

## Veeva Systems, Inc.

**Mixed Q4 results and outlook; Business remains in transition**

Reiterate Rating: NEUTRAL | PO: 240.00 USD | Price: 225.51 USD

**Upside following lowered outlook suggests stabilization**

Better than expected Q4 results are a relief (with \$9.4mn and \$10.7mn revenue and billings upside to our estimates), following the lower Q3 outlook, suggesting stabilizing macro headwinds in the business. Upside was balanced across the R&D and commercial businesses. However, outlook for FY25 normalized billings of \$2.9 billion (+12% y/y) is below prior \$2.94 billion, suggesting that these headwinds are abating but not over.

**See potential for reacceleration in R&D business**

General topline trends suggest that the business is still transitioning through both macro headwinds and a replatforming effort in the commercial business. In the R&D business, the outlook for 19% FY25 subscription growth ex TFC represents a deceleration from 27% in FY25. Healthy pipelines in the large pharma category and progress in selling the recently revamped Data Cloud could provide upside as we move through the year.

**Commercial business weighed down by replatforming**

Over the longer term, we see a path for reacceleration growth in the commercial business (from the outlook for 7% subscription growth), though the transition to the new platform (beginning in 2025 is weighing on Veeva's ability to cross sell the 11 modules in the suite. We are encouraged by better FY25 margin outlook (39.2% versus our prior 36.9%), However, margin is likely peaking at this level.

**See few near term catalysts; Reiterate Neutral rating**

No change to our neutral view. We see potential for revenue and FCF reacceleration in the coming years as commercial maturation weighs less on total rev growth (50% revenue mix today). However, we see few near term catalysts given topline pressure from the maturing commercial business and efforts to replatform to the new Veeva CRM. We are raising our PO to \$240 from \$200 for multiple expansion across the group and better margin/FCF. Our new PO represents 28x our C25e FCF (24x prior), or 1.4x adjusted for 20% growth (vs software GARP group trading at 1.3x 24% growth).

Estimates (Jan) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	3.72	4.29	4.84	6.16	6.67
GAAP EPS	2.63	3.01	3.22	4.33	4.52
EPS Change (YoY)	24.8%	15.3%	12.8%	27.3%	8.3%
Consensus EPS (Bloomberg)			4.76	5.57	6.32
DPS	0	0	0	0	5.00
<b>Valuation (Jan)</b>					
P/E	60.6x	52.6x	46.6x	36.6x	33.8x
GAAP P/E	85.7x	74.9x	70.0x	52.1x	49.9x
Dividend Yield	0%	0%	0%	0%	2.2%
EV / EBITDA*	45.4x	41.5x	40.8x	32.3x	28.5x
Free Cash Flow Yield*	2.1%	2.1%	2.4%	2.9%	3.4%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 9.

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Refer to important disclosures on page 10 to 12. Analyst Certification on page 8. Price Objective Basis/Risk on page 8.

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29 February 2024

## Equity

**Key Changes**

(US\$)	Previous	Current
Price Obj.	200.00	240.00
2024E Rev (m)	2,354.3	2,363.7
2025E Rev (m)	2,752.0	2,732.7
2026E Rev (m)	3,185.6	3,088.7
2024E EPS	4.76	4.84
2025E EPS	5.59	6.16
2026E EPS	6.40	6.67

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**Stock Data**

Price	225.51 USD
Price Objective	240.00 USD
Date Established	29-Feb-2024
Investment Opinion	B-2-9
52-Week Range	160.21 USD - 228.02 USD
Mrkt Val (mn) / Shares Out (mn)	36,311 USD / 161.0
Free Float	90.7%
Average Daily Value (mn)	200.96 USD
BofA Ticker / Exchange	VEEV / NYS
Bloomberg / Reuters	VEEV US / VEEV.N
ROE (2024E)	18.9%
Net Dbt to Eqty (Jan-2023A)	-23.9%
ESGMeter™	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

TFC = standardizing termination for convenience

# iQprofile<sup>SM</sup> Veeva Systems, Inc.

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	23.8%	22.1%	17.7%	17.5%	16.4%
Return on Equity	23.3%	21.0%	18.9%	19.5%	17.6%
Operating Margin	41.0%	38.5%	35.6%	39.2%	39.3%
Free Cash Flow	750	767	885	1,042	1,247

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.3x	1.1x	1.2x	1.1x	1.1x
Asset Replacement Ratio	0.5x	0.5x	0.8x	1.0x	1.0x
Tax Rate	16.6%	4.2%	10.6%	13.1%	12.0%
Net Debt-to-Equity Ratio	-39.1%	-23.9%	-15.1%	-30.2%	-42.1%
Interest Cover	NA	NA	NA	NA	NA

## Income Statement Data (Jan)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	1,851	2,155	2,364	2,733	3,089
% Change	26.3%	16.4%	9.7%	15.6%	13.0%
Gross Profit	1,393	1,607	1,751	2,057	2,325
% Change	27.4%	15.4%	8.9%	17.5%	13.0%
EBITDA	786	860	875	1,104	1,251
% Change	29.1%	9.3%	1.8%	26.1%	13.4%
Net Interest & Other Income	7	50	159	217	220
<b>Net Income (Adjusted)</b>	<b>605</b>	<b>696</b>	<b>791</b>	<b>1,017</b>	<b>1,133</b>
<b>% Change</b>	<b>26.0%</b>	<b>15.0%</b>	<b>13.7%</b>	<b>28.6%</b>	<b>11.4%</b>

## Free Cash Flow Data (Jan)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	427	488	526	714	768
Depreciation & Amortization	27	29	33	34	38
Change in Working Capital	21	7	61	(120)	(65)
Deferred Taxation Charge	11	(128)	(105)	0	0
Other Adjustments, Net	278	384	398	448	544
Capital Expenditure	(14)	(14)	(26)	(34)	(38)
<b>Free Cash Flow</b>	<b>750</b>	<b>767</b>	<b>885</b>	<b>1,042</b>	<b>1,247</b>
<b>% Change</b>	<b>38.3%</b>	<b>2.2%</b>	<b>15.4%</b>	<b>17.7%</b>	<b>19.8%</b>
Share / Issue Repurchase	52	44	63	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	0	0	0	0

## Balance Sheet Data (Jan)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	1,138	886	703	1,748	2,995
Trade Receivables	631	703	852	1,103	1,381
Other Current Assets	1,338	2,380	3,448	3,428	3,420
Property, Plant & Equipment	54	50	59	77	94
Other Non-Current Assets	656	785	849	828	811
<b>Total Assets</b>	<b>3,818</b>	<b>4,804</b>	<b>5,911</b>	<b>7,184</b>	<b>8,700</b>
Short-Term Debt	0	0	0	0	5
Other Current Liabilities	841	1,007	1,179	1,310	1,523
Long-Term Debt	0	0	0	0	5
Other Non-Current Liabilities	64	81	87	87	87
<b>Total Liabilities</b>	<b>905</b>	<b>1,088</b>	<b>1,266</b>	<b>1,397</b>	<b>1,620</b>
<b>Total Equity</b>	<b>2,913</b>	<b>3,716</b>	<b>4,645</b>	<b>5,787</b>	<b>7,091</b>
<b>Total Equity &amp; Liabilities</b>	<b>3,818</b>	<b>4,804</b>	<b>5,911</b>	<b>7,184</b>	<b>8,710</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 9.

## Company Sector

Server & Enterprise Software

## Company Description

Veeva Systems is a cloud provider of Customer Relationship Management (CRM) software for sales representatives in the life sciences industry. The company also sells a complementary document management system for research/development and marketing documentation at life sciences firms. Veeva now has 600 customers spanning the largest firms down to small firms with as few as 20 employees. 45 of the 50 largest life sciences firms are Veeva customers.

## Investment Rationale

Our Neutral rating is premised on confidence that Veeva is in early stages consolidating a multi-billion dollar revenue opportunity with Vault. We expect solid mid 20s subscription/billings growth over the next five-plus years driven by ramping expanded Vault offering combined with mid-teens growth in the Commercial business. We also forecast steady margins over the next three years. However, we note lack of near-term FCF visibility.

## Stock Data

Average Daily Volume 891,114

## Quarterly Earnings Estimates

	2023	2024
Q1	0.99A	0.91A
Q2	1.03A	1.21A
Q3	1.13A	1.34A
Q4	1.15A	1.38E

## 4Q24 earnings summary and exhibits

Veeva reported good Q4 results and set their FY25 revenue guidance to \$2.73 billion at the midpoint. Total revenue of \$630.6 million (+12% y/y) was above our \$621.3 million (+10% y/y). Normalized billings of \$1.06 billion (+14% y/y) was above our \$1.03 billion. During its analyst day on 11/09/23, Veeva highlighted that professional services were being impacted by the macro; the company guided FY25 normalized billings to \$2.9 billion, below our prior \$2.98 billion. Commercial subs revenue grew +8% y/y, accelerating from 5% y/y in 3Q24 and exceeding our +5% y/y. R&D subscription growth of +19% y/y was below our +20% y/y. EPS of \$1.38 exceeded our \$1.30 from operating expense discipline. Operating margin of 37.9% was above our 36.5%.

Management guided to FY25Q1 revenue of \$641.5 million (+22% y/y) at the midpoint, above our \$635.2 million. Subscription revenue guidance of \$529 million (+28% y/y) is above our \$522.3 million. Professional services revenue guidance of \$112.5 million (+1% y/y) at the midpoint is below our \$112.9 million. Normalized billings guidance of \$630 million (+10% y/y) is below our estimate of \$649.9 million. Implied operating margin of 38.3% is above our 34.5%.

### Exhibit 1: Variance

Total revenue exceeded our estimate by 1.5%

\$ in Thousands (except per share data)	BofA Estimates	4Q24A Actuals	Variance
<b>Revenue</b>	<b>\$621,250</b>	<b>\$630,618</b>	<b>1.5%</b>
<b>Total Cost of Revenue</b>	<b>157,078</b>	<b>157,682</b>	<b>0.4%</b>
<b>Gross Profit</b>	<b>464,172</b>	<b>472,936</b>	<b>1.9%</b>
<b>Operating Expenses</b>			
Research & Development	118,014	120,569	2.2%
Sales & Marketing	73,561	71,870	-2.3%
General & Administrative	45,749	41,439	-9.4%
<b>Total Operating Expenses</b>	<b>237,323</b>	<b>233,878</b>	<b>-1.5%</b>
Operating Income	226,848	239,058	5.4%
Other income (loss)	42,000	47,429	12.9%
Earnings Before Taxes	268,848	286,487	6.6%
Income taxes	56,458	60,162	6.6%
<b>Net Income - Pro forma</b>	<b>212,390</b>	<b>226,325</b>	<b>6.6%</b>
<b>EPS (diluted) - Pro forma</b>	<b>\$1.30</b>	<b>\$1.38</b>	<b>6.5%</b>
<b>Net Income - GAAP</b>	<b>140,328</b>	<b>147,398</b>	<b>5.0%</b>
<b>EPS (diluted) - GAAP</b>	<b>\$0.86</b>	<b>\$0.90</b>	<b>5.0%</b>
Shares Outstanding - Pro forma	164,007	164,071	0.0%
<b>Growth Analysis Y-Y</b>			
<b>Total Revenues</b>	<b>10.3%</b>	<b>11.9%</b>	<b>1.7%</b>
Operating Income	8.3%	14.2%	5.8%
<b>Net Income - Pro forma</b>	<b>14.0%</b>	<b>21.5%</b>	<b>7.5%</b>
EPS (diluted) - Pro forma	12.7%	20.0%	7.3%
<b>Margin Analysis</b>			
<b>Total gross margin</b>	<b>74.7%</b>	<b>75.0%</b>	<b>0.3%</b>
Research & Development	19.0%	19.1%	0.1%
Sales & Marketing	11.8%	11.4%	-0.4%
General & Administrative	7.4%	6.6%	-0.8%
<b>Operating Margin</b>	<b>36.5%</b>	<b>37.9%</b>	<b>1.4%</b>
Pre-tax margin	43.3%	45.4%	2.2%
Tax rate - pro forma	21.0%	21.0%	0.0%
<b>Net Margin</b>	<b>34.2%</b>	<b>35.9%</b>	<b>1.7%</b>
<b>BS/CFS Analysis</b>			
Cash & equivalents	753,926	703,487	-6.7%
<b>Billings</b>	<b>1,033,658</b>	<b>1,044,388</b>	<b>1.0%</b>
Cash Flow from Operations	12,986	57,769	NM
<b>Free Cash Flow</b>	<b>7,030</b>	<b>50,034</b>	<b>NM</b>

Source: BofA Global Research estimates, company report

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**Exhibit 2: Estimate revisions**

We forecast total revenue of \$2.4bn in FY24

	1Q25E				2024E				2025E			
	Previous Estimate	Previous Y/Y Growth	New Estimate	New Y/Y Growth	Previous Estimate	Previous Y/Y Growth	New Estimate	New Y/Y Growth	Previous Estimate	Previous Y/Y Growth	New Estimate	New Y/Y Growth
<b>Total revenue</b>	<b>\$635,225</b>	<b>20.7%</b>	<b>\$641,443</b>	<b>21.9%</b>	<b>\$2,354,305</b>	<b>9.2%</b>	<b>\$2,363,673</b>	<b>9.7%</b>	<b>\$2,752,012</b>	<b>16.9%</b>	<b>\$2,732,718</b>	<b>15.6%</b>
Net Income - Pro forma	\$206,101	39.3%	\$235,234	59.0%	\$777,024	11.7%	\$790,959	13.7%	\$935,817	20.4%	\$1,016,964	28.6%
<b>Pro forma EPS</b>	<b>\$1.24</b>	<b>36.2%</b>	<b>\$1.43</b>	<b>57.5%</b>	<b>\$4.76</b>	<b>10.8%</b>	<b>\$4.84</b>	<b>12.8%</b>	<b>\$5.59</b>	<b>17.6%</b>	<b>\$6.16</b>	<b>27.3%</b>

Source: BofA Global Research estimates, company report

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**Exhibit 3: Income statement**

We forecast total revenue of \$2.7bn in FY25

\$ Thousands	Apr	Jul	Oct	Jan	YEAR	Apr	Jul	Oct	Jan	YEAR
	1Q24A	2Q24A	3Q24	4Q24A	FY24A	1Q25E	2Q25E	3Q25E	4Q25E	FY25E
<b>Revenues</b>										
Subscription services	414,546	470,637	494,912	521,498	1,901,593	528,546	557,705	569,149	594,508	2,249,908
Professional services and other	111,779	119,588	121,593	109,120	462,080	112,897	123,176	128,889	117,850	482,811
<b>Total Revenue</b>	<b>526,325</b>	<b>590,225</b>	<b>616,505</b>	<b>630,618</b>	<b>2,363,673</b>	<b>641,443</b>	<b>680,880</b>	<b>698,037</b>	<b>712,357</b>	<b>2,732,718</b>
Subscription services	3.0%	9.8%	12.1%	13.3%	9.7%	27.5%	18.5%	15.0%	14.0%	18.3%
Professional services and other	9.1%	13.3%	9.8%	5.7%	9.5%	1.0%	3.0%	6.0%	8.0%	4.5%
<b>Total revenue y/y</b>	<b>4.2%</b>	<b>10.5%</b>	<b>11.6%</b>	<b>11.9%</b>	<b>9.7%</b>	<b>21.9%</b>	<b>15.4%</b>	<b>13.2%</b>	<b>13.0%</b>	<b>15.6%</b>
Subscription services	64,980	68,295	71,705	74,647	279,627	77,564	80,930	82,461	88,070	329,024
Professional services and other	86,232	83,494	80,165	83,035	332,926	85,965	85,876	84,846	89,560	346,247
<b>Cost of Revenues</b>	<b>151,212</b>	<b>151,789</b>	<b>151,870</b>	<b>157,682</b>	<b>612,553</b>	<b>163,529</b>	<b>166,805</b>	<b>167,307</b>	<b>177,630</b>	<b>675,271</b>
<b>Gross Profit</b>	<b>375,113</b>	<b>438,436</b>	<b>464,635</b>	<b>472,936</b>	<b>1,751,120</b>	<b>477,914</b>	<b>514,075</b>	<b>530,731</b>	<b>534,727</b>	<b>2,057,447</b>
<b>Operating Expenses</b>										
Research & Development	108,026	111,907	115,538	120,569	456,040	120,428	123,989	127,328	132,635	504,380
Sales & Marketing	64,929	69,951	69,758	71,870	276,508	71,112	75,589	78,983	81,186	306,870
General & Administrative	45,163	44,728	44,718	41,439	176,048	40,609	43,087	45,397	46,810	175,902
<b>Total Operating Expenses</b>	<b>218,118</b>	<b>226,586</b>	<b>230,014</b>	<b>233,878</b>	<b>908,596</b>	<b>232,149</b>	<b>242,664</b>	<b>251,708</b>	<b>260,631</b>	<b>987,152</b>
<b>Income from operations</b>	<b>156,995</b>	<b>211,850</b>	<b>234,621</b>	<b>239,058</b>	<b>842,524</b>	<b>245,764</b>	<b>271,411</b>	<b>279,023</b>	<b>274,096</b>	<b>1,070,295</b>
Total other income	30,248	38,826	42,187	47,429	158,690	52,000	55,000	55,000	55,000	217,000
<b>Pretax income</b>	<b>187,243</b>	<b>250,676</b>	<b>276,808</b>	<b>286,487</b>	<b>1,001,214</b>	<b>297,764</b>	<b>326,411</b>	<b>334,023</b>	<b>329,096</b>	<b>1,287,295</b>
Income taxes	39,321	52,642	58,130	60,162	210,255	62,530	68,546	70,144	69,110	270,331
<b>Net Income (Pro Forma)</b>	<b>147,922</b>	<b>198,034</b>	<b>218,678</b>	<b>226,325</b>	<b>790,959</b>	<b>235,234</b>	<b>257,865</b>	<b>263,878</b>	<b>259,986</b>	<b>1,016,964</b>
<b>EPS (Pro Forma)</b>	<b>\$0.91</b>	<b>\$1.21</b>	<b>\$1.34</b>	<b>\$1.38</b>	<b>\$4.84</b>	<b>\$1.43</b>	<b>\$1.57</b>	<b>\$1.60</b>	<b>\$1.56</b>	<b>\$6.16</b>
<b>Net Income (GAAP)</b>	<b>131,521</b>	<b>111,628</b>	<b>135,158</b>	<b>147,398</b>	<b>525,705</b>	<b>164,693</b>	<b>183,998</b>	<b>186,517</b>	<b>178,953</b>	<b>714,161</b>
<b>Diluted EPS (GAAP)</b>	<b>\$0.81</b>	<b>\$0.68</b>	<b>\$0.83</b>	<b>\$0.90</b>	<b>\$3.22</b>	<b>\$1.00</b>	<b>\$1.12</b>	<b>\$1.13</b>	<b>\$1.07</b>	<b>\$4.33</b>
Shares outstanding	162,521	163,284	163,761	164,071	163,409	164,071	164,071	165,302	166,541	164,996

Source: BofA Global Research estimates, company report

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**Exhibit 4: Income statement analysis**

We forecast OpM of 39.2% in FY25

\$ Thousands	Apr	Jul	Oct	Jan	YEAR	Apr	Jul	Oct	Jan	YEAR
	1Q24A	2Q24A	3Q24	4Q24A	FY24A	1Q25E	2Q25E	3Q25E	4Q25E	FY25E
<b>Margin Analysis</b>										
Subscription services	84.3%	85.5%	85.5%	85.7%	85.3%	85.3%	85.5%	85.5%	85.2%	85.4%
Professional services and other	22.9%	30.2%	34.1%	23.9%	28.0%	23.9%	30.3%	34.2%	24.0%	28.3%
<b>Gross Margin</b>	<b>71.3%</b>	<b>74.3%</b>	<b>75.4%</b>	<b>75.0%</b>	<b>74.1%</b>	<b>74.5%</b>	<b>75.5%</b>	<b>76.0%</b>	<b>75.1%</b>	<b>75.3%</b>
<b>Operating Expenses</b>										
Research & Development	20.5%	19.0%	18.7%	19.1%	19.3%	18.8%	18.2%	18.2%	18.6%	18.5%
Sales & Marketing	12.3%	11.9%	11.3%	11.4%	11.7%	11.1%	11.1%	11.3%	11.4%	11.2%
General & Administrative	8.6%	7.6%	7.3%	6.6%	7.4%	6.3%	6.3%	6.5%	6.6%	6.4%
<b>Total Operating Expenses</b>	<b>41.4%</b>	<b>38.4%</b>	<b>37.3%</b>	<b>37.1%</b>	<b>38.4%</b>	<b>36.2%</b>	<b>35.6%</b>	<b>36.1%</b>	<b>36.6%</b>	<b>36.1%</b>
	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
S&M/Incr. Revenues					1.3x	0.0x	0.0x	0.0x	0.0x	0.8x
<b>Operating Margin</b>	<b>29.8%</b>	<b>35.9%</b>	<b>38.1%</b>	<b>37.9%</b>	<b>35.6%</b>	<b>38.3%</b>	<b>39.9%</b>	<b>40.0%</b>	<b>38.5%</b>	<b>39.2%</b>
Pretax margin	35.6%	42.5%	44.9%	45.4%	42.4%	46.4%	47.9%	47.9%	46.2%	47.1%
Pro forma tax rate	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Net Margin	28.1%	33.6%	35.5%	35.9%	33.5%	36.7%	37.9%	37.8%	36.5%	37.2%
<b>Growth Rates</b>										
<b>Quarter-to-Quarter</b>										
Subscription services	-9.9%	13.5%	5.2%	5.4%	0.0%	1.4%	5.5%	2.1%	4.5%	0.0%
Professional services and other	8.3%	7.0%	1.7%	-10.3%	0.0%	3.5%	9.1%	4.6%	-8.6%	0.0%
Total Revenue	-6.6%	12.1%	4.5%	2.3%	0.0%	1.7%	6.1%	2.5%	2.1%	0.0%
Gross profit	-9.7%	16.9%	6.0%	1.8%	0.0%	1.1%	7.6%	3.2%	0.8%	0.0%
Operating Income	-25.0%	34.9%	10.7%	1.9%	0.0%	2.8%	10.4%	2.8%	-1.8%	0.0%
Net Income - Pro Forma	-20.6%	33.9%	10.4%	3.5%	0.0%	3.9%	9.6%	2.3%	-1.5%	0.0%
<b>EPS - Pro Forma</b>	<b>-20.8%</b>	<b>33.3%</b>	<b>10.1%</b>	<b>3.3%</b>	<b>0.0%</b>	<b>3.9%</b>	<b>9.6%</b>	<b>1.6%</b>	<b>-2.2%</b>	<b>0.0%</b>
<b>Year-over-Year</b>										
Subscription services										
Professional services and other										
Total Revenue	4.2%	10.5%	11.6%	11.9%	9.7%	21.9%	15.4%	13.2%	13.0%	15.6%
COGS	19.0%	12.5%	10.2%	6.5%	11.8%	8.1%	9.9%	10.2%	12.7%	10.2%
Gross profit	-0.8%	9.8%	12.1%	13.9%	8.9%	27.4%	17.3%	14.2%	13.1%	17.5%
Operating Income	-21.3%	4.9%	6.9%	14.2%	1.5%	56.5%	28.1%	18.9%	14.7%	27.0%
Net Income	-7.4%	19.1%	19.3%	21.5%	13.7%	59.0%	30.2%	20.7%	14.9%	28.6%
EPS - Pro Forma - Pro Forma	-7.8%	18.3%	18.3%	20.0%	12.8%	57.5%	29.6%	19.5%	13.2%	27.3%
<b>Revenue Mix</b>										
Subscription services	79%	80%	80%	83%	80%	82%	82%	82%	83%	82%
Professional services and other	21%	20%	20%	17%	20%	18%	18%	18%	17%	18%

Source: BofA Global Research estimates, company report

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**Exhibit 5: Balance Sheet**

We forecast cash and equivalents \$1.7bn in FY25

\$ Thousands	Apr 1Q24A	Jul 2Q24A	Oct 3Q24	Jan 4Q24A	YEAR FY24A	Apr 1Q25E	Jul 2Q25E	Oct 3Q25E	Jan 4Q25E	YEAR FY25E
<b>Current Assets</b>										
Cash & cash equivalents	1,093,634	742,607	743,712	703,487	703,487	1,258,723	1,575,477	1,699,324	1,748,197	1,748,197
Short-term investment	2,521,268	3,126,132	3,198,570	3,324,269	3,324,269	3,324,269	3,324,269	3,324,269	3,324,269	3,324,269
Accounts receivable, net	412,940	379,066	255,504	852,172	852,172	503,258	440,693	394,000	1,103,319	1,103,319
Deferred income taxes										
Pre-paid expenses and other current assets	122,222	76,407	93,135	86,918	86,918	86,918	86,918	86,918	86,918	86,918
<b>Total Current Assets</b>	<b>4,188,134</b>	<b>4,361,753</b>	<b>4,335,758</b>	<b>5,003,211</b>	<b>5,003,211</b>	<b>5,189,107</b>	<b>5,443,632</b>	<b>5,524,518</b>	<b>6,279,630</b>	<b>6,279,630</b>
Property & equipment, net	50,059	56,937	57,597	58,532	58,532	63,219	67,831	72,368	76,830	76,830
Capitalized internal-use software, net	-	-	-	-	-	-	-	-	-	-
Goodwill	439,877	439,877	439,877	439,877	439,877	439,877	439,877	439,877	439,877	439,877
Intangible assets, net	77,731	72,825	67,919	63,017	63,017	58,330	53,718	49,181	44,719	44,719
Deferred income taxes, noncurrent	156,375	184,331	218,348	233,463	233,463	233,463	233,463	233,463	233,463	233,463
Restricted Cash	3,186	3,186	3,184	3,184	3,184	-	-	-	-	-
Other assets	108,008	109,234	103,089	109,636	109,636	109,636	109,636	109,636	109,636	109,636
<b>Total Assets</b>	<b>5,023,370</b>	<b>5,228,143</b>	<b>5,225,772</b>	<b>5,910,920</b>	<b>5,910,920</b>	<b>6,093,632</b>	<b>6,348,157</b>	<b>6,429,043</b>	<b>7,184,155</b>	<b>7,184,155</b>
<b>Current Liabilities</b>										
Accounts payable	44,404	49,932	36,236	31,513	31,513	22,044	23,557	34,048	28,474	28,474
Accrued compensation and benefits	44,358	48,296	38,430	43,433	43,433	47,646	48,905	36,532	41,939	41,939
Accrued expenses and other liabilities	32,269	32,431	32,921	32,980	32,980	20,084	16,986	16,334	15,884	15,884
Income tax payable	4,617	24,143	6,560	11,862	11,862	11,862	11,862	11,862	11,862	11,862
Deferred revenue	869,920	836,500	644,463	1,049,761	1,049,761	1,002,522	964,008	742,698	1,202,349	1,202,349
Other current liabilities	10,734	10,652	9,640	9,334	9,334	9,334	9,334	9,334	9,334	9,334
<b>Total Current Liabilities</b>	<b>1,006,302</b>	<b>1,001,954</b>	<b>768,250</b>	<b>1,178,883</b>	<b>1,178,883</b>	<b>1,113,491</b>	<b>1,074,652</b>	<b>850,808</b>	<b>1,309,842</b>	<b>1,309,842</b>
Deferred revenue, noncurrent										
Deferred income taxes, noncurrent	1,407	1,283	1,145	2,052	2,052	2,052	2,052	2,052	2,052	2,052
Other long-term liabilities	72,598	72,263	76,604	85,161	85,161	85,161	85,161	85,161	85,161	85,161
<b>Total Liabilities</b>	<b>1,080,307</b>	<b>1,075,500</b>	<b>845,999</b>	<b>1,266,096</b>	<b>1,266,096</b>	<b>1,200,704</b>	<b>1,161,865</b>	<b>938,021</b>	<b>1,397,055</b>	<b>1,397,055</b>
<b>Stockholders' Equity</b>										
Class A common stock	2	2	2	2	2	2	2	2	2	2
Class B common stock										
Additional paid-in capital	1,622,547	1,729,123	1,824,250	1,915,002	1,915,002	2,018,840	2,127,869	2,242,350	2,362,555	2,362,555
Accumulated other comprehensive (loss) income	(25,759)	(34,383)	(37,538)	(10,637)	(10,637)	(31,064)	(30,727)	(26,995)	(30,075)	(30,075)
Retained earnings	2,346,273	2,457,901	2,593,059	2,740,457	2,740,457	2,905,150	3,089,148	3,275,665	3,454,618	3,454,618
<b>Total stockholders' equity</b>	<b>3,943,063</b>	<b>4,152,643</b>	<b>4,379,773</b>	<b>4,644,824</b>	<b>4,644,824</b>	<b>4,892,928</b>	<b>5,186,292</b>	<b>5,491,022</b>	<b>5,787,100</b>	<b>5,787,100</b>
<b>Total Liabilities &amp; Equity</b>	<b>5,023,370</b>	<b>5,228,143</b>	<b>5,225,772</b>	<b>5,910,920</b>	<b>5,910,920</b>	<b>6,093,632</b>	<b>6,348,157</b>	<b>6,429,043</b>	<b>7,184,155</b>	<b>7,184,155</b>

Source: BofA Global Research estimates, company report

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**Exhibit 6: Cash flow statement**

We forecast cash flow from operations of \$1.08bn in FY25

\$ Thousands	YEAR	Apr	Jul	Oct	Jan	YEAR	YEAR
	FY24A	1Q25E	2Q25E	3Q25E	4Q25E	FY25E	FY26E
<b>Net Income (GAAP)</b>	<b>525,705</b>	<b>164,693</b>	<b>183,998</b>	<b>186,517</b>	<b>178,953</b>	<b>714,161</b>	<b>767,800</b>
Depreciation and amortization	32,628	7,868	8,352	8,562	8,738	33,519	37,885
Amortization of premiums on short-term investments	(16,492)	-	-	-	-	-	-
Stock-based compensation	393,733	103,838	109,030	114,481	120,205	447,553	544,004
Deferred income taxes	(105,374)	-	-	-	-	-	-
Bad debt expense	693	-	-	-	-	-	-
Other	19,623	-	-	-	-	-	-
<b>Changes in Assets and Liabilities</b>	<b>60,823</b>	<b>283,521</b>	<b>23,726</b>	<b>(177,151)</b>	<b>(250,285)</b>	<b>(120,188)</b>	<b>(64,559)</b>
<b>Cash Flow from Operations</b>	<b>911,339</b>	<b>559,920</b>	<b>325,105</b>	<b>132,409</b>	<b>57,610</b>	<b>1,075,045</b>	<b>1,285,130</b>
Purchase of marketable securities, net of sales and maturities	(1,050,155)	-	-	-	-	-	-
Purchases of property and equipment	(26,196)	(7,868)	(8,352)	(8,562)	(8,738)	(33,519)	(37,885)
Acquisition, net of cash acquired	-	-	-	-	-	-	-
Purchases of intangible assets	-	-	-	-	-	-	-
Capitalized internal-use software development costs	-	-	-	-	-	-	-
Changes in restricted cash and deposits	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Cash Flow from Investments</b>	<b>(1,076,351)</b>	<b>(7,868)</b>	<b>(8,352)</b>	<b>(8,562)</b>	<b>(8,738)</b>	<b>(33,519)</b>	<b>(37,885)</b>
Proceeds from early exercise of common stock options	-	-	-	-	-	-	-
Proceeds from exercise of stock options	62,687	-	-	-	-	-	-
Net proceeds from offerings	-	-	-	-	-	-	-
Proceeds from ESPP	-	-	-	-	-	-	-
Restricted stock units acquired to settle employee tax withholding liability	-	-	-	-	-	-	-
Excess tax benefits from employee stock plans	(78,875)	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Cash Flow from Financing</b>	<b>(16,188)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Effect of exchange rate changes on cash	(1,780)	-	-	-	-	-	-
<b>Net Change in cash and cash equivalents</b>	<b>(182,980)</b>	<b>552,052</b>	<b>316,754</b>	<b>123,847</b>	<b>48,873</b>	<b>1,041,526</b>	<b>1,247,245</b>
Cash and cash equivalents at beginning of period	889,651	706,671	1,258,723	1,575,477	1,699,324	706,671	1,748,197
<b>Cash and cash equivalents at end of period</b>	<b>706,671</b>	<b>1,258,723</b>	<b>1,575,477</b>	<b>1,699,324</b>	<b>1,748,197</b>	<b>1,748,197</b>	<b>2,995,442</b>

Source: BofA Global Research estimates, company report

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## Price objective basis & risk

### Veeva Systems, Inc. (VEEV)

Our PO of \$240 is based on an EV/FCF multiple of 28x our C25E FCF estimate (1.4x growth adjusted), a discount to the GARP software group trading at 1.3x for macro headwinds.

Downside risks to our PO are: 1) changes in market sentiment due to global macro uncertainty, which could impact the stock's premium valuation/multiple, 2) overall growth slows faster than expected from slowing sales in the core market, and 3) billings deceleration in the event of an economic slowdown.

## Analyst Certification

I, Brad Sills, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### US - Enterprise Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>	8x8	EGHT	EGHT US	Michael J. Funk
	Adobe	ADBE	ADBE US	Brad Sills
	Alarm.com	ALRM	ALRM US	Michael J. Funk
	Amplitude, Inc.	AMPL	AMPL US	Koji Ikeda, CFA
	Asana	ASAN	ASAN US	Michael J. Funk
	BILL	BILL	BILL US	Brad Sills
	Dynatrace	DT	DT US	Koji Ikeda, CFA
	Elastic NV	ESTC	ESTC US	Koji Ikeda, CFA
	GitLab Inc.	GTLB	GTLB US	Koji Ikeda, CFA
	Global-e Online Ltd.	GLBE	GLBE US	Koji Ikeda, CFA
	HubSpot	HUBS	HUBS US	Brad Sills
	Informatica Inc.	INFA	INFA US	Koji Ikeda, CFA
	Intapp Inc.	INTA	INTA US	Koji Ikeda, CFA
	Intuit	INTU	INTU US	Brad Sills
	JFrog Ltd	FROG	FROG US	Koji Ikeda, CFA
	MeridianLink, Inc.	MLNK	MLNK US	Koji Ikeda, CFA
	Microsoft Corporation	MSFT	MSFT US	Brad Sills
	Monday.com	MNDY	MNDY US	Michael J. Funk
	MongoDB Inc	MDB	MDB US	Brad Sills
	nCino, Inc.	NCNO	NCNO US	Adam Bergere
	NICE Ltd.	NICE	NICE US	Michael J. Funk
	NICE IT	NCSYF	NICE IT	Michael J. Funk
	PagerDuty	PD	PD US	Koji Ikeda, CFA
	PowerSchool Holdings, Inc.	PWSC	PWSC US	Koji Ikeda, CFA
	RingCentral	RNG	RNG US	Michael J. Funk
	Salesforce.com	CRM	CRM US	Brad Sills
	ServiceNow	NOW	NOW US	Brad Sills
	UiPath	PATH	PATH US	Brad Sills
	Unity	U	U US	Michael J. Funk
	Weave	WEAV	WEAV US	Michael J. Funk
	Workday Inc.	WDAY	WDAY US	Brad Sills
	Zeta Global	ZETA	ZETA US	Koji Ikeda, CFA
	ZoomInfo	ZI	ZI US	Koji Ikeda, CFA
<b>NEUTRAL</b>	Autodesk	ADSK	ADSK US	Michael J. Funk
	Bentley Systems	BSY	BSY US	Michael J. Funk
	BigCommerce Holdings, Inc.	BIGC	BIGC US	Koji Ikeda, CFA
	Coveo	YCVO	CVO CN	Koji Ikeda, CFA
	Datadog Inc	DDOG	DDOG US	Koji Ikeda, CFA



## US - Enterprise Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	DocuSign	DOCU	DOCU US	Brad Sills
	Freshworks, Inc.	FRSH	FRSH US	Adam Bergere
	HashiCorp	HCP	HCP US	Brad Sills
	Jamf	JAMF	JAMF US	Koji Ikeda, CFA
	Lightspeed Commerce Inc.	LSPD	LSPD US	Koji Ikeda, CFA
	Lightspeed Commerce Inc.	YLSPD	LSPD CN	Koji Ikeda, CFA
	Oracle Corporation	ORCL	ORCL US	Brad Sills
	Paycom	PAYC	PAYC US	Adam Bergere
	Paylocity	PCTY	PCTY US	Adam Bergere
	Shopify, Inc.	SHOP	SHOP US	Brad Sills
	Snowflake	SNOW	SNOW US	Brad Sills
	Veeva Systems, Inc.	VEEV	VEEV US	Brad Sills
	Zoom Video Communications	ZM	ZM US	Michael J. Funk

## UNDERPERFORM

	AvidXchange, Inc.	AVDX	AVDX US	Brad Sills
	Blackbaud, Inc.	BLKB	BLKB US	Koji Ikeda, CFA
	BlackLine, Inc.	BL	BL US	Koji Ikeda, CFA
	C3.ai	AI	AI US	Brad Sills
	Confluent	CFLT	CFLT US	Brad Sills
	CS Disco, Inc.	LAW	LAW US	Koji Ikeda, CFA
	Dropbox	DBX	DBX US	Michael J. Funk
	Enfusion, Inc.	ENFN	ENFN US	Koji Ikeda, CFA
	Five9	FIVN	FIVN US	Michael J. Funk
	Guidewire Software, Inc.	GWRE	GWRE US	Michael J. Funk
	Smartsheet	SMAR	SMAR US	Michael J. Funk
	Twilio	TWLO	TWLO US	Michael J. Funk
	Vertex, Inc.	VERX	VERX US	Brad Sills

## RSTR

	CCC Intelligent Solutions	CCCS	CCCS US	Michael J. Funk
	Splunk	SPLK	SPLK US	Brad Sills

iQmethod<sup>SM</sup> Measures Definitions

## Business Performance

Return On Capital Employed

## Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

## Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill  
Amortization  
Shareholders' Equity  
Sales  
N/A  
N/A

Return On Equity

Net Income

Operating Margin

Operating Profit

Earnings Growth

Expected 5 Year CAGR From Latest Actual

Free Cash Flow

Cash Flow From Operations – Total Capex

## Quality of Earnings

Cash Realization Ratio

Cash Flow From Operations

Asset Replacement Ratio

Capex

Tax Rate

Tax Charge

Net Debt-To-Equity Ratio

Net Debt = Total Debt – Cash &amp; Equivalents

Interest Cover

EBIT

## Denominator

Net Income  
Depreciation  
Pre-Tax Income  
Total Equity  
Interest Expense

## Valuation Toolkit

Price / Earnings Ratio

## Numerator

Current Share Price

Price / Book Value

Current Share Price

Dividend Yield

Annualised Declared Cash Dividend

Free Cash Flow Yield

Cash Flow From Operations – Total Capex

Enterprise Value / Sales

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +  
Other LT Liabilities

Enterprise Value

## Denominator

Diluted Earnings Per Share (Basis As Specified)  
Shareholders' Equity / Current Basic Shares  
Current Share Price  
Market Cap = Current Share Price × Current Basic Shares  
Sales

EV / EBITDA

Basic EBIT + Depreciation + Amortization

iQmethod<sup>SM</sup> is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

iQdatabase<sup>®</sup> is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

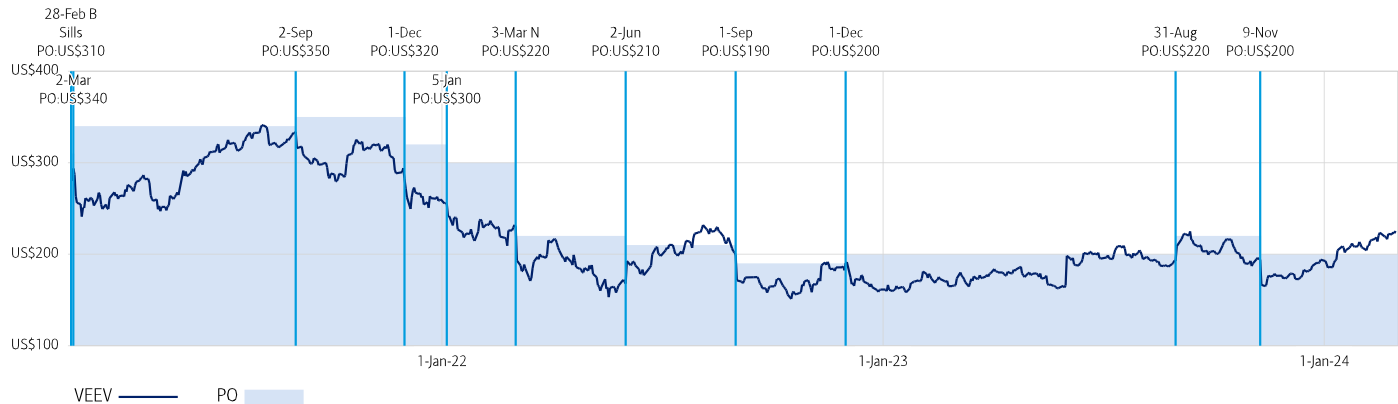
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# Disclosures

## Important Disclosures

### Veeva Systems, Inc. (VEEV) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

**FUNDAMENTAL EQUITY OPINION KEY:** Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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