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, 2023

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 incorporation or organization)	*(IRS Employer Identification No.)*

4280 Hacienda Drive
Pleasanton, California, 94588
(Address of principal executive offices)
(Registrant's telephone number, including area code) **(925) 452-6500**

(Former name, former address and former fiscal year, if changed since last report) **N/A**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A Common Stock, par value $0.00001 per share	VEEV	The New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 30, 2023, there were 161,015,649 shares of the Registrant's Class A common stock outstanding. We refer to our Class A common stock as our “common stock.”

VEEVA SYSTEMS INC.
FORM 10-Q

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report on Form 10-Q 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, 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 “aim,” “anticipates,” “believes,” “could,” “estimates,” “expects,” “goal,” “intends,” “may,” “plans,” “potential,” “predicts,” “projects,” “seeks,” “should,” “strive,” “will,” “would,” or similar expressions and the negatives of those terms.

Forward-looking statements are based on our current views and expectations and involve known and unknown risks, uncertainties and other factors—including those described in “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and elsewhere in this report—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. Given these uncertainties, you should not place undue reliance on these forward-looking statements.

Any forward-looking statements in this report are made only as of the date of this report. 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,” “the Company,” “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)
(Unaudited)

	October 31, 2023	January 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 743,712	$ 886,465
Short-term investments	3,198,570	2,216,163
Accounts receivable, net of allowance for doubtful accounts of $554 and $469, respectively	255,504	703,055
Unbilled accounts receivable	44,837	82,174
Prepaid expenses and other current assets	93,135	81,456
Total current assets	4,335,758	3,969,313
Property and equipment, net	57,597	49,817
Deferred costs, net	19,733	31,825
Lease right-of-use assets	48,139	55,336
Goodwill	439,877	439,877
Intangible assets, net	67,919	82,476
Deferred income taxes	218,348	136,697
Other long-term assets	38,401	38,955
Total assets	$ 5,225,772	$ 4,804,296
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 36,236	$ 41,678
Accrued compensation and benefits	38,430	44,282
Accrued expenses and other current liabilities	32,921	35,306
Income tax payable	6,560	4,946
Deferred revenue	644,463	869,285
Lease liabilities	9,640	11,306
Total current liabilities	768,250	1,006,803
Deferred income taxes	1,145	1,492
Lease liabilities, noncurrent	48,026	49,670
Other long-term liabilities	28,578	30,079
Total liabilities	845,999	1,088,044
Commitments and contingencies (note 13)		
Stockholders' equity:		
Class A common stock, $0.00001 par value; 810,000,000 and 800,000,000 shares authorized at October 31, 2023 and January 31, 2023, respectively, 160,965,687 and 143,693,009 issued and outstanding at October 31, 2023 and January 31, 2023, respectively(1)	2	2
Class B common stock, $0.00001 par value; 0 and 190,000,000 shares authorized at October 31, 2023 and January 31, 2023, respectively, 0 and 14,551,598 issued and outstanding at October 31, 2023 and January 31, 2023, respectively(1)	—	—
Additional paid-in capital	1,824,250	1,532,627
Accumulated other comprehensive loss	(37,538)	(31,129)
Retained earnings	2,593,059	2,214,752
Total stockholders' equity	4,379,773	3,716,252
Total liabilities and stockholders' equity	$ 5,225,772	$ 4,804,296

(1) Class B common stock was converted to Class A common stock on October 15, 2023. We refer to our Class A common stock as common stock. See note 11 Stockholders' Equity.

See Notes to Condensed Consolidated Financial Statements.

VEEVA SYSTEMS INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands, except per share data)
(Unaudited)

	Three months ended October 31,		Nine months ended October 31,	
	2023	2022	2023	2022
Revenues:				
Subscription services	$ 494,912	$ 441,569	$ 1,380,095	$ 1,272,850
Professional services and other	121,593	110,782	352,960	318,821
Total revenues	616,505	552,351	1,733,055	1,591,671
Cost of revenues(1):				
Cost of subscription services	74,435	65,734	213,179	188,722
Cost of professional services and other	93,247	88,173	290,184	256,369
Total cost of revenues	167,682	153,907	503,363	445,091
Gross profit	448,823	398,444	1,229,692	1,146,580
Operating expenses(1):				
Research and development	161,278	130,257	465,466	377,740
Sales and marketing	96,773	93,910	282,269	259,642
General and administrative	62,283	52,873	187,887	159,030
Total operating expenses	320,334	277,040	935,622	796,412
Operating income	128,489	121,404	294,070	350,168
Other income, net	42,187	12,458	111,260	23,565
Income before income taxes	170,676	133,862	405,330	373,733
Income tax provision	35,518	25,405	27,023	74,560
Net income	$ 135,158	$ 108,457	$ 378,307	$ 299,173
Net income per share:				
Basic	$ 0.84	$ 0.70	$ 2.36	$ 1.93
Diluted	$ 0.83	$ 0.67	$ 2.32	$ 1.84
Weighted-average shares used to compute net income per share:				
Basic	160,768	155,392	160,344	154,958
Diluted	163,761	162,295	163,129	162,189
Other comprehensive income:				
Net change in unrealized loss on available-for-sale investments	$ (2,637)	$ (17,499)	$ (6,100)	$ (30,722)
Net change in cumulative foreign currency translation loss	(518)	(808)	(309)	(2,962)
Comprehensive income	$ 132,003	$ 90,150	$ 371,898	$ 265,489

(1) Includes stock-based compensation as follows:				
Cost of revenues:				
Cost of subscription services	$ 1,604	$ 1,636	$ 4,857	$ 4,606
Cost of professional services and other	12,943	13,227	39,881	37,035
Research and development	45,711	37,415	129,909	102,139
Sales and marketing	23,460	23,576	67,084	64,500
General and administrative	17,508	17,333	53,109	48,083
Total stock-based compensation	$ 101,226	$ 93,187	$ 294,840	$ 256,363

See Notes to Condensed Consolidated Financial Statements.

VEEVA SYSTEMS INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share data)
(Unaudited)

	Three months ended October 31, 2023						Three months ended October 31, 2022					
	Class A & B common stock[1]		Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total stockholders' equity	Class A & B common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total stockholders' equity
	Shares	Amount					Shares	Amount				
Balances at beginning of period	160,622,618	$ 2	$1,729,123	$2,457,901	$ (34,383)	$ 4,152,643	155,224,674	$ 2	$1,353,502	$1,917,762	$ (27,335)	$ 3,243,931
Issuance of common stock upon exercise of stock options	149,008	—	13,956	—	—	13,956	233,435	—	4,575	—	—	4,575
Issuance of common stock upon vesting of restricted stock units	297,002	—	—	—	—	—	263,447	—	—	—	—	—
Shares withheld related to net share settlement	(102,941)	—	(21,003)	—	—	(21,003)	(89,532)	—	(15,481)	—	—	(15,481)
Stock-based compensation expense	—	—	102,174	—	—	102,174	—	—	95,617	—	—	95,617
Change in other comprehensive loss	—	—	—	—	(3,155)	(3,155)	—	—	—	—	(18,307)	(18,307)
Net income	—	—	—	135,158	—	135,158	—	—	—	108,457	—	108,457
Balances at end of period	160,965,687	$ 2	$1,824,250	$2,593,059	$ (37,538)	$ 4,379,773	155,632,024	$ 2	$1,438,213	$2,026,219	$ (45,642)	$ 3,418,792

(1) Class B common stock was converted to Class A common stock on October 15, 2023. We refer to our Class A common stock as common stock. See note 11 Stockholders' Equity.

	Nine months ended October 31, 2023						Nine months ended October 31, 2022					
	Class A & B common stock[1]		Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total stockholders' equity	Class A & B common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total stockholders' equity
	Shares	Amount					Shares	Amount				
Balances at beginning of period	158,244,607	$ 2	$1,532,627	$2,214,752	$ (31,129)	$ 3,716,252	154,196,597	$ 2	$1,196,547	$1,727,046	$ (11,958)	$ 2,911,637
Issuance of common stock upon exercise of stock options	2,170,451	—	52,184	—	—	52,184	978,792	—	30,116	—	—	30,116
Issuance of common stock upon vesting of restricted stock units	852,037	—	—	—	—	—	702,297	—	—	—	—	—
Shares withheld related to net share settlement	(301,408)	—	(58,579)	—	—	(58,579)	(245,662)	—	(48,152)	—	—	(48,152)
Stock-based compensation expense	—	—	298,018	—	—	298,018	—	—	259,702	—	—	259,702
Change in other comprehensive loss	—	—	—	—	(6,409)	(6,409)	—	—	—	—	(33,684)	(33,684)
Net income	—	—	—	378,307	—	378,307	—	—	—	299,173	—	299,173
Balances at end of period	160,965,687	$ 2	$1,824,250	$2,593,059	$ (37,538)	$ 4,379,773	155,632,024	$ 2	$1,438,213	$2,026,219	$ (45,642)	$ 3,418,792

(1) Class B common stock was converted to Class A common stock on October 15, 2023. We refer to our Class A common stock as common stock. See note 11 Stockholders' Equity.

See Notes to Condensed Consolidated Financial Statements.

VEEVA SYSTEMS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three months ended October 31,		Nine months ended October 31,	
	2023	2022	2023	2022
Cash flows from operating activities				
Net income	$ 135,158	$ 108,457	$ 378,307	$ 299,173
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	8,364	7,157	24,000	21,443
Reduction of operating lease right-of-use assets	2,860	3,094	8,885	9,062
Accretion of discount on short-term investments	(8,515)	(1,565)	(19,298)	(1,016)
Stock-based compensation	101,226	93,187	294,840	256,363
Amortization of deferred costs	3,542	5,378	12,843	17,107
Deferred income taxes	(33,405)	(31,056)	(80,132)	(84,369)
Loss on foreign currency from mark-to-market derivative	1,388	7	841	1,193
Bad debt expense	134	1,089	630	1,210
Changes in operating assets and liabilities:				
Accounts receivable	123,428	69,272	446,921	387,066
Unbilled accounts receivable	(7,296)	(4,307)	37,337	(18,819)
Deferred costs	(812)	(5,376)	(751)	(11,876)
Prepaid expenses and other current and long-term assets	(16,051)	7,326	(6,806)	(3,750)
Accounts payable	(13,556)	10,002	(5,502)	20,663
Accrued expenses and other current liabilities	(8,443)	5,465	(9,572)	2,654
Income taxes payable	(17,583)	49,323	1,614	46,705
Deferred revenue	(192,037)	(174,544)	(228,120)	(222,013)
Operating lease liabilities	27	(2,624)	(4,263)	(7,736)
Other long-term liabilities	4,169	2,375	1,796	4,013
Net cash provided by operating activities	82,598	142,660	853,570	717,073
Cash flows from investing activities				
Purchases of short-term investments	(541,502)	(710,833)	(2,142,068)	(1,716,250)
Maturities and sales of short-term investments	474,088	310,713	1,170,881	757,434
Long-term assets	(5,910)	(5,609)	(18,461)	(9,605)
Net cash used in investing activities	(73,324)	(405,729)	(989,648)	(968,421)
Cash flows from financing activities				
Proceeds from exercise of common stock options	13,956	4,575	52,184	30,116
Taxes paid related to net share settlement of equity awards	(20,845)	(15,118)	(57,888)	(47,251)
Net cash used in financing activities	(6,889)	(10,543)	(5,704)	(17,135)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(1,282)	(1,475)	(973)	(4,398)
Net change in cash, cash equivalents, and restricted cash	1,103	(275,087)	(142,755)	(272,881)
Cash, cash equivalents, and restricted cash at beginning of period	745,792	1,143,431	889,650	1,141,225
Cash, cash equivalents, and restricted cash at end of period	$ 746,895	$ 868,344	$ 746,895	$ 868,344
Cash, cash equivalents, and restricted cash at end of period:				
Cash and cash equivalents	$ 743,712	$ 865,159	$ 743,712	$ 865,159
Restricted cash included in other long-term assets	3,183	3,185	3,183	3,185
Total cash, cash equivalents, and restricted cash at end of period	$ 746,895	$ 868,344	$ 746,895	$ 868,344
Supplemental disclosures of other cash flow information:				
Cash paid for income taxes, net of refunds	$ 93,590	$ 2,936	$ 100,856	$ 110,708
Excess tax benefits from employee stock plans	$ 3,275	$ 888	$ 68,575	$ 5,981
Non-cash investing activities:				
Changes in accounts payable and accrued expenses related to property and equipment purchases	$ 1,146	$ (17)	$ 100	$ (458)

See Notes to Condensed Consolidated Financial Statements.

VEEVA SYSTEMS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Summary of Business and Significant Accounting Policies

Description of Business

Veeva is the leading provider of industry cloud solutions for the global life sciences industry. Our offerings span cloud software, data, analytics, professional services, and business consulting and are designed to meet the unique needs of our customers and their most strategic business functions—from research and development (R&D) to commercialization. Our solutions help life sciences companies develop and bring products to market faster and more efficiently, market and sell more effectively, and maintain compliance with government regulations. Our Commercial Solutions help life sciences companies achieve better, more intelligent engagement with healthcare professionals and healthcare organizations across multiple communication channels, and plan and execute more effective media and marketing campaigns. Our R&D Solutions for the clinical, quality, regulatory, and safety functions help life sciences companies streamline their end-to-end product development processes to increase operational efficiency and maintain regulatory compliance throughout the product life cycle. We also bring the benefits of our content and data management solutions to a set of customers outside of life sciences in the consumer product and chemical industries. Our fiscal year end is January 31.

Principles of Consolidation and Basis of Presentation

These unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (GAAP) and applicable rules and regulations of the Securities and Exchange Commission (SEC) regarding interim financial reporting and include the accounts of our wholly-owned subsidiaries after elimination of intercompany accounts and transactions. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Therefore, these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in our Annual Report on Form 10-K for the fiscal year ended January 31, 2023, filed on March 30, 2023. There have been no changes to our significant accounting policies described in the annual report that have had a material impact on our condensed consolidated financial statements and related notes.

The unaudited condensed consolidated balance sheet as of January 31, 2023 included herein was derived from the audited financial statements as of that date. These unaudited condensed consolidated financial statements reflect all normal recurring adjustments necessary to present fairly our financial position, results of operations, comprehensive income, and cash flows for the interim periods but are not necessarily indicative of the results of operations to be anticipated for the full fiscal year ending January 31, 2024 or any other period.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires us to make estimates, judgments, and assumptions that affect the condensed consolidated financial statements and the notes thereto. These estimates are based on information available as of the date of the condensed consolidated financial statements. On a regular basis, management evaluates these estimates and assumptions. Items subject to such estimates and assumptions include, but are not limited to:

- the standalone selling price for each distinct performance obligation included in customer contracts with multiple performance obligations;
- the determination of the period of benefit for amortization of deferred costs;
- the realizability of deferred income tax assets;
- the fair value of our stock-based awards.

As future events cannot be determined with precision, actual results could differ significantly from those estimates.

Recently Adopted Accounting Pronouncements

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, which requires contract assets and contract liabilities acquired in a business combination to be recognized and measured in accordance with Topic 606, Revenue from Contracts with Customers, as if the acquirer had originated the contracts. Under the previous standard, such assets and liabilities were recognized by the acquirer at fair value on the acquisition date. The new standard is effective for this fiscal year beginning on February 1, 2023. We adopted the new standard as of February 1, 2023 and there was no material impact to our financial statements.

Note 2. Short-Term Investments

As of October 31, 2023, short-term investments consisted of the following (in thousands):

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Available-for-sale securities:				
Certificates of deposits	$ 111,560	$ 21	$ (98)	$ 111,483
Asset-backed securities	576,705	86	(6,289)	570,502
Commercial paper	193,975	1	(203)	193,773
Corporate notes and bonds	1,424,054	344	(19,026)	1,405,372
Foreign government bonds	32,371	—	(422)	31,949
Municipal securities	73,217	6	(803)	72,420
U.S. agency obligations	49,169	—	(256)	48,913
U.S. treasury securities	774,397	4	(10,243)	764,158
Total available-for-sale securities	$ 3,235,448	$ 462	$ (37,340)	$ 3,198,570

As of January 31, 2023, short-term investments consisted of the following (in thousands):

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Available-for-sale securities:				
Certificates of deposits	$ 37,998	$ 31	$ (66)	$ 37,963
Asset-backed securities	448,081	585	(5,708)	442,958
Commercial paper	155,097	8	(580)	154,525
Corporate notes and bonds	1,224,195	1,649	(17,880)	1,207,964
Foreign government bonds	24,654	13	(516)	24,151
U.S. agency obligations	32,995	4	(594)	32,405
U.S. treasury securities	321,946	265	(6,014)	316,197
Total available-for-sale securities	$ 2,244,966	$ 2,555	$ (31,358)	$ 2,216,163

The following table summarizes the estimated fair value of our short-term investments, designated as available-for-sale and classified by the contractual maturity date of the securities as of the dates shown (in thousands):

	October 31, 2023	January 31, 2023
Due in one year or less	$ 1,112,466	$ 849,673
Due in greater than one year	2,086,104	1,366,490
Total	$ 3,198,570	$ 2,216,163

We have not recorded an allowance for credit losses, as we believe any such losses would be immaterial based on the high credit quality of our investments. It is more likely than not we will hold the securities until maturity or a recovery of the cost basis.

The following table shows the fair values of available-for-sale securities which were in an unrealized loss position, aggregated by investment category, as of October 31, 2023 (in thousands):

	12 months or less		Greater than 12 months	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Certificates of deposits	$ 54,902	$ (98)	$ —	$ —
Asset-backed securities	404,973	(3,469)	135,578	(2,820)
Commercial paper	180,899	(203)	—	—
Corporate notes and bonds	923,724	(11,218)	363,115	(7,808)
Foreign government bonds	22,269	(158)	9,680	(264)
Municipal securities	56,692	(547)	14,214	(256)
U.S. agency obligations	43,946	(223)	4,967	(33)
U.S. treasury securities	542,832	(5,613)	218,152	(4,630)

The following table shows the fair values of available-for-sale securities which were in an unrealized loss position, aggregated by investment category, as of January 31, 2023 (in thousands):

	12 months or less		Greater than 12 months	
	Fair value	Gross unrealized losses	Fair Value	Gross unrealized losses
Certificates of deposits	$ 15,934	$ (66)	$ —	$ —
Asset-backed securities	293,854	(3,219)	78,279	(2,489)
Commercial paper	144,741	(580)	—	—
Corporate notes and bonds	604,264	(6,801)	370,969	(11,079)
Foreign government bonds	11,284	(126)	11,827	(390)
U.S. agency obligations	4,941	(61)	24,461	(533)
U.S. treasury securities	210,246	(3,661)	63,422	(2,353)

Note 3. Deferred Costs

Deferred costs, which consist of deferred sales commissions, were $20 million and $32 million as of October 31, 2023 and January 31, 2023, respectively. Amortization expense for the deferred costs included in sales and marketing expenses in the condensed consolidated statements of comprehensive income was $4 million and $13 million for the three and nine months ended October 31, 2023, respectively, and $5 million and $17 million for the three and nine months ended October 31, 2022, respectively. There have been no impairment losses recorded in relation to the costs capitalized for any period presented.

Note 4. Property and Equipment, Net

Property and equipment, net consists of the following as of the dates shown (in thousands):

	October 31, 2023	January 31, 2023
Land	$ 3,040	$ 3,040
Building	20,984	20,984
Land improvements and building improvements	22,392	22,392
Equipment and computers	2,218	2,233
Furniture and fixtures	14,006	13,995
Leasehold improvements	19,099	18,986
Construction in progress	10,988	302
	92,727	81,932
Less accumulated depreciation	(35,130)	(32,115)
Total property and equipment, net	$ 57,597	$ 49,817

Total depreciation expense was $1 million and $4 million for the three and nine months ended October 31, 2023, respectively, and $1 million and $5 million for the three and nine months ended October 31, 2022, respectively. Land is not depreciated.

Note 5. Goodwill and Intangible Assets

Goodwill was $440 million as of both October 31, 2023 and January 31, 2023.

The following schedule presents the details of intangible assets as of October 31, 2023 (dollar amounts in thousands):

	October 31, 2023			
	Gross carrying amount	Accumulated amortization	Net	Remaining useful life (in years)
Existing technology	$ 28,580	$ (19,581)	$ 8,999	2.2
Customer relationships	113,157	(58,869)	54,288	5.5
Trade name/trademarks	13,900	(11,260)	2,640	1.0
Other intangibles	21,405	(19,413)	1,992	2.4
Total intangible assets	$ 177,042	$ (109,123)	$ 67,919	

The following schedule presents the details of intangible assets as of January 31, 2023 (dollar amounts in thousands):

	January 31, 2023			
	Gross carrying amount	Accumulated amortization	Net	Remaining useful life (in years)
Existing technology	$ 28,580	$ (16,418)	$ 12,162	2.9
Customer relationships	113,157	(50,293)	62,864	6.1
Trade name/trademarks	13,900	(9,285)	4,615	1.8
Other intangibles	21,405	(18,570)	2,835	3.0
Total intangible assets	$ 177,042	$ (94,566)	$ 82,476	

Amortization expense associated with intangible assets was $5 million and $15 million for the three and nine months ended October 31, 2023, respectively, and $5 million and $15 million for the three and nine months ended October 31, 2022, respectively.

As of October 31, 2023, the estimated amortization expense for intangible assets was as follows (in thousands):

Fiscal Year	Estimated amortization expense
Remaining for 2024	$ 4,901
2025	18,557
2026	14,147
2027	8,922
2028	7,778
Thereafter	13,614
Total	$ 67,919

Note 6. Accrued Expenses

Accrued expenses consisted of the following as of the dates shown (in thousands):

	October 31, 2023	January 31, 2023
Accrued commissions	$ 4,245	$ 11,240
Accrued bonus	3,497	3,484
Accrued vacation [1]	7,192	6,653
Payroll tax payable	15,839	16,229
Accrued other compensation and benefits	7,657	6,676
Total accrued compensation and benefits	$ 38,430	$ 44,282
Accrued fees payable to Salesforce, Inc.	6,737	$ 6,653
Taxes payable	6,005	9,197
Accrued third-party professional services subcontractors' fees	1,377	2,597
Other accrued expenses	18,802	16,859
Total accrued expenses and other current liabilities	$ 32,921	$ 35,306

[1] Represents accrued vacation primarily for international employees. Vacation does not accrue for most U.S. employees.

Note 7. Fair Value Measurements

The carrying amounts of accounts receivable and other current assets, accounts payable, and accrued liabilities approximate their fair value due to their short-term nature.

Financial assets and liabilities recorded at fair value in the condensed consolidated financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, which are directly related to the amount of subjectivity associated with the inputs to the valuation of these assets or liabilities, are as follows:

Level 1—Observable inputs, such as quoted prices in active markets for identical assets or liabilities.

Level 2—Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Financial assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires management to make judgments and considers factors specific to the asset or liability.

The following table presents the fair value hierarchy for financial assets and liabilities measured at fair value on a recurring basis as of October 31, 2023 (in thousands):

	Level 1	Level 2	Total
Assets			
Cash equivalents:			
Money market funds	$ 150,895	$ —	$ 150,895
U.S. Treasury securities	—	15,978	15,978
Short-term investments:			
Certificates of deposit	—	111,483	111,483
Asset-backed securities	—	570,502	570,502
Commercial paper	—	193,773	193,773
Corporate notes and bonds	—	1,405,372	1,405,372
Foreign government bonds	—	31,949	31,949
Municipal securities	—	72,420	72,420
U.S. agency obligations	—	48,913	48,913
U.S. Treasury securities	—	764,158	764,158
Foreign currency derivative contracts	—	14	14
Total financial assets	$ 150,895	$ 3,214,562	$ 3,365,457
Liabilities			
Foreign currency derivative contracts	$ —	$ (693)	$ (693)
Total financial liabilities	$ —	$ (693)	$ (693)

The following table presents the fair value hierarchy for financial assets measured at fair value on a recurring basis as of January 31, 2023 (in thousands):

	Level 1	Level 2	Total
Assets			
Cash equivalents:			
Money market funds	$ 180,895	$ —	$ 180,895
U.S. Treasury securities	—	22,929	22,929
Corporate notes and bonds	—	6,691	6,691
Short-term investments:			
Certificates of deposit	—	37,963	37,963
Asset-backed securities	—	442,958	442,958
Commercial paper	—	154,525	154,525
Corporate notes and bonds	—	1,207,964	1,207,964
Foreign government bonds	—	24,151	24,151
U.S. agency obligations	—	32,405	32,405
U.S. Treasury securities	—	316,197	316,197
Foreign currency derivative contracts	—	251	251
Total financial assets	$ 180,895	$ 2,246,034	$ 2,426,929

We determine the fair value of our security holdings based on pricing from our service providers and market prices from industry-standard independent data providers. The valuation techniques used to measure the fair value of financial instruments having Level 2 inputs were derived from non-binding consensus prices that are corroborated by observable market data or quoted market prices for similar instruments. Such market prices may be quoted prices in active markets for identical assets (Level 1 inputs) or pricing determined using inputs other than quoted prices that are observable either directly or indirectly (Level 2 inputs).

Balance Sheet Hedges

We enter into foreign currency forward contracts in order to hedge our foreign currency exposure. These forward contracts are not designated as hedging instruments under applicable accounting guidance, and therefore, we account for them at fair value with changes in the fair value recorded as a component of other income, net in our condensed consolidated statements of comprehensive income. Cash flows from such forward contracts are classified as operating activities. The realized foreign currency gains were $2 million and $4 million for the three and nine months ended October 31, 2023, respectively, and $2 million and $10 million for the three and nine months ended October 31, 2022, respectively.

The fair value of our outstanding derivative instruments is summarized below (in thousands):

	October 31, 2023	January 31, 2023
Notional amount of foreign currency derivative contracts	$ 79,128	$ 137,998
Fair value of foreign currency derivative contracts	79,807	137,860

Note 8. Income Taxes

For the three months ended October 31, 2023 and 2022, our effective tax rates were 20.8% and 19.0%, respectively. During the three months ended October 31, 2023, as compared to the prior year period, our effective tax rate increased primarily due to the reduced benefit from the foreign derived intangible income deduction.

For the nine months ended October 31, 2023 and 2022, our effective tax rates were 6.7% and 20.0%, respectively. During the nine months ended October 31, 2023 as compared to the prior year period, our effective tax rate decreased primarily due to the increase in excess tax benefits related to equity compensation. We recognized such excess tax benefits of $72 million and $10 million in our provision for income taxes for the nine months ended October 31, 2023 and 2022, respectively. The increase in excess tax benefits during the nine months ended October 31, 2023 was primarily due to our Chief Executive Officer’s exercise of stock options in February 2023 in connection with a previously announced plan.

Note 9. Deferred Revenue, Performance Obligations, and Unbilled Accounts Receivable

Of the beginning deferred revenue balance for the respective periods, we recognized $425 million and $745 million of subscription services revenue for the three and nine months ended October 31, 2023, respectively, and $358 million and $638 million for the three and nine months ended October 31, 2022, respectively. Professional services revenue recognized in the same periods from deferred revenue balances at the beginning of the respective periods was immaterial.

Transaction Price Allocated to the Remaining Performance Obligations

Transaction price allocated to the remaining performance obligations represents contracted revenue that has not yet been recognized, which includes deferred revenue and non-cancellable amounts that will be invoiced and recognized as revenues in future periods. We applied the practical expedient in accordance with ASU 2014-09, “*Revenue from Contracts with Customers*” (Topic 606) to exclude the amounts related to professional services contracts as these contracts generally have an expected duration of one year or less.

As of October 31, 2023, approximately $813 million of revenue is expected to be recognized from remaining performance obligations for subscription services contracts. We expect to recognize revenue on approximately 95% of these remaining performance obligations over the next 12 months, with the balance recognized thereafter.

Unbilled Accounts Receivable

As of January 31, 2023, unbilled accounts receivable consisted of (i) a receivable of $32 million primarily for revenue recognized for professional services performed but not yet billed and (ii) a contract asset of $50 million primarily for revenue recognized from non-cancellable, multi-year orders in which fees increase annually but for which we are not contractually able to invoice until a future period.

As of October 31, 2023, unbilled accounts receivable consisted of (i) a receivable of $38 million primarily for revenue recognized for professional services performed but not yet billed and (ii) a contract asset of $7 million primarily related to professional services performed but for which we are not contractually able to invoice until a future period.

Since February 1, 2023, our master subscription agreements that govern multi-year orders generally include a termination for convenience right for our customers, which reduced the non-cancellable term of such orders. This resulted in a decrease to our contract asset balance from such orders. The contract asset balance from such orders was immaterial as of October 31, 2023.

Note 10. Leases

We have operating leases for some of our corporate offices. Our leases have various expiration dates through 2034, some of which include options to extend the leases for up to nine years. Additionally, we are the sublessor for certain office space. Our sublease income for each of the three and nine months ended October 31, 2023 and 2022 was immaterial.

For both the three months ended October 31, 2023 and 2022, our operating lease expense was $4 million. For both the nine months ended October 31, 2023 and 2022, our operating lease expense was $12 million.

Supplemental cash flow information related to leases was as follows (in thousands):

	Nine months ended October 31,	
	2023	2022
Cash paid for operating lease liabilities	$ 7,054	$ 11,320
Operating lease right-of-use assets obtained in exchange for new operating lease liabilities	3,839	13,937

Supplemental balance sheet information related to operating leases was as follows :

	October 31, 2023	January 31, 2023
Weighted Average Remaining Lease Term	6.8 years	6.7 years
Weighted Average Discount Rate	4.4 %	4.2 %

As of October 31, 2023, remaining maturities of operating lease liabilities are as follows (in thousands):

Fiscal Year	
Remaining for 2024	$ 1,667
2025	11,317
2026	10,583
2027	9,717
2028	9,080
Thereafter	25,850
Total operating lease payments	68,214
Less imputed interest	(10,548)
Total operating lease liabilities	$ 57,666

Note 11. Stockholders' Equity

Automatic Conversion

On October 15, 2023, all of our outstanding shares of Class B common stock automatically converted into the same number of shares of Class A common stock pursuant to the terms of our then effective Amended and Restated Certificate of Incorporation. No additional shares of Class B common stock will be issued following the conversion.

On October 16, 2023, we filed a certificate with the Secretary of State of the State of Delaware effecting the retirement and cancellation of our Class B common stock. This certificate of retirement had the additional effect of eliminating the authorized Class B shares, thereby reducing our total number of authorized shares of common stock from 1,000,000,000 to 810,000,000. On October 16, 2023, we also filed an Amended and Restated Certificate of Incorporation to reflect the conversion and remove references to Class B common stock. Accordingly, we refer to our Class A common stock as common stock. Holders of common stock are entitled to one vote per share on all matters submitted to a vote of stockholders.

As of October 31, 2023, we had 160,965,687 shares of common stock outstanding.

Stock Option Activity

A summary of stock option activity for the nine months ended October 31, 2023 is as follows:

	Number of shares	Weighted average exercise price	Weighted average remaining contractual term (in years)	Aggregate intrinsic value (in millions)
Options outstanding at January 31, 2023	11,503,409	$ 128.62	5.9	$ 705
Options granted	2,461,496	180.50		
Options exercised	(2,170,451)	24.04		
Options forfeited/cancelled	(460,783)	198.43		
Options outstanding at October 31, 2023	11,333,671	$ 157.07	6.9	$ 527
Options vested and exercisable at October 31, 2023	4,805,463	$ 124.41	5.4	$ 375
Options vested and exercisable at October 31, 2023 and expected to vest thereafter	11,333,671	$ 157.07	6.9	$ 527

The options granted during the nine months ended October 31, 2023 were predominantly made in connection with our annual performance review cycle. The weighted average grant-date fair value of options granted was $94.69 and $81.06 per option for the three and nine months ended October 31, 2023, respectively.

As of October 31, 2023, there was $389 million in unrecognized compensation cost related to unvested stock options granted under the 2012 Equity Incentive Plan and 2013 Equity Incentive Plan. This cost is expected to be recognized over a weighted average period of 2.4 years.

As of October 31, 2023, we had authorized and unissued shares of common stock sufficient to satisfy exercises of stock options.

The total intrinsic value of options exercised was approximately $17 million and $343 million for the three and nine months ended October 31, 2023, respectively.

Stock Option Valuation Assumptions

The following table presents the weighted-average assumptions used to estimate the grant date fair value of options granted during the periods presented:

	Three months ended October 31,		Nine months ended October 31,	
	2023	2022	2023	2022
Volatility	41%	39% - 40%	39% - 41%	37% - 40%
Expected term (in years)	6.25	6.25	6.25 - 7	6 - 7
Risk-free interest rate	4.44% - 4.73%	2.90% - 4.20%	3.34 % - 4.73 %	1.90 % - 4.20 %
Dividend yield	—%	—%	—%	—%

Restricted Stock Units

A summary of restricted stock unit (RSU) activity for the nine months ended October 31, 2023 is as follows:

	Unreleased restricted stock units	Weighted average grant date fair value
Balance at January 31, 2023	1,103,679	$ 194.36
RSUs granted	1,155,687	180.69
RSUs vested	(852,037)	184.02
RSUs forfeited/cancelled	(106,600)	183.68
Balance at October 31, 2023	1,300,729	189.86

As of October 31, 2023, there was a total of $181 million in unrecognized compensation cost related to unvested RSUs. This cost is expected to be recognized over a weighted-average period of approximately 1.5 years. The total intrinsic value of RSUs vested was $60 million and $166 million for the three and nine months ended October 31, 2023, respectively.

Note 12. Net Income per Share

Basic net income per share is computed by dividing net income by the weighted-average number of shares of common stock outstanding during the period.

Diluted net income per share is computed by dividing net income by the weighted-average shares outstanding, including potentially dilutive shares of common equivalents outstanding during the period. The dilutive effect of potential shares of common stock are determined using the treasury stock method.

On October 15, 2023, all of our outstanding shares of Class B common stock automatically converted into the same number of shares of Class A common stock pursuant to the terms of our then effective Amended and Restated Certificate of Incorporation. See note 11 Stockholders' Equity for additional details related to the conversion of Class B common stock. Because shares of Class B common stock were outstanding for a portion of the three and nine months ended October 31, 2023, we have disclosed earnings per share for Class A and Class B common stock for both the three and nine months ended October 31, 2023. For the three and nine months ended October 31, 2023 and 2022, the computation of fully diluted net income per share of Class A common stock assumes the conversion from Class B common stock, while the fully diluted net income per share of Class B common stock does not assume the conversion of those shares.

The numerators and denominators of the basic and diluted net income per share computations for our common stock are calculated as follows (in thousands, except per share data):

	Three months ended October 31,				Nine months ended October 31,			
	2023		2022		2023		2022	
	Class A	Class B(1)	Class A	Class B	Class A	Class B(1)	Class A	Class B
Basic								
Numerator								
Net income, basic	$ 124,569	$ 10,589	$ 98,151	$ 10,306	$ 345,597	$ 32,710	$ 270,666	$ 28,507
Denominator								
Weighted average shares used in computing net income per share, basic	148,172	12,596	140,626	14,766	146,480	13,864	140,193	14,765
Net income per share, basic	$ 0.84	$ 0.84	$ 0.70	$ 0.70	$ 2.36	$ 2.36	$ 1.93	$ 1.93
Diluted								
Numerator								
Net income, basic	$ 124,569	$ 10,589	$ 98,151	$ 10,306	$ 345,597	$ 32,710	$ 270,666	$ 28,507
Reallocation as a result of conversion of Class B to Class A common stock:								
Net income, basic	10,589	—	10,306	—	32,710	—	28,507	—
Reallocation of net income to Class B common stock	—	2,277	—	4,175	—	5,901	—	12,067
Net income, diluted	$ 135,158	$ 12,866	$ 108,457	$ 14,481	$ 378,307	$ 38,611	$ 299,173	$ 40,574
Denominator								
Number of shares used for basic net income per share computation	148,172	12,596	140,626	14,766	146,480	13,864	140,193	14,765
Conversion of Class B to Class A common stock	12,596	—	14,766	—	13,864	—	14,765	—
Effect of potentially dilutive common shares	2,993	2,993	6,903	6,903	2,785	2,785	7,231	7,231
Weighted average shares used in computing net income per share, diluted	163,761	15,589	162,295	21,669	163,129	16,649	162,189	21,996
Net income per share, diluted	$ 0.83	$ 0.83	$ 0.67	$ 0.67	$ 2.32	$ 2.32	$ 1.84	$ 1.84

(1) Net income per share attributable to Class B common stock was determined for the relevant periods through October 15, 2023. See note 11 Stockholders' Equity.

Potential common share equivalents excluded where the inclusion would be anti-dilutive are as follows:

	Three months ended October 31,		Nine months ended October 31,	
	2023	2022	2023	2022
Options and awards	6,340,276	5,022,968	6,615,821	4,363,631

Note 13. Commitments and Contingencies

Litigation

IQVIA Litigation Matters

Veeva OpenData and Veeva Network Action.

On January 10, 2017, IQVIA Inc. (formerly Quintiles IMS Incorporated) and IMS Software Services, Ltd. (collectively, "IQVIA") filed a complaint against us in the U.S. District Court for the District of New Jersey (IQVIA Inc. v. Veeva Systems Inc. (No. 2:17-cv-00177)). In the complaint, IQVIA alleges that we used unauthorized access to proprietary IQVIA data to improve our software and data products and that our software is designed to steal IQVIA trade secrets. IQVIA further alleges that we have intentionally gained unauthorized access to IQVIA proprietary information to gain an unfair advantage in marketing our products and that we have made false statements concerning IQVIA's conduct and our data security capabilities. IQVIA asserts claims under both federal and state misappropriation of trade secret laws, federal false advertising law, and common law claims for unjust enrichment, tortious interference, and unfair trade practices. The complaint seeks declaratory and injunctive relief and unspecified monetary damages.

On March 13, 2017, we filed our answer denying IQVIA's claims and filed counterclaims. Our counterclaims allege that IQVIA, as the dominant provider of data for life sciences companies, has abused monopoly power to exclude Veeva OpenData and Veeva Network from their respective markets. The counterclaims allege that IQVIA has engaged in various tactics to prevent customers from using our applications and has deliberately raised costs and increased the difficulty of attempting to switch from IQVIA data to our data products. As amended, our counterclaims assert federal and state antitrust claims, as well as claims under California's Unfair Practices Act and common law claims for intentional interference with contractual relations, intentional interference with prospective economic advantage, and negligent misrepresentation. The counterclaims seek injunctive relief, monetary damages exceeding $200 million, and attorneys' fees. On October 3, 2018, the court denied IQVIA's motion to dismiss our antitrust claims.

On February 18, 2020, IQVIA filed a motion for sanctions against Veeva, seeking default judgment and dismissal and, in the alternative, an adverse inference at trial related to discovery disputes. On May 7, 2021, the special master appointed to oversee litigation discovery ruled against IQVIA's request for default judgment and dismissal and ruled in IQVIA's favor with respect to certain other matters, including recommending to the trial judge that a permissive adverse inference instruction be issued to the jury with respect to certain documents that were not preserved by Veeva. Should the trial judge accept the recommendation, the jury would be permitted, but not required, to infer that certain evidence not preserved by Veeva would have been unfavorable to Veeva, if the jury first concludes that Veeva controlled the evidence, that the evidence was relevant, and that Veeva should have preserved the evidence. The jury is also likely to be instructed that it may also consider whether the non-preserved evidence was duplicative of other evidence produced by Veeva and whether Veeva's conduct was reasonable in light of all circumstances. Veeva was also ordered to pay IQVIA's fees and expenses incurred in connection with portions of its sanctions motion. On June 4, 2021, we appealed the special master's ruling and IQVIA's fee award to the federal district court judge.

Fact discovery is largely complete and expert discovery was completed in October 2023. While it is not possible at this time to predict with any degree of certainty the ultimate outcome of this lawsuit, and we are unable to make a meaningful estimate of the amount or range of gain or loss, if any, that could result from it, we believe that we have substantial defenses against IQVIA's claims, which we intend to vigorously contest, and that our counterclaims warrant injunctive relief and monetary damages for Veeva.

Veeva Nitro Action.

On July 17, 2019, IQVIA filed a lawsuit in the U.S. District Court for the District of New Jersey (IQVIA Inc. v. Veeva Systems Inc. (No. 2:19-cv-15517)) (IQVIA Declaratory Action) seeking a declaratory judgment that IQVIA is not liable to Veeva for disallowing use of IQVIA's data products in Veeva Nitro or any later-introduced Veeva software products. The IQVIA Declaratory Action does not seek any monetary relief.

On July 18, 2019, we filed a lawsuit against IQVIA in the U.S. District Court for the Northern District of California (Veeva Systems Inc. v. IQVIA Inc. (No. 3:19-cv-04137)) (Veeva Nitro Action), alleging that IQVIA engaged in anticompetitive conduct as to Veeva Nitro. Our complaint asserts federal and state antitrust claims, as well as claims under California's Unfair Competition Law and common law claims for intentional interference with contractual relations and intentional interference with prospective economic advantage. The complaint seeks injunctive relief and monetary damages. IQVIA filed its answer and affirmative defenses on September 5, 2019.

On September 26, 2019, the Northern District of California transferred the Veeva Nitro Action to the District of New Jersey (Veeva Systems Inc. v. IQVIA Inc. (No. 2:19-cv-18558)).

On March 24, 2020, we amended our complaint in the Veeva Nitro Action to include allegations of IQVIA's anticompetitive conduct as to additional Veeva software applications, such as Veeva Andi, Veeva Align, and Veeva Vault MedComms; additional examples of IQVIA's monopolistic behavior against Veeva Nitro; IQVIA's unlawful access of Veeva's proprietary software products; and a request for declaratory relief. IQVIA answered the amended complaint on May 22, 2020.

On August 21, 2020, the District of New Jersey consolidated the Veeva Nitro Action and IQVIA Declaratory Action. Fact discovery is largely complete and expert discovery was completed in October 2023.

While it is not possible at this time to predict with any degree of certainty the ultimate outcome of this action, we believe that our claims warrant injunctive and declaratory relief and monetary damages for Veeva.

Fee Arrangements Related to the IQVIA Litigation Matters. We have entered into partial contingency fee arrangements with certain law firms representing us in the IQVIA litigations. Pursuant to those arrangements, such law firms are entitled to an agreed portion of any damages we recover from IQVIA or may be entitled to payment of success fees from us based on the achievement of certain outcomes. We are unable to make an estimate of any liability we may have in connection with this arrangement and accordingly have not accrued any related liability at this time.

Medidata Litigation Matter

On January 26, 2017, Medidata Solutions, Inc. filed a complaint in the U.S. District Court for the Southern District of New York (*Medidata Solutions, Inc. v. Veeva Systems Inc. et al.* (No. 1:17-cv-00589)) against us and five individual Veeva employees who previously worked for Medidata ("Individual Employees"). The complaint alleged that we induced and conspired with the Individual Employees to breach their employment agreements, including non-compete and confidentiality provisions, and to misappropriate Medidata's confidential and trade secret information. The complaint sought declaratory and injunctive relief, unspecified monetary damages, and attorneys' fees. Medidata amended its complaint twice, asserting the same claims with additional factual allegations, and voluntarily dismissed the Individual Defendants without prejudice. The trial began on July 11, 2022. On July 15, 2022, after four days of jury trial, the court granted Veeva's motion for judgment as a matter of law, thereby resolving the case in favor of Veeva. Medidata moved for reconsideration of the decision on July 29, 2022, which was denied by the court on August 18, 2022. Medidata filed an appeal in the Second Circuit Court of Appeals on January 3, 2023, to which we filed our opposition on April 4, 2023 and Medidata responded on May 25, 2023. Oral argument has been set for January 11, 2024. While it is not possible at this time to predict with any degree of certainty the ultimate outcome of this appeal, and we are unable to make a meaningful estimate of the amount or range of loss, if any, that could result from any unfavorable outcome, we believe the court correctly decided the matter and intend to vigorously oppose Medidata's appeal.

Mednet Litigation Matter

On July 14, 2020, Mednet Solutions, Inc. filed a complaint in Minnesota state court (*Mednet Solutions, Inc. v. Veeva Systems Inc.* (No. 27-CV-20-9374)) against us and a Veeva employee who previously worked for Mednet. The complaint alleged that the employee improperly accessed Mednet's computer systems after joining Veeva, in violation of his employment agreement to misappropriate Mednet's confidential and trade secret information for our benefit. The complaint sought declaratory and injunctive relief, unspecified monetary damages, and attorneys' fees.On December 9, 2020, the case was removed to the U.S. District Court for the District of Minnesota (No. 20-cv-2502). The complaint has been amended twice to include additional factual allegations, a claim against the employee under the federal Computer Fraud and Abuse Act, and direct claims against us for misappropriation. The matter is currently in the discovery phase of litigation and a trial date is expected to be set in June 2024 or later.

While it is not possible at this time to predict with any degree of certainty the ultimate outcome of this litigation, and we are unable to make a meaningful estimate of the amount or range of loss, if any, that could result from any unfavorable outcome, we believe that we have substantial defenses against Mednet's claims and will continue to vigorously defend ourselves against them.

Other Litigation Matters

From time to time, we may be involved in other legal proceedings and subject to claims incident to the ordinary course of business. Although the results of such legal proceedings and claims cannot be predicted with certainty, we believe we are not currently a party to any other legal proceedings, the outcome of which, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, cash flows, or financial position. Regardless of the outcome, such proceedings can have an adverse impact on us because of defense and settlement costs, diversion of resources, and other factors, and there can be no assurances that favorable outcomes will be obtained.

Note 14. Revenues by Product

We group our revenues into two product areas: Commercial Solutions and R&D Solutions. Commercial Solutions revenues consist of revenues from our Veeva Commercial Cloud, Veeva Data Cloud, and Veeva Claims solutions. R&D Solutions consist of revenues from our Veeva Development Cloud, Veeva RegulatoryOne, and Veeva QualityOne solutions.

Total revenues consist of the following (in thousands):

	Three months ended October 31,		Nine months ended October 31,	
	2023	2022	2023	2022
Subscription services				
Commercial Solutions	$ 251,167	$ 239,276	$ 733,921	$ 703,356
R&D Solutions	243,745	202,293	646,174	569,494
Total subscription services	$ 494,912	$ 441,569	$ 1,380,095	$ 1,272,850
Professional services				
Commercial Solutions	$ 47,899	$ 45,283	$ 140,082	$ 133,027
R&D Solutions	73,694	65,499	212,878	185,794
Total professional services	$ 121,593	$ 110,782	$ 352,960	$ 318,821
Total revenues	$ 616,505	$ 552,351	$ 1,733,055	$ 1,591,671

Note 15. Information about Geographic Areas

We track and allocate revenues by principal geographic area rather than by individual country, which makes it impractical to disclose revenues for the United States or other specific foreign countries. We measure subscription services revenue primarily by the estimated location of the end users in each geographic area for our Commercial Solutions and primarily by the estimated location of usage in each geographic area for our R&D Solutions. We measure professional services revenue primarily by the location of the resources performing the professional services.

Total revenues by geographic area were as follows for the periods shown below (in thousands):

	Three months ended October 31,		Nine months ended October 31,	
	2023	2022	2023	2022
Revenues by geography				
North America	$ 362,381	$ 321,860	$ 1,022,691	$ 925,589
Europe	172,473	152,951	479,423	441,719
Asia Pacific	65,180	62,621	184,720	181,286
Middle East, Africa, and Latin America	16,471	14,919	46,221	43,077
Total revenues	$ 616,505	$ 552,351	$ 1,733,055	$ 1,591,671

Long-lived assets by geographic area are as follows as of the periods shown below (in thousands):

	October 31, 2023	January 31, 2023
Long-lived assets by geography		
North America	$ 48,092	$ 42,003
Europe	7,312	5,336
Asia Pacific	913	963
Middle East, Africa, and Latin America	1,280	1,515
Total long-lived assets	$ 57,597	$ 49,817

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our condensed consolidated financial statements and notes thereto appearing elsewhere in this report. In addition to historical condensed consolidated financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results could differ materially from those anticipated by these forward-looking statements as a result of many factors. We discuss factors that we believe could cause or contribute to these differences below and elsewhere in this report, including those set forth under "Risk Factors" and "Special Note Regarding Forward-Looking Statements."

Overview

Veeva is the leading provider of industry cloud solutions for the global life sciences industry. Our offerings span cloud software, data, analytics, professional services, and business consulting and are designed to meet the unique needs of our customers and their most strategic business functions—from research and development to commercialization. Our solutions help life sciences companies develop and bring products to market faster and more efficiently, market and sell more effectively, and maintain compliance with government regulations. For a more detailed description of our business and products as of January 31, 2023, please see our Annual Report on Form 10-K for the fiscal year ended January 31, 2023 filed on March 30, 2023.

Our solutions are grouped into three major product categories—Veeva Development Cloud, Veeva Commercial Cloud, and Veeva Data Cloud. Veeva Data Cloud is comprised of our data offerings, including Veeva Compass, Veeva Link, and Veeva OpenData. For financial reporting purposes, revenues associated with our Veeva Commercial Cloud, Veeva Data Cloud, and Veeva Claims solutions are classified as "Commercial Solutions" revenues, and revenues associated with our Veeva Development Cloud, Veeva RegulatoryOne, and Veeva QualityOne solutions are classified as "R&D Solutions" revenues.

In our fiscal year ended January 31, 2023, we derived approximately 55% and 45% of our subscription services revenues and 52% and 48% of our total revenues from our Commercial Solutions and R&D Solutions, respectively. For the nine months ended October 31, 2023, we derived approximately 53% and 47% of our subscription services revenues and 50% and 50% of our total revenues from our Commercial Solutions and R&D Solutions, respectively. Revenues associated with our R&D Solutions are expected to increase as a percentage of both subscription services revenues and total revenues in the future.

For our fiscal years ended January 31, 2023, 2022, and 2021, our total revenues were $2,155 million, $1,851 million, and $1,465 million, respectively, representing year-over-year growth in total revenues of 16% in our fiscal year ended January 31, 2023 and 26% in our fiscal year ended January 31, 2022. For our fiscal years ended January 31, 2023, 2022, and 2021, our subscription services revenues were $1,733 million, $1,484 million, and $1,179 million, respectively, representing year-over-year growth in subscription services revenues of 17% in our fiscal year ended January 31, 2023, and 26% in our fiscal year ended January 31, 2022. We expect the growth rate of our total revenues and subscription services revenues for the fiscal year ending January 31, 2024 to decline compared to the prior fiscal year. We generated net income of $488 million, $427 million, and $380 million for our fiscal years ended January 31, 2023, 2022, and 2021, respectively.

As of January 31, 2023, 2022, and 2021, we served 1,388, 1,205, and 993 customers, respectively. As of January 31, 2023, 2022, and 2021, we had 684, 653, and 572 Commercial Solutions customers, respectively, and 1,025, 860, and 664 R&D Solutions customers, respectively. These customer count totals are net of customer attrition during each period. The combined customer counts for Commercial Solutions and R&D Solutions exceed the total customer count in each year because some customers subscribe to products in both areas. Commercial Solutions consist of our cloud software, data, and analytics products built specifically to more efficiently and effectively commercialize our customers' products. R&D Solutions consist of our clinical, quality, regulatory, and safety products. Many of our applications for R&D are used by smaller, earlier stage, pre-commercial companies, some of which may not reach the commercialization stage. Thus, the potential number of R&D Solutions customers is higher than the potential number of Commercial Solutions customers.

Our PBC Charter

On February 1, 2021, we became a Delaware public benefit corporation (PBC), and we amended our certificate of incorporation to include the following public benefit purpose: “to provide products and services that are intended to help make the industries we serve more productive, and to create high-quality employment opportunities in the communities in which we operate.” When making decisions, our directors have a fiduciary duty to balance the financial interests of stockholders, the best interests of other stakeholders materially affected by our conduct (including customers, employees, partners, and the communities in which we operate), and the pursuit of our public benefit purpose. For more information on our status as a PBC and associated risks, see “Risk Factors.”

Components of Results of Operations

Revenues

We derive our revenues primarily from subscription services fees and professional services fees. Subscription services revenues consist of fees from customers accessing our cloud-based software solutions and fees for our data solutions. Professional services and other revenues consist primarily of fees from implementation services, configuration, data services, training, and managed services related to our solutions and services related to our Veeva Business Consulting offering. For the nine months ended October 31, 2023, subscription services revenues constituted 80% of total revenues and professional services and other revenues constituted 20% of total revenues.

We generally enter into master subscription agreements with our customers and count each distinct master subscription agreement that has not been terminated or expired and that has orders for which we have recognized revenue in the quarter as a distinct customer for purposes of determining our total number of current customers as of the end of that quarter. We generally enter into a single master subscription agreement with each customer, although in some instances, affiliated legal entities within the same corporate family may enter into separate master subscription agreements. Conversely, affiliated legal entities that maintain distinct master subscription agreements may choose to consolidate their orders under a single master subscription agreement, and, in that circumstance, our customer count would decrease. Divisions, subsidiaries, and operating units of our customers often place distinct orders for our subscription services under the same master subscription agreement, and we do not count such distinct orders as new customers for purposes of determining our total customer count. For purposes of determining customers of Veeva Crossix that do not contract under a master subscription agreement, we count each entity that has a statement of work or services agreement and a recurring known payment obligation as a distinct customer if such entity is not otherwise a customer of ours. For Veeva Crossix, we do not count as distinct customers agencies contracting with us on behalf of brands within life sciences companies.

New subscription orders for our Veeva CRM application generally have a one-year term. If a customer adds end users or additional Commercial Solutions to an existing order for our Veeva CRM application, such additional orders will generally be coterminous with the anniversary date of the Veeva CRM order, and as a result, orders for additional end users or additional Commercial Solutions will commonly have an initial term of less than one year.

Particularly with respect to our R&D Solutions, we have entered into a number of orders with multi-year terms. The fees associated with such orders are typically not based on the number of end users and typically escalate over the term of such orders at a pre-agreed rate to account for, among other factors, implementation and adoption timing and planned increased usage by the customer. When such multi-year orders are non-cancellable (other than for cause), we recognize the total contracted revenue ratably over the multi-year term of the order. For such non-cancellable orders, when the amounts we are entitled to invoice in any period pursuant to multi-year orders with escalating fees are less than the revenue recognized, we accrue an unbilled accounts receivable balance (a contract asset) related to such orders. In the same scenario, the net deferred revenue we would record in connection with such orders will be less because we will be recognizing more revenue than we bill earlier in the term of such multi-year orders. Since February 1, 2023, our master subscription agreements that govern multi-year orders generally include a termination for convenience right for our customers. The addition of termination for convenience rights in such master subscription agreements changes the timing of revenue recognition for orders governed by these master subscription agreements and will reduce our unbilled revenue balance from such orders, as well as reduce our revenue for the fiscal year ending January 31, 2024. Starting in our fiscal year ending January 31, 2025, the amount of revenue recognized from such orders will generally be consistent with the amount invoiced for the relevant term of the order.

Our subscription orders are generally billed at the beginning of the subscription period in annual or quarterly increments, which means the annualized value of such orders may not be completely reflected in deferred revenue at any single point in time. Also, particularly with respect to expansion orders for our Commercial Solutions, because the term of orders for additional end users or applications is commonly less than one year to align to the renewal date of existing Commercial Solutions orders, the annualized value of such orders may not be completely reflected in deferred revenue at any single point in time. We have also agreed from time to time, and may agree in the future, to allow customers to change the renewal dates of their orders to, for example, align more closely with a customer's annual budget process or to align with the renewal dates of other orders placed by other entities within the same corporate control group, or to change payment terms from annual to quarterly, or vice versa. Such changes may result in an order of less than one year as necessary to align all orders to the desired renewal date and, thus, may result in a lesser increase to deferred revenue compared to if the adjustment had not occurred. Additionally, changes in renewal dates may change the fiscal quarter in which deferred revenue associated with a particular order is booked. Accordingly, we do not believe that changes on a quarterly basis in deferred revenue, unbilled accounts receivable, calculated billings, or normalized billings are accurate indicators of future revenues for any given period of time. We define the term calculated billings for any period to mean revenue for the period plus the change in deferred revenue from the immediately preceding period minus the change in unbilled accounts receivable from the immediately preceding period. We define the term normalized billings for any period to mean calculated billings adjusted for the impact of term changes in renewal business, such as in the timing (for example, changing the renewal date of multiple products to be coterminous) or billing frequency (for example, changing from annual to quarterly billings).

Subscription services revenues are recognized ratably over the respective non-cancellable subscription term because of the continuous transfer of control to the customer. Historically, our master subscription agreements have generally been non-cancellable during the term, although customers typically have had the right to terminate their agreements for cause in the event of material breach. However, since February 1, 2023, our master subscription agreements that govern multi-year orders generally include a termination for convenience right for our customers. Our agreements typically provide that orders will automatically renew unless notice of non-renewal is provided in advance. Subscription services revenues are affected primarily by the number of customers, the scope of the subscription purchased by each customer (for example, the number of end users or other subscription usage metric) and the number of solutions subscribed to by each customer.

We utilize our own personnel to perform our professional services and business consulting engagements with customers. In certain cases, we may utilize third-party subcontractors to perform professional services engagements. The majority of our professional services arrangements are billed on a time and materials basis and revenues are recognized over time based on time incurred and contractually agreed upon rates. Certain professional services and business consulting arrangements are billed on a fixed fee basis and revenues are typically recognized over time as the services are delivered based on time incurred. Data services and training revenues are generally recognized as the services are performed. Professional services revenues are affected primarily by our customers' demands for implementation services, configuration, data services, training, speakers bureau logistics, and managed services in connection with our solutions. Our business consulting revenues are affected primarily by our customers' demands for services related to a particular customer success initiative, strategic analysis, or business process change, and not a cloud software implementation.

Allocated Overhead

We accumulate certain costs such as building depreciation, office rent, utilities, and other facilities costs and allocate them across the various departments based on headcount. We refer to these costs as "allocated overhead."

Cost of Revenues

Cost of subscription services revenues for all of our solutions consists of expenses related to our computing infrastructure provided by third parties, including Salesforce, Inc. and Amazon Web Services, personnel related costs associated with hosting our subscription services and providing support, including our data stewards, data acquisition and third-party contractor costs related to our data products, expenses associated with computer equipment and software, and allocated overhead.

Cost of professional services and other consists primarily of employee-related expenses associated with providing professional and business consulting services. The cost of providing professional services is significantly higher as a percentage of the related revenues than for our subscription services due to the direct labor costs and costs of third-party subcontractors.

Operating Expenses

Research and Development. Research and development expenses consist primarily of employee-related expenses, third-party consulting fees, hosted infrastructure costs, and allocated overhead. We continue to focus our research and development efforts on our platforms, including adding new features and applications and increasing the functionality and enhancing the ease of use of our cloud-based applications.

Sales and Marketing. Sales and marketing expenses consist primarily of employee-related expenses, sales commissions, marketing program costs, amortization expense associated with purchased intangibles related to our customer contracts, customer relationships and brand development, travel-related expenses and allocated overhead. Marketing program costs include advertising, customer events, corporate communications, brand awareness, and product marketing activities. Sales commissions are costs of obtaining new customer contracts and are capitalized and then amortized over a period of benefit that we have determined to be one to three years.

General and Administrative. General and administrative expenses consist of employee-related expenses for our executive, finance and accounting, legal, employee success, management information systems personnel, and other administrative employees. In addition, general and administrative expenses include fees related to third-party legal counsel, fees related to third-party accounting, tax and audit services, other corporate expenses, and allocated overhead.

Other Income, Net

Other income, net, consists primarily of interest income, amortization of premiums paid or accretion of discounts on investments, and transaction gains or losses on foreign currency, net of hedging costs.

Provision for Income Taxes

Provision for income taxes consists of federal, state, and local income taxes in the United States and income taxes in certain foreign jurisdictions. See note 8 of the notes to our condensed consolidated financial statements.

Results of Operations

The following tables set forth selected condensed consolidated statements of operations data and such data as a percentage of total revenues for each of the periods indicated:

	Three months ended October 31,		Nine months ended October 31,	
	2023	2022	2023	2022
	(in thousands)			
Consolidated Statements of Comprehensive Income Data:				
Revenues:				
Subscription services	$ 494,912	$ 441,569	$ 1,380,095	$ 1,272,850
Professional services and other	121,593	110,782	352,960	318,821
Total revenues	616,505	552,351	1,733,055	1,591,671
Cost of revenues(1):				
Cost of subscription services	74,435	65,734	213,179	188,722
Cost of professional services and other	93,247	88,173	290,184	256,369
Total cost of revenues	167,682	153,907	503,363	445,091
Gross profit	448,823	398,444	1,229,692	1,146,580
Operating expenses(1):				
Research and development	161,278	130,257	465,466	377,740
Sales and marketing	96,773	93,910	282,269	259,642
General and administrative	62,283	52,873	187,887	159,030
Total operating expenses	320,334	277,040	935,622	796,412
Operating income	128,489	121,404	294,070	350,168
Other income, net	42,187	12,458	111,260	23,565
Income before income taxes	170,676	133,862	405,330	373,733
Provision for income taxes	35,518	25,405	27,023	74,560
Net income	$ 135,158	$ 108,457	$ 378,307	$ 299,173
(1) Includes stock-based compensation as follows:				
Cost of revenues:				
Cost of subscription services	$ 1,604	$ 1,636	$ 4,857	$ 4,606
Cost of professional services and other	12,943	13,227	39,881	37,035
Research and development	45,711	37,415	129,909	102,139
Sales and marketing	23,460	23,576	67,084	64,500
General and administrative	17,508	17,333	53,109	48,083
Total stock-based compensation	$ 101,226	$ 93,187	$ 294,840	$ 256,363

Revenues

	Three months ended October 31,		% Change	Nine months ended October 31,		% Change
	2023	2022		2023	2022	
	(dollars in thousands)					
Revenues:						
Subscription services	$ 494,912	$ 441,569	12%	$ 1,380,095	$ 1,272,850	8%
Professional services and other	121,593	110,782	10%	352,960	318,821	11%
Total revenues	$ 616,505	$ 552,351	12%	$ 1,733,055	$ 1,591,671	9%
Percentage of revenues:						
Subscription services	80 %	80 %		80 %	80 %	
Professional services and other	20	20		20	20	
Total revenues	100 %	100 %		100 %	100 %	

Total revenues for the three months ended October 31, 2023 increased $64 million, of which $53 million was from growth in subscription services revenues. The increase in subscription services revenues consisted of $41 million of subscription services revenue attributable to R&D Solutions and $12 million of subscription services revenue attributable to Commercial Solutions. The geographic mix of subscription services revenues was 58% from North

America, 27% from Europe, and 15% from other locations, primarily Asia Pacific, for the three months ended October 31, 2023, as compared to 57% from North America, 28% from Europe, and 15% from other locations, primarily Asia Pacific, for the three months ended October 31, 2022.

Since February 1, 2023, our master subscription agreements that govern multi-year orders generally include a termination for convenience right for our customers. In the fiscal year ending January 31, 2024, the addition of termination for convenience rights in such master subscription agreements changes the timing of revenue recognition for such orders governed by these master subscription agreements and will reduce our revenue for the fiscal year. In addition, our customer contracts include an annual inflation adjustment, which raises the price to each customer upon such customer entering into a new or renewal order form after April 1, 2023 by the lower of 4% or the Consumer Price Index (All Urban Consumer, U.S. City Average, All Items Index) published by the U.S. Bureau of Labor and Statistics for the month of August of the prior calendar year. The annual inflation adjustment is a 4% increase for new or renewal order forms from April 1, 2023 to March 31, 2024 and will be a 3.7% increase for new or renewal order forms from April 1, 2024 to March 31, 2025. We do not expect the annual inflation adjustment to have a significant impact to revenue for the fiscal year ending January 31, 2024.

In the quarter ended October 31, 2020, we disclosed that we expected life sciences companies to reduce the number of sales representatives that they employ by roughly 10%. While the majority of these reductions were completed by the end of our fiscal year ended January 31, 2023, we expect additional reductions to take place through the end of our fiscal year ending January 31, 2024.

Professional services and other revenues for the three months ended October 31, 2023 increased $11 million. The increase was primarily due to new customers requesting implementation and deployment related professional services and existing customers requesting professional services related to expanding deployments or the deployment of newly purchased solutions, particularly within R&D Solutions. Further, the increase in professional services revenues was also driven by increased demand for our business consulting services. The geographic mix of professional services and other revenues was 62% from North America, 31% from Europe, and 7% from other locations, primarily Asia Pacific, for the three months ended October 31, 2023, as compared to 65% from North America, 28% from Europe, and 7% from other locations, primarily Asia Pacific, for the three months ended October 31, 2022.

Total revenues for the nine months ended October 31, 2023 increased $141 million, of which $107 million was from growth in subscription services revenues. The increase in subscription services revenues consisted of $77 million of subscription services revenue attributable to R&D Solutions and $31 million of subscription services revenue attributable to Commercial Solutions. The growth of subscription services revenue attributable to R&D Solutions was reduced by the addition of termination for convenience rights in master subscription agreements that govern multi-year orders relating to these products. The geographic mix of subscription services revenues was 58% from North America, 27% from Europe, and 15% from other locations, primarily Asia Pacific, for the nine months ended October 31, 2023, as compared to subscription services revenues of 57% from North America, 28% from Europe, and 15% from other locations, primarily Asia Pacific, for the nine months ended October 31, 2022.

Professional services and other revenues for the nine months ended October 31, 2023 increased $34 million. The increase was primarily due to new customers requesting implementation and deployment related professional services and existing customers requesting professional services related to expanding deployments or the deployment of newly purchased solutions, particularly within R&D Solutions. Further, the increase in professional services revenues was also driven by increased demand for our business consulting services. The geographic mix of professional services and other revenues was 62% from North America, 31% from Europe, and 7% from other locations, primarily Asia Pacific, for the nine months ended October 31, 2023, as compared to 64% from North America, 28% from Europe, and 8% from other locations, primarily Asia Pacific, for the nine months ended October 31, 2022.

While we expect professional services and other revenues to continue to grow in the last quarter of the fiscal year ending January 31, 2024, we expect the year-over-year growth of professional services and other revenues to be negatively impacted by increased project scrutiny and a more challenging macroeconomic environment.

Costs and Expenses

Note that in light of the worldwide labor market conditions and inflationary pressure, our global compensation increases in connection with our annual compensation review process, which took place in the last month of our fiscal quarter ended April 30, 2022, were higher than previous years. These compensation changes increased our employee-related expenses, which impacted all of the cost and expense categories discussed below. The magnitude of global compensation increases during our fiscal quarter ended April 30, 2023 was less than the percentage increase in the previous year.

Cost of Revenue and Gross Margin

	Three months ended October 31,		% Change	Nine months ended October 31,		% Change
	2023	2022		2023	2022	
	(dollars in thousands)					
Cost of revenues:						
Cost of subscription services	$ 74,435	$ 65,734	13%	$ 213,179	$ 188,722	13%
Cost of professional services and other	93,247	88,173	6%	290,184	256,369	13%
Total cost of revenues	$ 167,682	$ 153,907	9%	$ 503,363	$ 445,091	13%
Gross margin percentage:						
Subscription services	85 %	85 %		85 %	85 %	
Professional services and other	23 %	20 %		18 %	20 %	
Total gross margin percentage	73 %	72 %		71 %	72 %	
Gross profit	$ 448,823	$ 398,444	13%	$ 1,229,692	$ 1,146,580	7%

Cost of revenues for the three months ended October 31, 2023 increased $14 million, of which $9 million was related to an increase in cost of subscription services. The increase in cost of subscription services was primarily due to an increase of $3 million related to computing infrastructure costs, which was driven by an increase in the number of end users of our subscription services and volume of activity by end users, and an increase of $2 million in third-party contractor costs related to our data products.

Cost of revenues for the nine months ended October 31, 2023 increased $58 million, of which $34 million was related to an increase in cost of professional services and $24 million was related to an increase in cost of subscription services. The increase in cost of professional services was primarily due to an increase of $33 million related to employee compensation-related costs (which includes $3 million in stock-based compensation). The increase in cost of subscription services was primarily due to an increase of $9 million in computing infrastructure costs, which was driven by an increase in the number of end users of our subscription services and volume of activity by end users, and an increase of $5 million in employee compensation-related costs.

We expect cost of subscription services to increase in absolute dollars in the near term due to increased usage of our subscription services.

Cost of professional services and other for the three months ended October 31, 2023 increased $5 million, primarily due to an increase in employee compensation-related costs of $8 million, partially offset by other immaterial decreases. The increase in employee compensation-related costs is primarily driven by the increase in headcount during the period.

Cost of professional services and other for the nine months ended October 31, 2023 increased $34 million, primarily due to an increase of $33 million in employee compensation-related costs (which includes an increase of $3 million in stock-based compensation). The increase in employee compensation-related costs is primarily driven by the increase in headcount during the period.

We expect cost of professional services and other to increase in absolute dollars in the near term as we continue to invest in our services organization.

Operating Expenses and Operating Margin

Operating expenses include research and development, sales and marketing, and general and administrative expenses. As we continue to invest in our growth through hiring, we expect operating expenses and stock-based compensation to increase in the fiscal year ending January 31, 2024. We expect our operating margin to decrease in the fiscal year ending January 31, 2024 due to these increases in operating expenses and the reduction in revenue due to the addition of termination for convenience rights in our master subscription agreements, as discussed in "Components of Results of Operations—Revenues."

Research and Development

	Three months ended October 31,					Nine months ended October 31,				
	2023		2022		% Change	2023		2022		% Change
	(dollars in thousands)									
Research and development	$	161,278	$	130,257	24%	$	465,466	$	377,740	23%
Percentage of total revenues		26 %		24 %			27 %		24 %	

Research and development expenses for the three months ended October 31, 2023 increased $31 million, primarily due to an increase of $26 million in employee compensation-related costs (which includes an increase of $8 million in stock-based compensation). The increase in employee compensation-related costs is primarily driven by headcount increases. The expansion of our headcount in research and development is to support development work for the increased number of products that we offer or may offer in the future.

Research and development expenses for the nine months ended October 31, 2023 increased $88 million, primarily due to an increase of $81 million in employee compensation-related costs (which includes an increase of $28 million in stock-based compensation). The increase in employee compensation-related costs is primarily driven by headcount increases. The expansion of our headcount in research and development is to support development work for the increased number of products that we offer or may offer in the future.

We expect research and development expenses to increase in the fiscal year ending January 31, 2024, primarily due to headcount expansion and continued investment in our product offerings.

Sales and Marketing

	Three months ended October 31,					Nine months ended October 31,				
	2023		2022		% Change	2023		2022		% Change
	(dollars in thousands)									
Sales and marketing	$	96,773	$	93,910	3%	$	282,269	$	259,642	9%
Percentage of total revenues		16 %		17 %			16 %		16 %	

Sales and marketing expenses for the three months ended October 31, 2023 increased $3 million due to an increase of $6 million in employee compensation-related costs, partially offset by other immaterial decreases.

Sales and marketing expenses for the nine months ended October 31, 2023 increased $23 million, primarily due to increases of $16 million in employee compensation-related costs (which includes an increase of $3 million in stock-based compensation), $3 million related to in-person marketing program costs, and $4 million in travel and entertainment costs. The increase in employee compensation-related costs is primarily driven by headcount increases.

We expect sales and marketing expenses to increase in the fiscal year ending January 31, 2024, primarily due to employee-related expenses as we increase our headcount to support our sales and marketing efforts associated with our product offerings and our continued expansion of our sales capacity across all our solutions. Additionally, we expect travel and entertainment costs to continue increasing for the remainder of the fiscal year ending January 31, 2024 compared to our previous fiscal year.

General and Administrative

	Three months ended October 31,			Nine months ended October 31,		
	2023	2022	% Change	2023	2022	% Change
			(dollars in thousands)			
General and administrative	$ 62,283	$ 52,873	18%	$ 187,887	$ 159,030	18%
Percentage of total revenues	10 %	10 %		11 %	10 %	

General and administrative expenses for the three months ended October 31, 2023 increased $9 million, primarily due to an increase of $4 million in employee compensation-related costs, which is primarily driven by headcount increases, and an increase of $3 million in third-party contractor costs primarily related to fees associated with ongoing litigation.

General and administrative expenses for the nine months ended October 31, 2023 increased $29 million, primarily due to an increase of $20 million in employee compensation-related costs (which includes $5 million of stock-based compensation), which is primarily driven by headcount increases, and an increase of $4 million in information technology infrastructure costs.

We expect general and administrative expenses to increase in the fiscal year ending January 31, 2024 as a result of headcount expansion and investments in our information technology infrastructure.

Other Income, Net

	Three months ended October 31,			Nine months ended October 31,		
	2023	2022	% Change	2023	2022	% Change
			(dollars in thousands)			
Other income, net	$ 42,187	$ 12,458	239%	$ 111,260	$ 23,565	372%

Other income, net, for the three months ended October 31, 2023 increased $30 million, primarily due to an increase of $23 million in interest income due to higher investment asset balances as well as increases in interest rates within our short-term investment portfolio.

Other income, net, for the nine months ended October 31, 2023 increased $88 million, primarily due to an increase of $68 million in interest income due to higher investment asset balances as well as increases in interest rates within our short-term investment portfolio.

We expect other income, net, to continue to increase for the remainder of the fiscal year ending January 31, 2024 primarily as a result of higher interest rates.

Foreign Currency

We continue to experience foreign currency fluctuations primarily due to the impact resulting from the periodic re-measurement of our foreign currency balances that are denominated in currencies other than the functional currency of the entities in which they are recorded. Our results of operations are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Euro, Japanese Yen, Canadian Dollar, British Pound Sterling, Hungarian Forint, Chinese Yuan, Israeli Shekel, and Brazilian Real. We may continue to experience favorable or adverse foreign currency impacts due to volatility in these currencies.

Provision for Income Taxes

	Three months ended October 31,			Nine months ended October 31,		
	2023	2022	% Change	2023	2022	% Change
			(dollars in thousands)			
Income before income taxes	$ 170,676	$ 133,862	28%	$ 405,330	$ 373,733	8%
Provision for income taxes	$ 35,518	$ 25,405	40%	$ 27,023	$ 74,560	(64)%
Effective tax rate	20.8 %	19.0 %		6.7 %	20.0 %	

The provision for income taxes differs from the tax computed at the U.S. federal statutory income tax rate due primarily to state taxes, tax credits, equity compensation, foreign income subject to taxation in the United States, and foreign derived intangible income tax deduction. Future tax rates could be affected by changes in tax laws and regulations or by rulings in tax related litigation, as may be applicable. We will continue to identify and analyze other applicable changes in tax laws in the United States and abroad.

For the three months ended October 31, 2023 and 2022, our effective tax rates were 20.8% and 19.0%, respectively. During the three months ended October 31, 2023, as compared to the same period in the prior fiscal year, our effective tax rate increased primarily due to the reduced benefit from the foreign derived intangible income deduction.

For the nine months ended October 31, 2023 and 2022, our effective tax rates were 6.7% and 20.0%, respectively. During the nine months ended October 31, 2023, as compared to the same period in the prior fiscal year, our effective tax rate decreased primarily due to an increase in excess tax benefits related to equity compensation. We recognized such excess tax benefits of $72 million and $10 million in our provision for income taxes for the nine months ended October 31, 2023 and 2022, respectively. The increase in excess tax benefits during the nine months ended October 31, 2023 was primarily due to our Chief Executive Officer’s exercise of stock options in February 2023 in connection with a previously announced plan.

Non-GAAP Financial Measures

In our public disclosures, we have provided non-GAAP measures, which we define as financial information that has not been prepared in accordance with generally accepted accounting principles in the United States, or GAAP. In addition to our GAAP measures, we use these non-GAAP financial measures internally for budgeting and resource allocation purposes and in analyzing our financial results.

For the reasons set forth below, we believe that excluding the following items provides information that is helpful in understanding our operating results, evaluating our future prospects, comparing our financial results across accounting periods, and comparing our financial results to our peers, many of which provide similar non-GAAP financial measures.

- Excess tax benefits. Excess tax benefits from employee stock plans are dependent on previously agreed-upon equity grants to our employees, vesting of those grants, stock price, and exercise behavior of our employees, which can fluctuate from quarter to quarter. Because these fluctuations are not directly related to our business operations, we exclude excess tax benefits for our internal management reporting processes. Our management also finds it useful to exclude excess tax benefits when assessing the level of cash provided by operating activities. Given the nature of the excess tax benefits, we believe excluding it allows investors to make meaningful comparisons between our operating cash flows from quarter to quarter and those of other companies.
- Stock-based compensation expenses. We exclude stock-based compensation expenses primarily because they are non-cash expenses that we exclude from our internal management reporting processes. We also find it useful to exclude these expenses when we assess the appropriate level of various operating expenses and resource allocations when budgeting, planning, and forecasting future periods. Moreover, because of varying available valuation methodologies, subjective assumptions and the variety of award types that companies can use, we believe excluding stock-based compensation expenses allows investors to make meaningful comparisons between our recurring core business operating results and those of other companies.
- Amortization of purchased intangibles. We incur amortization expense for purchased intangible assets in connection with acquisitions of certain businesses and technologies. Amortization of intangible assets is a non-cash expense and is inconsistent in amount and frequency because it is significantly affected by the timing, size of acquisitions, and the inherent subjective nature of purchase price allocations. Because these costs have already been incurred and cannot be recovered, and are non-cash expenses, we exclude these expenses for internal management reporting processes. We also find it useful to exclude these charges when assessing the appropriate level of various operating expenses and resource allocations when budgeting, planning, and forecasting future periods. Investors should note that the use of intangible assets contributed to our revenues earned during the periods presented and will contribute to our future period revenues as well.

- Income tax effects on the difference between GAAP and non-GAAP costs and expenses. The income tax effects that are excluded relate to the imputed tax impact on the difference between GAAP and non-GAAP costs and expenses due to stock-based compensation and purchased intangibles for GAAP and non-GAAP measures.

Limitations on the Use of Non-GAAP Financial Measures

There are limitations to using non-GAAP financial measures because non-GAAP financial measures are not prepared in accordance with GAAP and may be different from non-GAAP financial measures provided by other companies.

The non-GAAP financial measures are limited in value because they exclude certain items that may have a material impact upon our reported financial results. In addition, they are subject to inherent limitations as they reflect the exercise of judgments by management about which items are adjusted to calculate our non-GAAP financial measures. We compensate for these limitations by analyzing current and future results on a GAAP basis as well as a non-GAAP basis and also by providing GAAP measures in our public disclosures.

Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. We encourage investors and others to review our financial information in its entirety, not to rely on any single financial measure to evaluate our business, and to view our non-GAAP financial measures in conjunction with the most directly comparable GAAP financial measures.

The following table reconciles the specific items excluded from GAAP metrics in the calculation of non-GAAP metrics for the periods shown below:

	Three months ended October 31,		Nine months ended October 31,	
	2023	2022	2023	2022
	(in thousands)			
Net cash provided by operating activities on a GAAP basis	$ 82,598	$ 142,660	$ 853,570	$ 717,073
Excess tax benefits from employee stock plans	(3,275)	(888)	(68,575)	(5,981)
Net cash provided by operating activities on a non-GAAP basis	$ 79,323	$ 141,772	$ 784,995	$ 711,092
Net cash used in investing activities on a GAAP basis	$ (73,324)	$ (405,729)	$ (989,648)	$ (968,421)
Net cash used in financing activities on a GAAP basis	$ (6,889)	$ (10,543)	$ (5,704)	$ (17,135)
Operating income on a GAAP basis	$ 128,489	$ 121,404	$ 294,070	$ 350,168
Stock-based compensation expense	101,226	93,187	294,840	256,363
Amortization of purchased intangibles	4,906	4,906	14,558	14,558
Operating income on a non-GAAP basis	$ 234,621	$ 219,497	$ 603,468	$ 621,089
Net income on a GAAP basis	$ 135,158	$ 108,457	$ 378,307	$ 299,173
Stock-based compensation expense	101,226	93,187	294,840	256,363
Amortization of purchased intangibles	4,906	4,906	14,558	14,558
Income tax effect on non-GAAP adjustments(1)	(22,612)	(23,306)	(123,070)	(60,817)
Net income on a non-GAAP basis	$ 218,678	$ 183,244	$ 564,635	$ 509,277
Diluted net income per share on a GAAP basis	$ 0.83	$ 0.67	$ 2.32	$ 1.84
Stock-based compensation expense	0.62	0.57	1.81	1.58
Amortization of purchased intangibles	0.03	0.03	0.09	0.09
Income tax effect on non-GAAP adjustments(1)	(0.14)	(0.14)	(0.76)	(0.37)
Diluted net income per share on a non-GAAP basis	$ 1.34	$ 1.13	$ 3.46	$ 3.14

(1) For the three and nine months ended October 31, 2023 and 2022, we used an estimated annual effective non-GAAP tax rate of 21%.

Liquidity and Capital Resources

	Three months ended October 31,		Nine months ended October 31,	
	2023	2022	2023	2022
	(in thousands)			
Net cash provided by operating activities	$ 82,598	$ 142,660	$ 853,570	$ 717,073
Net cash used in investing activities	(73,324)	(405,729)	(989,648)	(968,421)
Net cash used in financing activities	(6,889)	(10,543)	(5,704)	(17,135)
Effect of exchange rate changes on cash and cash equivalents	(1,282)	(1,475)	(973)	(4,398)
Net change in cash and cash equivalents	$ 1,103	$ (275,087)	$ (142,755)	$ (272,881)

Our principal sources of liquidity continue to be comprised of our cash, cash equivalents, and short-term investments, as well as cash flows generated from our operations. As of October 31, 2023, our cash, cash equivalents, and short-term investments totaled $3.9 billion, of which $61 million represented cash and cash equivalents held outside of the United States.

Our primary use of cash is payment of our operating costs, which consist primarily of employee-related expenses, such as compensation and benefits, investments in our information technology infrastructure, and general operating expenses for marketing, facilities, and overhead costs. Long-term cash requirements for items other than normal operating expenses could include the following: the acquisition of businesses, software products, or technologies complementary to our business; and capital expenditures.

Our non-U.S. cash and cash equivalents are not considered indefinitely reinvested outside the United States, except in certain designated jurisdictions. As of October 31, 2023, we have not recorded any taxes, such as withholding taxes, associated with the foreign earnings that are indefinitely reinvested outside of the United States. Under currently enacted tax laws, if we were to choose to repatriate the funds we have designated as indefinitely reinvested outside the United States, such amounts may be subject to certain jurisdictional taxes (e.g., withholding taxes).

We have financed our operations primarily through cash generated from operations. We believe our existing cash, cash equivalents, and short-term investments generated from operations will be sufficient to meet our working capital and capital expenditure needs over at least the next 12 months. Our cash deposits are primarily held at financial institutions classified as global systemically important banks, and we maintain sufficient cash at more than one financial institution to meet our operational needs. Our future capital requirements will depend on many factors including our growth rate, subscription renewal activity, the timing and extent of spending to support product development efforts, the expansion of sales and marketing activities, the ongoing investments in technology infrastructure, the introduction of new and enhanced solutions, and the continuing market acceptance of our solutions. We may in the future enter into arrangements to acquire or invest in complementary businesses, services and technologies, and intellectual property rights. We may be required to seek additional equity or debt financing for those arrangements or for other reasons. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, operating results, and financial condition would be adversely affected.

Operating Activities

Our largest source of operating cash inflows is cash collections from our customers for subscription services. We also generate significant cash flows from our professional services arrangements. The first quarter of our fiscal year is seasonally the strongest quarter for cash inflows due to the timing of our annual subscription billings and related collections. Our primary uses of cash from operating activities are for employee-related expenditures, expenses related to our computing infrastructure (including Salesforce, Inc. and Amazon Web Services), building infrastructure costs (including leases for office space), fees for third-party legal counsel and accounting services, payments to taxing authorities, and data acquisition costs. Note that our net income reflects the impact of excess tax benefits related to equity compensation.

Net cash provided by operating activities was $83 million for the three months ended October 31, 2023 compared to $143 million provided by operating activities for the three months ended October 31, 2022. The $60 million decrease was primarily due to the timing of cash paid for income taxes and higher operating expenses due to increases in headcount, partially offset by increased sales and the related cash collections.

Net cash provided by operating activities was $854 million for the nine months ended October 31, 2023 compared to $717 million provided by operating activities for the nine months ended October 31, 2022. The $136 million increase was primarily due to increased sales and the related cash collections, partially offset by higher operating expenses due to increases in headcount.

The cash flows from operating activities for the nine months ended October 31, 2023 represent a significant portion of the cash flows from operating activities that we expect during our fiscal year ending January 31, 2024. As a result, we expect cash flows from operating activities to be substantially less in the fourth quarter of this fiscal year. Moreover, we anticipate our cash flows from operating activities for the fiscal year ending January 31, 2024 to be impacted by tax payments relating to the Tax Cuts and Jobs Act of 2017, which eliminated the option to deduct research and development expenditures and required taxpayers to capitalize and amortize them over five or fifteen years. Our cash flows from operating activities are expected to be reduced by approximately $90 million in the fiscal year ending January 31, 2024. The requirement may also reduce our cash flows from operating activities in future periods, the amounts and specific periods of which we are unable to estimate at this time.

Investing Activities

Investing activities primarily relate to cash used for the purchase of marketable securities, net of maturities. We also use cash to invest in capital assets to support our growth.

Net cash used in investing activities was $73 million for the three months ended October 31, 2023 compared to $406 million used in investment activities for the three months ended October 31, 2022. The $333 million decrease in cash used in investing activities was mainly due to the decrease in purchases of short-term investments partially offset by the increase in proceeds from maturities and sales of short-term investments for the three months ended October 31, 2023.

Net cash used in investing activities was $990 million for the nine months ended October 31, 2023 compared to $968 million used in investment activities for the nine months ended October 31, 2022. The $22 million increase in cash used in investing activities was mainly due to the increase in purchases of short-term investments for the nine months ended October 31, 2023.

Financing Activities

Financing activities relate primarily to stock option exercises and taxes paid on behalf of employees related to the net share settlement of RSUs.

Net cash used in financing activities was $7 million for the three months ended October 31, 2023 compared to $11 million used in financing activities for the three months ended October 31, 2022. The $4 million decrease was primarily related to an increase of $9 million in proceeds from employee stock option exercises, partially offset by an increase of $5 million of cash used to pay employee taxes related to the net share settlement of RSUs.

Net cash used in financing activities was $6 million for the nine months ended October 31, 2023 compared to $17 million used in financing activities for the nine months ended October 31, 2022. The $11 million decrease was primarily related to an increase of $22 million in proceeds from employee stock option exercises, partially offset by an increase of $11 million of cash used to pay employee taxes related to the net share settlement of RSUs.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States (GAAP). In the preparation of these condensed consolidated financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs, and expenses and related disclosures. On an ongoing basis, we evaluate our estimates and assumptions. Our actual results may differ from these estimates under different assumptions or conditions.

There have been no material changes to our critical accounting policies and estimates during the nine months ended October 31, 2023, as compared to the those disclosed in our Annual Report on Form 10-K for the fiscal year ended January 31, 2023.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Foreign currency exchange risk

Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Euro, Japanese Yen, Canadian Dollar, British Pound Sterling, Hungarian Forint, Chinese Yuan, Israeli Shekel, and Brazilian Real, and may be adversely affected in the future due to changes in foreign currency exchange rates. For example, changes in exchange rates reduced our revenues and expenses as expressed in U.S. dollars for the three and nine months ended October 31, 2023. We expect changes in exchange rates to have a negative impact on our revenues as expressed in U.S. dollars and a positive impact on our expenses as expressed in U.S. dollars for the fiscal year ending January 31, 2024. For the nine months ended October 31, 2023, about 83% of our revenues and about 81% of our expenses were denominated in USD .

We have also experienced and will continue to experience foreign currency fluctuations due to the periodic re-measurement of monetary account balances that are denominated in currencies other than the functional currency of the entities in which they are recorded and such fluctuations can impact our net income. We engage in the hedging of our foreign currency transactions as described in note 7 of the notes to our condensed consolidated financial statements and may, in the future, hedge selected significant transactions or net monetary exposure positions denominated in currencies other than the U.S. dollar. Realized and unrealized foreign currency losses were $1 million for both the three and nine months ended October 31, 2023. For the three and nine months ended October 31, 2022, we had realized and unrealized foreign currency losses of $3 million and $2 million, respectively.

Interest rate sensitivity

We had cash, cash equivalents and short-term investments totaling $3.9 billion as of October 31, 2023. This amount was held primarily in demand deposit accounts, money market funds, U.S. treasury securities and agency obligations, corporate notes and bonds, asset-backed securities, commercial paper, foreign government bonds, and agency mortgage-backed securities. The cash and cash equivalents are held for working capital purposes and other operational activities. We do not enter into investments for trading or speculative purposes.

Our cash equivalents and our portfolio of marketable securities are subject to market risk due to changes in interest rates, which could affect our results of operations. Fixed rate securities may have their market value adversely affected due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fluctuate due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that decline in market value due to changes in interest rates. However, because we classify our marketable securities as “available for sale,” no gains or losses are recognized due to changes in interest rates unless such securities are sold prior to maturity or declines in fair value are determined to be other-than-temporary. Our fixed-income portfolio is subject to interest rate risk.

An immediate increase of 100-basis points in interest rates would have resulted in a $38 million market value reduction in our investment portfolio as of October 31, 2023. An immediate decrease of 100-basis points in interest rates would have increased the market value by $38 million as of October 31, 2023. This estimate is based on a sensitivity model that measures market value changes when changes in interest rates occur. Fluctuations in the value of our investment securities caused by a change in interest rates (gains or losses on the carrying value) are recorded in other comprehensive income, and are realized only if we sell the underlying securities.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of October 31, 2023. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the Securities and Exchange Commission’s (SEC) rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure.

Based on our management’s evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of October 31, 2023, our disclosure controls and procedures were designed at a reasonable assurance level and were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the fiscal quarter ended October 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, do not expect that our disclosure controls or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been or would be detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

From time to time, we may be involved in legal proceedings and subject to claims incident to the ordinary course of business. For information regarding certain current legal proceedings, see note 13 of the notes to our condensed consolidated financial statements, which is incorporated herein by reference. In addition to the legal proceedings referenced in note 13, we are involved in the following additional legal proceedings which may be material to our business.

California Non-Compete Matter.

On July 17, 2017, we filed a complaint in the Superior Court of the State of California in the County of Alameda against Medidata, IQVIA, and Sparta Systems, Inc. (Veeva Systems Inc. v. Medidata Solutions, Inc., Quintiles IMS Incorporated, IMS Software Services, LTD., and Sparta Systems, Inc., Case No. RG17868081). Our lawsuit seeks declaratory and injunctive relief concerning the use of non-compete, confidentiality, and non-disparagement agreements by these companies. Since the original complaint was filed, there has been extensive requests to the court for rulings on contested questions.

Among other things, Medidata and Sparta appealed the superior court’s decisions finding that the case may proceed as to some causes of action, and Veeva cross-appealed the superior court’s ruling that certain causes of action were barred under California law. On March 10, 2022, the California Court of Appeal affirmed the decision of the superior court, ruling that certain of Veeva's claims may proceed and certain of its claims may not. This decision is now final. On October 31, 2019, as to Veeva's claims against IQVIA, the trial court's earlier dismissal was reversed by the court of appeal and the case was reassigned to a new trial court judge. On June 9, 2023, IQVIA filed a counter-complaint seeking a declaration that its non-compete agreements comply with California law. Discovery is proceeding and no trial date has been set.

On February 13, 2023, Veeva and Sparta entered into a confidential settlement agreement and agreed to dismiss their claims against each other.

Although the results of legal proceedings and claims cannot be predicted with certainty, we believe we are not currently a party to any other legal proceedings, the outcome of which, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, cash flows, or financial position. Regardless of the outcome, such proceedings can have an adverse impact on us because of defense and settlement costs, diversion of resources and other factors, and there can be no assurances that favorable outcomes will be obtained.

ITEM 1A. RISK FACTORS.

Investing in our common stock involves a high degree of risk. You should consider carefully the risks and uncertainties described below and in "Management's Discussion and Analysis of Financial Condition and Results of Operations," together with all of the other information in this report, including our condensed consolidated financial statements and related notes, before investing in our common stock. The risks and uncertainties described below are not the only ones we face. If any of the following risks actually occurs, our business, financial condition, results of operations, and prospects could be materially and adversely affected. In that event, the price of our common stock could decline and you could lose part or all of your investment.

Summary of Risk Factors

The below is a summary of principal risks to our business and risks associated with ownership of our stock. It is only a summary. You should read the more detailed discussion of risks set forth below and elsewhere in this report for a more complete discussion of the risks listed below and other risks.

- If our security measures are breached or unauthorized access to customer data is otherwise obtained, our solutions may be perceived as not being secure, customers may reduce or stop the use of our solutions, and we may incur significant liabilities.
- The markets in which we participate are highly competitive, and if we do not compete effectively, our business and operating results could be adversely affected.
- If our newer solutions are not successfully adopted by new and existing customers, the growth rate of our revenues and operating results will be adversely affected.
- Our revenues are relatively concentrated within a small number of key customers, and the loss of one or more of such key customers could cause our revenues to decline.
- Our plans to migrate our CRM applications from the Salesforce platform to our own Veeva Vault platform could cause business disruptions for customers, lead to the loss of our customers to competitors, and adversely affect our operating results.
- Nearly all of our revenues are generated by sales to customers in the life sciences industry, and factors that adversely affect this industry could also adversely affect us.
- While we expect our revenue growth rates to accelerate in our fiscal year ending January 31, 2025, as compared to the prior fiscal year, over the longer term our revenue growth rates are likely to fluctuate from year to year and may decline, and, as our costs increase, we may not be able to sustain the same level of profitability we have achieved in the past.
- Unique and uncertain macroeconomic and geopolitical factors, including as a result of worldwide inflationary pressures and changes in interest rates, volatility in the financial sector, concerns about a possible domestic or global recession, currency exchange fluctuations, the Russian invasion of Ukraine, and the Israel-Hamas conflict may cause instability and volatility in the global financial markets, and disruptions within the life sciences industry that may negatively impact our business, our financial results, and our stock price.
- Difficulty attracting and retaining highly skilled employees could adversely affect our business and efforts to attract and retain such employees may increase our expenses.
- If the third-party providers of healthcare professional and healthcare organization data and prescription drug sales data, such as IQVIA for instance, do not allow our customers to upload and use such data in our solutions, the demand for our solutions may decrease, and our business may be negatively impacted.
- We rely on third-party providers for computing infrastructure, secure network connectivity, and other technology-related services needed to deliver our cloud solutions, and any disruption in the services provided by them could adversely affect our business and subject us to liability.
- Changing laws and regulations, including increasingly complex data privacy and information security regulations, in the U.S. and internationally, life sciences industry regulations, and trade policies, may impose additional costs for compliance, reduce demand for our solutions, and subject us to significant liabilities.

- We are currently being sued by third parties for alleged misappropriation of trade secrets. We may suffer damages, which could be significant, or other harm from these lawsuits and we may be sued for infringement or misappropriation of third-party intellectual property in the future.
- Our status as a PBC may not result in the benefits that we anticipate, requires our directors to balance the interest of stockholders with other interests, and may subject us to legal uncertainty and other risks.

Risks Related to Our Business

If our security measures are breached or compromised or unauthorized access to customer data is otherwise obtained, our solutions may be perceived as not being secure, customers may reduce or stop their use of our solutions, and we may incur significant liabilities.

Our solutions involve the storage and transmission of our customers' proprietary information (including personal or identifying information regarding their employees and the medical professionals whom their sales personnel contact, and sensitive proprietary data related to the clinical trial, regulatory submission and sales and marketing processes for medical treatments), personal information of medical professionals, personal information (which may include personal health information) of patients and clinical trial participants, and other sensitive information. For example, Veeva Crossix processes third-party health and non-health data for U.S. patients. Additionally, we maintain and process other confidential, proprietary, and sensitive business information, including personal information relating to our employees and contractors and confidential information relating to our solutions and business.

Unauthorized access or other security breaches or incidents, as a result of third-party action (e.g., cyber-attacks, or the introduction into our networks or systems of ransomware or other malware), employee or contractor error or malfeasance, product defect, or otherwise, have resulted in and could in the future result in the loss of information, inappropriate access to or use, disclosure, unavailability, modification, destruction, or other processing of information, loss of intellectual property, service interruption, service degradation, outages, service level credits, claims, demands, litigation, regulatory investigations and other proceedings, indemnity obligations, damage to our reputation, and other liability. It is possible that our risk of cyber-attack and other sources of security breaches and incidents may be elevated as a result of Russia's invasion of Ukraine and the Israel-Hamas conflict due to an increase in cyber-attack attempts on us, our customers, our partners, or our technology infrastructure providers.

While we maintain and continue to improve our security measures, we may be unable to adequately anticipate security threats or to implement adequate preventative measures, in part, because the techniques used to obtain unauthorized access or sabotage systems change frequently and are becoming increasingly sophisticated and complex, and generally are not identified until they are launched against a target. Moreover, our efforts to detect, prevent, and remediate known or unknown security vulnerabilities, including those arising from third-party hardware or software in our supply chain, may be insufficient to prevent security breaches or incidents resulting from such vulnerabilities, and may result in additional direct or indirect costs and liabilities and time of management and technical personnel. We may be required to expend significant capital and financial resources to protect against the foregoing threats and to alleviate problems caused by actual or perceived security breaches or incidents. Additionally, we and our service providers may face difficulties or delays in identifying, remediating, and otherwise responding to any cybersecurity attack or other security breach or incident.

Any or all of these circumstances or issues, or the perception that any of them have occurred or are present (including any actual or perceived cyberattacks or other security breaches or incidents), could adversely affect our ability to attract new customers, cause existing customers to elect to not renew their subscriptions, result in reputational damage and harm to our market position, or subject us to third-party claims, demands, and lawsuits, regulatory investigations, proceedings, fines, and penalties, mandatory notifications and disclosures, or other action or liability, which could adversely affect our operating results and financial condition. Our insurance may not be adequate to cover losses associated with such events, and such insurance may not cover all of the types of costs, expenses, and losses we could incur to respond to and remediate a security breach or incident.

The markets in which we participate are highly competitive, and if we do not compete effectively, our business and operating results could be adversely affected.

The markets for our solutions are highly competitive. In new sales cycles within our largest product categories, we generally compete with other cloud-based solutions from providers that make applications geared toward the life sciences industry. The principal such competitor for our Commercial Solutions is IQVIA Holdings Inc., which offers a CRM application built on the Salesforce platform, various data products, and other applications that compete with our products. Our data and data analytics products, including Veeva OpenData, Veeva Link, Veeva Crossix, and

Veeva Compass, compete with IQVIA, Ipsos Group S.A., Definitive Health Corp., and smaller data and data analytics providers. IQVIA, Dassault Systèmes, OpenText Corporation, Oracle Corporation, Honeywell International Inc., and other smaller application providers offer applications that compete with certain of our Veeva R&D applications. Our Veeva Commercial Cloud and Veeva R&D applications also compete to replace client server-based legacy solutions offered by companies such as Oracle, Microsoft Corporation, and other smaller application providers. Our customers may also choose to use cloud-based applications or platforms that are not life sciences specific—such as Salesforce, Inc., Box.com, Amazon Web Services, or Microsoft—for certain of the functions our applications provide. Our business consulting and professional services offerings compete with a range of professional services firms, which include, at times, some of our partners. With the introduction of new technologies, we expect competition to intensify in the future, and we may face competition from new market entrants as well.

In December 2022, we announced plans to migrate our multichannel CRM applications from the Salesforce platform to our Veeva Vault platform, as discussed in more detail below, which could lead to customers choosing competitors that continue to use the Salesforce platform, or other CRM application providers, over us.

Some of our actual and potential competitors have advantages over us, such as longer operating histories, significantly greater financial, technical, marketing or other resources, stronger brand and business recognition, larger intellectual property portfolios, and agreements with a broader set of system integrators and other partners. We also continue to be subject to litigation from our competitors. For example, as disclosed elsewhere in this report, we are in active litigation with IQVIA and Medidata. In addition, our competitors may offer price concessions, delayed payment terms, or other more favorable terms and conditions in light of the recent macroeconomic environment.

If our competitors' products, services, or technologies become more accepted than our solutions, if they are successful in bringing their products or services to market earlier than we are, if their products or services are more technologically capable than ours (including as a result of new or better use of evolving artificial intelligence (AI) technologies), or if customers replace our solutions with custom-built software, then our revenues could be adversely affected. Pricing pressures and increased competition could result in reduced sales, reduced margins, losses, or a failure to maintain or improve our competitive market position, any of which could adversely affect our business. For all of these reasons, we may not be able to compete favorably against our current and future competitors.

If our newer solutions are not successfully adopted by new and existing customers, the growth rate of our revenues and operating results will be adversely affected.

Our continued growth and profitability will depend on our ability to successfully develop and sell new solutions. It is uncertain whether these newer solutions will continue to grow as a percentage of revenues at a pace significant enough to support our expected overall growth. For example, we have limited experience selling certain of our data and analytics offerings and certain of our solutions that enable remote patient interactions for clinical trials. Also, as discussed in more detail below, we recently announced plans to migrate our multichannel CRM applications from the Salesforce platform to our Veeva Vault platform. We cannot be certain that we will be successful with respect to newer solutions and markets. It may take us significant time, and we may incur significant expense, to effectively market and sell these solutions, develop other new solutions, or make enhancements to our existing solutions. If our newer solutions do not continue to gain traction in the market, or other solutions that we may develop and introduce in the future do not achieve market acceptance in a timely manner, the growth rate of our revenues and operating results will be adversely affected.

Our revenues are relatively concentrated within a small number of key customers, and the loss of one or more of such key customers, or their failure to renew or expand user subscriptions, could slow the growth rate of our revenues or cause our revenues to decline.

In our fiscal years ended January 31, 2023, 2022, and 2021, our top 10 customers accounted for 29%, 31%, and 36% of our total revenues, respectively. We rely on our reputation and recommendations from key customers in order to promote our solutions to potential customers, which we call "reference selling." The loss of any of our key customers, or a failure of one or more of them to renew or expand user subscriptions for some or all our products, could have a significant impact on the growth rate of our revenues, our reputation, and our ability to obtain new customers. In the event of an acquisition of one of our customers or a business combination between two of our customers, we have in the past and may in the future suffer reductions in user subscriptions or non-renewal of certain or all of their subscription orders. We are also likely to face increasing purchasing scrutiny at the renewal of large customer subscription orders, which may result in reductions in user subscriptions or increased pricing pressure. The business impact of any of these negative events could be particularly pronounced with respect to our largest customers.

Defects or disruptions in our solutions could result in diminished demand for our solutions, a reduction in our revenues, and subject us to substantial liability.

We have from time to time found defects in our solutions, and new defects may be detected in the future. In addition, we have experienced, and may in the future experience, service disruptions, degradations, outages, and other performance problems. These types of problems may be caused by a variety of factors, including human or software errors, viruses, cyber-attacks, fraud, spikes in customer usage, problems associated with our third-party computing infrastructure and network providers, infrastructure changes, and denial of service issues. Service disruptions may result from errors we make in delivering, configuring, or hosting our solutions, or designing, installing, expanding, or maintaining our computing infrastructure. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time. It is also possible that such problems could result in losses of customer data.

Since our customers use our solutions for important aspects of their businesses, any errors, defects, disruptions, service degradations, or other performance problems with our solutions, could hurt our reputation and may damage our customers' businesses. If that occurs, our customers may delay or withhold payment to us, cancel their agreements with us, elect not to renew, or make service credit claims, warranty claims, or other claims against us, and we could lose future sales. The occurrence of any of these events could result in diminishing demand for our solutions, a reduction of our revenues, an increase in our bad debt expense or in collection cycles for accounts receivable, or could require us to incur the expense of litigation or substantial liability.

Our plans to migrate our CRM applications from the Salesforce platform to our own Veeva Vault platform could cause business disruptions for customers, lead to the loss of our customers to competitors, and adversely affect our operating results.

We currently depend on the Salesforce platform to deliver our multichannel CRM applications, but in December 2022 we announced plans to migrate those applications to our Veeva Vault platform. We also recently announced that we do not intend to renew our agreement with Salesforce, Inc. for use of the Salesforce platform. We announced the first sale of Vault CRM to an early adopter in August 2023 and we currently intend to make Vault CRM generally available to all customers in April 2024, but we may not be successful in achieving this timeline. All existing CRM customers will be required to migrate to the Veeva Vault platform by September 1, 2030. The migration of our CRM applications and the migration of existing customers will require time and expense, which may be significant. These migration processes are complex and we cannot be certain that we will be successful or that the Veeva Vault platform will be ready for migration on our intended timeline or the timeline necessary to support our customers. Further, some existing customers may decide not to migrate to the Veeva Vault platform and may decide to use a different CRM solution. During the migration period, there may be disruptions in our services or other migration-related problems, whether or not such incidents are our fault, that could subject us to liability or harm our reputation. If we are unsuccessful migrating our multichannel CRM applications to the Veeva Vault platform, encounter disruptions or other problems in the migration process, or our customers do not migrate to the Veeva Vault platform in a timely manner, or at all, our business, operating results, and brand could be materially and adversely affected.

Our sales cycles can be long and unpredictable, and our sales efforts require considerable investment of resources. If our sales cycle lengthens or we invest substantial resources pursuing unsuccessful sales opportunities, our operating results and growth would be harmed.

Our sales process entails planning discussions with prospective customers, analyzing their existing solutions, and identifying how these potential customers could use and benefit from our solutions. The sales cycle for a new customer, from the time of prospect qualification to the completion of the first sale, may span 12 months or longer. Sales cycles for our newer applications or in newer markets or industries are also lengthy and difficult to predict. We spend substantial time, effort, and expense in our sales efforts without any assurance that our efforts will result in the sale of our solutions. In addition, our sales cycle can vary substantially from customer to customer because of various factors, including the discretionary nature of potential customers' purchasing and budget decisions, the macroeconomic and regulatory environments, the availability of funding in the life sciences industry, the announcement or planned introduction of new solutions by us or our competitors, and the purchasing approval processes of potential customers. For example, we have recently experienced increased project scrutiny for certain potential projects, particularly for our professional services offerings, which may continue for the foreseeable future. If our sales cycle lengthens or we invest substantial resources pursuing unsuccessful sales opportunities, our operating results and growth would be harmed.

Sales to customers outside the United States or with international operations expose us to risks inherent in international sales.

In our fiscal year ended January 31, 2023, customers outside North America accounted for approximately 42% of our total revenues. A key element of our growth strategy is to further expand our international operations and worldwide customer base. Operating in international markets requires significant resources and management attention and subjects us to regulatory, economic, and political risks that are different from those in the United States. We have limited operating experience in some international markets, and we cannot assure you that our expansion efforts into additional international markets will be successful. Our experience in the United States and other international markets in which we already have a presence may not be relevant to our ability to expand in other markets. Our international expansion efforts may not be successful in creating further demand for our solutions outside of the United States or in effectively selling our solutions in the international markets we enter.

The risks we face in doing business internationally that could adversely affect our business include:

- the need and expense to localize and adapt our solutions for specific countries, including translation into foreign languages, and ensuring that our solutions enable our customers to comply with local laws and regulations;
- data privacy and data sovereignty laws which require that customer data be stored and processed in a designated territory;
- difficulties in staffing and managing foreign operations;
- different pricing environments, longer sales cycles and longer accounts receivable payment cycles, and collections issues;
- new and different sources of competition;
- weaker protection for intellectual property and other legal rights than in the United States and practical difficulties in enforcing intellectual property and other rights outside of the United States;
- laws and business practices favoring local competitors;
- compliance challenges related to the complexity of multiple, conflicting and changing governmental laws and regulations, including those related to employment, tax, privacy and data protection, anti-bribery, and environmental, social and governance matters;
- increased financial accounting and reporting burdens and complexities;
- difficulties in repatriating funds without adverse tax consequences or restrictions on the transfer of funds more generally, including as a result of sanctions arising from the Russian invasion of Ukraine, which may limit our ability to receive payment from Russian banks;
- adverse tax consequences, including the potential for required withholding taxes;
- fluctuations in the exchange rates of foreign currency in which our foreign revenues or expenses may be denominated;
- changes in diplomatic relations and trade policy, including the status of relations between the United States and other countries, including China, Russia, or Belarus, and the implementation of or changes to trade sanctions, tariffs, and embargoes, including if the United States and other countries were to impose more significant general sanctions against Russia or Belarus in response to the continuing conflict in Ukraine, which could ban the use of our products by companies or users in Russia or Belarus;
- public health crises, such as epidemics and pandemics; and
- unstable regional and economic political conditions or war in the markets in which we operate, including as a result of the Russian invasion of Ukraine and the Israel-Hamas conflict.

We have an office, vendors, and customers in Israel and many of our customers in other regions also have operations in Israel. Armed conflicts, terrorist activities or political instability involving Israel or other countries in the region may cause business disruptions and adversely impact our results of operations.

We do not currently have locations or employees in Russia, we have discontinued Belarus operations, and our revenues from sales to Russian and Belarus entities is limited. However, certain customers have reduced their number of users of our products in Ukraine. If customers further curtail or discontinue their operations in Ukraine, Russia or Belarus, we may lose sales and our results of operations could be negatively impacted.

Some of our business partners also have international operations and are subject to the risks described above. Even if we are able to successfully manage the risks of international operations, our business may be adversely affected if our business partners are not able to successfully manage these risks, which could adversely affect our business.

Difficulty attracting and retaining highly skilled employees could adversely affect our business and efforts to attract and retain such employees may increase our expenses.

To execute our growth plan, we must attract and retain highly skilled employees. Competition for such employees and potential employees is intense. We have experienced, and expect to continue to experience, difficulty in hiring and retaining employees with the appropriate level of qualifications, and we also have experienced, and expect to continue to experience, intense recruitment of our employees by competitors and other technology companies.

Further, it takes time for newly hired employees to become productive. With respect to sales professionals, for instance, even if we are successful in attracting highly qualified personnel, it may take six to nine months or longer before they are fully trained and productive.

Many of the companies with which we compete for experienced employees have greater resources than we have and may offer compensation packages that are perceived to be better than ours. For example, we offer equity awards to a substantial majority of our job candidates and existing employees as part of their overall compensation package. If the perceived value of our equity awards declines, including as a result of prolonged declines in the market price of our common stock or changes in perception about our future prospects, it may adversely affect our ability to recruit and retain highly skilled employees. Additionally, changes in our compensation structure may be negatively received by employees and result in attrition or cause difficulty in the recruiting process. For example, in our fiscal year ended January 31, 2023, in response to a competitive talent environment, we made significant awards to our senior management, other than Mr. Gassner, outside of our regular compensation program, but we cannot guarantee those awards will be sufficient to retain all of these individuals. If we fail to attract new employees or fail to retain and motivate our current employees, our business and future growth prospects could be adversely affected.

Additionally, we have adopted a “Work Anywhere” policy, which generally gives employees the flexibility to work in an office or at home on any given day, with certain job-specific restrictions. While we believe this program is beneficial to our business, over the long term we may find it challenging or more costly to maintain employee productivity and collaboration as we continue to grow our business. If we fail to maintain employee productivity and collaboration, our ability to attract and retain highly qualified employees and to achieve our business objectives could be negatively affected.

Catastrophic events could disrupt our business and adversely affect our operating results.

Our corporate headquarters are located in Pleasanton, California and our primary third-party hosted computing infrastructure is located in the United States, the European Union, Japan, and South Korea. The west coast of the United States, Japan, and South Korea each contain active earthquake zones. Additionally, we rely on our network and third-party infrastructure and enterprise applications, internal technology systems, and our website, for our development, marketing, operational support, hosted services, and sales activities. In the event of a major earthquake, hurricane, or other natural disaster, or catastrophic event such as an actual or threatened public health emergency (e.g., a global pandemic), fire, extreme weather event, power loss, telecommunications failure, cyber-attack, war (including the Russian invasion of Ukraine and the Israel-Hamas conflict), or terrorist attack, we may be unable to continue our operations at full capacity or at all and may experience system interruptions, reputational harm, delays in our solution development, lengthy interruptions in our services, breaches of data security, loss of key employees, and loss of critical data, all of which could have an adverse effect on our future operating results.

We may acquire other companies or technologies, which could divert our management's attention, result in additional dilution to our stockholders, and otherwise disrupt our operations and adversely affect our operating results.

We have in the past acquired and may in the future seek to acquire or invest in businesses, solutions, or technologies that we believe could complement or expand our solutions, enhance our technical capabilities or otherwise offer growth opportunities. The pursuit of potential acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating, and pursuing suitable acquisitions, whether or not they are completed.

We have limited experience in acquiring other businesses. We may not be able to successfully integrate the acquired personnel, operations, and technologies or effectively manage the combined business following the acquisition. We also may not achieve the anticipated benefits from the acquired business due to a number of factors, including:

- inability to integrate or benefit from acquired technologies or services in a profitable manner;
- costs, liabilities, or accounting charges associated with the acquisition;
- difficulty integrating the privacy, data security, and accounting systems, operations, and personnel of the acquired business;
- difficulties and additional expenses associated with supporting legacy products and hosting infrastructure of the acquired business;
- difficulty converting the customers of the acquired business onto our solutions and contract terms, including due to disparities in the revenue, licensing, support, or professional services model of the acquired company;
- diversion of management's attention from other business concerns;
- problems arising from differences in applicable accounting standards or practices of the acquired business (for instance, non-U.S. businesses may not be accustomed to preparing their financial statements in accordance with U.S. GAAP) or difficulty identifying and correcting deficiencies in the internal controls over financial reporting of the acquired business;
- adverse effects to business relationships with our existing business partners and customers as a result of the acquisition;
- difficulty in retaining key personnel of the acquired business;
- use of substantial portions of our available cash to consummate the acquisition;
- use of resources that are needed in other parts of our business;
- significant changes beyond our control to the worldwide economic environment that could negatively impact our underlying assumptions and expectations for performance of the acquired business; and
- the possibility of investigation by, or the failure to obtain required approvals from, governmental authorities on a timely basis, if at all, under various regulatory schemes, including competition laws, which could, among other things, delay or prevent us from completing a transaction, subject the transaction to divestiture after the fact, or otherwise restrict our ability to realize the expected financial or strategic goals of the acquisition.

Acquisitions could also use substantial portions of our available cash and result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our operating results. In addition, if an acquired business fails to meet our expectations, our operating results, business, and financial position may suffer.

Moreover, a significant portion of the purchase price of companies we acquire may be allocated to acquired intangible assets and goodwill, which we must assess for impairment at least annually. In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our operating results based on this impairment assessment process, which could adversely affect our results of operations. Acquisitions may also result in purchase accounting adjustments, write-offs or restructuring charges, which may negatively affect our results.

Our core Veeva CRM application has achieved substantial market penetration of pharmaceutical and biotechnology companies. If our efforts to sustain or further increase the use and adoption of our core CRM application do not succeed, the growth of our Commercial Solutions revenues may be negatively impacted.

In our fiscal year ended January 31, 2023, we derived approximately 55% of our subscription services revenues and approximately 52% of our total revenues from our Commercial Solutions. In our fiscal quarter ended January 31, 2023, we derived approximately 53% of our subscription services revenues and approximately 51% of our total revenues from our Commercial Solutions. A significant percentage of our Commercial Solutions subscription services revenues are derived from subscriptions for our core CRM application, and we have realized substantial sales penetration among pharmaceutical and biotechnology companies for our core Veeva CRM application. If we are not able to sell additional user subscriptions for our core CRM application, if we fail to renew existing subscriptions for our core CRM application, or if subscription levels for our core CRM application are reduced at renewal (as a result of reductions in sales representatives that use our solutions, change in demand for our solutions, or for other reasons), the growth of our Commercial Solutions revenues may be negatively impacted. In the quarter ended October 31, 2020, we disclosed that we expected life sciences companies to reduce the number of sales representatives that they employ by roughly 10%. While the majority of these reductions were completed by the end of our fiscal year ended January 31, 2023, we expect additional reductions to take place through the end of our fiscal year ending January 31, 2024. Such reductions could negatively impact sales of Veeva CRM and certain of our other Commercial Solutions.

Changes in our senior management team or other key personnel could have a negative effect on our ability to execute our business strategy.

Our success depends in a large part upon the continued service of our senior management team and other key personnel. For example, our founder and Chief Executive Officer, Peter P. Gassner, is critical to our vision, strategic direction, culture, products, and technology. In the past several years we have experienced changes to our senior leadership team. Such leadership transitions can be inherently difficult to manage, and an unsuccessful transition may cause disruption to our business. If our succession planning for key personnel is inadequate, the loss of one or more of our key employees could harm our business. In addition, changes in our senior management team may create uncertainty among our customers, investors, employees, or job candidates concerning Veeva's future direction and performance. Any disruption in our operations or uncertainty around our ability to execute could have an adverse effect on our business, financial condition, or results of operations.

Our business could be adversely affected if our customers are not satisfied with the professional or technical support services provided by us or our partners.

Our business depends on our ability to satisfy our customers, both with respect to our solutions and the professional services that are performed in connection with the implementation of our solutions, including training our customers' employees on our solutions. Professional services may be performed by us, by a third party, or by a combination of the two. If a customer is not satisfied with the quality of work performed by us or a third party or with the solutions delivered, we could incur additional costs to address the situation, we may be required to issue credits or refunds for pre-paid amounts related to unused services, the profitability of that work might be impaired, and the customer's dissatisfaction with our services could damage our ability to expand the number of solutions subscribed to by that customer. Moreover, negative publicity related to our customer relationships, regardless of its accuracy, may further damage our business by affecting our ability to compete for new business with current and prospective customers.

Once our solutions are deployed, our customers depend on our support organization to resolve technical issues relating to our solutions. We may be unable to sufficiently accommodate short-term increases in customer demand for technical support services to our customers' satisfaction. Increased customer demand for our technical support services, without corresponding revenues, could increase costs and adversely affect our operating results. In addition, our sales process is highly dependent on the reputation of our solutions and business and on positive recommendations from our existing customers. Any failure to maintain high-quality technical support, or a market perception that we do not maintain high-quality support, could adversely affect our reputation, our ability to sell our solutions to existing and prospective customers, and our business and operating results.

Our estimate of the market size for our solutions we have provided publicly may prove to be inaccurate, and even if the market size is accurate, we cannot assure you that our business will serve a significant portion of the market.

Our estimate of the market size for our solutions that we have provided publicly, sometimes referred to as total addressable market (TAM), is subject to significant uncertainty and is based on assumptions and estimates, including our internal analysis and industry experience, which may not prove to be accurate. These estimates are, in part, based upon the size of the general application areas we target. Our ability to serve a significant portion of this estimated market is subject to many factors, including our success in implementing our business strategy, which is subject to many risks and uncertainties. For example, in order to address the entire TAM we have identified, we must continue to enhance and add functionality to our existing solutions and introduce new solutions. Accordingly, even if our estimate of the market size is accurate, we cannot assure you that our business will serve a significant portion of this estimated market for our solutions.

Risks Related to the Principal Industry We Serve

Nearly all of our revenues are generated by sales to customers in the life sciences industry, and factors that adversely affect this industry, including mergers within the life sciences industry or regulatory changes, could also adversely affect us.

Nearly all of our sales are to customers in the life sciences industry. Demand for our solutions could be affected by factors that affect the life sciences industry, including:

- *The changing regulatory environment of the life sciences industry*—Changes in regulations could negatively impact the business environment for our life sciences customers. Healthcare laws and regulations are rapidly evolving and may change significantly in the future. In particular, legislation or regulatory changes regarding the pricing of drugs and other healthcare treatments sold by life sciences companies, including the extent to which the U.S. government or other governments may establish or negotiate prescription drug prices, has continued to be a topic of discussion by political leaders and regulators in the United States and elsewhere. Significant changes in drug pricing policy or regulation could result in life sciences companies reducing the number of sales representatives that use our products or otherwise reduce demand for our products. For example, the recently enacted Inflation Reduction Act contains a number of significant drug pricing reforms, including provisions designed to limit the prices paid by Medicare for various prescription drugs. A number of life sciences companies have initiated litigation against the federal government challenging the constitutionality of the Inflation Reduction Act's mandatory pricing scheme. It is unclear at this time what impact this legislation will have on our business or our customers' businesses. We will continue to evaluate its impact.
- *Consolidation of companies within the life sciences industry*—Consolidation within the life sciences industry has accelerated in recent years, and this trend could continue. We have in the past, and may in the future, suffer reductions in user subscriptions or non-renewal of customer subscription orders due to industry consolidation. We may not be able to expand sales of our solutions and services to new customers enough to counteract any negative impact of company consolidation on our business. In addition, new companies that result from such consolidation may decide that our solutions are no longer needed because of their own internal processes or alternative solutions. As these companies consolidate, competition to provide solutions and services will become more intense and establishing relationships with large industry participants will become more important. These industry participants may also try to use their market power to negotiate price reductions for our solutions. If consolidation of our larger customers occurs, the combined company may represent a larger percentage of business for us and, as a result, we are likely to rely more significantly on revenue from the combined company to continue to achieve growth. In addition, if large life sciences companies merge, it would have the potential to reduce per-unit pricing for our solutions for the merged companies or to reduce demand for one or more of our solutions as a result of potential personnel reductions over time.
- *Changes in the funding environment and bankruptcies in the life sciences industry*—Our business depends on the overall economic health of our existing and prospective customers. The purchase of our solutions may involve a significant commitment of capital and other resources. In 2022, there was a reduction in funding for early-stage life sciences companies, which resulted in reduced sales and adversely affected our financial results for the fiscal year ended January 31, 2023 and may continue for the foreseeable future. Moreover, life sciences companies, and in particular early-stage companies with pre-commercial treatments in clinical trials, may ultimately be unsuccessful and may subsequently

declare bankruptcy. If our customers declare bankruptcy or otherwise dissolve, they may terminate their agreements with us or we may not be able to recoup the full payment of fees owed to us. Certain of our customers or potential customers may also be negatively impacted by high interest rates and recent volatility in the financial sector (including recent bank failures) and may find access to debt and other financing more difficult as a result.

- *Changes in market conditions and practices within the life sciences industry*—The expiration of key patents, the implications of precision medicine treatments, changes in the practices of prescribing physicians and patients, changes with respect to payer relationships, the policies and preferences of healthcare professionals and healthcare organizations with respect to the sales and marketing efforts of life sciences companies, and changes in the regulation of the sales and marketing efforts and pricing practices of life sciences companies. Changes in public perception regarding the practices of the life sciences industry may result in political pressure to increase the regulation of life sciences companies in one or more of the areas described above, which may negatively impact demand for our solutions. Other factors could lead to a significant reduction in sales representatives that use our solutions or otherwise change the demand for our solutions. In the quarter ended October 31, 2020, we disclosed that we expected life sciences companies to reduce the number of sales representatives that they employ by roughly 10%. While the majority of these reductions were completed by the end of our fiscal year ended January 31, 2023, we expect additional reductions to take place through the end of our fiscal year ending January 31, 2024. Such reductions could negatively impact sales of our solutions, including Veeva CRM and certain of our other Commercial Solutions. Further, decreased advertising budgets in the life sciences industry negatively impacted our Crossix business in the fiscal year ended January 31, 2023, and we may experience similar budget constraints in the foreseeable future.
- *Changes in geopolitical conditions that impact the life sciences industry, changes in the ability to sell healthcare treatments in certain locations, and the global availability of healthcare treatments provided by the life sciences companies to which we sell*—If economic or geopolitical conditions deteriorates, or the ability to market life sciences products or conduct clinical trials in key markets is disrupted, including as a result of the Russian invasion of Ukraine, the Israel-Hamas conflict or resulting sanctions, or if the demand for life sciences products globally deteriorates for other reasons, our customers may delay or reduce their IT spending, particularly within the regions impacted by negative economic or geopolitical conditions. For example, a number of significant life sciences companies have scaled back sales, operations, and investments in Russia, including curtailing sales and marketing and clinical trial activity in Russia.

Any of the above could result in reductions in sales of our solutions, longer sales cycles, reductions in subscription duration and value, slower adoption of new product offerings, and increased price competition. Accordingly, our operating results and our ability to efficiently provide our solutions to life sciences companies and to grow or maintain our customer base could be adversely affected as a result of these factors and others that affect the life sciences industry generally.

Our solutions address heavily regulated functions within the life sciences industry, and failure to comply with applicable laws and regulations could lessen the demand for our solutions or subject us to significant claims and losses.

Our customers use our solutions for business activities that are subject to a complex regime of global laws and regulations, including requirements for maintenance of electronic records and electronic signatures, requirements regarding drug sample tracking and distribution, requirements regarding system validations, requirements regarding processing of health data, and other laws and regulations. Our customers expect to be able to use our solutions in a manner that is compliant with the regulations to which they are subject. Our efforts to provide solutions that comply with such laws and regulations are time-consuming and costly and include validation procedures that may delay the release of new versions of our solutions. As these laws and regulations change over time, we may find it difficult to adjust our solutions to comply with such changes.

In addition, many countries and self-regulatory bodies impose requirements regarding payments and transfers of value from life sciences companies to healthcare professionals. For example, our current and prospective customers may be required to comply with the U.S. federal legislation commonly referred to as the Physician Payments Sunshine Act, enacted as part of the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, and its implementing regulations (Sunshine Act). The Sunshine Act requires certain manufacturers of drugs, devices, biologics, and medical supplies, with specific exceptions, to report annually to the government information related to certain payments and other transfers of value to physicians. Our solutions and services targeted at life sciences companies, including, for example, Veeva Digital Events, are used by our customers to assist with their reporting obligations under the Sunshine Act. If our solutions and services fail to assist our customers to meet such reporting obligations in a timely and accurate manner, demand for our solutions could decrease, which could adversely affect our business.

As we increase the number of products we offer, increase the number of countries in which we operate, and incorporate new technologies and capabilities into our products (including the use of AI and machine learning technologies), the complexity of adjusting our solutions to comply with legal and regulatory changes will increase. If we are unable to effectively manage this increased complexity or if we are not able to provide solutions that can be used in compliance with applicable laws and regulations, customers may be unwilling to use our solutions, and any such non-compliance could result in the termination of our customer agreements or claims arising from such agreements with our customers. Furthermore, we have in the past and may in the future be subject to inspections or audits by government agencies or other regulatory bodies to verify our customers' compliance with applicable laws, regulations, or GxP principles.

Additionally, any failure of our customers to comply with laws and regulations applicable to the functions for which they use our solutions could result in investigations by regulatory authorities, fines, penalties, or claims for substantial damages against our customers that may, in turn, harm our business or reputation. If such failure were allegedly caused by our solutions or services, our customers may make a claim for damages against us, regardless of our responsibility for the failure. We may be subject to investigations and lawsuits that, even if unsuccessful, could divert our resources and our management's attention and adversely affect our business and customer relationships, and our insurance coverage may not be sufficient to cover such claims against us.

Increasingly complex data protection and privacy regulations are burdensome, may reduce demand for our solutions, and non-compliance may impose significant liabilities.

Our customers use our solutions to collect, use, process, store, and disclose personal data regarding their employees, healthcare professionals, and patients. Patient data may include sensitive health data. In many countries, governmental bodies have adopted or may adopt laws and regulations regarding the collection, use, processing, storage, and disclosure of personal data, making compliance an increasingly complex task.

Under the European General Data Protection Regulation (GDPR), we act as a data controller for our data products and a data processor with respect to our software products. We comply with the EU-U.S. Data Privacy Framework, the UK Extension to the EU-U.S. DPF, and the Swiss-U.S. Data Privacy Framework as set forth by the U.S. Department of Commerce. We have certified to the U.S. Department of Commerce that we adhere to the EU-U.S. DPF Principles with regard to the processing of personal information received from the European Union in reliance on the EU-U.S. DPF and from the United Kingdom in reliance on the UK Extension, and Swiss-U.S. DPF Principles with regard to the processing of personal information received from Switzerland in reliance on the Swiss-U.S. DPF. We rely on this self-certification, or alternatively, the EU Standard Contractual Clauses (SCCs), as updated, as well as our technical, contractual, and security measures, to ensure that our European customers have the appropriate legal mechanisms in place for their personal data to be accessed from within the United States. We are required to take steps to legitimize any personal data transfers impacted by these developments, and to engage in contract negotiations with third parties that aid in processing personal data on our behalf. We may be subject to increased costs of compliance and limitations on our service providers and us. In addition, these laws are complex, with the application and interpretation of them, at times, unclear and inconsistent, and may impose significant penalties for non-compliance. For example, in May 2023, the Irish Data Protection Commission imposed a significant fine on a large internet technology corporation for its failure to sufficiently address risks to EU data subjects when transferring data to the U.S.

Other countries have imposed or may in the future impose data localization obligations, cross-border data transfer restrictions, and other country specific privacy and security requirements which could be problematic to cloud software providers. For example, in 2021, China adopted the Personal Information Protection Law (PIPL), which, together with the Cybersecurity Law (CSL) and the Data Security Law (DSL), requires companies that process personal data of China residents above certain thresholds to seek approval from the Cyberspace Administration of China (CAC) to transfer such data outside of China. Certain of our Veeva CRM customers in China were required to request such approval from the CAC and had their requests denied. As a result, we expect that over the next twelve months, such customers may be required to implement a CRM solution that does not require data to be transferred outside of China. While we offer a CRM solution, called China SFA, that does not require data to be transferred outside of China, certain of our Veeva CRM customers in China may choose to implement a competitor's CRM solution and our CRM business in China may be negatively impacted. Currently, approximately 3% of our total revenue is attributable to China.

In the United States, the U.S. Department of Health and Human Services promulgated privacy and security rules under the Health Insurance Portability and Accountability Act of 1996 (HIPAA) that cover protected health information (PHI) by limiting use and disclosure and giving individuals the right to access, amend, and seek accounting of disclosures of their PHI. Certain of our customers may be either business associates or covered entities under HIPAA, which means we must maintain a HIPAA compliance program. There is also the potential for the U.S. federal government to pass additional data privacy laws.

U.S. federal and state data privacy laws are rapidly evolving. These laws impose new and modify existing obligations on businesses that collect personal information and create new privacy rights for individuals. For example, under the California Consumer Privacy Act (CCPA), as amended, we are generally considered a “service provider” for our software solutions and a “business” for our data and analytics products. Some of these laws and regulations also target certain types of marketing and advertising based on the use of personal information. The State of Washington, for example, recently passed the My Health My Data Act, which will become effective on March 21, 2024, establishing significant new restrictions on how businesses can collect, use, and disclose consumer health data. Veeva Crossix’s data platform combines large-scale data sets, inclusive of de-identified health and consumer data, to provide insights, analytics, and audience segmentation for our life sciences customers in the U.S. The law may curtail our ability to use data of Washington consumers, which may limit the accuracy of and reduce demand for our Crossix products, which, in turn, could adversely impact the business. These various laws, regulations, and legislative developments have potentially far-reaching consequences and may require us to modify our solutions and data management practices and incur substantial expense in order to comply.

In addition to government regulations, privacy advocates and other key industry players have, and may continue to, establish various new or self-regulatory standards, such as the prohibition of third-party cookies and other identifiers in certain digital environments that may place additional burdens or resource constraints on us, limit our ability to collect and use certain data, and limit our ability to generate certain analytics. Our customers may expect us to meet voluntary certifications or adhere to other standards established by third parties. Understanding and implementing industry and customer specific requirements and certifications on top of our internationally recognized security certifications could require additional investment and management attention and may subject us to significant liabilities if we are unable to comply. Moreover, the continuing evolution of these standards might cause confusion for our customers and may have an impact on the solutions we offer, including our data products. If we are unable to maintain these certifications or meet these standards, it could reduce demand for our solutions and adversely affect our business and operating results.

Customers expect that our solutions can be used in compliance with applicable data protection, data privacy and cybersecurity laws and regulations. Compliance with these global laws and regulations, including any new or evolving regulations relating to the use of data in AI and machine learning technologies, has and will continue to require valuable management and employee time and resources and modification of our products or operations, and may also limit use and adoption of our products. Data protection authorities from around the world will from time to time review our products and services and their compliance with applicable laws and regulations. Any actual or perceived failure to comply with such laws and regulations could lead to inspections, audits, regulatory investigations and other proceedings, significant fines, penalties, and other relief imposed by government agencies and regulatory bodies, and claims, demands, and litigation by our customers or third parties, which may reduce demand for our solution and result in reputational harm, substantial damages and other liabilities.

Risks Related to Our Reliance on Third Parties

If the third-party providers of healthcare professional and healthcare organization data and prescription drug sales data do not allow our customers to upload and use such data in our solutions, the demand for our solutions may decrease, and our business may be negatively impacted.

Many of our customers license healthcare professional and healthcare organization data and data regarding the sales of prescription drugs from third parties such as IQVIA. In order for our customers to upload such data to the Veeva CRM, Veeva Network, Veeva Nitro, and other Veeva applications, such third-party data providers typically must consent to such uploads and often require that we enter into agreements regarding our obligations with respect to such data, which include confidentiality obligations and intellectual property rights with respect to such third-party data. We have experienced delays and difficulties in our negotiations with such third-party data providers in the past, and we expect to continue experiencing difficulties in the future. For instance, IQVIA currently will not consent that customers using its healthcare professional or healthcare organization data may upload such data to

Veeva Network and this has negatively affected sales and customer adoption of Veeva Network. To date, IQVIA has also restricted customers from uploading any of its data to Veeva Nitro, and has denied use of its data with certain other Veeva applications and for certain other use cases. In addition, IQVIA has stated publicly that it will deny all customer requests for use of new IQVIA data types in Veeva applications, including, as examples, real world data, real world evidence, and genomics. Similarly, sales and customer adoption of Veeva OpenData has been negatively impacted by certain restrictions on the use of IQVIA data during customer transitions from IQVIA data to Veeva OpenData. If third-party data providers, particularly IQVIA, do not consent to the uploading and use of their data in our solutions, delay consent, or fail to offer reasonable conditions for the upload and use of their data in our solutions, our sales efforts, solution implementations, and productive use of our solutions by customers, which have been harmed by such actions in the past, may continue to be harmed. Restrictions on the ability of our customers to use third-party data in our solutions may also decrease demand for our solutions or may cause customers to consider purchasing solutions that are not subject to the same restrictions. If these third-party data limitations persist, our business may be negatively impacted.

We rely on third-party providers—including Salesforce, Inc. and Amazon Web Services—for computing infrastructure, secure network connectivity, and other technology-related services needed to deliver our cloud solutions. Any disruption in the services provided by such third-party providers could adversely affect our business and subject us to liability.

Our solutions are hosted from and use computing infrastructure provided by third parties. We utilize Amazon Web Services with respect to applications built on the Veeva Vault platform. Our Veeva CRM application (and certain of our multichannel CRM applications) are built on a platform provided by Salesforce, Inc. that utilizes hosting and computing infrastructure provided by Salesforce, Inc. However, as discussed in more detail above, we intend to migrate our applications built on the Salesforce platform to our Veeva Vault platform. We also utilize other computing infrastructure service providers to a lesser extent.

We do not own or control the operation of the third-party facilities or equipment used to provide the services described above. Our computing infrastructure service providers have no obligation to renew their agreements with us on commercially reasonable terms or at all. If we are unable to renew these agreements on commercially reasonable terms, we may be required to transition to a new provider and we may incur significant costs and possible service interruption in connection with doing so. In addition, such service providers could decide to close their facilities or change or suspend their service offerings without adequate notice to us. Moreover, any financial difficulties, such as bankruptcy, faced by such service providers may have negative effects on our business, the nature and extent of which are difficult to predict. Since we cannot easily switch computing infrastructure service providers, any disruption with respect to our current providers would impact our operations and our business could be adversely impacted.

Problems faced by our computing infrastructure service providers could adversely affect the experience of our customers. For example, Salesforce, Inc. and Amazon Web Services have experienced significant service outages in the past and may do so again in the future. Additionally, our failure to manage or react to an increase in customer demand could have an adverse effect on our business. A rapid expansion of our business or an increase in customer demand could affect our service levels or cause our systems to fail. Our agreements with third-party computing infrastructure service providers may not entitle us to corresponding service level credits to those we offer to our customers. Any changes in third-party service levels at our computing infrastructure service providers or any related disruptions or performance problems with our solutions could result in lengthy interruptions in our services, damage our customers’ stored files, or result in potential losses of customer data, any of which could adversely affect our reputation. Interruptions in our services might reduce our revenues, cause us to issue refunds to customers for prepaid and unused subscriptions, subject us to service level credit claims and potential liability, or adversely affect our renewal rates.

We are currently dependent upon Salesforce, Inc’s. platform for our multichannel CRM applications, and we are bound by the restrictions of our agreement with Salesforce, Inc., which limits the markets to which we may sell our Veeva CRM solution.

Our Veeva CRM application, and certain portions of the multichannel CRM applications that complement our Veeva CRM application, utilize the Salesforce platform of Salesforce, Inc., and we are currently dependent upon the Salesforce platform to deliver our CRM application.

However, on December 1, 2022, we announced our intent to migrate our applications built on the Salesforce platform to our Veeva Vault platform and we do not intend to renew our agreement with Salesforce, Inc. when the current term expires on September 1, 2025. Pursuant to the terms of our agreement, during the wind-down period from September 1, 2025 to September 1, 2030, we may not sell applications that utilize the Salesforce platform to new customers and our sales of applications that utilize the Salesforce platform to a customer existing at September 1, 2025 may not exceed 150% of the seats in use by each such customer as of September 1, 2025. After September 1, 2030, we will not be able to sell applications that utilize the Salesforce platform to any customers.

Through the expiration of the wind-down period, our agreement with Salesforce, Inc. provides that we can use the Salesforce platform as combined with our proprietary Veeva CRM application to sell sales automation solutions only to drug makers in the pharmaceutical and biotechnology industries for human and animal treatments, which does not include the medical device industry or products for non-drug departments of pharmaceutical and biotechnology companies. Sales of the Salesforce platform in combination with our Veeva CRM application to additional industries would require the review and approval of Salesforce, Inc. Our inability to freely sell our Veeva CRM application using the Salesforce platform outside of drug makers in the pharmaceutical and biotechnology industries may adversely impact our growth. Salesforce, Inc. also has the right to terminate the agreement early in certain circumstances, including in the event of a material breach of the agreement by us, or if Salesforce, Inc. is subjected to third-party intellectual property infringement claims based on our solutions (except to the extent based on the Salesforce platform) or our trademarks and we do not remedy such infringement in accordance with the agreement. Also, if we are acquired by specified companies, Salesforce, Inc. may terminate the agreement upon notice of not less than 12 months.

On May 1, 2023, as allowed by the terms of our agreement, Salesforce Inc. terminated certain competition restrictions imposed by the agreement. Per the terms of the agreement, termination of those non-competition obligations by Salesforce, Inc. released us from our minimum order commitments in the future. Under the terms of our current agreement, Salesforce, Inc. is no longer prohibited from promoting third parties' products that are competitive to Veeva CRM, treating another third party as a "preferred" vendor of a CRM solution in the pharma and biotech market, or developing or promoting a product that competes with Veeva CRM.

In addition, current or potential customers of ours may choose a competitor, such as IQVIA, that uses the Salesforce platform or build their own custom solutions on the Salesforce platform rather than buy from us. Any of these events may have a material adverse impact on our business, operating results, and financial condition.

Also, in 2019, Salesforce, Inc. announced a strategic partnership with Alibaba, a Chinese company, through which Alibaba will become the exclusive provider of Salesforce in mainland China, Hong Kong, Macau, and Taiwan. The timeframe and exact parameters of changes to Salesforce, Inc. offerings in the listed regions has not been announced. Our existing agreement with Salesforce, Inc. allows us to sell our CRM solutions to drug makers in the pharmaceutical and biotechnology industries in mainland China, Hong Kong, Macau, and Taiwan, and our right to do so is not impacted by the Alibaba partnership. However, our ability to offer our CRM solutions from data centers located in the listed regions may be limited if Salesforce, Inc. does not operate data centers in the listed regions in the future and we do not contract for such data center services from Alibaba. If our inability to offer our CRM solutions from data centers located in the listed regions negatively impacts the performance of our solutions in those regions or causes legal compliance concerns, or if customers in the listed regions prefer their CRM solutions to be hosted from local data centers, our business may be negatively affected.

We employ third-party licensed software and software components for use in or with our solutions, and the inability to maintain these licenses or the presence of errors or security vulnerabilities in the software we license could limit the functionality of our products and result in increased costs or reduced service levels, which would adversely affect our business.

In addition to our employment of the Salesforce platform through our agreement with Salesforce, Inc., our solutions incorporate or use certain third-party software and software components obtained under licenses from other companies. We also use third-party software and tools in the development process for our solutions to manage and monitor our computing infrastructure, and to provide professional services and support our customers. For example, our Veeva CRM Engage Meeting application uses a purpose-built partner tool from Zoom Video Communications, Inc., which is critical to the application’s functionality. We anticipate that we will continue to rely on such third-party software and development tools in the future. Although we believe that there are commercially reasonable alternatives to the third-party software we currently license, this may not always be the case, or it may be difficult or costly to replace. In addition, although we maintain a supplier security evaluation process, if the third-party software we use has errors, security vulnerabilities, or otherwise malfunctions, the functionality of our solutions may be negatively impacted, our customers may experience reduced service levels, and our business may suffer.

Our solutions utilize open source software, and any failure to comply with the terms of one or more of these open source licenses could adversely affect our business.

Our solutions include software covered by open source licenses. The terms of various open source licenses have not been interpreted by U.S. courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to market our solutions. It is possible under the terms of certain open source licenses, if we combine our proprietary software with open source software in a certain manner, that we could be required to release the source code of our proprietary software and make our proprietary software available under open source licenses. In the event that portions of our proprietary software are determined to be subject to an open source license, we could be required to publicly release the affected portions of our source code, re-engineer all or a portion of our solutions, or otherwise be limited in the licensing of our solutions, each of which could reduce or eliminate the value of our solutions. In addition to risks related to license requirements, use of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of the software. Many of the risks associated with the use of open source software cannot be eliminated and could adversely affect our business.

Risks Related to Our Financial Performance, How We Contract with Customers, and the Financial Position of Our Business

Our historic growth rates of total revenues and subscription services revenues should not be viewed as indicative of our future performance.

While we have experienced significant revenue growth in prior periods, it is not indicative of our future revenue growth. Our total revenues and subscription services revenue growth rates have declined in the past and may decline in the future. In our fiscal years ended January 31, 2023, 2022, and 2021, our total revenues grew by 16%, 26%, and 33% respectively, as compared to total revenues from the prior fiscal years. In our fiscal years ended January 31, 2023, 2022, and 2021, our subscription services revenues grew by 17%, 26%, and 32% respectively, as compared to subscription services revenues from the prior fiscal years. In the fiscal year ended January 31, 2023, our revenue growth rate was negatively impacted by foreign currency exchange fluctuations and macroeconomic conditions, including lower funding levels within segments of our customer base and increased project scrutiny for certain potential projects. In our fiscal quarter ended October 31, 2023, our total revenues grew by 12% and our subscription services revenues grew by 12%, as compared to the same quarterly period in the prior fiscal year. A contracting change in the master subscription agreements that govern our multi-year orders, which became effective February 1, 2023, affects the timing of revenue recognition for such orders. As a result, our total revenue and subscription services revenue growth rates in the fiscal year ending January 31, 2024 will be reduced and are expected to decline, as compared to the prior fiscal year. While we expect our revenue growth rates to accelerate in our fiscal year ending January 31, 2025, as compared to the prior fiscal year, the year-over-year acceleration is in part due to the reduction in our revenues in the fiscal year ending January 31, 2024 from the contracting change discussed above. Over the longer term, our revenue growth rates are likely to fluctuate from year to year and may decline. If we are unable to maintain consistent revenue growth, it may adversely impact our profitability and the value of our common stock.

Our results may fluctuate from period to period, which could prevent us from meeting our own guidance or security analyst or investor expectations.

Our results of operations, including our revenues, gross margin, operating margin, profitability, cash flows, normalized billings, and deferred revenue, as well as other metrics we may report, may vary from period to period for a variety of reasons, including those listed elsewhere in this “Risk Factors” section, and period-to-period comparisons of our operating results may not be meaningful. Accordingly, our quarterly results should not be relied upon as an indication of future performance. Additionally, from time to time, we issue guidance and provide commentary regarding our expectations for certain future financial results and other metrics on both a near-term and long-term basis. Our guidance is based upon a number of assumptions and estimates that are subject to significant business, economic, and competitive uncertainties that are beyond our control and are based upon assumptions about future business and accounting decisions that may change or be wrong. Our guidance may prove to be incorrect, and actual results may differ from our guidance. Fluctuations in our results, changes in our guidance, or failure to achieve our guidance or security analyst or investor expectations, even if not materially, could cause the price of our common stock to decline substantially, and our investors could incur substantial losses.

Our subscription agreements with our customers are typically for a term of one year. If our existing customers do not renew their subscriptions, do not buy additional solutions and user subscriptions from us, renew at lower aggregate fee levels, or early terminate their existing agreements, our business and operating results will suffer.

We derive a significant portion of our revenues from the renewal of existing subscription orders. The majority of our customers' orders for subscription services have one-year terms. Our customers have no obligation to renew their subscriptions after their orders expire. Thus, securing the renewal of our subscription orders and selling additional solutions and user subscriptions is critical to our future operating results. Factors that may affect the renewal rate for our solutions and our ability to sell additional solutions and user subscriptions include:

- the price, performance, and functionality of our solutions;
- the effectiveness of our professional services;
- the strength of our business relationships with our customers;
- the availability, price, performance, and functionality of competing solutions and services;
- our ability to develop complementary solutions, applications, and services;
- the stability, performance, and security of our hosting infrastructure and hosting services; and
- the business environment of our customers and, in particular, reductions in spending or headcount, and acquisitions of or business combinations between our customers or other business developments that may result in reductions in user subscriptions.

For example, in response to inflationary pressures, we are also updating our contracting terms to incorporate an annual inflation adjustment, which will raise the price to each customer upon such customer entering into a new or renewal order form after April 1, 2023 by the lower of 4% or the Consumer Price Index (All Urban Consumer, U.S. City Average, All Items Index) published by the U.S. Bureau of Labor and Statistics for the month of August of the prior calendar year. If this increase results in reduced renewal rates, our business and results of operations will be adversely affected. Further, our customers may negotiate terms less advantageous to us upon renewal, which could reduce our revenues from these customers. As a customer's total spend on Veeva solutions increases, we expect purchasing scrutiny at renewal to increase as well, which may result in reductions in user subscriptions or increased pricing pressure. Other factors that are not within our control may contribute to a reduction in our subscription services revenues. For instance, our customers may reduce their number of sales representatives, which would result in a corresponding reduction in the number of user subscriptions needed for some of our solutions and thus a lower aggregate renewal fee, or our customers may discontinue clinical trials for which our solutions are being used. In addition, starting on February 1, 2023, our master subscription agreements that govern multi-year orders generally include a right to terminate the master subscription agreement for convenience and certain customers may exercise that right prior to the contracted end date.

If our customers fail to renew their subscription orders, renew their subscription orders with less favorable terms or at lower fee levels, fail to purchase new solutions, applications, or professional services from us, or terminate their existing agreements early, our revenues may decline or our future revenues may be constrained.

As our costs increase, we may not be able to sustain the level of profitability we have achieved in the past.

We expect our future expenses to increase as we continue to invest in and grow our business. We expect to incur significant future expenditures related to:

- developing new solutions and enhancing our existing solutions, including additional data acquisition costs associated with our Veeva Compass offering and investment in our product development teams;
- improving the technology infrastructure, scalability, availability, security, and support for our solutions;
- sales and marketing, including expansion of our direct sales organization and global marketing programs;
- expansion of our professional services organization;
- pending, threatened, or future legal proceedings, certain of which are described in Part II, Item 1. "Legal Proceedings" and note 13 of the notes to our condensed consolidated financial statements, and which we expect to continue to result in significant expense for the foreseeable future;

- international expansion;
- acquisitions and investments; and
- general operations, IT systems, facilities, and administration, including legal and accounting expenses.

If our efforts to increase revenues and manage our expenses are not successful, or if we incur costs, damages, fines, settlements, or judgments as a result of other risks and uncertainties described in this report, we may not be able to sustain or increase our historical levels of profitability.

Our revenues and gross margin from professional services fees are volatile and may not increase from quarter to quarter or at all.

We derive a significant portion of our revenue from professional services fees. Our professional services revenues fluctuate from quarter to quarter as a result of the requirements, complexity, and timing of our customers' implementation projects. Generally, a customer's ongoing need for professional services decreases as the implementation and full deployment of our solutions is completed. Our customers may also choose to use third parties rather than us for certain professional services related to our solutions. As a result of these and other factors, our professional services revenues may not increase on a quarterly basis in the future or at all. Additionally, the gross margin generated from professional services fees fluctuates based on a number of factors which may vary from period to period, including the average billable hours worked by our billable professional services personnel, our average hourly rates for professional services, and the margin on professional services subcontracted to our third-party systems integrator partners. As a result of these and other factors, the gross margin from our professional services may not increase on a quarterly basis in the future or at all.

Because we recognize subscription services revenues ratably over the term of an order for our subscription services, it may be difficult to evaluate our future financial performance.

We generally recognize subscription services revenues ratably over the term of an order under our subscription agreements. As a result, a substantial majority of our quarterly subscription services revenues are generated from subscription agreements entered into during prior periods. Consequently, a decline in new subscriptions in any quarter may not affect our results of operations in that quarter but could reduce our revenues in future quarters. Additionally, the timing of renewals or non-renewals of a subscription agreement during any quarter may only affect our financial performance in future quarters. For example, the non-renewal of a subscription agreement late in a quarter will have minimal impact on revenues for that quarter but will reduce our revenues in future quarters.

Accordingly, the effect of significant declines in sales and customer acceptance of our solutions may not be reflected in our short-term results of operations, which would make these reported results less indicative of our future financial results. By contrast, a non-renewal occurring early in a quarter may have a significant negative impact on revenues for that quarter and we may not be able to offset a decline in revenues due to the non-renewal with revenues from new subscription agreements entered into in the same quarter.

With respect to certain of our software products, we regularly enter into orders with multi-year terms, some of which may have fee structures that ramp over the term of the order. The difference between the fees invoiced in the first year of a multi-year ramping order and the last year of such an order can sometimes be significant.

When such multi-year orders are non-cancellable (other than for cause), we recognize the total contracted revenue ratably over the multi-year term of the order. As a result, in the initial year of such orders, we recognize more revenue than the fees we invoice for the same period, and in the last year of such orders, we recognize less revenue than the fees we invoice for the same period. In this scenario, we may also be exposed to impaired contract assets if, for example, a customer terminates a multi-year order with ramping fees for cause.

Historically, our multi-year orders have generally been non-cancellable. Therefore, our reported revenue in any quarter or year may not have corresponded to the amounts we were entitled to bill in the same period.

Since February 1, 2023, our master subscription agreements that govern multi-year orders generally include a termination for convenience right for our customers. In the fiscal year ending January 31, 2024, the addition of termination for convenience rights in such master subscription agreements changes the timing of revenue recognition for such orders governed by these master subscription agreements and will reduce our revenue for the fiscal year. Starting in our fiscal year ending January 31, 2025, the amount of revenue recognized from such orders will generally be consistent with the amount invoiced for the relevant term of the order.

Deferred revenue and change in deferred revenue may not be accurate indicators of our future financial results.

Our subscription orders are generally billed at the beginning of the subscription period in annual or quarterly increments, which means the annualized value of such orders may not be completely reflected in deferred revenue at any single point in time. Many of our customers, including many of our large customers, are billed on a quarterly basis and therefore a substantial portion of the value of contracts billed on a quarterly basis will not be reflected in our deferred revenue at the end of any given quarter. Also, particularly with respect to expansion orders for our Commercial Solutions, because the term of orders for additional end users or applications is commonly less than one year to align to the renewal date of existing Commercial Solutions orders, the annualized value of such orders may not be completely reflected in deferred revenue at any single point in time. We have also agreed from time to time, and may agree in the future, to allow customers to change the renewal dates of their orders to, for example, align more closely with a customer’s annual budget process or to align with the renewal dates of other orders placed by other entities within the same corporate control group, or to change payment terms from annual to quarterly, or vice versa. Such changes may result in an order of less than one year as necessary to align all orders to the desired renewal date and, thus, may result in a lesser increase to deferred revenue compared to if the adjustment had not occurred. Additionally, changes in renewal dates may change the fiscal quarter in which deferred revenue associated with a particular order is booked. Accordingly, we do not believe that changes on a quarterly basis in deferred revenue, unbilled accounts receivable, calculated billings, or normalized billings are accurate indicators of the underlying momentum of our business or future revenues for any given period of time. We believe that our subscription revenue guidance and normalized billings guidance for the full fiscal year are the best indicators of the momentum of our business or future revenues. Please note that we define the term calculated billings for any period to mean revenue for the period plus the change in deferred revenue from the immediately preceding period minus the change in unbilled accounts receivable (contract asset) from the immediately preceding period. We define the term normalized billings for any period to mean calculated billings adjusted for the impact of term changes in renewal business, such as in the timing (for example, changing the renewal date of multiple products to be coterminous) or billing frequency (for example, changing from annual to quarterly billings). However, many companies that provide cloud-based software report changes in deferred revenue or billings as key operating or financial metrics, and it is possible that analysts or investors may view these metrics as important. Thus, any changes in our deferred revenue balances or deferred revenue trends could adversely affect the market price of our common stock.

Currency exchange fluctuations may negatively impact our financial results.

Some of our international agreements provide for payment denominated in local currencies, and the majority of our local costs are denominated in local currencies. As we continue to expand our operations in countries outside the United States, an increasing proportion of our revenues and expenditures in the future may be denominated in foreign currencies. Fluctuations in the value of the U.S. dollar versus foreign currencies may impact our operating results when translated into U.S. dollars. Thus, our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Euro, Japanese Yen, Canadian Dollar, British Pound Sterling, Hungarian Forint, Chinese Yuan, Israeli Shekel, and Brazilian Real, and may be adversely affected in the future due to changes in foreign currency exchange rates. Changes in exchange rates may negatively affect our revenues, expenses, and other operating results as expressed in U.S. dollars in the future. For example, changes in exchange rates negatively affected our revenues as expressed in U.S. dollars for the fiscal year ended January 31, 2023, and may negatively affect our revenues for the fiscal year ending January 31, 2024 as expressed in U.S. dollars as well. Further, we have experienced and will continue to experience fluctuations in our net income as a result of transaction gains or losses related to revaluing certain current asset and current liability balances that are denominated in currencies other than the functional currency of the entities in which they are recorded.

We engage in the hedging of our foreign currency transactions and may, in the future, hedge selected significant transactions or net monetary exposure positions denominated in currencies other than the U.S. dollar. The use of such hedging activities may not offset any or more than a portion of the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place. Moreover, the use of hedging instruments may introduce additional risks if we are unable to structure effective hedges with such instruments.

Taxing authorities may successfully assert that we should have collected or in the future should collect sales and use, value added or similar transactional taxes, and we could be subject to liability with respect to past or future sales, which could adversely affect our results of operations.

We do not collect sales and use, value added or similar transactional taxes in all jurisdictions in which we have sales but no physical presence, based on our determination that such taxes are not applicable or that we are not required to collect such taxes with respect to the jurisdiction. Sales and use, value added and similar tax laws and rates vary greatly by jurisdiction. Certain jurisdictions in which we do not collect and remit such taxes may assert that such taxes are applicable, which could result in tax assessments, penalties and interest, and we may be required to collect such taxes in the future. Such tax assessments, penalties and interest or future requirements, including based on changes in tax laws, may adversely affect our results of operations. We believe that our financial statements reflect adequate reserves to cover such a contingency, but there can be no assurances in that regard.

Unanticipated changes in our effective tax rate and additional tax liabilities, including as a result of our international operations or implementation of new tax rules, could harm our future results.

We are subject to income taxes in the United States and various foreign jurisdictions. Our domestic and international tax liabilities are subject to the allocation of expenses in differing jurisdictions and complex transfer pricing regulations administered by taxing authorities in these jurisdictions. Tax rates may change as a result of factors outside of our control or relevant taxing authorities may disagree with our determinations as to the income and expenses attributable to specific jurisdictions. In addition, changes in tax and trade laws, treaties or regulations, or their interpretation or enforcement, have become more unpredictable and may become more stringent, which could have a material adverse effect on our tax position. Additionally, volatility in our stock price would affect the excess tax benefits from our equity compensation, which may adversely impact our effective tax rate. Forecasting our estimated annual effective tax rate is complex and subject to uncertainty, and there may be material differences between our forecasted and actual tax rates. Moreover, increases in our effective tax rate would reduce our profitability.

Our tax provision could also be impacted by changes in accounting principles and changes in U.S. federal and state or international tax laws applicable to multinational corporations. For example, the Tax Cuts and Jobs Act of 2017 eliminated the option to deduct research and development expenditures currently and required taxpayers to capitalize and amortize them over five or fifteen years. The requirement reduced our cash from operations for the fiscal year ended January 31, 2023 and will continue to impact our cash operations in the fiscal year ending January 31, 2024. We made significant judgments and assumptions in the interpretation of this new law and in our calculations reflected in our financial statements. In addition, the current U.S. administration has released various tax legislation proposals. If enacted, these changes could increase our effective tax rate and have an adverse effect on our results of operations.

Any changes in taxing jurisdictions' administrative interpretations, decisions, policies, and positions could also impact our tax liabilities. The overall tax environment has made it increasingly challenging for multinational corporations to operate with certainty about taxation in many jurisdictions. The Organisation for Economic Co-operation and Development (OECD), which represents a coalition of member countries, is supporting changes to numerous long-standing tax rules, including changes to the practice of shifting profits among affiliated entities located in different tax jurisdictions. For example, the OECD has announced an international agreement with more than 130 countries that has an anticipated effective date of January 1, 2024 in varying jurisdictions and includes a global minimum effective corporate tax rate of 15% for certain large multinational companies. Upon enactment, this agreement will also introduce rules that will result in the reallocation of certain taxing rights from multinational companies from their home countries to the markets where they have business activities and earn profits—regardless of physical presence. We continue to monitor and assess the developments and implications surrounding changes in the global tax environment, including the OECD minimum tax. The increasingly complex global tax environment could have a material adverse effect on our effective tax rate, results of operations, cash flows, and financial condition.

Finally, we have been, and may be in the future, subject to income tax audits throughout the world. We believe our income, employment, and transactional tax liabilities are reasonably estimated and accounted for in accordance with applicable laws and principles, but an adverse resolution of one or more uncertain tax positions in any period could have a material impact on the results of operations for that period.

If we are unable to implement and maintain effective internal controls over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports.

As a public company, we are required to maintain internal controls over financial reporting and to report any material weaknesses in such internal controls. Section 404 of the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley Act) requires that we evaluate and determine the effectiveness of our internal controls over financial reporting and provide a management report on internal controls over financial reporting. The Sarbanes-Oxley Act also requires that our management report on internal controls over financial reporting be attested to by our independent registered public accounting firm.

We must continue to monitor and assess our internal control over financial reporting. If in the future we have any material weaknesses, we may not detect errors on a timely basis and our financial statements may be materially misstated. Additionally, if in the future we are unable to comply with the requirements of the Sarbanes-Oxley Act in a timely manner, are unable to assert that our internal controls over financial reporting are effective, identify material weaknesses in our internal controls over financial reporting, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal controls over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be adversely affected, and we could become subject to investigations by the NYSE, the SEC, or other regulatory authorities, which could require additional financial and management resources.

We have broad discretion in the use of our cash balances and may not use them effectively.

We have broad discretion in the use of our cash balances and may not use them effectively. The failure by our management to apply these funds effectively could adversely affect our business and financial condition. Pending their use, we may invest our cash balances in a manner that does not produce income or that loses value. We are also subject to general economic conditions, including volatility in the financial markets, that can negatively affect our investment income or negatively impact the banking partners on which we rely for operating cash management. Our investments may not yield a favorable return to our investors and may negatively impact the price of our common stock. A loss on our investments may also negatively impact our liquidity, which in turn may hurt our ability to invest in our business.

Risks Related to Our Intellectual Property

We have been and may in the future be sued by third parties for alleged infringement of their proprietary rights or misappropriation of intellectual property, and we may suffer damages or other harm from such proceedings.

There is considerable patent and other intellectual property development activity in our industry. Our competitors, as well as a number of other entities and individuals including so-called non-practicing entities, or NPEs, may own or claim to own intellectual property relating to our solutions. From time to time, third parties may claim that we are infringing upon their intellectual property rights or that we have misappropriated their intellectual property. For example, since January 2017, we have been defending against assertions of trade secret misappropriation made by our competitor, IQVIA, as described in note 13 of the notes to our condensed consolidated financial statements and other competitors have asserted similar claims in the past. As competition in our market grows and as we develop new technology products, the possibility of patent infringement and other intellectual property claims against us increases. In the future, we expect others to claim that our solutions and underlying technology infringe or violate their intellectual property rights. We may be unaware of the intellectual property rights that others may claim cover some or all of our technology or services. Such claims and litigation have caused and in the future could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, prevent us from offering our services, or require that we comply with other unfavorable terms. We may also be obligated to indemnify our customers or business partners or pay substantial settlement costs, including royalty payments, in connection with any such claim or litigation and to obtain licenses, modify applications, or refund fees, which could be costly. Any litigation regarding our intellectual property could be costly and time-consuming and divert the attention of our management and key personnel from our business operations even if we were to ultimately prevail in such litigation.

Any failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and our brand.

Our success and ability to compete depend in part upon our intellectual property. As of October 31, 2023, we have filed numerous domestic and foreign patent applications and have been issued 70 U.S. patents and 13 international patents. We also rely on copyright, trade secret and trademark laws, trade secret protection and confidentiality or license agreements with our employees, customers, partners, consultants and others to protect our intellectual property rights. However, the steps we take to protect our intellectual property rights may be inadequate and we may not be able to prevent the unauthorized disclosure or use of our technical knowledge, trade secrets or other confidential information. Further, if there is a breach or violation of the terms of our confidentiality agreements, we may not have adequate remedies.

In addition, in order to protect our intellectual property rights, we may also be required to spend significant resources to maintain, monitor and protect these rights. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Negative publicity related to a decision by us to initiate such enforcement actions against a customer or former customer, regardless of its accuracy, may adversely impact our other customer relationships or prospective customer relationships, harm our brand and business and could cause the market price of our common stock to decline. Our failure to secure, protect and enforce our intellectual property rights could adversely affect our brand and our business.

Risks Related to Our Status as a Public Benefit Corporation and Ownership of Our Common Stock

Our status as a Delaware public benefit corporation may not result in the benefits that we anticipate, requires our directors to balance the interest of stockholders with other interests, and may subject us to legal uncertainty and other risks.

On February 1, 2021, after approval by our stockholders, we became a Delaware public benefit corporation (PBC). There are a very limited number of publicly traded PBCs, we are the first publicly traded company to convert to a PBC, and we are the largest publicly traded company, as measured by revenue or market capitalization, to operate as a PBC. As a PBC, we have unique legal obligations. We are required to adopt and include in our certificate of incorporation a public benefit purpose that is intended to have positive effects on a category of persons, entities or communities other than stockholder financial interest. Our public benefit purpose is to provide products and services that are intended to help make the industries we serve more productive, and to create high-quality employment opportunities in the communities in which we operate. Further, as a PBC, our Board is required to balance our stockholders' pecuniary (financial) interests, the best interests of those materially affected by our conduct, and pursuit of our public benefit purpose. We have identified those materially affected by our conduct (which we refer to as stakeholders) as including our customers, our employees, our partners, and the communities in which we operate.

We believe that operating as a PBC is beneficial to our business and consistent with the long-term interests of stockholders, but the benefits we anticipate from operating as a PBC may not materialize within the timeframe we expect or at all, or there may be negative effects. Further, we may be unable or slow to achieve the public benefits we have identified or we may make balancing determinations that are ultimately harmful to our business or to stockholders, which could adversely affect our reputation, business, financial condition, and results of operations and cause our stock price to decline.

In the event of a conflict between the interests of our stockholders, our stakeholders, and our public benefit purpose, our directors must only make an informed and disinterested decision, and not such that no person of ordinary, sound judgment would approve. Our directors have significant latitude under this standard and there is no guarantee that a conflict would be resolved in favor of our stockholders. This balancing obligation may allow our directors to make decisions that they could not have made pursuant to the fiduciary duties applicable prior to our PBC conversion, and such decisions may not maximize short-term stockholder value. For instance, in a sale of control transaction, our board of directors would be required to consider and balance the factors listed above and might choose to accept an offer that does not maximize short-term stockholder value due to its consideration of other factors.

Further, there is limited legal precedent or guidance regarding how to administer our obligation to balance the interests of stockholders, stakeholders, and the pursuit of our public benefit purpose. While we expect that, in large part, traditional Delaware corporation law principles and the application of those principles in case law—including those related to self-dealing, conflicts of interest, and the application of the business judgment rule—will continue to apply with respect to Delaware PBCs, there is currently limited case law involving PBCs, which may create legal uncertainty or additional litigation risk until additional case law develops. Stockholders of a Delaware PBC (if they, individually or collectively, own at least the lesser of two percent of the company's outstanding shares or shares with a market value of at least $2 million) may file suit to enforce the balancing obligation. Any such lawsuit might be a distraction to our management and board of directors, and could be costly, which may have an adverse impact on our financial condition and results of operations.

As a PBC, we are required to disclose to stockholders a report at least biennially that includes our assessment of our success in achieving our specific public benefit purpose, and we have committed to providing this report annually and making it publicly available. If we are not timely or are unable to provide this report, or if the report is not viewed favorably, our reputation and status as a public benefit corporation may be harmed.

While we do not view the additional reporting obligations of a PBC to be onerous, Delaware's PBC statute may be amended in the future to require more explicit or burdensome periodic reporting requirements and that could increase our expenses. In addition, if the public perceives that we are not successful in our public benefit purpose, or that our pursuit of our public benefit purpose is having a negative effect on the financial interests of our stockholders, that perception could negatively affect our reputation, which could adversely affect our business and results of operations.

Our common stock price has been and will likely continue to be volatile.

The trading price of our common stock has been, and will likely continue to be, volatile for the foreseeable future. In addition, the trading prices of the securities of technology companies have been highly volatile. Accordingly, the market price of our common stock is likely to be subject to wide fluctuations in response to numerous factors, many of which are beyond our control. Uncertain macroeconomic and geopolitical factors in recent periods, including as a result of global inflationary pressures and changes in interest rates, concerns about a possible domestic or global recession, currency exchange fluctuations, and the Russian invasion of Ukraine, have led to volatility in the stock market. As a result, our stock price has declined significantly in recent periods, and we expect the trading price of our common stock will likely continue to be volatile for the foreseeable future. In addition to those risks described in this "Risk Factors" section, other factors could impact the value of our common stock, including:

- fluctuations in the valuation of companies perceived by investors to be comparable to us, such as high-growth or cloud companies, or in valuation metrics, such as our price to revenues ratio;
- overall performance of the stock market;
- changes in our financial, operating or other metrics, regardless of whether we consider those metrics as reflective of the current state or long-term prospects of our business, and how those results compare to securities analyst expectations, including whether those results fail to meet, exceed, or significantly exceed securities analyst expectations;
- changes in the forward-looking estimates of our financial, operating, or other metrics, how those estimates compare to securities analyst expectations, or changes in recommendations by securities analysts that follow our common stock;
- announcements of customer additions and customer cancellations or delays in customer purchases;
- the net increase in the number of customers, either independently or as compared to published expectations of industry, financial or other analysts that cover us;
- announcements by us or by our competitors of technological innovations, new solutions, enhancements to services, strategic alliances or significant agreements;
- announcements by us or by our competitors of mergers or other strategic acquisitions or rumors of such transactions;
- the economy as a whole and market conditions within our industry and the industries of our customers;
- macroeconomic and geopolitical factors and instability and volatility in the global financial markets;
- future monetary policy changes in the United States and globally;

- the operating performance and market value of other comparable companies;
- securities or industry analysts downgrading our common stock or publishing inaccurate or unfavorable research about our business;
- trading activity by directors, executive officers (in particular our Chief Executive Officer who holds a significant portion of our outstanding common stock and a significant number of vested options, and previously disclosed his intention to donate up to 861,000 shares of common stock to a charitable fund that is likely to sell the donated shares prior to December 31, 2023), and other significant stockholders, or the perception in the market that the holders of a large number of shares intend to sell their shares; and
- any other factors discussed herein.

In addition, if the market for technology stocks or the stock market in general experiences uneven investor confidence, the market price of our common stock could decline for reasons unrelated to our business, operating results or financial condition. The market price of our common stock might also decline in reaction to events that affect other companies within, or outside, our industry even if these events do not directly affect us. Some companies that have experienced volatility in the trading price of their stock have been the subject of securities class action litigation. If we are the subject of such litigation, it could result in substantial costs and a diversion of our management’s attention and resources.

We do not intend to pay dividends on our capital stock for the foreseeable future, so any returns will be limited to changes in the value of our common stock.

We have never declared or paid any cash dividends on our capital stock. We currently anticipate that we will retain future earnings for the development, operation, and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. In addition, our ability to pay cash dividends on our capital stock may be prohibited or limited by the terms of any future debt financing arrangement. Any return to stockholders will therefore be limited to the increase, if any, of the price of our common stock.

Provisions in our certificate of incorporation and bylaws and Delaware law might discourage, delay or prevent a change in control of our company or changes in our management and, therefore, depress the market price of our common stock.

Our certificate of incorporation and bylaws contain provisions that could depress the market price of our common stock by acting to discourage, delay, or prevent a change in control of our company or changes in our management that the stockholders of our company may deem advantageous. These provisions among other things:

- permit our board of directors to establish the number of directors;
- provide that directors may only be removed with the approval of 66-2/3% of our stockholders;
- require super-majority voting to amend some provisions in our restated certificate of incorporation and amended and restated bylaws;
- authorize the issuance of “blank check” preferred stock that our board of directors could use to implement a stockholder rights plan;
- require our board of directors to consider and balance our stockholders' pecuniary (financial) interests, the best interests of those materially affected by our conduct, and the pursuit of our public benefit purpose, which may, in turn, allow our board of directors to make a decision about a change of control transaction that does not maximize short-term stockholder value;
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;
- provide that the board of directors is expressly authorized to make, alter, or repeal our amended and restated bylaws; and
- establish advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

In addition, Section 203 of the Delaware General Corporation Law may discourage, delay, or prevent a change in control of our company. Section 203 imposes certain restrictions on merger, business combinations, and other transactions between us and holders of 15% or more of our common stock.

Our bylaws provide for exclusive forums for certain disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees.

Our bylaws provide that the Court of Chancery of the State of Delaware is the exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a breach of fiduciary duty, any action asserting a claim against us arising pursuant to the Delaware General Corporation Law or any action asserting a claim against us that is governed by the internal affairs doctrine. Our bylaws also provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States shall be the sole and exclusive forum for any action asserting a claim arising pursuant to the Securities Act, such a provision known as a "Federal Forum Provision." Any person or entity purchasing or otherwise acquiring any interest in our shares of capital stock shall be deemed to have notice of and consented to these provisions.

These choice of forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees and may discourage these types of lawsuits. Alternatively, if a court were to find the choice of forum provision contained in our bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, operating results, and financial condition.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

a) Sales of Unregistered Securities

None.

b) Use of Proceeds from Public Offerings of Common Stock

None.

c) Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

Rule 10b5-1 Trading Plans

The following table sets forth the material terms of all "Rule 10b5-1 trading arrangements" (as such term is defined under Item 408(a) of Regulation S-K) adopted, modified, or terminated by our Section 16 officers and directors during the fiscal quarter ended October 31, 2023:

Name and Title	Action (Adoption / Termination)	Adoption / Termination Date	Aggregate Number of Shares of Common Stock to be Sold (1)	Expiration Date (2)
Mary Ann Hedley *Director*	Adoption	9/28/2023	83	12/26/2024
Thomas Schwenger *President*	Adoption	10/4/2023	4,344	1/3/2025

(1) This number represents the maximum number of shares of common stock that may be sold pursuant to the trading plan. The number of shares actually sold will depend on the satisfaction of certain conditions as set forth in the plan.

(2) In each case, the trading plan may expire on an earlier date if and when all transactions thereunder are completed.

None of our Section 16 officers or directors adopted, modified, or terminated a "non-Rule 10b5-1 trading arrangement" (as such term is defined under Item 408(c) of Regulation S-K) during the fiscal quarter ended October 31, 2023.

ITEM 6. EXHIBITS.

Exhibits

Table of Contents

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Amended and Restated Certificate of Incorporation of Veeva Systems Inc.	8-K	001-36121	3.2	10/16/2023	
3.2	Certificate of Retirement of Class B Common Stock of Veeva Systems Inc.	8-K	001-36121	3.1	10/16/2023	
3.3	Amended and Restated Bylaws of Veeva Systems Inc.	8-K	001-36121	3.1	6/23/2023	
31.1	Certification of Principal Executive Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.					X
31.2	Certification of Principal Financial Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.					X
32.1†	Certification of Chief Executive Officer Required Under Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350.					X
32.2†	Certification of Chief Financial Officer Required Under Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350.					X
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					
101.SCH	Inline XBRL Taxonomy Schema Linkbase Document.					
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document.					
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document.					
101.LAB	Inline XBRL Taxonomy Labels Linkbase Document.					
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document.					
104	Cover Page Interactive Data File - the cover page interactive data is embedded within the Inline XBRL document or included within the Exhibit 101 attachments.					

† The certifications attached as Exhibit 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Veeva Systems Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

			Veeva Systems Inc.
Dated:	December 7, 2023	By:	/s/ BRENT BOWMAN Brent Bowman Chief Financial Officer (Principal Financial Officer)
Dated:	December 7, 2023	By:	/s/ KRISTINE DIAMOND Kristine Diamond Chief Accounting Officer (Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Peter P. Gassner, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Veeva Systems Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ PETER P. GASSNER

Peter P. Gassner
Chief Executive Officer and Director
(Principal Executive Officer)

Date: December 7, 2023

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Brent Bowman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Veeva Systems Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ BRENT BOWMAN

Brent Bowman
Chief Financial Officer
(Principal Financial Officer)

Date: December 7, 2023

Exhibit 32.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Based on my knowledge, I, Peter P. Gassner, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Veeva Systems Inc. on Form 10-Q for the quarterly period ended October 31, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-Q fairly presents in all material respects the financial condition and results of operations of Veeva Systems Inc.

/s/ PETER P. GASSNER

Peter P. Gassner
Chief Executive Officer and Director
(Principal Executive Officer)

Date: December 7, 2023

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Based on my knowledge, I, Brent Bowman, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Veeva Systems Inc. on Form 10-Q for the quarterly period ended October 31, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-Q fairly presents in all material respects the financial condition and results of operations of Veeva Systems Inc.

/s/ BRENT BOWMAN

Brent Bowman
Chief Financial Officer
(Principal Financial Officer)

Date: December 7, 2023