year with 10 early adopter customers. We're getting great feedback and are rapidly advancing the product and growing the team.

Overall, I am very excited about the data opportunities ahead for Veeva and the innovation we're bringing to market. It reminds me in some ways of the early days of Veeva Vault.

R&D Solutions

In R&D, we continue to make great progress in streamlining drug development to speed time to market and improve the patient experience. We are well positioned with the right vision, products, and track record of customer success to establish Veeva Development Cloud as the operating system for drug development for the industry.

It was an excellent year across the board in R&D and we are especially pleased with the momentum we saw in clinical and quality, which represent our largest current market opportunities in Veeva Development Cloud.

We added 100 customers this year in clinical overall, up nearly 30% from the year prior.

Clinical operations is growing well. eTMF remains strong, adding 19 customers in the quarter, and we are the clear leader. Veeva Vault CTMS has become the industry leading solution and in Q4 we signed our seventh enterprise agreement with a top 20 pharma.

Momentum continues to build in clinical data management, where we added 10 new customers in the quarter and are establishing Vault CDMS as the modern solution to meet the needs of today's trials. We now have two top 20 pharmas that are using Veeva Vault EDC for all new studies. We are also seeing success building with our CRO partners. In Q4 we had a top six CRO switch to Veeva Vault EDC as their primary recommended solution in proposals to sponsors. It's exciting times ahead for what we anticipate will be the largest clinical area for Veeva in the future.

Quality continues strong. We added more than 100 customers this year, up nearly 35% year over year. We again closed more than 20 Vault QMS wins in the quarter.

Our approach of unifying quality on an integrated suite is resonating with the market and represents a very large opportunity ahead for Veeva. Sales of QualityDocs, QMS and Training continue to be strong and development of Vault LIMS, which is a large, complex, and mission critical new product area, is going well and we expect our first early adopters to go live toward the end of this year.

Fiscal Year Guidance and Long-term Outlook

For fiscal year 2023, we expect total revenue between \$2.160 and \$2.170 billion, which reflects stronger growth in the second half of the year due to deal timing.

As a result of a tighter labor market, especially in the U.S., we and our customers have been shorter than

usual on talent, so deals and project starts are taking a bit more time. We are hiring well and we expect to see the benefit of our strong hiring quarter flow through in the back half of the year.

To the positive, the industry's priorities have not changed, and they remain well aligned with our solutions. Our competitive position continues to strengthen, win rates are high, and our multi product innovation engine is extremely strong. I'm very impressed with all the innovations coming out of our product teams.

I am especially optimistic as I look at the potential of key new markets like clinical data management, safety, digital trials, and data. It is early, and these areas don't move quickly, but these are big areas that will support long-term durable growth and have a major impact for the industry.

Overall, this translates to a deepening of our strategic partnerships with the industry and, as a result we are now progressing our largest deals ever. Being a public benefit corporation (PBC) is giving large customers additional support to go all-in with Veeva for the next 20-plus years across mission critical areas.

We are also excited to get back together with the industry in-person. Our sales teams are now traveling to customers and we are bringing the industry together again this Spring at Veeva Summits in Boston and Zurich. We managed through COVID well but getting together in-person strengthens the industry's connectivity, advances our relationships, and contributes to results over the long-term.

In summary, our strong fourth quarter capped off another great year. We're proud of the role we continue to play as a strategic partner to the industry and I'm excited about the opportunities ahead.



Peter Gassner, Founder, CEO

Q4 Financial Update

Brent Bowman, CFO



Fiscal Year 2022 Fourth Quarter Performance

The fourth quarter was a strong finish to another great year for Veeva, delivering revenue and operating income results that came in ahead of our guidance. Total revenue increased 22% year over year to \$485 million. Subscription revenue was up 23% to \$396 million. Non-GAAP operating income was \$186 million, 38% of total revenue.

In R&D Solutions, Q4 bookings and subscription revenue performance continued to be broad-based, driven by Veeva Vault products in clinical, quality and regulatory.

Commercial Solutions delivered another quarter of revenue growth across the portfolio in Q4. This included strong growth from Veeva Crossix, Veeva Link and Veeva Vault Commercial, as well as continued steady revenue growth from CRM add-ons. Veeva CRM Engage also contributed a few points to Q4 Commercial subscription revenue growth, and we saw strong renewals from the customers who ordered Veeva CRM Engage in January of last year when we first began charging for the Engage product.

Professional services revenue of \$90 million was above our guidance for Q4, driven by continued strong demand for services related to our R&D Solutions and further momentum in Veeva Business Consulting. As a reminder, professional services revenue can vary due to a number of factors, including the timing of project starts and other customer requirements.

Q4 calculated billings came in above guidance at \$804 million, growing 17% year over year. The impact of changes in customer billings terms was \$5 million higher than we expected and created a \$15 million total headwind to Q4 billings. Normalized for billing term changes, Q4 billings grew 18%.

Our Q4 non-GAAP operating income beat was primarily driven by revenue outperformance. Lower travel and event expenses continue to be a tailwind to operating income.

Revenue retention rate for the year was 119%, reflecting strong growth with existing customers and our commitment to customer success. As a reminder, this metric reflects annualized subscription revenue growth within existing customers net of revenue attrition.

We had our strongest net hiring quarter of the year, adding 300 net employees. Despite a competitive labor market, we ended the year with over 5,400 employees, having added nearly 1,000 net new employees in fiscal year 2022.

In Q4, cash flow from operations was \$43 million, excluding an excess tax benefit of about \$11 million, and we exited Q4 with more than \$2.3 billion of cash and short-term investments.

Guidance for First Quarter and Fiscal Year 2023

For Q1, we expect total revenue between \$494 and \$496 million, with subscription revenue of about \$398 million. As a reminder, Q1 revenue last year benefited from unusually high services utilization, the first full quarter of contribution from CRM Engage free to paid conversions, and favorable bookings linearity.

We anticipate Q1 non-GAAP operating income to be between \$187 and \$189 million. Our non-GAAP operating income guidance reflects continued investments in employees and growth initiatives.

Non-GAAP earnings per share for Q1 is anticipated to be between \$0.91 and \$0.92 based on a fully diluted share count of approximately 162 million shares. 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 \$486 million in Q1. This guidance reflects an approximately \$15 million benefit from the Q4 billing term changes noted above. However, that benefit is largely offset by a Q1 billing term change, resulting in calculated and normalized billings being equal for the quarter.

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 now expect total revenue of \$2.160 to \$2.170 billion, which reflects a \$10 million increase to the low end of our prior guidance. Subscription revenue for the fiscal year is projected to be roughly \$1.745 billion, consisting of Commercial Solutions subscription revenue of roughly \$955 million and R&D Solutions subscription revenue of roughly \$790 million. Our full year total revenue guidance reflects a bookings mix that is slightly more weighted toward the back half of the year, which creates a headwind of about \$15 million for the full year. Customer demand and our competitive position remain strong.

We project non-GAAP operating income for the fiscal year of roughly \$825 million. This guidance continues to reflect our investments in our existing employees, ongoing hiring plans, and growth initiatives. We also continue to anticipate an increase in travel and event related expenses that will reduce margins by about 100 basis points.

Non-GAAP earnings per share for the fiscal year is expected to be approximately \$4.02 based on a fully diluted share count of approximately 163 million.

Fiscal year 2023 calculated billings are expected 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 billings growth rate to be 18%. We continue to expect roughly 41-42% of full year billings to occur in Q4.

We project fiscal year 2023 cash flow from operations, net of the excess tax benefit, to be about \$740 million. Note, our guidance excludes 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.

Fiscal year 2022 was another year of great execution guided by our focus on customer success and Veeva's commitment to being the most strategic partner to the life sciences industry. We are on track to exceed our 2025 financial targets of \$3 billion in revenue and 35%+ in non-GAAP operating margin and are well positioned for the opportunity ahead.

A handwritten signature in black ink, appearing to read "Brent Bowman".

Brent Bowman, CFO