

VEEVA SYSTEMS INC
Form 10-Q
December 11, 2014

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, 2014

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
(State or other jurisdiction of
incorporation)

20-8235463
(IRS Employer
Identification No.)

4637 Chabot Drive, Suite 210
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 28, 2014, there were 59,042,145 shares of the Registrant's Class A common stock outstanding and 71,552,834 shares of the Registrant's Class B common stock outstanding.

VEEVA SYSTEMS INC.

FORM 10-Q

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1.	<u>Financial Statements.</u>	1
	<u>Condensed Consolidated Balance Sheets</u>	1
	<u>Condensed Consolidated Statements of Comprehensive Income</u>	2
	<u>Condensed Consolidated Statements of Stockholders' Equity</u>	3
	<u>Condensed Consolidated Statements of Cash Flows</u>	4
	<u>Notes to Condensed Consolidated Financial Statements</u>	5
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	18
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	28
Item 4.	<u>Controls and Procedures.</u>	29

PART II. OTHER INFORMATION 30

Item 1.	<u>Legal Proceedings</u>	30
Item 1A.	<u>Risk Factors</u>	31
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	48
Item 3.	<u>Defaults Upon Senior Securities</u>	48
Item 4.	<u>Mine Safety Disclosures</u>	48
Item 5.	<u>Other Information</u>	48
Item 6.	<u>Exhibits</u>	49

SIGNATURES 50

EXHIBIT INDEX 51

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, 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,” “should,” “will,” “would” 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” 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, 2014 (Unaudited)	January 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 132,135	\$ 262,507
Short-term investments	260,731	25,625
Accounts receivable, net of allowance for doubtful accounts of \$269 and \$305, respectively	45,241	58,433
Deferred income taxes	2,151	2,075
Income tax receivable	4,734	1,389
Other current assets	4,524	3,703
Total current assets	449,516	353,732
Property and equipment, net	27,613	2,445
Capitalized internal-use software, net	1,301	1,585
Goodwill	4,850	4,850
Intangible assets, net	5,314	6,551
Other long-term assets	3,959	1,145
Total assets	\$ 492,553	\$ 370,308
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 2,147	\$ 2,117
Accrued compensation and benefits	7,002	8,750
Accrued expenses and other liabilities	12,348	7,931
Income tax payable	1,595	439
Deferred revenue	84,668	67,380
Total current liabilities	107,760	86,617
Deferred income taxes, noncurrent	1,698	1,698
Other long-term liabilities	1,888	1,897
Total liabilities	111,346	90,212
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Class A common stock, \$0.00001 par value; 800,000,000 shares authorized,		
58,475,649 and 15,044,750 issued and outstanding at October 31, 2014		
and January 31, 2014, respectively	—	—

Edgar Filing: VEEVA SYSTEMS INC - Form 10-Q

Class B common stock, \$0.00001 par value; 190,000,000 shares authorized,

71,933,469 and 109,746,795 issued and outstanding at October 31, 2014

and January 31, 2014, respectively	1	1
Additional paid-in capital	305,631	231,534
Accumulated other comprehensive income (loss)	(24)	19
Retained earnings	75,599	48,542
Total stockholders' equity	381,207	280,096
Total liabilities and stockholders' equity	\$ 492,553	\$ 370,308

See Notes to Condensed Consolidated Financial Statements.

VEEVA SYSTEMS INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	October 31, 2014 (Unaudited)	2013	October 31, 2014	2013
Revenues:				
Subscription services	\$61,435	\$38,935	\$166,528	\$100,935
Professional services and other	22,390	16,044	59,682	46,413
Total revenues	83,825	54,979	226,210	147,348
Cost of revenues⁽¹⁾:				
Cost of subscription services	14,409	9,511	39,795	24,409
Cost of professional services and other	16,007	11,881	44,707	33,835
Total cost of revenues	30,416	21,392	84,502	58,244
Gross profit	53,409	33,587	141,708	89,104
Operating expenses⁽¹⁾:				
Research and development	10,635	6,585	29,414	18,469
Sales and marketing	14,251	11,467	40,875	28,739
General and administrative	8,582	5,550	22,136	13,900
Total operating expenses	33,468	23,602	92,425	61,108
Operating income	19,941	9,985	49,283	27,996
Other income (expense), net	(989)	125	(1,120)	(439)
Income before income taxes	18,952	10,110	48,163	27,557
Provision for income taxes	8,694	3,585	21,106	10,189
Net income	\$10,258	\$6,525	\$27,057	\$17,368
Net income attributable to Class A and Class B common stockholders:				
Basic	\$10,198	\$2,339	\$26,851	\$4,613
Diluted	\$10,198	\$6,387	\$26,851	\$16,937
Net income per share attributable to Class A and Class B common stockholders:				
Basic	\$0.08	\$0.07	\$0.21	\$0.16
Diluted	\$0.07	\$0.05	\$0.19	\$0.13
Weighted-average shares used to compute earnings per share attributable to Class A and Class B common stockholders:				
Basic	129,212	35,802	126,836	28,519
Diluted	144,289	131,963	144,082	129,601
Other comprehensive income:				
Net change in unrealized gains on available-for-sale investments	\$97	\$8	\$29	\$6
Net change in cumulative foreign currency translation gain	(15)	—	(72)	—
Comprehensive income	\$10,340	\$6,533	\$27,014	\$17,374

(1)

Includes stock-based compensation as follows:

Cost of revenues:				
Cost of subscription services	\$74	\$49	\$181	\$58
Cost of professional services and other	549	230	1,711	458
Research and development	942	429	2,703	895
Sales and marketing	754	488	2,290	970
General and administrative	1,266	890	3,356	1,655
Total stock-based compensation	\$3,585	\$2,086	\$10,241	\$4,036

See Notes to Condensed Consolidated Financial Statements.

VEEVA SYSTEMS INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands, except share data)

(Unaudited)

	Class	Accumulated
	A &	
	B Additional	