

VEEVA SYSTEMS INC  
Form 10-Q  
December 08, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 31, 2016

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 001-36121

Veeva Systems Inc.

(Exact name of registrant as specified in its charter)

Delaware 20-8235463  
(State or other jurisdiction of (IRS Employer

incorporation or organization) Identification No.)

4280 Hacienda Drive

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Pleasanton, California 94588

(Address of principal executive offices)

(925) 452-6500

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 25, 2016, there were 102,868,549 shares of the Registrant's Class A common stock outstanding and 34,293,850 shares of the Registrant's Class B common stock outstanding.

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## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that are based on our beliefs and assumptions and on information currently available to us. Forward-looking statements include information concerning our possible or assumed future results of operations and expenses, business strategies and plans, trends, market sizing, competitive position, industry environment and potential growth opportunities and product capabilities, among other things. Forward-looking statements include all statements that are not historical facts and, in some cases, can be identified by terms such as “anticipates,” “believes,” “could,” “estimates,” “expects,” “intends,” “may,” “plans,” “potential,” “predicts,” “projects,” “seeks,” “would,” “tracking to,” “on track” or similar expressions and the negatives of those terms.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including those described in “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this report. Given these uncertainties, you should not place undue reliance on these forward-looking statements.

Any forward-looking statement made by us in this report speaks only as of the date on which it is made. Except as required by law, we disclaim any obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

As used in this report, the terms “Veeva,” “Registrant,” “we,” “us,” and “our” mean Veeva Systems Inc. and its subsidiaries unless the context indicates otherwise.

## PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.  
VEEVA SYSTEMS INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except number of shares and par value)

	October 31, 2016 (Unaudited)	January 31, 2016
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 206,078	\$ 132,179
Short-term investments	304,731	214,024
Accounts receivable, net of allowance for doubtful accounts of \$651 and \$542, respectively	65,648	144,798
Prepaid expenses and other current assets	13,372	9,963
<b>Total current assets</b>	<b>589,829</b>	<b>500,964</b>
Property and equipment, net	48,169	47,469
Goodwill	95,804	95,804
Intangible assets, net	41,333	47,500
Deferred income taxes, noncurrent	9,238	9,359
Other long-term assets	4,101	4,703
<b>Total assets</b>	<b>\$ 788,474</b>	<b>\$ 705,799</b>
<b>Liabilities and stockholders' equity</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 5,048	\$ 4,600
Accrued compensation and benefits	9,875	12,451
Accrued expenses and other current liabilities	10,794	11,059
Income tax payable	4,848	750
Deferred revenue	137,051	157,419
<b>Total current liabilities</b>	<b>167,616</b>	<b>186,279</b>
Deferred income taxes, noncurrent	9,535	10,622
Other long-term liabilities	5,418	3,649
<b>Total liabilities</b>	<b>182,569</b>	<b>200,550</b>
Commitments and contingencies (Note 11)		
<b>Stockholders' equity:</b>		
Class A common stock, \$0.00001 par value; 800,000,000 shares authorized,  102,446,478 and 87,359,026 issued and outstanding at October 31, 2016 and  January 31, 2016, respectively		
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Class B common stock, \$0.00001 par value; 190,000,000 shares authorized,

34,325,912 and 46,186,159 issued and outstanding at October 31, 2016 and

January 31, 2016, respectively	—	—
Additional paid-in capital	415,103	361,691
Accumulated other comprehensive income	319	172
Retained earnings	190,482	143,385
Total stockholders' equity	605,905	505,249
Total liabilities and stockholders' equity	\$ 788,474	\$ 705,799

See Notes to Condensed Consolidated Financial Statements.

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VEEVA SYSTEMS INC.

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	October 31,	October 31,	October 31,	October 31,
	2016	2015	2016	2015
	(Unaudited)			
<b>Revenues:</b>				
Subscription services	\$113,575	\$81,736	\$314,818	\$225,910
Professional services and other	29,204	25,185	79,072	69,041
Total revenues	142,779	106,921	393,890	294,951
<b>Cost of revenues<sup>(1)</sup>:</b>				
Cost of subscription services	24,233	18,273	69,086	50,965
Cost of professional services and other	19,692	18,739	58,125	51,505
Total cost of revenues	43,925	37,012	127,211	102,470
Gross profit	98,854	69,909	266,679	192,481
<b>Operating expenses<sup>(1)</sup>:</b>				
Research and development	25,012	17,667	70,648	45,879
Sales and marketing	28,391	20,345	84,022	53,898
General and administrative	11,641			