



WELCOME TO  
SMALL TALK



Stock for Discussion:  
Veeva Systems, Inc. (VEEV)  
Presenter: Betsy Wills  
January 20, 2015

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**All stock references are meant to be used for educational purposes. No recommendation for purchase or sale is intended or implied.**



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## WHAT DOES VEEVA DO?



**VEEVA Provides Cloud-based Software for the Global Life Sciences Industry (“Industry Cloud”)**

**Software-as-a-Service (SAAS) Provider**

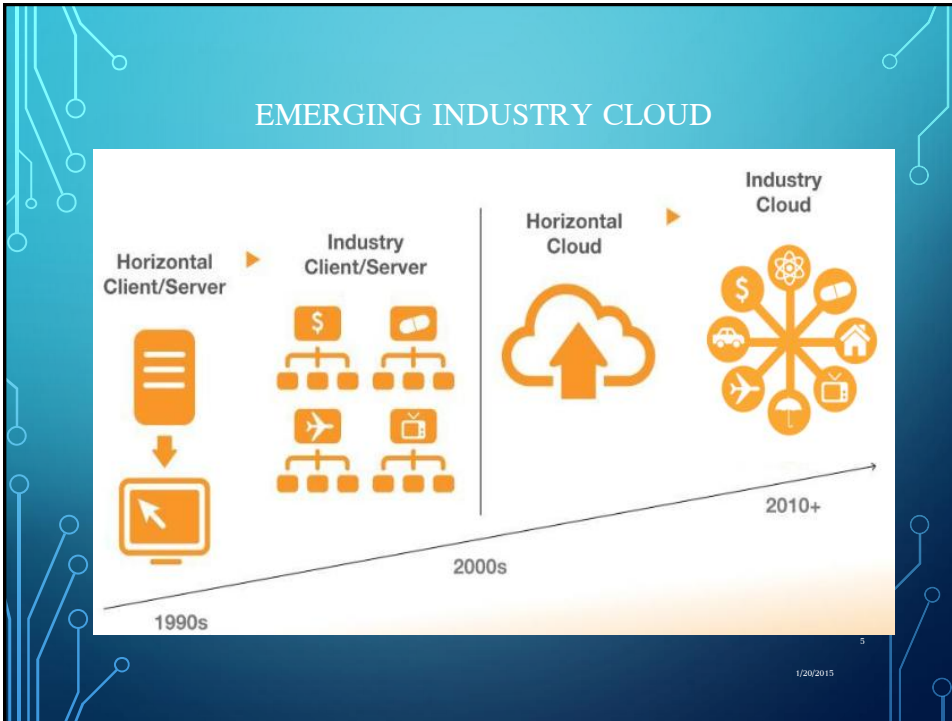
**Makes Pharmaceutical Companies More Efficient**

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## STATISTICS

- **Industry: Healthcare**
- **Headquartered in Pleasanton, CA**
- **Founded in 2007**
- **NYSE-listed since October 2013 (VEEV)**
- **Has 887 employees (up 34% from last year)**
- **Customers: North America, Europe & Asia Pacific, working on Latin America**
- **January 31 FYE (next FYE January 31, 2015)**

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### LEGACY CONTENT MANAGEMENT SYSTEMS

|                               |                               | Development |                               | Disaster Recovery             |  |
|-------------------------------|-------------------------------|-------------|-------------------------------|-------------------------------|--|
|                               |                               | QA          | Content Accelerators          |                               |  |
| Content Accelerators          |                               |             | Content Accelerators          |                               |  |
| Enterprise Search             |                               |             | Enterprise Search             |                               |  |
| Annotation Server             |                               |             | Annotation Server             |                               |  |
| Rendition Server              |                               |             | Rendition Server              |                               |  |
| Application Server            | Content Accelerator           |             | Application Server            | Content Accelerators          |  |
| Custom Application            | Enterprise Search             |             | Custom Application            | Enterprise Search             |  |
| Documentum ECM                | Annotation Server             |             | Documentum ECM                | Annotation Server             |  |
| Oracle Database               | Rendition Server              |             | Oracle Database               | Rendition Server              |  |
| Server Monitoring             | Application Server            |             | Server Monitoring             | Application Server            |  |
| Server Virus Protection       | Custom Application            |             | Server Virus Protection       | Custom Application            |  |
| File Storage                  | Documentum ECM                |             | File Storage                  | Documentum ECM                |  |
| Server Operating System       | Oracle Database               |             | Server Operating System       | Oracle Database               |  |
| Server Hardware               | Server Monitoring             |             | Server Hardware               | Server Monitoring             |  |
| Integration Maintenance Svcs. | Server Virus Protection       |             | Integration Maintenance Svcs. | Server Virus Protection       |  |
| Software Maintenance Svcs.    | File Storage                  |             | Software Maintenance Svcs.    | File Storage                  |  |
| Hardware Maintenance Svcs.    | Server Operating System       |             | Hardware Maintenance Svcs.    | Server Operating System       |  |
|                               | Server Hardware               |             |                               | Server Hardware               |  |
|                               | Integration Maintenance Svcs. |             |                               | Integration Maintenance Svcs. |  |
|                               | Software Maintenance Svcs.    |             |                               | Software Maintenance Svcs.    |  |
|                               | Hardware Maintenance Svcs.    |             |                               | Hardware Maintenance Svcs.    |  |

## LEGACY CONTENT MANAGEMENT SYSTEMS

### Submissions

### Quality

### eTMF

### Promotional Materials

### Medical

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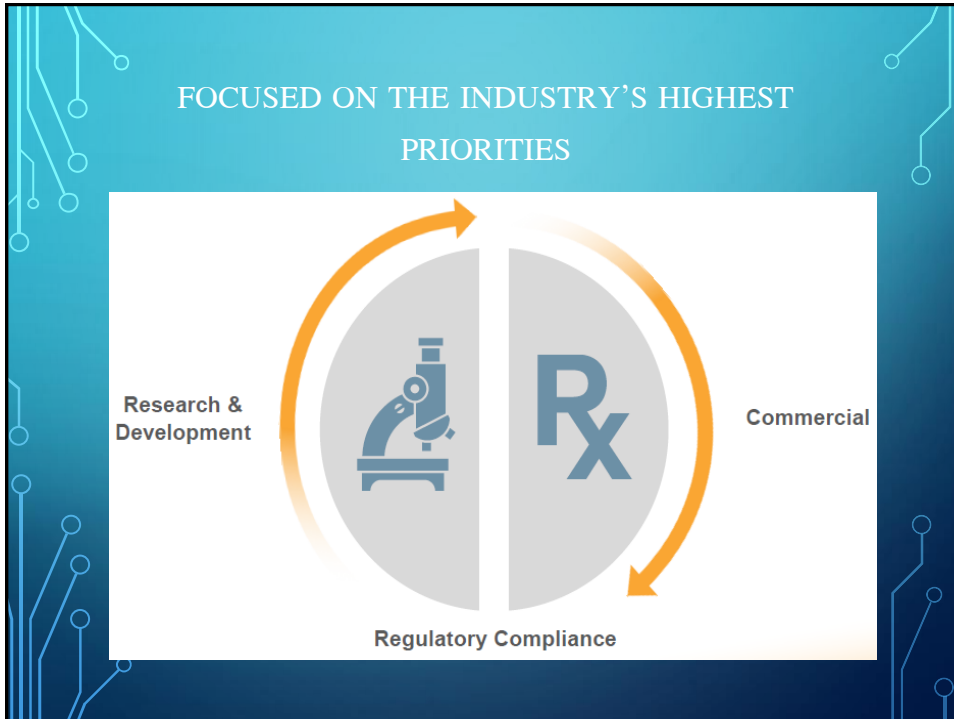
## VEEVA'S INDUSTRY CLOUD BUSINESS MODEL

**Software**

**Data**

**Services**

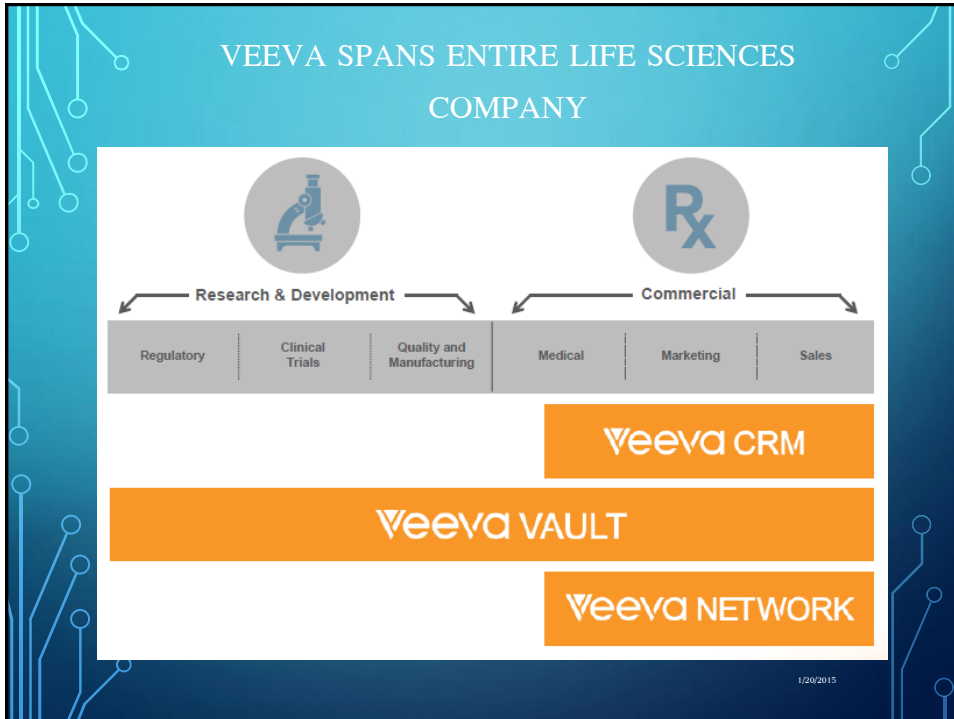
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## SOFTWARE THAT CUSTOMERS CAN USE OVER THE INTERNET

### 3 Software Products:

- Sales Productivity and Compliance Tools (Veeva CRM)
- Customer Master Software & Data (Veeva Network)
- Content Management (Veeva Vault)



# Veeva CRM

- First product – introduced in 2007
- Customer Relationship Management
- 95 % of subscription revenues in FYE 2014 – 85 % a/o Q315
- Focus on Sales and Marketing – global direct sales force
- Sales reps can bring their web-based drug information into meetings with doctors, also provide drugmakers with immediate feedback to optimize product launch

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## Veeva CRM

- Teva Pharmaceutical is replacing all of its legacy systems with Veeva's CRM solution
- This alone added 4,500 users across 45 markets
- Another customer in late 2013 deployed Veeva for 7,000 users across 30 countries

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## SALESFORCE.COM CONTRACT GIVES VEEVA SIGNIFICANT COMPETITIVE ADVANTAGE

- Veeva has a value-added reseller agreement with salesforce.com, inc. through 2025
- VEEV uses the salesforce.com platform to deliver Veeva's CRM solution, including hosting infrastructure and data center operations provided by salesforce.com
- Veeva has exclusive rights to pharma companies

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- Content Management and Collaboration – introduced in 2011
- Key in R&D process – enables easy management of progress of clinical trials: archive data, coordination with contract research organizations and sharing of information compliance documents directly with the FDA
- Enables customers to manage a range of highly regulated, content-centric processes across the enterprise

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| TRIAL MASTER FILE | REGULATORY    | QUALITY/ MANUFACTURING | MEDICAL    | MARKETING/ SALES | CUSTOMER DEFINED |
|-------------------|---------------|------------------------|------------|------------------|------------------|
| ▼ eTMF            | ▼ Submissions | ▼ QualityDocs          | ▼ MedComms | ▼ PromoMats      | ▼ Platform       |



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**Veeva VAULT**

- Q3 2015: Surpassed the 100–customer mark
- Q3 2015: Veeva secured 3 new 7–figure Vault contracts, as measured by annual contract value

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**Veeva NETWORK**

- Customer Master Solution – introduced in 2013
- Proprietary database of healthcare provider and healthcare organizations used for sales and marketing
- Enables pharma companies to create and maintain accurate customer data
- Integrates global information, creating a holistic view of customers that makes it easy for companies to build targeted marketing campaigns

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## CUSTOMERS

- Veeva has more than 230 customers in 80 countries a/o 10/31/14 (Q3 2015)
- Customers range from the world's largest pharmaceutical companies to emerging biotechs
- International customers account for 45% of Veeva's total revenue
- May 2014 – customer R&D summit – 300 attendees from 80 companies

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## CUSTOMERS

TEVA

AMGEN

Pfizer

Lilly

AstraZeneca

BAYER

Strativa  
PHARMACEUTICALS

PHILIPS

MERCK

United  
TherapeuticsUPSHER-SMITH  
Pharmaceuticals Since 1919

Mylan

NOVARTIS

valeritas

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## MARKET OPPORTUNITY

- Life Science Industry = \$1.6 trillion
- Growing at 6%/year
- Veeva's Products = \$5 billion
  - CRM = \$2 billion
  - Vault = \$2 billion
  - Network = \$1 billion

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## MARKET OPPORTUNITY

### Reasons for Expected IT Budget Increases:

- Replacing old technology
- Support company growth
- Regulatory requirements
- Updating/expanding installed base
- Keeping pace with industry
- New projects
- Company financial performance

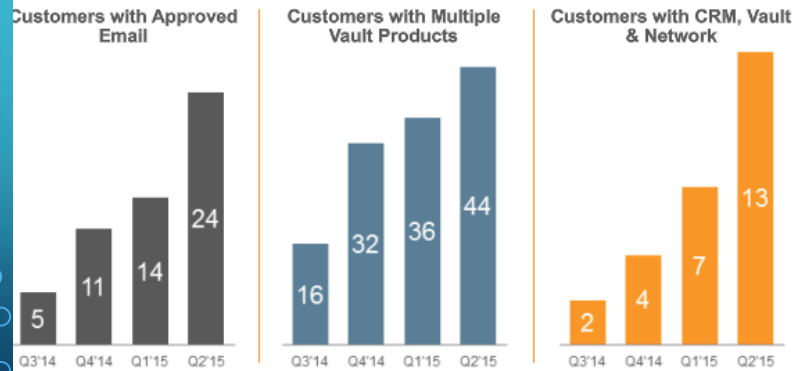
Source: IDC Health Insights, 2014 Leading Indicators in Life Science IT Spending Survey, 3Q2014

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## CUSTOMERS EXPANDING THEIR USE OF VEEVA

### Customers Expanding their use of Veeva



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## TWO SOURCES OF REVENUE

1. Subscription services revenues: comprised of subscription fees from customers using Veeva's Industry Cloud solutions
2. Related professional services and other revenues, such as consulting, data services and training

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## FINANCIAL SNAPSHOT\*

9 mo. ended

|              | FYE 12 | FYE 13 | FYE 14 | 10/31/14 (Q315) |     |
|--------------|--------|--------|--------|-----------------|-----|
| Revenues     | 61.3   | 129.5  | 210.2  | 226.2           |     |
| Gross Profit | 32.2   | 72.5   | 127.5  | 141.7           |     |
| Net Income   | 4.2    | 18.8   | 23.6   | 27.1            |     |
| EPS          |        | .02    | .11    | .15             | .19 |

\* In millions, except per share data

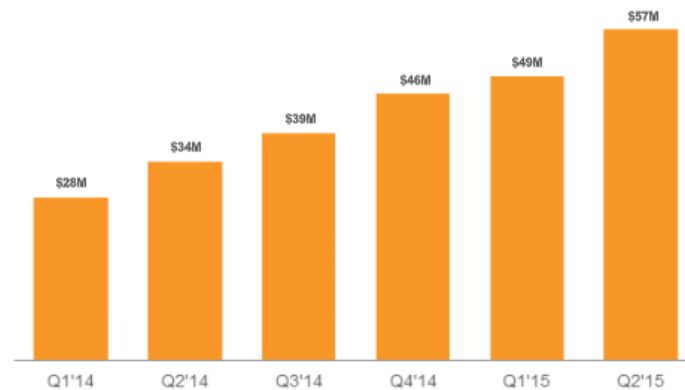
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## FINANCIAL SNAPSHOT: SUBSCRIPTION REVENUES

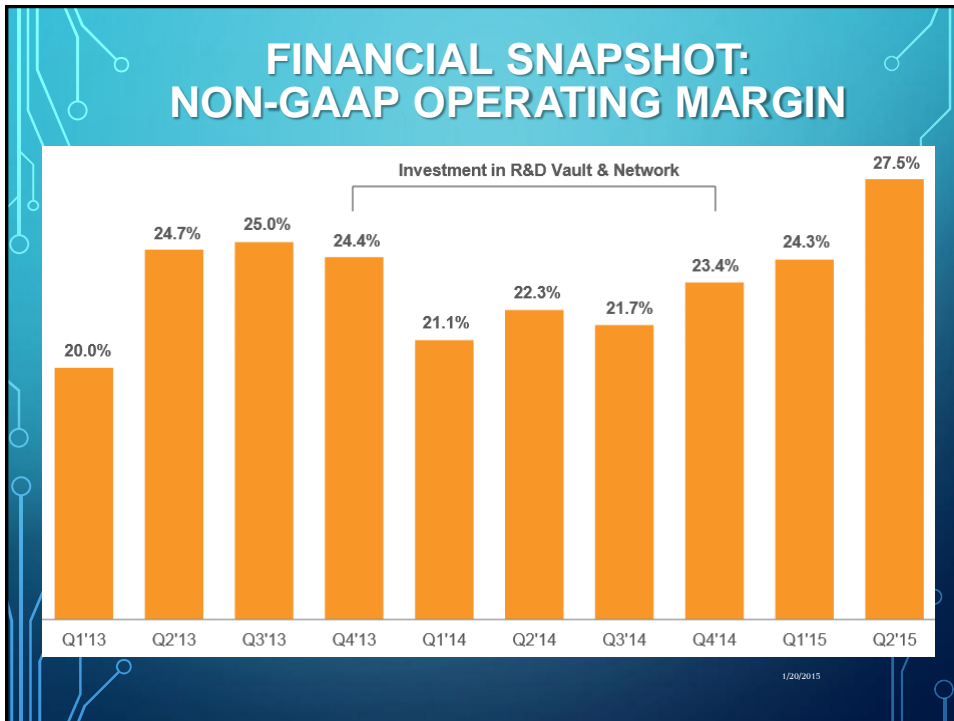
### Subscription Revenue

Y-to-Y Growth of 66% in Most Recent Quarter



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## SWOT OVERVIEW

- 
- **WEAKNESSES:**
  - Continued growth depends on ability to develop and sell new solutions
  - Still a young company
  - Subscription agreements are for 1 year (auto-renew) – revenues depend on renewals

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## SWOT OVERVIEW

- **OPPORTUNITIES:**
  - Once a company has committed to Veeva's products, Veeva can sell them additional tools
  - Still many large pharma companies and smaller biotechs to acquire as customers
  - Winner-take-all market – pharma companies don't need multiple vendors to provide cloud-based software solutions

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## SWOT OVERVIEW

- **THREATS:**
  - Big pharma has been consolidating and downsizing = fewer users for software
  - Does not currently hedge against foreign currency exchange rates, which can cause fluctuations in its results of operations
  - Rapid growth (e.g. employees) may strain administrative and operational infrastructure
  - Security breaches could cause customers to not subscribe to VEEV's products or not renew

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## COMPETITION

- **VEEVA CRM:** Large global software vendors (Oracle (ORCL)), and other life sciences specific CRM providers
- **VEEVA Vault:** large global content management vendors, (EMC Corporation (EMC), Microsoft (MSFT) and OpenText (OTEX)), and professional services companies that offer solutions (Computer Sciences Corp. (CSC))
- **VEEVA Network:** master data software vendors (Informatica Corp. (INFA)), and data providers (Cegedim (CGM), IMS Health Holding (IMS))

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## DO THEY HAVE QUALITY MANAGEMENT?

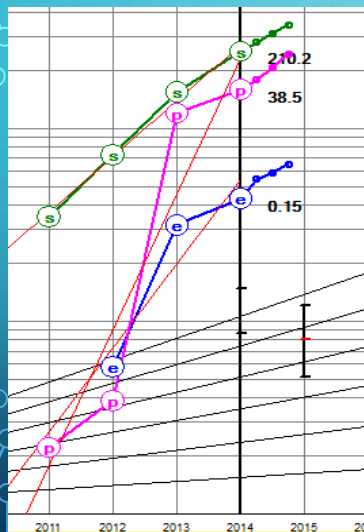
|                                    | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 5 YEAR AVG | TREND UP/DOWN |
|------------------------------------|------|------|------|------|------|------|------|------|------|------|------------|---------------|
| <b>A</b> % Pre-tax Profit on Sales |      |      |      |      |      |      | 1.9  | 1.5  | 22.5 | 18.3 | 11.1       | UP            |
| <b>B</b> % Return on Equity        |      |      |      |      |      |      |      |      |      | 6.7  | 6.7        | EVEN          |
| <b>C</b> % Debt to Equity          | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0        | EVEN          |

- Pre-tax Profit Margin is UP
- ROE is EVEN (only 1 year)
- Debt is also EVEN (no debt)

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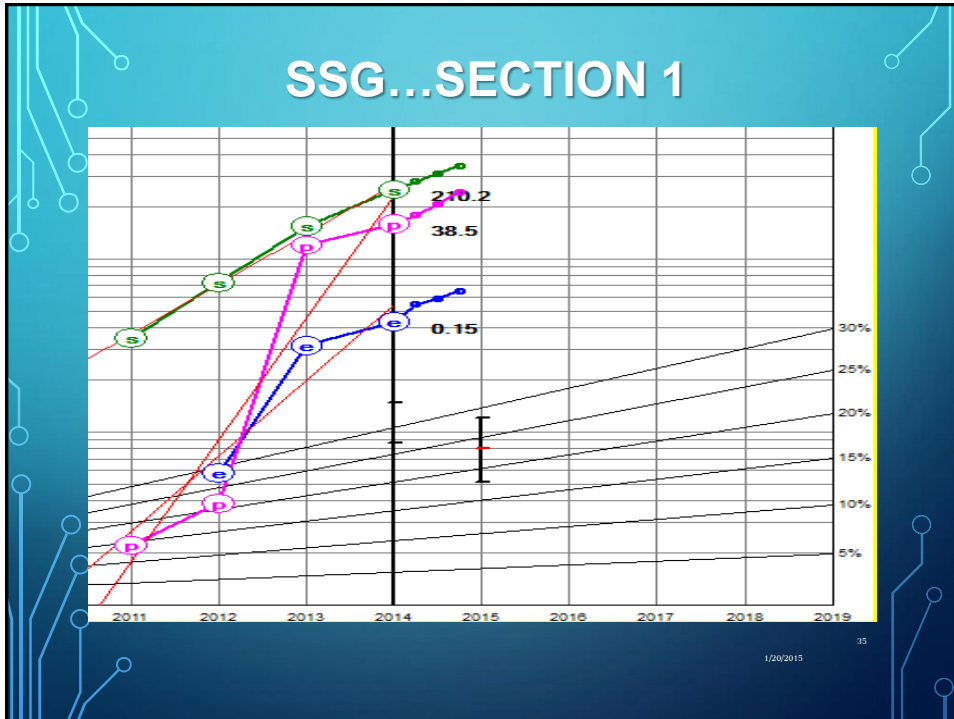
## IS IT A GROWTH COMPANY?



| FY 2015 Q3 (Ended 10/31/2014)<br>RECENT QUARTERLY FIGURES |             |                         |
|---|-------------|-------------------------|
|   | SALES (\$M) | EARNINGS PER SHARE (\$) |
| Latest Quarter  | 83.8        | 0.07                    |
| Year Ago Quarter  | 55.0        | 0.05                    |
| Percentage Change   | 52.5%       | 44.9%                   |

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### Poll Question: Sales

- 25% - ACE 2016 estimate
- 53% - Q3 2015 compared to Q3 2014
- 95% - 3 year historical
- 50% - Trend line extension

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### Poll Question: EPS

- 27.5% - ACE FYE 2016 estimate
- 45.0% - Q3 2015 compared to Q3 2014
- 64.0% - Trend line extension
- 174.0% - 3 year historical

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### SSG...SECTION 3

| CURRENT PRICE (P/E) 28.09 (123.7) |            | 52-WEEK HIGH (P/E) 39.81 (175.4) |                     |                |                |
|-----------------------------------|------------|----------------------------------|---------------------|----------------|----------------|
| Fiscal Year                       | High Price | Low Price                        | EPS                 | High P/E       | Low P/E        |
| 2010                              | 0.0        | 0.0                              | NMF                 | <del>NMF</del> | <del>NMF</del> |
| 2011                              | 0.0        | 0.0                              | NMF                 | <del>NMF</del> | <del>NMF</del> |
| 2012                              | 0.0        | 0.0                              | 0.02                | 0.0            | 0.0            |
| 2013                              | 0.0        | 0.0                              | 0.11                | 0.0            | 0.0            |
| 2014                              | 49.0       | 28.7                             | 0.15                | 326.7          | 191.3          |
| AVERAGE                           |            | 28.7                             |                     | 326.7          | 191.3          |
| AVERAGE P/E RATIO                 | 259.0      |                                  | PROJECTED P/E RATIO | 0.0            |                |
| CURRENT P/E RATIO                 | 123.7      |                                  | PEG RATIO           | 0.0            |                |

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### Poll Question: High P/E

- 259 – Average P/E (SSG)
- 175 – 52 week High P/E
- 124 – Current P/E
- 94 – Zacks 2016 Estimated P/E
- 30 – BI Not to Exceed P/E

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### Poll Question: Low P/E

- 191 – Avg. Low P/E (SSG)
- 124 – Current P/E
- 75 – 52 week low P/E
- 30 – Conservative

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### Poll Question: Low Price

- \$\_\_\_\_\_ – Forecast Low Price
- \$28.70 – Average Low in last 5 years\*
- \$17.11 – Recent Severe Market Low (5/14)
- \$23.33 – Price Variant Quotient
- \$22.47 – 80% of Current Price

\* Above the current price a/o 1/15/15

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# IT'S YOUR CALL!!



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### Poll Question: Consider Buying?

- **Yes** – VEEV has first mover advantage in the life science cloud space, and an impressive list of pharma customers, giving it a substantial moat for as young as it is
- **Maybe** – I need to see FYE 2015 results first, but the price is attractive, given the potential for growth
- **No** – Too young, hasn't been public long enough to provide a good track record

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## ANY OTHER QUESTIONS?

### What's Next?

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**THANKS FOR ATTENDING THIS EPISODE OF SMALL TALK**

**HOPE YOU ENJOYED IT!**

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**[rmchapter.org](http://rmchapter.org)**

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