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# Q3 FY2022 Earnings Prepared Remarks

**Peter Gassner, Founder, CEO**  
**Brent Bowman, CFO**

# 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-Q, which is available on our IR website at [ir.veeva.com](http://ir.veeva.com) and on the SEC's website at [www.sec.gov](http://www.sec.gov). Forward-looking statements in these prepared remarks are made as of December 1, 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 press release and in the supplemental investor presentation, both of which are available on our IR website. Our earnings press release also includes important information about our use of non-GAAP metrics and our non-GAAP guidance for future periods.

# Q3 Business Update

Peter Gassner, Founder, CEO



## Financial Results

We had another strong quarter delivering results ahead of guidance as we continued to execute well on the major opportunities to transform the industries we serve.

Total revenue was \$476 million, up 26% year over year with subscription revenue growing 26% to \$381 million. Non-GAAP operating income was \$199 million or 42% of total revenue.

## Industry Transformation

Precision medicine and digital are key drivers of significant transformation and long-term growth in the \$2 trillion life sciences industry. In this time of change, we are expanding our role as a strategic partner as we help the industry advance in R&D and commercial through cloud software, data, and services.

Thanks to the Veeva team, we consistently deliver on our commitment to innovation and customer success. Investing in our people and attracting new talent is key as we look toward 10,000 people in 2025. Our [Work Anywhere approach](#) and leadership as a [Public Benefit Corporation](#) are resonating and we're progressing well against our hiring goals, having increased net hires each quarter this year.

## Commercial Solutions

It was another great quarter of momentum across Veeva Commercial Cloud, including winning seven 7-figure deals, which were in core Veeva CRM, Veeva Crossix analytics, and Veeva Link.

In CRM we continue to invest in innovation and expand our market share. We added 15 SMB customers and had some significant enterprise expansions. A top 20 pharma selected Veeva CRM for their U.S. field team. We saw good strength in international as well, including wins for two large field forces in Asia.

Crossix analytics is doing well as omnichannel becomes a larger part of life sciences marketing. In Q3, three customers selected Crossix analytics to help drive the launch of new therapies. Veeva Link momentum continued in Q3, with a growing number of new customers, including a top 20 pharma that is getting started with their first Link therapeutic area.

In data and analytics, our largest market opportunity is with Veeva Data Cloud, our healthcare dataset for the U.S. market. This market is served by a dominant incumbent with an aging product. As we have done in other markets, we intend to win through innovation and product excellence.

Data Cloud is a marathon, not a sprint. Data is critical, therefore customers will naturally be risk averse. We'll build the business through customer success and product improvement over the next five to 10 years.

If we execute well, we will become the leader, help the industry, and become the easy path for customers. Our patient data offering is available today, prescriber data is planned for availability in Q1, and sales data is planned for Q2 for early adopters, and Q1 of calendar 2023 for full availability.

Let me give some color on why we are seeing interest in Data Cloud. Customers know and like our people, want to try something new, and like our modern delivery model. And because we are taking a unique and modern approach to sourcing patient data, we have some data that others don't. So, there are cases where we have critical data a customer needs that they can't get from their current provider.

We added two Data Cloud early adopters in Q3, and also delivered the Data Cloud portal, a modern data delivery approach where customers can define their data subscriptions and delivery methods through a self-service interface. I'm very excited about our long-term prospects in data.

## R&D Solutions

In R&D, it's our aim to provide the operating system for the full product lifecycle with Veeva Development Cloud. It's a big goal and we made steady progress in the quarter with good uptake across Development Cloud applications. At the center is clinical, where adoption of established and newer solutions remains strong. This includes both Vault eTMF and Vault CTMS with a number of new customers purchasing both solutions. We are also building on our progress in clinical data management with CDMS. We had six wins in the quarter and progressed several large enterprise opportunities.

In regulatory, where we provide a unified suite of four Vault RIM applications, Q3 saw a major milestone for our reference selling model, with our first enterprise customer going live on the full RIM suite, including publishing. We also had two top 20 wins, one for Vault Registrations and one for Vault Publishing.

We see significant opportunities ahead in regulatory to expand to new customers and add products within our base of more than 300 customers.

Momentum also continues in quality, where we now have more than 400 customers with at least one Veeva Vault Quality product. Reference selling is well underway. Our strong reputation for customer success drove a record number of Vault QMS wins in the quarter. Going forward we see a large opportunity in quality and are making investments to drive growth in existing markets as well as expanding into new geographies and market segments like contract manufacturers.

## MedTech Solutions

In MedTech we provide solutions that help medical device and diagnostics companies. Often these are the same core solutions we provide to pharma and biotech, but with specific features tailored to MedTech. The MedTech industry is increasing in importance as new diagnostics and devices emerge to fuel precision medicine. There is also significant regulatory change. These two factors are driving the need for new technology solutions as legacy systems can't keep up. It's early days for Veeva in MedTech, but it's going well, and we now have more than 100 MedTech customers.

The biggest area of opportunity for Veeva in MedTech is in R&D, where companies have significant needs in clinical, quality, and regulatory. Clinical is an area where we are making great strides. In Q3, one of

the largest MedTech companies went live with Vault eTMF and Vault CTMS to streamline end-to-end trial processes for greater efficiency and real-time data visibility. This is a great step as we look to advance the industry cloud for MedTech.

On the commercial side, historically we've offered Vault PromoMats to manage commercial content and have a number of customers there. We now plan to build MedTech CRM as our customers need a deep, industry-specific solution. We are very early in MedTech CRM and aim to have an early product available in the second half of next year. We plan to build MedTech CRM on the Vault Platform.

Veeva CRM is the leading product in pharma and biotech and will remain on the Salesforce Platform. Our relationship with Salesforce remains strong and our partnership works very well for our joint customers.

## Looking to Next Year and Beyond

Thanks again to the Veeva team for the incredible innovation and focused execution as we pave the way for future growth given the big opportunities in front of us. Consistent execution has us tracking ahead of our 2025 targets and sets us up for significant growth beyond.

Looking forward, I am excited about the opportunity as we move the industry to new digital and specialty models that will help get patients get the therapies they need faster and easier. It's an important and inspiring mission and we are excited about what the future holds for Veeva and the industry.



**Peter Gassner, Founder, CEO**

# Q3 Financial Update

Brent Bowman, CFO



## Third Quarter Results

I am very pleased with Veeva's execution in Q3. We had strong performance across the business delivering results above our guidance. Total revenue increased 26% year over year to \$476 million. Subscription revenue was also up 26% to \$381 million. Non-GAAP operating income was \$199 million, 42% of total revenue.

Bookings momentum in Q3 was broad-based with solid contributions from enterprise customers and accelerating growth from SMB customers.

In R&D Solutions, our Q3 bookings performance and subscription revenue growth was driven by our more established products across quality, clinical, and regulatory, such as Vault QualityDocs, Vault eTMF, and Vault Submissions. The continued revenue growth of these products reflects the large opportunity in R&D.

Commercial Solutions also had a strong quarter, benefiting from new enterprise and SMB customer wins and expansions with existing customers. Our data and analytics offerings had accelerating bookings growth driven by strong Crossix bookings. Commercial subscription revenue growth in Q3 also included a few points of year over year growth from Veeva CRM Engage, similar to previous quarters.

Professional services revenue of \$95 million was above our guidance for Q3, driven by continued strong demand for services related to our R&D Solutions, increased demand from SMB customers, and business consulting momentum. As a reminder, professional services revenue can vary due to a number of factors, including the timing of project starts and other customer requirements.

Calculated billings came in at \$319 million in Q3, which was above our guidance, and grew 18% year over year. The impact of changes in customer billings terms was \$2 million higher than we expected and created a \$16 million headwind to Q3 billings.

Q3 non-GAAP operating income benefited from revenue outperformance and expenses coming in lower than expected. Lower travel and event expenses provided a tailwind of approximately 200 basis points to margins. We believe our Work from Anywhere policy is helping Veeva compete well in the labor market, and we had our strongest net hiring quarter of the year, adding 256 net employees.

In Q3, cash flow from operations was \$103 million, excluding an excess tax benefit of about \$10 million, and we exited Q3 with more than \$2.3 billion of cash and short-term investments.

## Guidance for Fourth Quarter and Fiscal Year 2022

For Q4, we expect total revenue between \$478 and \$480 million, with subscription revenue of about \$394 million.

We anticipate Q4 non-GAAP operating income to be about \$181 million. Our non-GAAP operating income guidance reflects increased investments in employees and lower services gross margins due to seasonally lower utilization.

Non-GAAP earnings per share for Q4 is anticipated to be about \$0.88 based on a diluted share count of approximately 163 million shares. We are maintaining our non-GAAP tax rate at 21% for the remainder of the fiscal year and continue to monitor the impact of any tax law changes.

Calculated billings for Q4 are projected to be about \$794 million. This guidance reflects a \$10 million headwind related to a larger than expected portion of Q3 new bookings having renewal dates in Q1 of fiscal 2023 versus Q4 of fiscal 2022. 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.

### **Our Q4 guidance implies the following for fiscal 2022:**

- Total revenue of \$1.843 billion to \$1.845 billion;
- Subscription revenue of roughly \$1.482 billion, consisting of Commercial Solutions subscription revenue of roughly \$872 million and R&D Solutions subscription revenue of roughly \$610 million;
- Non-GAAP operating income of roughly \$753 million; and
- Calculated billings of roughly \$1.940 billion, up 21% year over year, is unchanged from prior guidance. Normalized for previously mentioned billing term changes and the additional \$10 million related to Q3 bookings noted above, our full fiscal year calculated billings estimate reflects 23% year over year growth.

Non-GAAP earnings per share for the fiscal year is expected to be about \$3.69 based on a fully diluted share count of approximately 163 million.

We are maintaining our fiscal year guidance for cash flow from operations, net of the excess tax benefit, at \$710 million.

## Initial Guidance for Fiscal Year 2023

Looking ahead, we are providing an initial outlook for fiscal 2023. Please note that we are still in the process of finalizing our internal plan and will provide our formal guidance on the Q4 earnings call.

Our initial outlook for next year is for total revenue of roughly \$2.150 to \$2.170 billion. Subscription revenue for the fiscal year is projected to be roughly \$1.735 to \$1.745 billion. Our initial subscription revenue guidance reflects continued broad-based strength, particularly in our data and analytics offerings and R&D Solutions, a more typical quarterly bookings mix, and the anticipated impact of pharma rep reductions. We continue

to expect pharma rep reductions to occur mostly by the end of fiscal 2023. We will provide more specific guidance on the next earnings call, including revenue breakdowns for Commercial Solutions and R&D Solutions.

Overall, the life sciences industry remains healthy and our relationship with our customers is expanding, which gives us confidence in this initial revenue guidance for next year.

Based on our early spending plans, we expect non-GAAP operating margins of roughly 38% for fiscal 2023. We will continue to invest in our existing employees and ongoing hiring plans. We will also continue to invest in Veeva Data Cloud through additional data supplier relationships. We anticipate an increase in travel and event related expenses next year that will reduce margins by about 100 basis points.

In closing, we are pleased with our team's disciplined execution and are excited about the substantial and many growth opportunities ahead. We remain confident that we are tracking ahead of our 2025 financial targets of \$3 billion in revenue and 35%+ in non-GAAP operating margin.



**Brent Bowman, CFO**