

May 27, 2021

Q1 FY2022 Earnings Prepared Remarks

Peter Gassner, Founder, CEO
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Legal Disclaimer

These prepared remarks contain forward-looking statements regarding trends, our strategies, and the anticipated performance of our business. These forward-looking statements are based on our current views and expectations and are subject to various risks and uncertainties. Our actual results may differ materially.

Please refer to the risks listed in our earnings release and the risk factors included in our most recent filing on Form 10-K, which is available on our IR website at ir.veeva.com and on the SEC's website at www.sec.gov.

Forward-looking statements in these prepared remarks are made as of May 27, 2021 and are based on the facts available to us as of that date. We disclaim any obligation to update or revise any forward-looking statements. We provide guidance in these remarks, but we will not provide any further guidance or updates on our performance during the quarter unless we do so in a public forum.

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 release and in the supplemental investor presentation, both of which are available on our IR website.

Q1 Business Update

Peter Gassner, Founder, CEO



Strategic Partnership

Our level of partnership with the industry is noticeably increasing, and there are multiple reasons for this. With every quarter of customer success and reliable delivery, Veeva becomes a more trusted partner. Our expanding product footprint, with products such as CDMS, Safety, MyVeeva, and Data Cloud, also makes Veeva a more strategic partner. The move to a digital-first way of working is also making technology and data more strategic overall to our customers. And finally, our move to operating as a public benefit corporation is encouraging to our customers as they look to us for long-term partnership.

Financial Results

We had an outstanding Q1 with results well ahead of guidance due to significant outperformance in Development Cloud and continued strength in Commercial Cloud. Total revenue in the quarter was \$434 million, up 29% year over year, with subscription revenue up 26% to \$341 million. Non-GAAP operating income was \$181 million, or 42% of total revenue.

Veeva Commercial Cloud

In commercial, we continue to innovate in software, data, and services to move the industry to new digital-first commercial models. Bringing together the right strategy and solutions accelerates customers' ability to quickly establish the right commercial foundation. This is especially key for pre-commercial companies starting with a clean slate. For example, in Q1, we had another new customer go all-in with Veeva across data, software, and business consulting as they prepare for their first product launch.

We had another strong quarter in core CRM. We gained market share and added 18 new customers. We saw major expansions within existing customers, including two top 20 pharmas, and we replaced a large legacy CRM deployment at a major European pharma. We also had a good quarter with CRM add-ons, including major expansions of Veeva Align at two top 20 pharmas.

In data, we are making good progress with Veeva OpenData, our reference data offering. OpenData is our most established data product and is available in most major markets. We now have over 230 customers, with 16 added in the quarter.

Data Cloud is in early adopter mode as we develop patient, prescriber, and sales data products that will give customers a better alternative for the U.S. market. We added another early adopter customer for patient data in the quarter and are on track to deliver prescriber and sales data to early customers late this year.

The feedback has been great so far. Data Cloud is a significant long-term effort, and we are making good progress on our vision to build fundamentally better data products for the industry.

We are also very encouraged by the progress of Veeva Link. Link provides real-time customer intelligence on key healthcare providers worldwide. Life sciences professionals in sales, medical, clinical, and research use Link to understand and follow key people. The Link data feed is also used by data science teams to identify trends and provide analytics to help power solutions like medical insights and next best action.

We started with Link in oncology and, in June, will expand to 11 new therapeutic areas. Over time, Link coverage will include deep profiles for roughly one million of the most important healthcare providers across all therapeutic areas. We added four new Link customers in the quarter and are advancing strategic discussions with a number of large enterprises.

Having this suite of data products has also helped us grow Veeva Business Consulting, which has roughly doubled in the last 12 months.

Overall, it was another excellent quarter across the board for Commercial Cloud.

Veeva Vault

On the Commercial Vault side, we recently announced new modular content creation capabilities in Vault PromoMats that will significantly help our customers as they work to produce compliant digital content faster.

We also crossed an important milestone in the quarter with our last Zinc customer transitioning to Vault PromoMats. At the time of the acquisition, we announced our plan to continue supporting Zinc through 2020 to ensure a smooth transition, and we have delivered on that promise. I am incredibly proud of the team's commitment to customer success and how we executed on the acquisition and integration over the past five years. We had a plan and we executed to the plan.

In R&D, we are making great strides to help the industry streamline drug development by unifying clinical, quality, regulatory, and safety with Veeva Development Cloud. This is driving increased momentum across all areas of Development Cloud.

For instance, Vault Quality had a record number of new customer additions in the quarter, including our sixth Vault QMS win with a top 20 pharma.

Regulatory continues its steady growth fueled by new customer wins and expansions. In Q1 that included a top 20 pharma that selected our newest RIM application, Vault Submissions Publishing.

We continue to lead in clinical, which is one of the highest priority areas for the industry. Vault eTMF was our first clinical offering, and we added another 20 customers in the quarter. Customer success with eTMF has helped drive adoption of additional clinical applications, including Vault CTMS, which now has more than 100 customers. We had a number of CTMS wins in Q1, including a top 50 pharma and a top six CRO.

On the clinical data management side, I am especially pleased with the level of innovation we are delivering and its impact in speeding clinical trials. A good example is a customer that recently completed a clinical study build in just six weeks with Veeva Vault CDMS. This is much faster than the incumbent solutions and the industry is taking notice. Vault CDMS has now been used in more than 200 studies across more than 60 sponsors.

Our overall vision for clinical is to move the industry to digital trials that are patient-centric and paperless. Digital trials have the potential to be a game changer for patients, the industry, and for Veeva. We believe this move will increase the speed of trial execution by 25% and cut costs by 25%.

Key to realizing our clinical vision is bringing sponsors, clinical research sites, and patients together in the Veeva Clinical Network. This is a large global effort with no short cuts or quick wins. We are playing the long game, striving for fundamental change, and off to a good start with more than 1,000 active sites on SiteVault Free and our first patients using MyVeeva for electronic consent.

Consumer Products and Chemicals

In consumer products and chemicals, we are helping companies transform their quality and regulatory operations. In Q1, we added several new customers and had a top five CPG company select Veeva Claims to replace dozens of systems in a global deployment that covers more than 1,000 food and personal care brands. We are executing to our plan and are excited about the opportunity ahead.

Dedication to Customer Success

Veeva continues to lead through our commitment to customer success and product excellence in a growing number of areas that are highly strategic to the industries we serve. We are proud to enable the many companies delivering lifesaving treatments, devices, and diagnostics that have helped turn the tide on many critical diseases, including the pandemic. I'd like to thank our employees for their continued dedication to customer success and thank our customers for their continued trust and partnership.



Peter Gassner, Founder, CEO

Q1 Financial Update

Brent Bowman, CFO



A Quarter of Strong Execution

The first quarter was another outstanding period of execution that carried forward our momentum from the end of last year. Q1 was Veeva's second highest bookings quarter to date. We saw strength across Veeva Vault and Veeva Commercial Cloud as we continued our deep commitment to customer success while helping the industry move to digital.

First Quarter Results

Q1 subscription revenue of \$341 million, up 26% year over year, exceeded guidance and was driven by Veeva Development Cloud bookings momentum and increasing core CRM market share. We did not see a material reduction in pharma field force size in the quarter.

Development Cloud's broad-based strength in Q1 was particularly pronounced in Vault Quality, where we had record bookings. eTMF and QualityDocs are two of our more established products in Development Cloud and were top contributors. CTMS and QMS also had another strong quarter, benefiting from increased adoption by existing customers as they see the value of our unified Vault platform.

Commercial Cloud had a strong quarter as well, with core CRM bookings leading the way and CRM add-ons contributing steady growth. We also saw increased momentum in Crossix's flagship DIFA marketing analytics product, as pharma marketing spend continues to recover. Veeva Engage contributed a few points to year-over-year Commercial Cloud subscription growth as a result of the one-time, outsized bookings in Q4.

Services revenue of \$92 million was above our expectation for Q1, driven by increasing demand for Vault R&D services and Business Consulting. Services revenue benefited from high utilization in the quarter. Please note that services revenue performance can vary due to the timing of project starts and customer requirements.

Calculated billings came in \$29 million above our guidance for the quarter and grew 26% year over year, driven by robust bookings momentum and increased demand for services.

Non-GAAP operating income outperformance in the quarter was the result of strong subscription and services revenue flowing through to margin. As a reminder, Q1 non-GAAP operating income included a benefit from lower travel and event spending, similar to previous quarters. We also continued to make progress on our hiring plans, adding 184 net employees in the quarter.

In Q1, cash flow from operations was \$461 million, excluding an excess tax benefit of about \$17 million. Cash flow in the quarter benefited from billings momentum and approximately \$30 million of collections that pushed from Q4 to Q1 as we previously noted. We exited Q1 with more than \$2 billion of cash and short-term investments on our balance sheet.

Guidance for Second Quarter and Fiscal Year 2022

For the second quarter, we expect total revenue between \$450 and \$452 million, with subscription revenue of about \$361 million. The acceleration in our Q2 subscription revenue growth rate reflects the recent strength in bookings. We project services utilization rates to normalize a bit relative to the higher rates in Q1.

We anticipate Q2 non-GAAP operating income to be between \$175 and \$177 million. Our Non-GAAP operating income guidance reflects increased hiring and a full quarter's impact from our annual merit increase that was effective April 1st.

Non-GAAP earnings per share for Q2 is anticipated to be between \$0.85 and \$0.86 based on a fully diluted share count of approximately 163 million shares. We are maintaining our non-GAAP tax rate at 21% for the fiscal year and will continue to monitor the impact of any tax law changes.

Calculated billings for Q2 are projected to be about \$395 million. This guidance reflects a recent increase in the proportion of our annual renewals that we expect to happen in Q2 versus Q3. Please remember that there are numerous factors that make year-over-year comparisons of this metric 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 fiscal year, we now expect total revenue of \$1.815 billion to \$1.825 billion, representing a \$60 million increase to the top end of our guidance, due to our strong results in Q1 and robust momentum across the business.

Subscription revenue for the fiscal year is projected to be roughly \$1.465 billion, with Vault subscription revenue of roughly \$770 million and Commercial Cloud subscription revenue of roughly \$695 million. Note that fiscal year subscription revenue guidance reflects our assumption that pharma field force reductions will increase in the second half of the year.

Non-GAAP operating income for the fiscal year is expected to be roughly \$710 million with the increase primarily driven by our higher revenue expectation. This guidance continues to reflect our ongoing focus on hiring for growth, investments in new data suppliers, and travel expenses beginning to normalize in the second half of the year. We now expect non-GAAP operating margin for the fiscal year to benefit from reduced travel and events by roughly 175 basis points.

Non-GAAP earnings per share for the fiscal year is expected to be approximately \$3.49 based on a fully diluted share count of about 163 million.

Fiscal year 2022 calculated billings are expected to be \$1.930 billion, up 21% year over year. Normalized for changes to customer billing terms that occurred last year, our full fiscal year calculated billings estimate reflects 22% year-over-year growth.

We are also raising our fiscal year guidance for cash flow from operations, net of the excess tax benefit, to \$700 million, primarily driven by our updated full fiscal year billings guidance.

Thank you for your continued interest in Veeva and we look forward to speaking with you on the earnings call.



Brent Bowman, CFO