

Veeva Systems (NYSE: VEEV)

Will Guarino, Nick Carosi V, Cole Ceravolo

Company Overview



Veeva's established leadership and continual growth has positioned them as the market leader in the life science SaaS industry

General Description

- Veeva is the leading provider of cloud solutions for the global life science industry
- Veeva CRM was **built off the Salesforce platform**, and currently has a **80% market share** in the life sciences industry
- Reports revenue through two operating segments: Subscription and Professional Services
- Veeva has two main product categories: Veeva Commercial Cloud and Veeva Development Cloud

Used by **47 of the top 50** pharmaceutical companies

83% of approved US drugs launched with Veeva CRM

Vault reduces **submission development time by 50%**

Management Team



Peter Gassner- Founder, CEO

- Founded Veeva in 2007
- Has **30 years of experience** in leading IT companies, spanning from developing the IBM mainframe to **creating Salesforce's cloud**

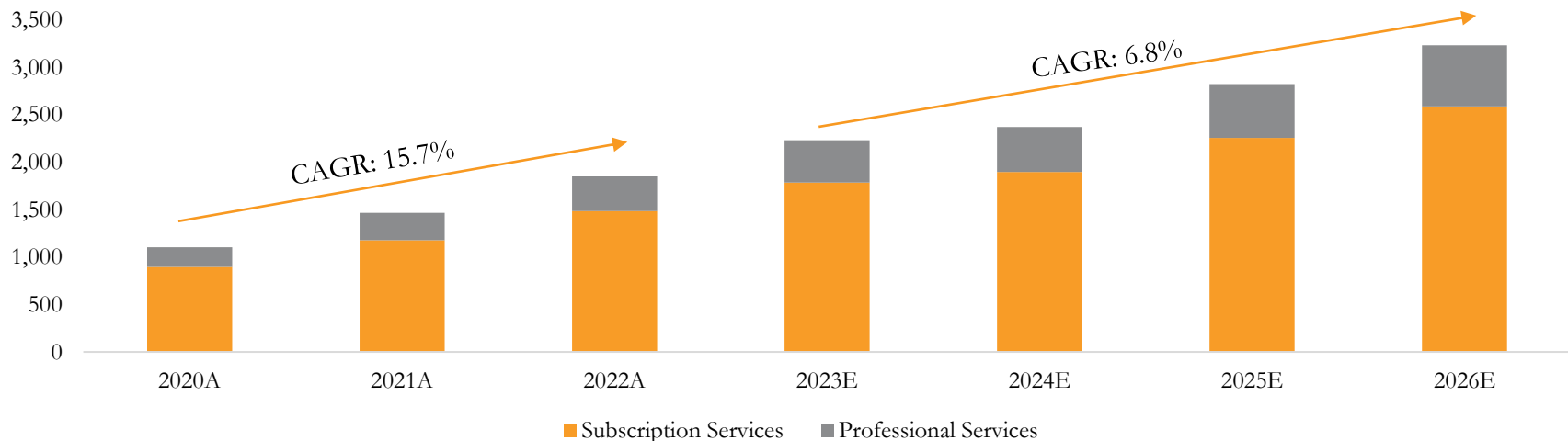


Tom Schwenger- President and COO

- President and COO since 2019
- Leverages his more than 25 years in driving **technology transformations** for the **life sciences industry**

Veeva's leadership has overseen their growth as the established leader in life science solutions **without any VC funding**

Revenue Breakdown (\$mm)



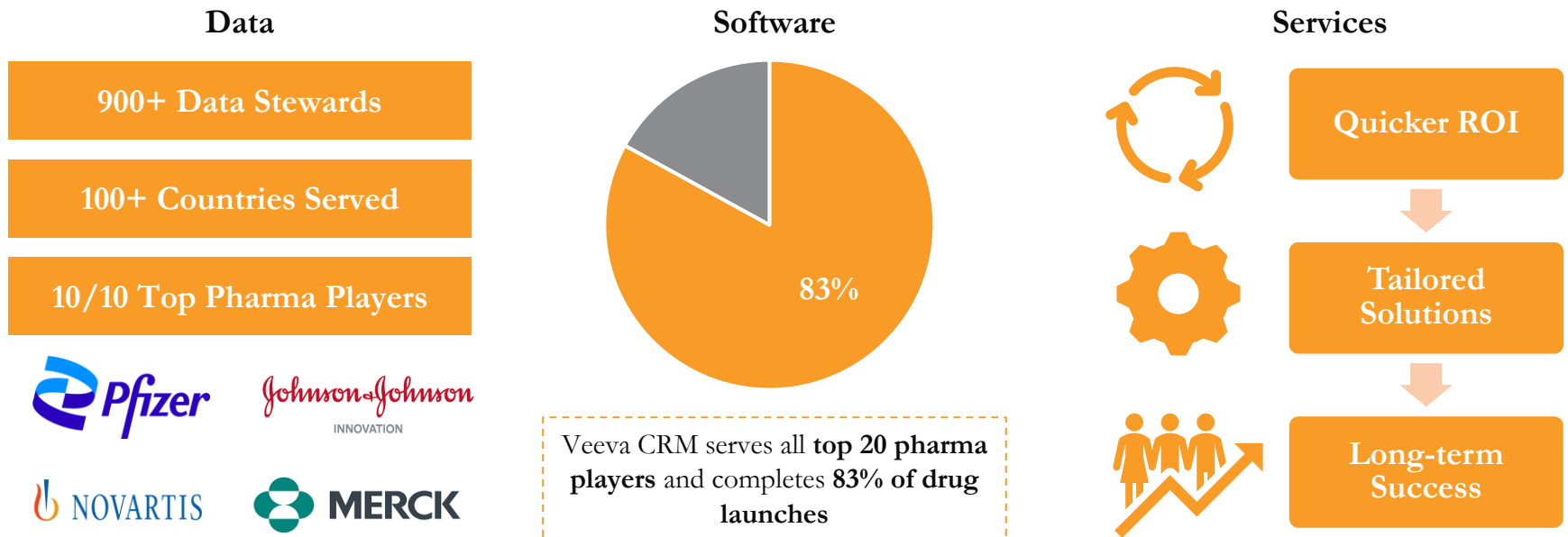
Segment Description

Connected product suite of commercial and development cloud services allows clients to derive more incremental value

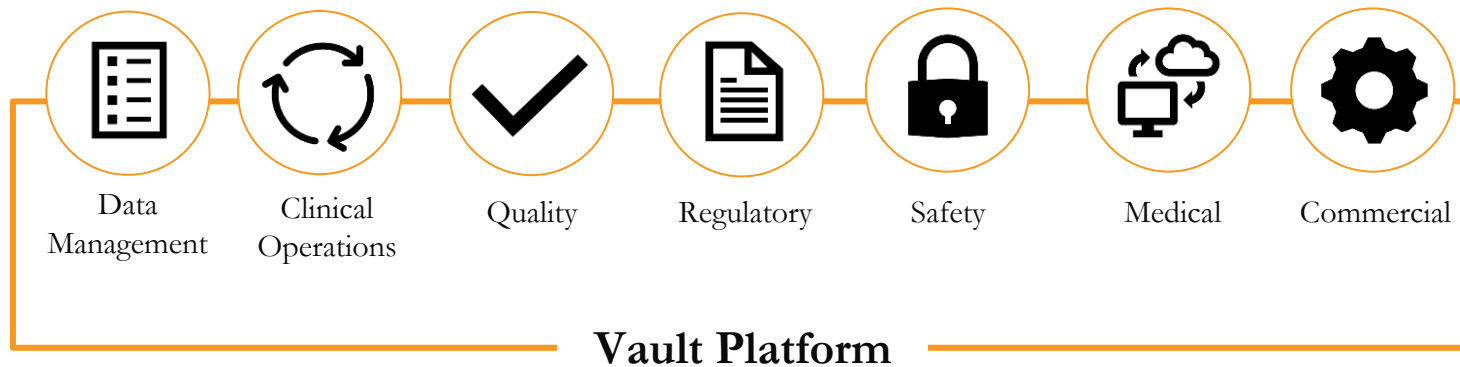
Development Cloud



Commercial Cloud



Vault CRM is the next generation of CRM life sciences, serving the unique needs of pharma by offering omnichannel solutions



The Vault platform integrates platforms from the development and commercial cloud creating a streamlined flow of current, high performance applications to create a specialized pharma CRM

“When somebody talks about replacing the CRM system, really what they’re talking about an ecosystem... We’re delivering the next generation of CRM with Vault” – Paul Shawah, VP of Strategy

Investment Thesis



1

Veeva's product superiority, high switching costs, and sticky customers provides an impenetrable MOAT that enables continued growth

2

Divorce from Salesforce will allow for MedTech expansion driving TAM growth and margin expansion in future

3

An appreciation of Veeva's financial health and an evaluation of Veeva through proper SaaS metrics justifies their price premium

BUY

Price Target: \$254.91

Upside: 19.6%

1

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Product Superiority

Veeva is the only company suited to meet every need of the life science industry

	Vertical SaaS	Commercial	Data	Operations	Regulatory	Quality	Safety	Medical
	✓	✓	✓	✓	✓	✓	✓	✓
								✓
	✓		✓	✓				
	✓	✓	✓					
	✓		✓					
	✓	✓						
	✓	✓						

High Switching Costs and Sticky Customers

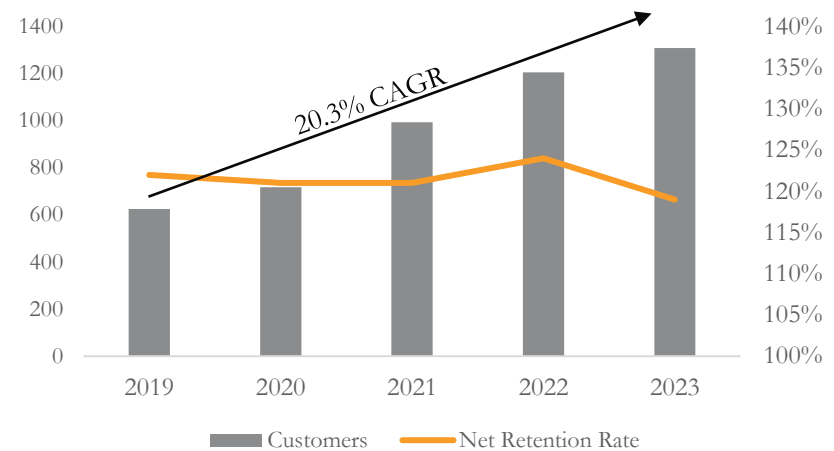


Veeva's high switching costs and sticky customers associated with their vertical software build an impenetrable MOAT

Flawless Business Model

Integrated	Veeva's multi-product, unified ecosystem with verticalized software incentivizes customers to buy multiple products at a time, increasing switch costs
Essential	Nearly impossible for life science companies to switch cloud platforms because of the amount of mission critical data stored with Veeva
Specific	Veeva's client-specific platform customization leads to the realization of high recurring revenues
Long-Term	Their master subscriptions (multi-year contracts) reinforces their high switching costs as customers don't want to suffer a large loss after they are locked into a deal

Sticky Customers and Retention



Veeva's **consistent customer growth and retention** reflects their connected and tailored product portfolio that is perfectly suited to serve every need of the life science industry

Three Primary Costs

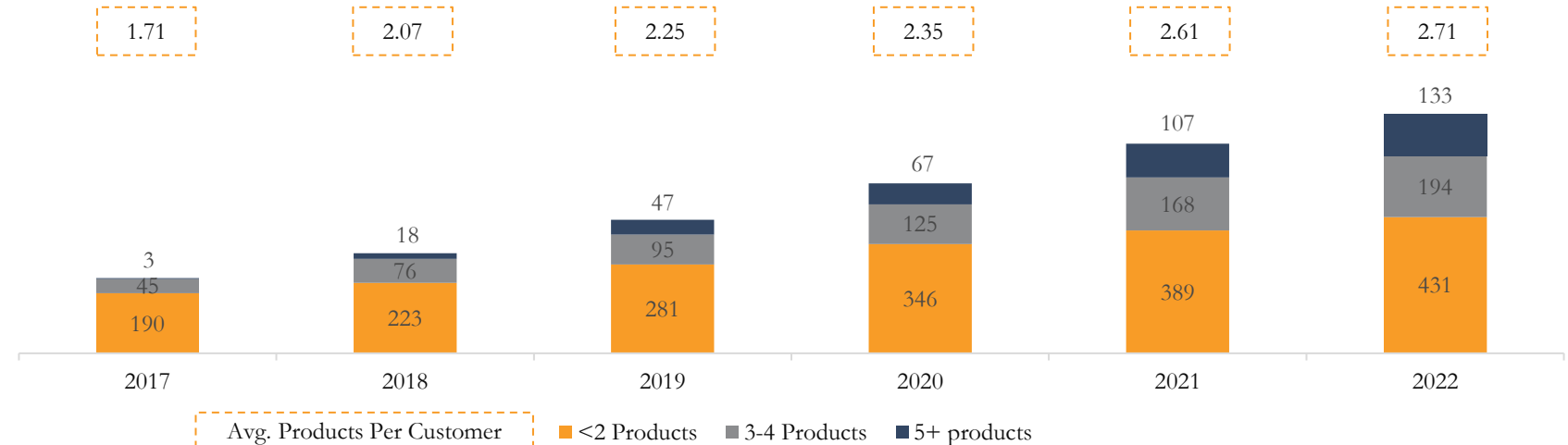


Cross-Selling Strategy in Action

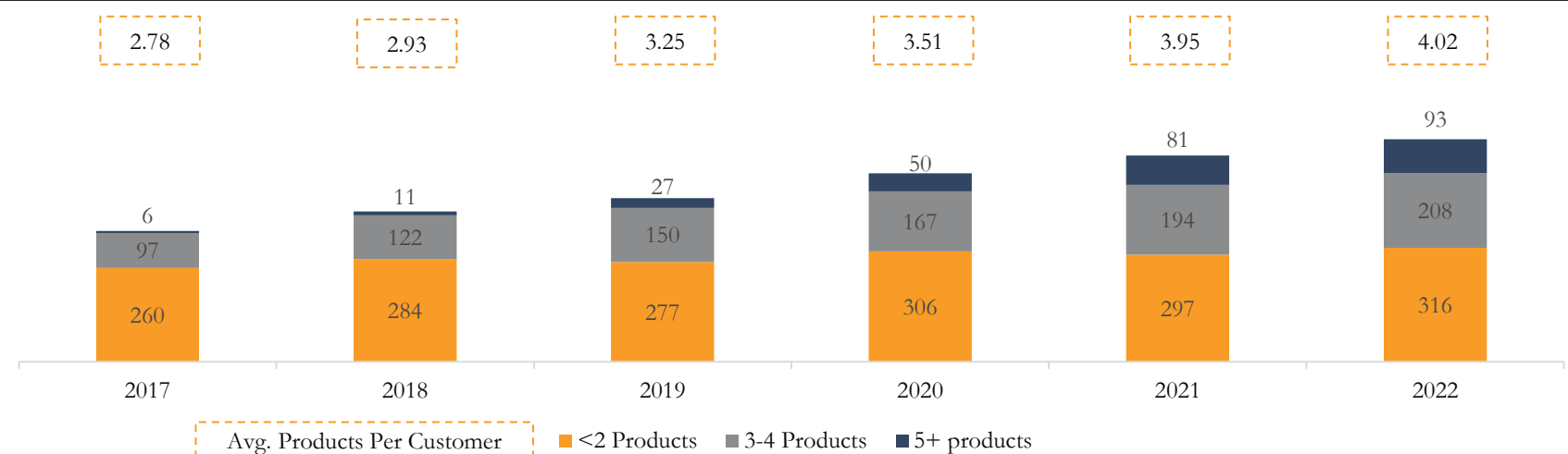


Veeva has enhanced their cross-selling motions across both segments, raising their Net Retention Rate to over 120%

Commercial Solutions – Customer Growth and Product Adoption



R&D Solutions – Customer Growth and Product Adoption

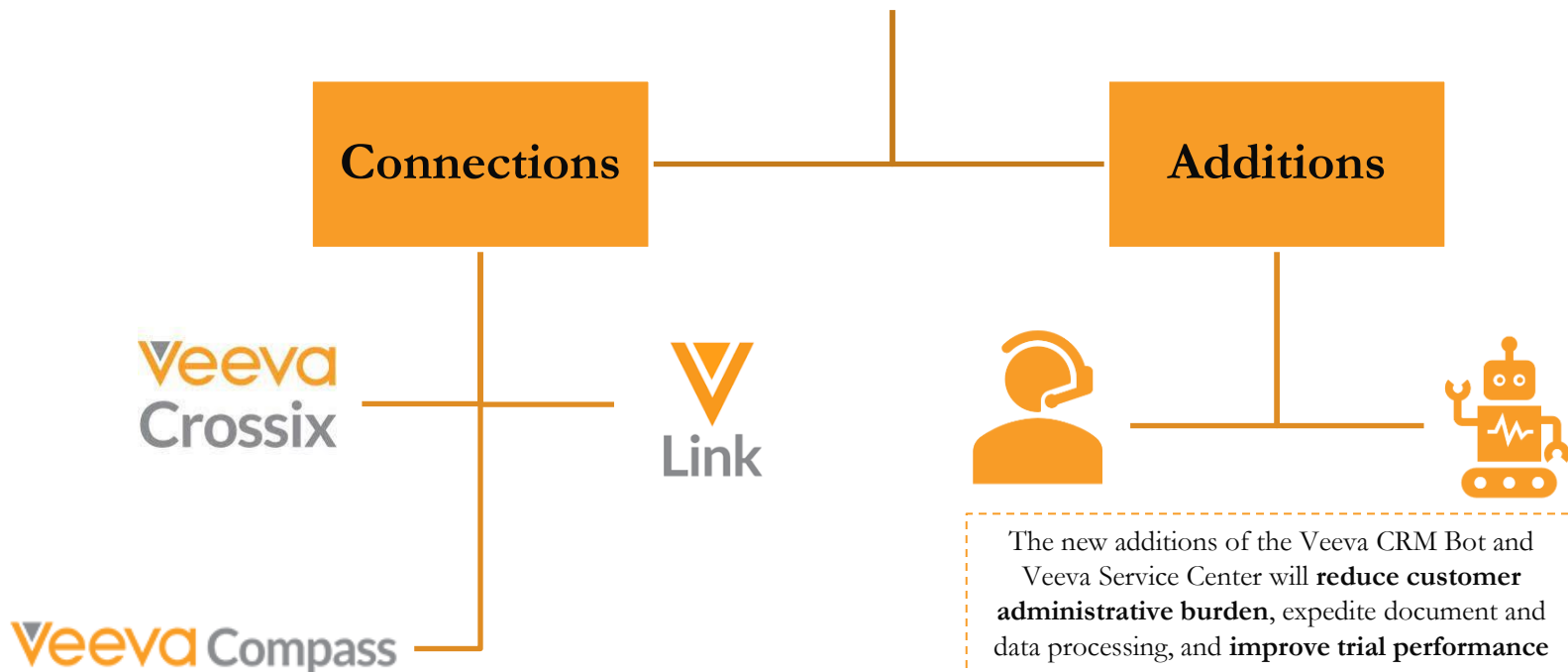


Improved Functionality and Cross-Selling



The Vault CRM allows for enhanced product integration and efficiency which will capture additional customer value

Veeva VAULT



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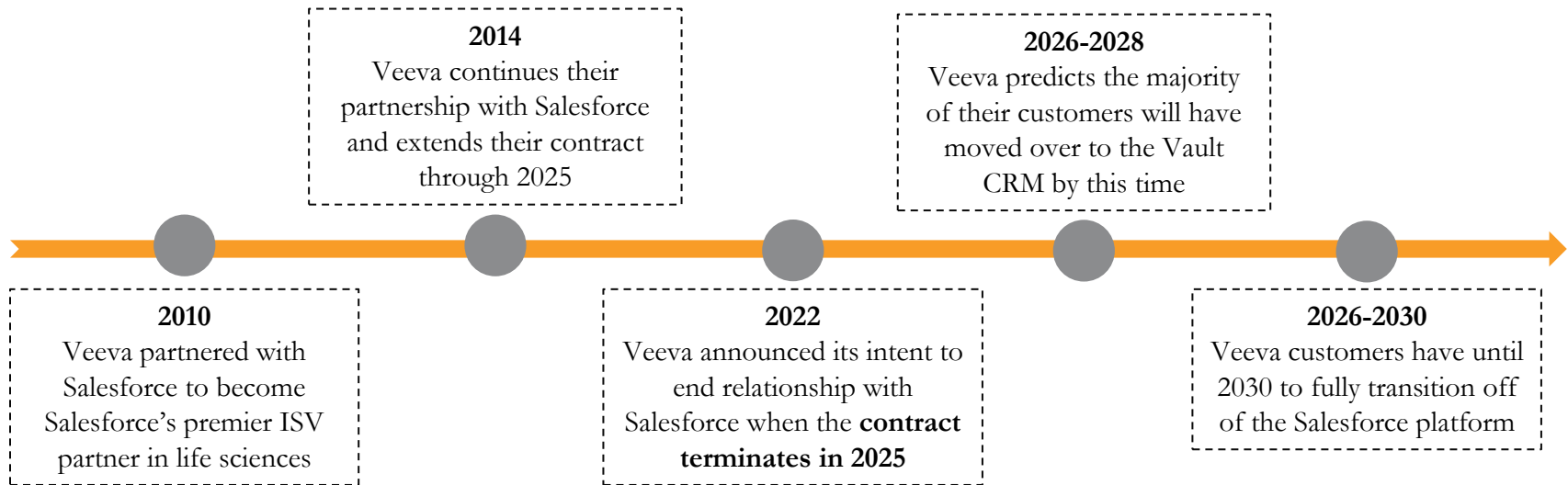
2

Divorce from Salesforce will allow for MedTech expansion driving TAM growth and margin expansion in future

Veeva and Salesforce



Veeva was built off of the Salesforce platform, but has recently made known their desire to not renew their contract in 2025



Risks	Our conversation with the Director of Investor Relations at Vevea, Gunnar Hansen, helped resolve many risk factors surrounding this divorce
Salesforce becoming a competitor	“Salesforce pharma CRM would be an incomplete product no different than Vevea 15 years ago” – Gunnar Hansen, Director of Investor Relations
No access to Salesforce applications	25% of 2023 revenue was allocated to R&D demonstrating a commitment to innovation of the Vevea Vault platform
Low migration to Vault	Vevea expects all customers to be transferred to the Vault by 2028. For large players to deviate systems and combine several platforms over Vevea's unified ecosystem would not be operationally or economically efficient

Post Contract Growth



Veeva's established moat, revenue buffer, and margin expansions post-contract with Salesforce puts it in prime positioning to dominate the market

	Reasoning
Meaningful Head Start	Veeva has a meaningful head start, entrenched with 20 of the top 20 biopharma . The integrated suite of solutions creates a seamless experience for clients
\$120mm Revenue Buffer	Veeva currently pays an \$80mm/yr license fee to Salesforce. Expected fees in 2030 are \$0. At an 85% subscription gross margin and 21% tax rate, Veeva would need to lose \$120mm in revenue to see FCF break-even on \$80mm in pick-up from Salesforce fees
Margin Expansion	12% of Veeva's revenue currently goes to their Salesforce agreement allowing an opportunity for margin expansion
Reference Selling	Reference selling is a significant component to win clients and grow product adoption. Veeva's entrenchment allows this dynamic to repeat with its Vault after the Salesforce termination as large cap clients are already integrated into Veeva's systems
Faster Pace, Better Solutions	Veeva generates \$580mm of revenue under the CRM umbrella. Its next closest competitor generates ~\$100mm in CRM-related revenue . Thus, Veeva come out of the contract in a position to develop its Vault at a faster pace and explore related verticals

MedTech Expansion

The ending of the Salesforce agreement provides an unique opportunity to expand into the MedTech industry



Veeva launched a Veeva Vault CRM for MedTech in Q3 2023, built for MedTech sales teams, account managers, and medical professionals



Platform will provide **industry specific capabilities** in a connected ecosystem including inventory and surgical case management, **stakeholder navigation**, and content traceability



Provides a unique opportunity to increase their **current \$13B+ TAM** by infiltrating the lucrative **\$2B MedTech market**

1

Proven Success

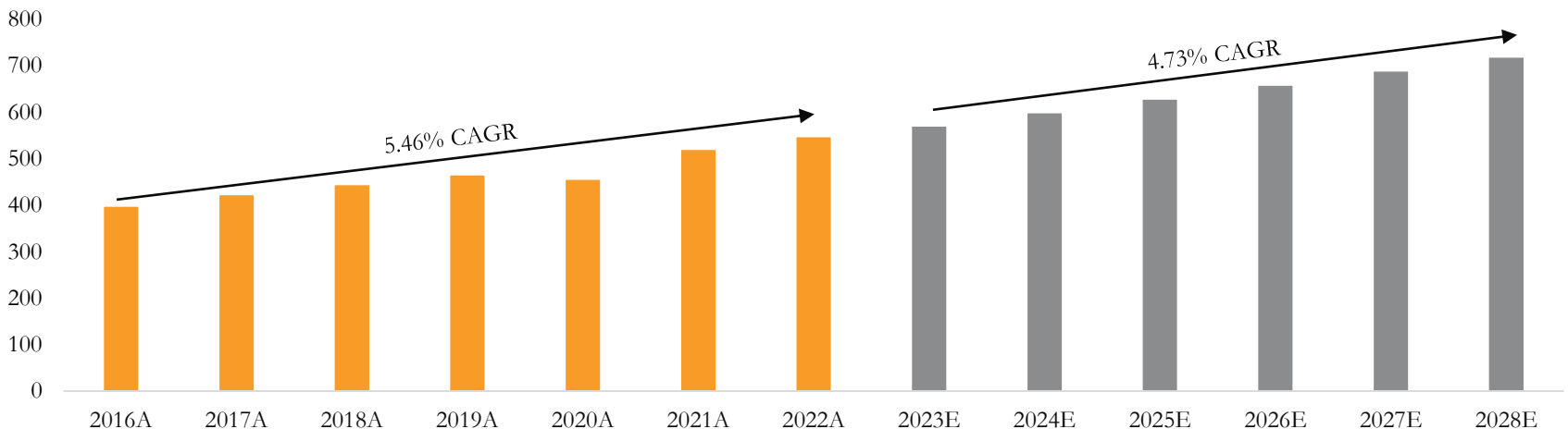
- Veeva has established itself as the leader for life sciences CRM commanding a **80% market share without MedTech exposure**
- Hold an abundance of experience within life sciences CRM, releasing 45 products over the course of 15 years

2

Unprecedented Opportunity


- For the first time ever, the MedTech industry will have a single application to **unify all its commercial functions**
- Veeva has all the **CRM infrastructure and MedTech relationships** to ensure a seamless transition

MedTech Revenue and Outlook (\$mm)



Added Market Penetration

An emerging market previously restricted to Veeva

Segment	TAM	Product Type	Product Composition	TAM	
Development Cloud	\$7bn	Clinical	Platform, Operations	\$4bn	
		Quality, Regulatory, Safety	Quality, RIM, Safety	\$3bn	
Commercial Cloud	\$6bn	Data & Analytics	Crossix, Link	\$3bn	
		Commercial Software	CRM	\$3bn	
<div style="border: 2px dashed black; padding: 5px;"> Contract termination enables deeper commercial market penetration </div>			MedTech	Security, Data, Medical	\$2bn

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3

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Can't Touch This



Veeva's deleveraged operating model and consistent cash flow cannot be replicated by competitors

Veeva's **integrated and mission-critical** business model has allowed them to grow without taking on **debt or VC funding**



Their **high customer retention** causes abundant recurring revenue which creates **consistent cash flow**



Because of their miniscule debt, they are able to **reinvest their cash** back into the business and to shareholders

1.4% D/E

4.3x Quick Ratio

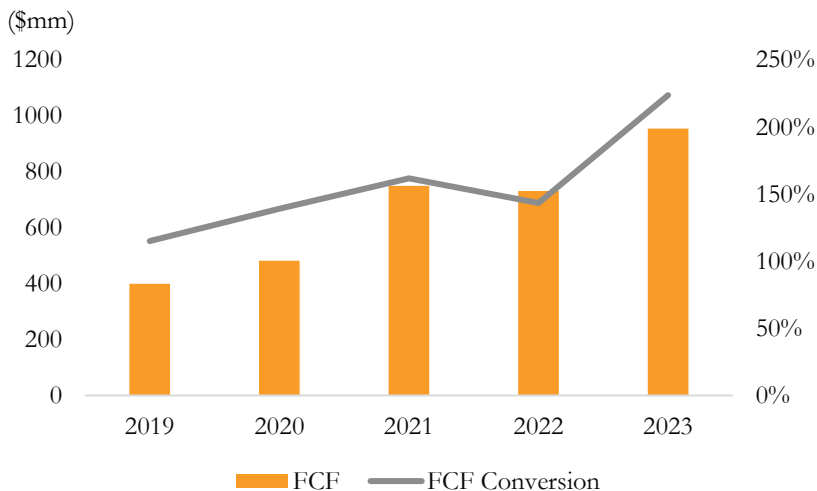
119% NRR

224% FCF Conversion

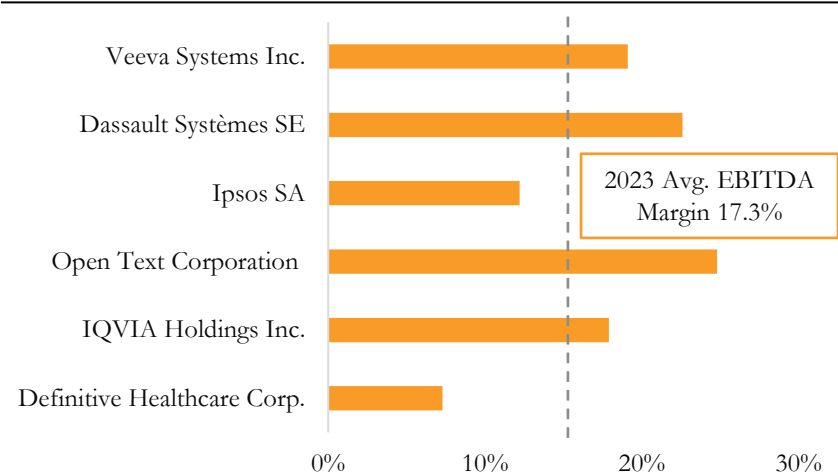
14.5% ROIC

25% R&D/Rev

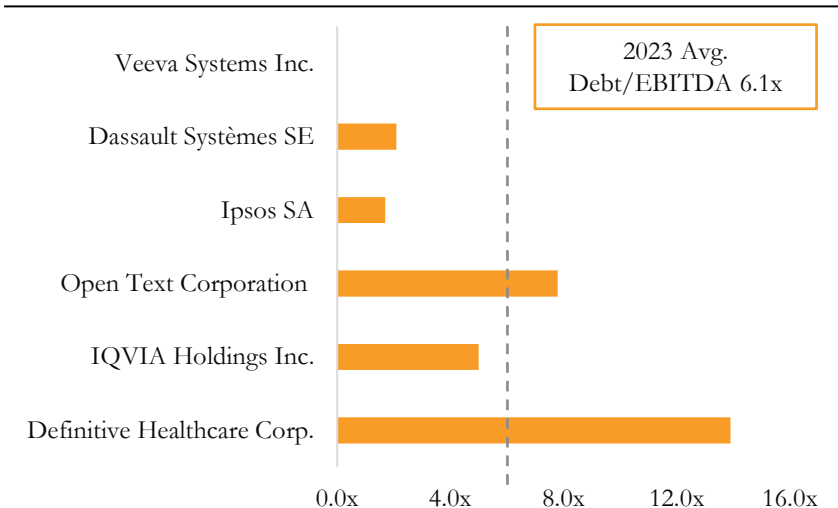
Sustained Cash Flow and Efficiency



Superior Margins with...



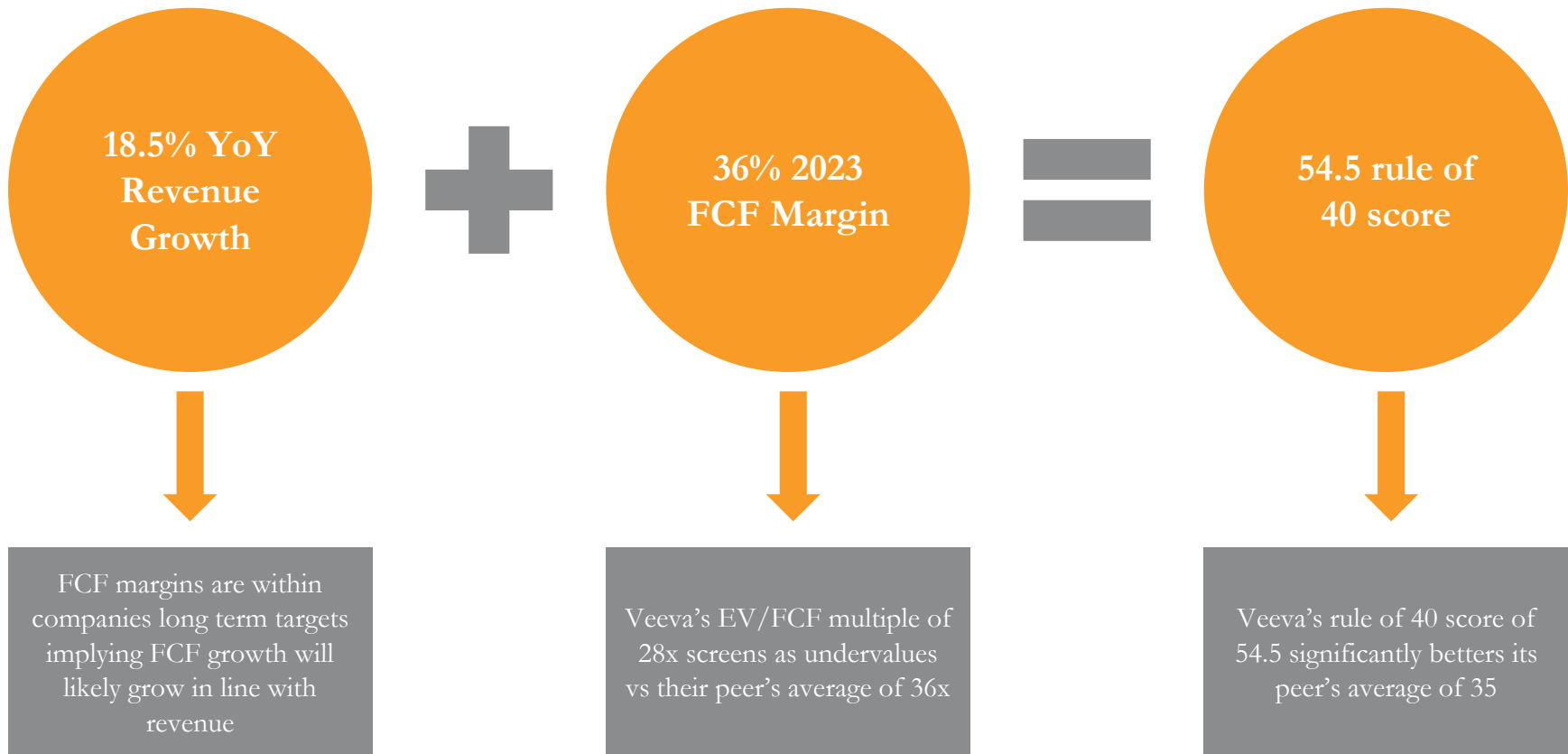
A Fraction of the Debt



Rule of 40

Veeva's strong FCF margins illustrate Veeva's strong health as a business

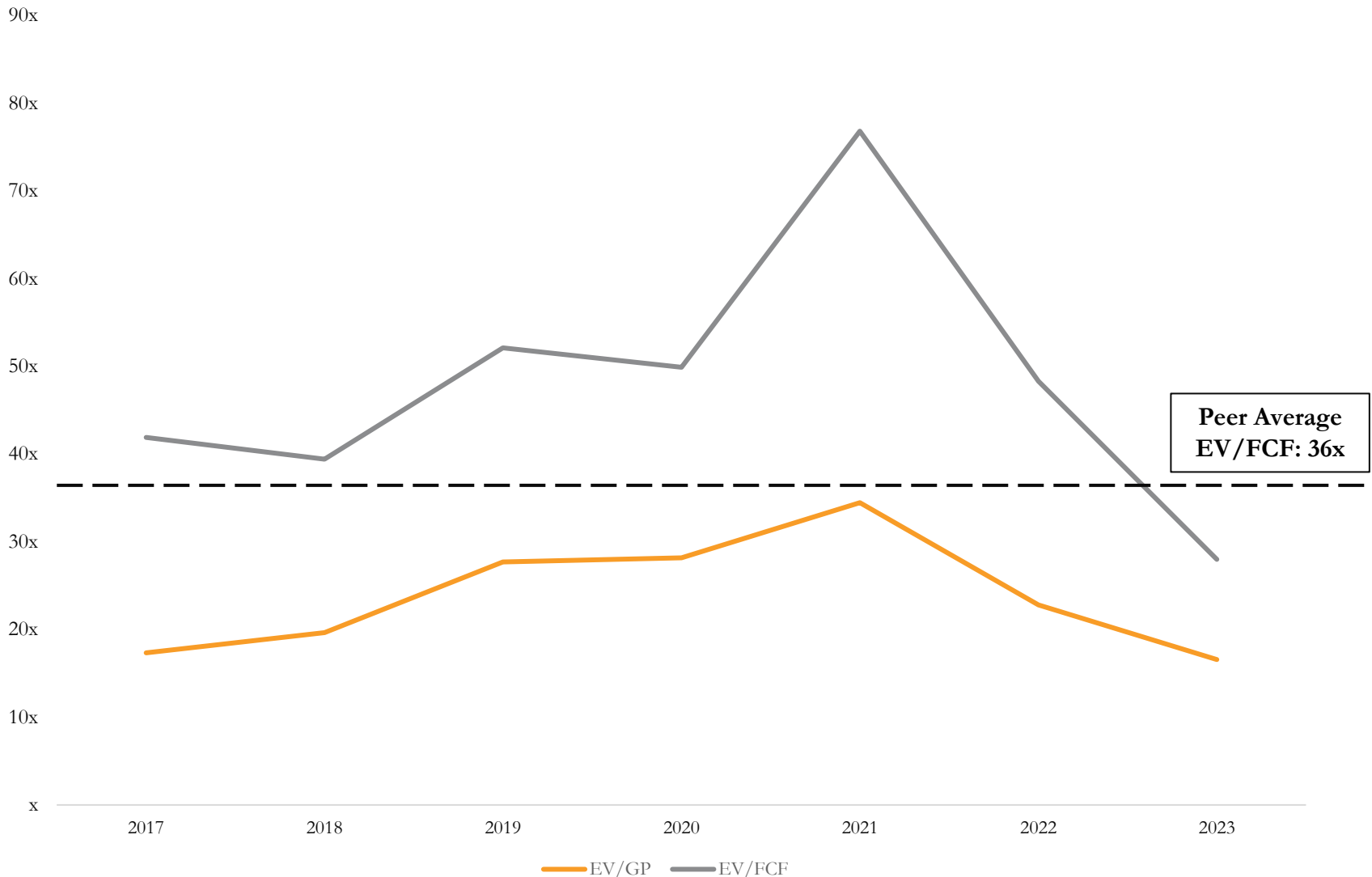
- The “Rule of 40” ties the trade-off between growth and profit margins to prevent the single-minded focus on growth in lieu of cost efficiency, which is frequent in the SaaS industry
- This rule states that a SaaS company is healthy if the sum of its revenue growth and profitability margin (EBITDA, EBIT, or free cash flow) is higher than 40%



All Time Low



Veeva is currently at a six year low EV/Gross Profit and EV/FCF ratio and now is the time to capitalize



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Appendix

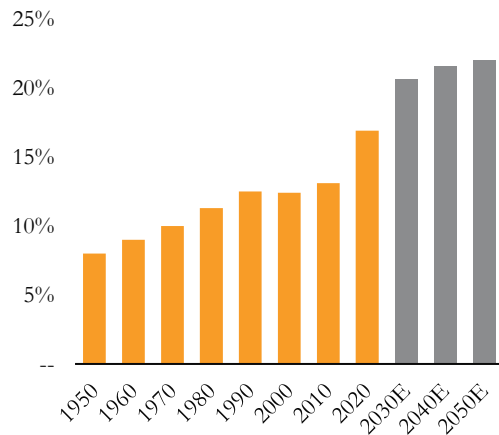
Life Sciences Industry Overview

Demand for the life sciences has been driven by an aging population and digital transformation tools that have boosted efficiency and reduced costs

Industry Snapshot

- The Life Sciences Industry comprises of companies that are researching, developing and manufacturing products that improve the lives of organisms
- The industry includes pharmaceutical, biotechnology, and medical device firms, as well as contract research organizations
- Registered clinical studies reached **435,000** in 2023, which have grown at a **26.78% CAGR**
- **87%** of companies state that they are prioritizing investments in **digital innovation**

Aging Population



An older population will **increase demand** for the life sciences as seniors account for **33% of U.S medical spending**

Fundamental Drivers



SaaS Industry Overview

The SaaS industry has flourished due to the transition to vertical approaches, increased demand and utilization of AI, and integration of products

Industry Characteristics

- The **Software as a Service (SaaS)** industry provides software applications and services via the internet to **streamline processes**, and boost **data analytic capabilities**
- Competitive factors include ability to **innovate and customize**, level of **customer satisfaction**, and domain expertise
- Major players either choose a **horizontal model** (target customer across industries for specific need) or **vertical model** (target a specific industry)

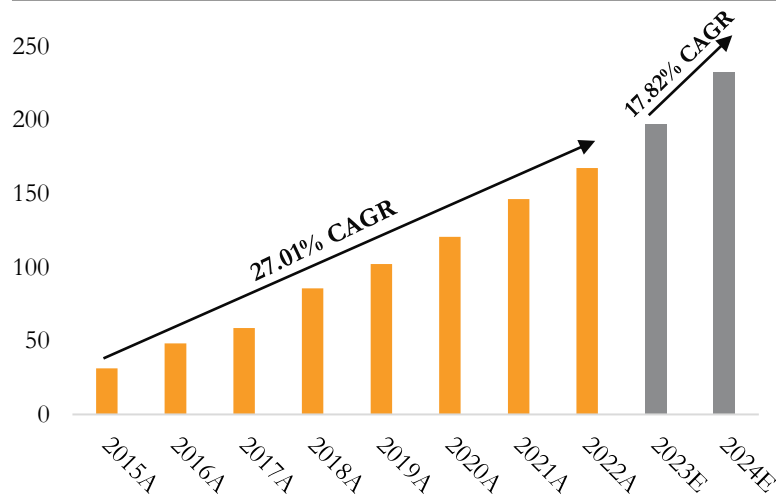
Major Players



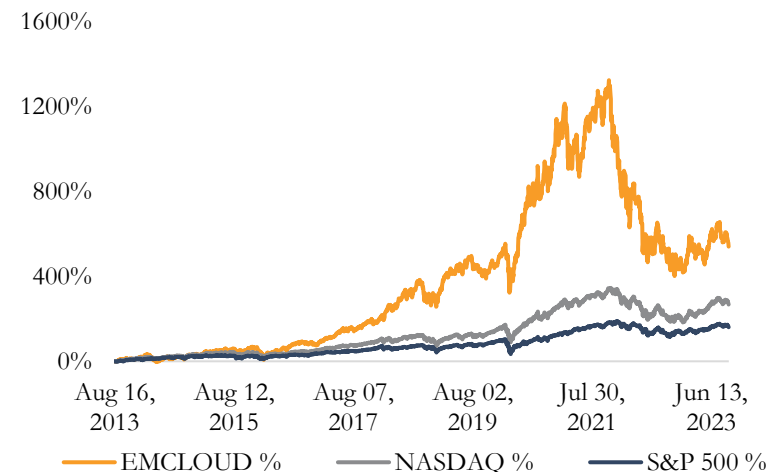
Key Trends

- Micro-SaaS**: Narrower market targeting and vertical approaches to cater their products to specific needs of industry
- AI**: AI and machine learning allows for better automation, personalization, cost-savings and scalability
- Integration**: “SaaS Unbundling” allows customers to mix and max products to reinforce their existing tech stacks

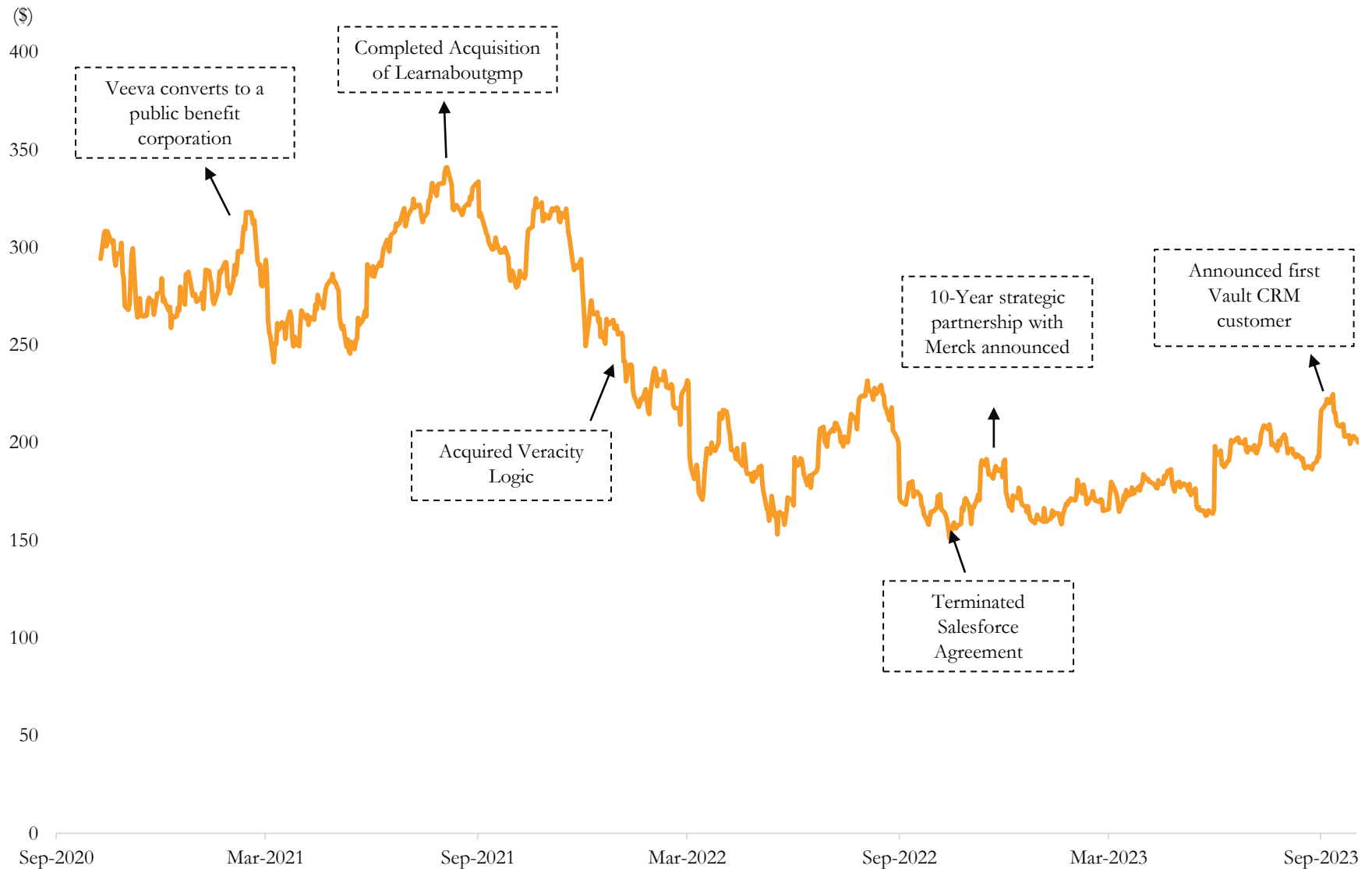
Market Size (\$bn)



EMCloud vs Other Indices Growth



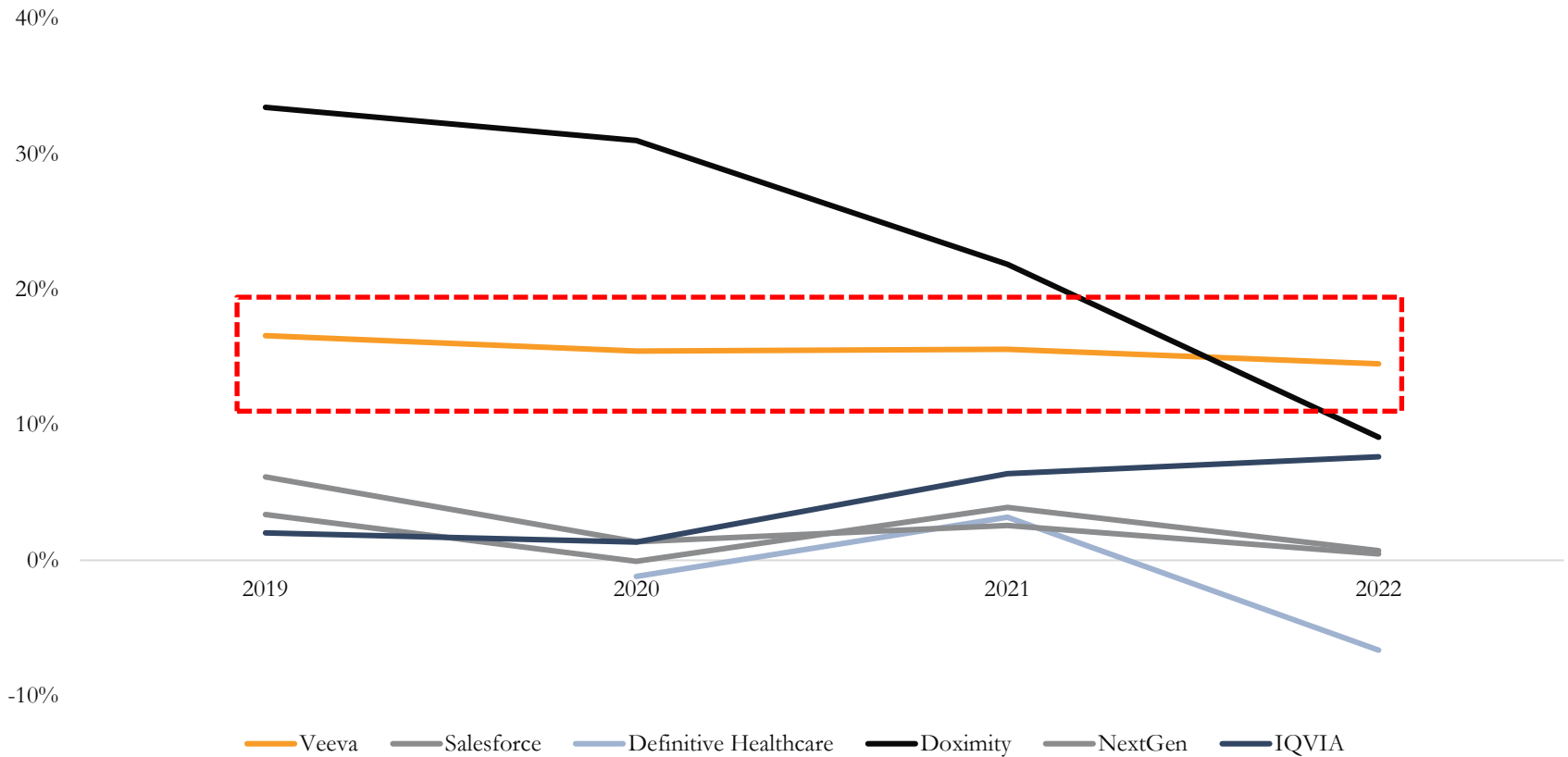
Annotated Stock Chart



Consistent ROIC



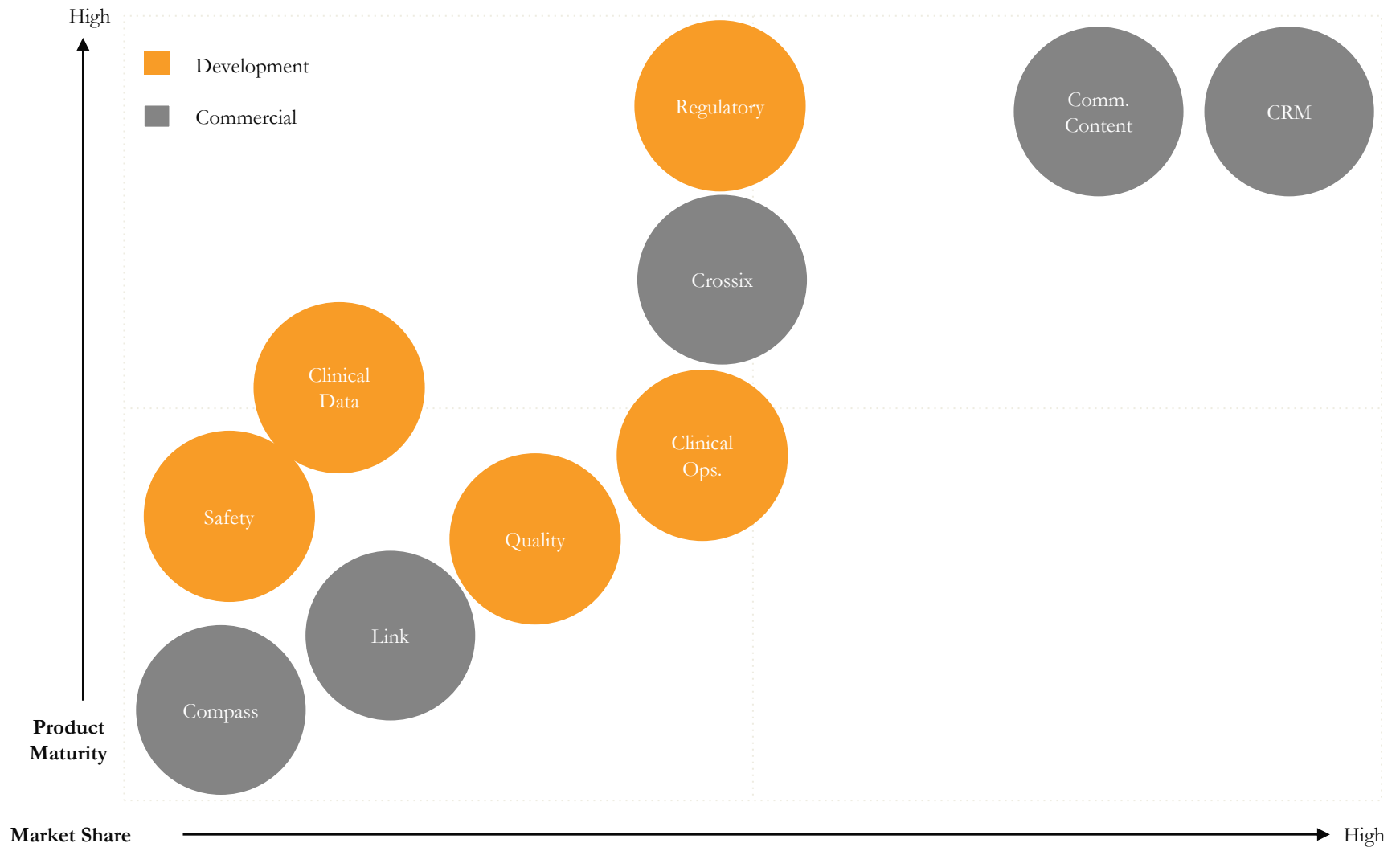
Veeva's capacity to generate returns on its capital emphasizes its superior business model and high quality of operations



Veeva's ability to generate a consistent and high ROIC relative to its peers represents commitment to reinvestment and long-term growth in earnings

Long Runway Ahead in Life Sciences

Veeva's product quadrant displays its established, essential presence in product suite maturity and market share in its industry



Rule of 40 vs. Comps and High Growth SaaS



	YoY Revenue Growth	FCF Margin	Rule of 40 Score
DH	23%	10%	33.0
CRM	18%	20%	38.4
DOCS	22%	30%	51.6
NXGN	10%	8%	17.3
IQV	4%	11%	14.9
GWRE	11%	3%	14.4
CCCS	10%	18%	28.6
APPF	29%	4%	32.0
TOST	60%	-5%	55.0
VEEV	19%	36%	54.5

Revenue Build



x \$ in millions

	Historical Years			Forecasted Years					
	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E
Total Revenue:									
Subscription Revenue	1,179,486	1,483,976	1,733,002	1,888,972	2,304,546	2,765,455	3,290,892	3,883,252	4,543,405
Professional Revenue	285,583	366,801	422,058	485,639	534,203	651,728	782,073	930,667	1,098,187
Total Revenue	1,465,069	1,850,777	2,155,060	2,374,611	2,838,749	3,417,183	4,072,965	4,813,920	5,641,593
% Growth		26.3%	16.4%	10.2%	19.5%	20.4%	19.2%	15.2%	17.2%
(-) Subscription Services COGS	(184,589)	(224,911)	(257,635)	(285,235)	(342,225)	(355,361)	(406,425)	(467,932)	(533,850)
(-) Professional Service COGS	(224,339)	(278,767)	(351,770)	(378,799)	(400,652)	(475,761)	(555,272)	(642,160)	(735,786)
Total Cost of Goods Sold	(408,928)	(503,678)	(609,405)	(664,033)	(742,877)	(831,122)	(961,697)	(1,110,092)	(1,269,636)
Gross Profit	1,056,141	1,347,099	1,545,655	1,710,578	2,095,872	2,586,061	3,111,268	3,703,827	4,371,957
% Margin	72.1%	72.8%	71.7%	72.0%	73.8%	75.7%	76.4%	76.9%	77.5%
(-) R&D	(294,220)	(382,035)	(520,278)	(474,922)	(539,362)	(632,179)	(733,134)	(842,436)	(959,071)
(-) S&M	(235,014)	(288,061)	(348,691)	(368,065)	(431,490)	(509,160)	(594,653)	(688,391)	(789,823)
(-) G&A	(149,113)	(171,507)	(217,595)	(237,461)	(276,778)	(324,632)	(376,749)	(433,253)	(493,639)
Total Operating Expenses	(1,087,275)	(1,345,281)	(1,695,969)	(1,744,482)	(1,990,508)	(2,297,094)	(2,666,233)	(3,074,172)	(3,512,169)
Operating Income (EBIT)	377,794	505,496	459,091	630,130	848,241	1,120,089	1,406,732	1,739,748	2,129,424
% Margin	25.8%	27.3%	21.3%	26.5%	29.9%	32.5%	34.3%	36.1%	37.7%
(+) Other Income, Net	16,199	6,815	50,005	24,340	24,340	24,340	24,340	24,340	24,340
Earnings Before Tax (EBT)	393,993	512,311	509,096	654,469	872,581	1,144,429	1,431,072	1,764,088	2,153,764
(-) Taxes	(13,995)	(84,921)	(21,390)	(137,439)	(183,242)	(240,330)	(300,525)	(370,458)	(452,290)
% Effective Tax Rate	3.6%	16.6%	4.2%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Net Income	379,998	427,390	487,706	517,031	689,339	904,099	1,130,547	1,393,629	1,701,473

DCF Base Case



x \$ in thousands

	For Fiscal Year Ending January 31,									
	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E	
Revenue	\$1,465,069	\$1,850,777	\$2,155,060	\$2,374,611	\$2,838,749	\$3,417,183	\$4,072,965	\$4,813,920	\$5,641,593	
% Growth		26.3%	16.4%	10.2%	19.5%	20.4%	19.2%	15.2%	17.2%	
(-) Operating Expenses	(1,087,275)	(1,345,281)	(1,695,969)	(1,744,482)	(1,990,508)	(2,297,094)	(2,666,233)	(3,074,172)	(3,512,169)	
(+) Depreciation & Amortization	29,500	27,400	29,100	33,719	40,310	48,524	57,836	68,358	80,111	
(+) SBC	185,000	234,600	382,300	361,178	431,774	519,754	619,498	732,197	858,086	
Adj. EBITDA	592,294	767,496	870,491	1,025,028	1,320,325	1,688,367	2,084,066	2,540,303	3,067,621	
% Margin	40.4%	41.5%	40.4%	35.1%	35.1%	40.3%	40.3%	40.3%	40.3%	
(-) Depreciation & Amortization	(29,500)	(27,400)	(29,100)	(33,719)	(40,310)	(48,524)	(57,836)	(68,358)	(80,111)	
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% Margin	25.8%	27.3%	21.3%	26.5%	29.9%	32.5%	34.5%	36.1%	37.7%	
(-) Taxes	(13,995)	(84,921)	(21,390)	(137,439)	(183,242)	(240,330)	(300,525)	(370,458)	(452,290)	
NOPAT	363,799	420,575	437,701	492,691	664,999	879,759	1,106,207	1,369,290	1,677,134	
(+) Depreciation & Amortization	29,500	27,400	29,100	33,719	40,310	48,524	57,836	68,358	80,111	
(+) SBC	185,000	234,600	382,300	361,178	431,774	519,754	619,498	732,197	858,086	
(-) Capital Expenditures	(8,700)	(14,200)	(13,500)	(14,485)	(15,897)	(17,428)	(18,736)	(19,737)	(20,310)	
(-) Change in Net Working Capital		27,400	29,300	43,708	16,343	19,945	24,500	27,983	31,211	
UFCF (excl. SBC)	569,599	695,775	864,901	916,812	1,137,529	1,450,554	1,789,305	2,178,090	2,626,232	
(-) Stub-Year				(285,230.3)						
FCF For Discounting	569,599	695,775	864,901	631,581	1,137,529	1,450,554	1,789,305	2,178,090	2,626,232	
Discount Period				0.16	0.85	1.85	2.85	3.85	4.85	
Discount Factor				0.98	0.91	0.82	0.74	0.66	0.60	
PV of UFCF				621,194	1,038,859	1,190,771	1,320,320	1,444,678	1,565,772	

Weighted Average Cost of Capital:	
Market Risk Premium	5.45%
Adjusted Beta	1.20
Risk Free Rate	4.8%
Cost of Equity	11.3%
Pre-Tax Cost of Debt	4.7%
Spread	1.40%
Tax Rate	20.0%
Cost of Debt	4.9%
Total Equity	\$4,152,600.0
Total Debt	\$58,500.0
Equity / Total Capitalization	98.6%
Debt / Total Capitalization	1.4%
WACC	11.2%

Exit Multiple Method:

Terminal Value:	
2029 Adjusted EBITDA	3,067,621
Exit Multiple	15.5x
Terminal Value	\$47,548,121
Period	3.9
PV of Terminal Value	\$31,537,583
Implied PGR	4.06%

Value Distribution:	
PV of Period Cash Flows	5,615,821
PV of Terminal Cash Flows	\$31,537,583
Total	\$37,153,404
Period Cash Flows	15.1%
Terminal Cash Flows	84.9%
Total	100.0%

Implied Share Price:	
Enterprise Value	\$37,153,404
(-) Total Debt	(58,500)
(+) Cash	3,868,700
Equity Value	40,963,604
Shares Outstanding (mm)	160,700
Share Price	\$254.91
Upside/Downside	19.6%

Comparable Companies



Ticker	Company	Market Cap	EV	EV/Revenue		EV/EBITDA		Price/Earnings	
				LTM	NTM	LTM	NTM	LTM	NTM
DH	Definitive Healthcare Corp	855,400.0	1,219,300.0	5.1x	4.6x	62.2x	16.8x	NM	33.8x
CRM	Salesforce	196,419,500.0	197,923,500.0	6.0x	5.4x	22.2x	15.3x	126.5x	23.1x
DOCS	Doximity	4,135,700.00	3,278,100.0	7.5x	6.9x	23.0x	15.8x	37.9x	26.2x
NXGN	NextGen Healthcare Inc.	1,595,000.0	1,650,900.0	2.4x	2.3x	28.3x	12.3x	NM	20.4x
IQV	IQVIA	35,970,700.0	48,497,700.0	3.3x	3.1x	17.4x	12.9x	33.8x	18.4x
VEEV	Veeva Systems	\$32,208,200.0	\$28,389,000.0	12.7x	10.9x	64.0x	29.0x	60.4x	38.4x

75th Percentile	35,030,075.0	43,470,525.0	7.1	6.6	53.8	16.5	76.9	31.9
Mean	45,197,416.7	46,826,416.7	6.2	5.5	36.2	17.0	64.6	26.7
Median	18,171,950.0	15,833,550.0	5.6	5.0	25.7	15.5	49.2	24.7
25th Percentile	2,230,175.0	2,057,700.0	3.8	3.5	22.4	13.5	36.9	21.1