WELCOME TO SMALL TALK

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

Disclaimer:

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

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)
EMERGING INDUSTRY CLOUD

1/20/2015

LEGACY CONTENT MANAGEMENT SYSTEMS

1/20/2015
LEGACY CONTENT MANAGEMENT SYSTEMS

VEEVA’S INDUSTRY CLOUD BUSINESS MODEL

Software  Data  Services
FOCUSED ON THE INDUSTRY’S HIGHEST PRIORITIES

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 SPANS ENTIRE LIFE SCIENCES COMPANY

First product – introduced in 2007

Customer Relationship Management

95% of subscription revenues in FYE 2014 – 83% 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
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.

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.
• 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
• Q3 2015: Surpassed the 100-customer mark

• Q3 2015: Veeva secured 3 new 7-figure Vault contracts, as measured by annual contract value

• 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
CUSTOMERS

- Veeva has more than 230 customers in 80 countries as of 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
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

1/20/2015

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
CUSTOMERS EXPANDING THEIR USE OF VEEVA

Customers Expanding their use of Veeva

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
FINANCIAL SNAPSHOT*

<table>
<thead>
<tr>
<th></th>
<th>FYE 12</th>
<th>FYE 13</th>
<th>FYE 14</th>
<th>10/31/14 (Q3'15)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>61.3</td>
<td>129.5</td>
<td>210.2</td>
<td>226.2</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>32.2</td>
<td>72.5</td>
<td>127.5</td>
<td>141.7</td>
</tr>
<tr>
<td>Net Income</td>
<td>4.2</td>
<td>18.8</td>
<td>23.6</td>
<td>27.1</td>
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<tr>
<td>EPS</td>
<td>.02</td>
<td>.11</td>
<td>.15</td>
<td>.19</td>
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* In millions, except per share data
FINANCIAL SNAPSHOT:
NON-GAAP OPERATING MARGIN

SWOT OVERVIEW

• STRENGTHS:
  • Significant first-mover advantage for developing cloud based software for life sciences industry
  • Sustainable competitive advantage (moat)
  • A/o FYE 2014, VEEV had signed 33 of the 50 largest global pharma companies
  • Happy customers sell the product for Veeva
  • Experienced management
  • Agreement with salesforce.com
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

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
**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

**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))
DO THEY HAVE QUALITY MANAGEMENT?

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

IS IT A GROWTH COMPANY?

FY 2015 Q3 (Ended 10/31/2014) RECENT QUARTERLY FIGURES

<table>
<thead>
<tr>
<th>Latest Quarter</th>
<th>Sales (SM)</th>
<th>Earnings Per Share ($)</th>
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<tbody>
<tr>
<td></td>
<td>85.6</td>
<td>0.07</td>
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<tr>
<td>Year Ago Quarter</td>
<td>55.0</td>
<td>0.05</td>
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<tr>
<td>Percentage Change</td>
<td>52.5%</td>
<td>44.9%</td>
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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
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
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

Poll Question: Low P/E

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

IT’S YOUR CALL!!

Invest?

Yes | No
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

ANY OTHER QUESTIONS?

What’s Next?
THANKS FOR ATTENDING THIS EPISODE OF SMALL TALK

HOPE YOU ENJOYED IT!

NEXT SMALL TALK: FEB. 17, 2015

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