



Veeva Systems (VEEV)

About:

- They are a cloud-computing company focused on pharmaceutical and life sciences industry applications
- Founded in 2007 in Pleasanton, California
- IPO'd in October of 2013 at \$20 but jumped immediately that day to \$37

Stock Info:

- Price: \$91.63
- Market Cap: \$13.2B
- YTD Performance: +65.7%

Fundamentals (vs. Medidata [MDSO])

- Forward EV/EBITA: 38.1x vs. 22.4x
- PEG: 2.7x vs 2.2X
- Forward P/S: 14.5x vs. 5.8x
- Forward P/E: 58.1x vs. 40.1x
- Forward EV/Sales: 13.4x vs. 5.7x
- EBITDA Margin: 24.2% vs. 14.7%

- Net Income Margin: 21.1% vs. 8.4%
- Free Cash Flow Unlevered: \$187.7M vs. \$33.7M
- Free Cash Flow Levered: \$187.7M vs. \$35.3M
- Current Ratio: 3.9x vs. 2.5x

As you can see, VEEV may be more expensive on a multiples basis but the company generates significantly more cash flow and has much better margins on both EBITDA and Net Income. Best of all, and it's not written above, VEEV is growing at a faster clip than MDSO.

In fact, back in 2012, Veev only ranked 9th in market share as a life science and pharma cloud vendor while Medidata was ranked 3rd. Fast forward 5 years to today and VEEV is now #1 above Medidata which sits at #2 and Oracle and SAP which sit at #3 and #4, respectively.

In their latest quarters, VEEV grew their revenues 25% Y/Y while MDSO only grew 17.6%. As for the previous quarters VEEV has been averaging around 22-27% while MDSO has been around 13-18%.

Speaking of their last quarter, VEEV set Q3 guidance of revenue between \$215M to \$216M (consensus: \$210.62M) and EPS of \$0.38 (consensus: \$0.35). They also see Upside FY19 guidance with revenue between \$840M to \$843M (consensus: \$829.38M) and EPS of \$1.47 to \$1.48 (consensus: \$1.37). With regard to revenues. The breakdown was Subscription Services at \$169.6M (consensus: \$165.2M) and Professional Services and Other at \$40M (consensus: \$38.1M). Non-GAAP gross margin was 73.7%, up from last year's 72.2%. Operating margin was up from 31.9% to 35.5%. Billings were also \$179.3M compared to the \$174.9M consensus.

As you can see VEEV has been straight plowing away. Look at the chart below. What makes the company even more attractive is that their launch of new products and services has expanded their addressable market by another \$1B Y/Y to \$9B.

Their new services they're rolling out and use of Artificial Intelligence and Augmented Reality to help the life sciences industry cut costs and lean out their operations provides along with

providing some next-gen features kind of allows them to carry a more premium valuation in our eyes.

We're most likely going to take a position to be honest. We really like what we see here and it will not be for a trade. This will be something we hold long term as it is in line with our analysis on the future of technology and also helps diversify out portfolio in the way in which the AI/AR is being applied (in this case to life sciences & pharma).

Technically speaking the recent drop from the \$109 area has led to it being oversold on major technical so it makes for an even better case of getting in.

Strong Growth and Profitability

