

# Veeva Systems Inc. (NYSE: VEEV)

Sector: Healthcare Information Technology



<b>Target Price</b>	<b>Current Price</b>	<b>52 Week High</b>	<b>52 Week Low</b>	<b>P/E</b>	<b>Market Cap.</b>	<b>Dividend Yield</b>	<b>Beta</b>
\$74.72	\$58.84	\$68.07	\$37.34	82.1	\$8.27 Bn	N/A	1.39

## Business Description

Veeva is a healthcare information technologies company that provides cloud-solutions specifically tailored to the life sciences and other highly regulated industries. Veeva's solutions to its greater than 550 customers provide two essential functions, sales and marketing and research and development. Their products provide these functions through the use of their commercial cloud, which offers more traditional CRM services, and their Veeva Vault. Veeva Vault is a proprietary platform of unified applications that allow a company to address every step of the product development lifecycle. Veeva looks to add more applications to their Vault platform which will increase customer integration.

## Industry Trends

The life sciences industry is a \$1.7 trillion industry that is growing at a 6% CAGR. Within the industry, \$50 billion is annual devoted to IT spending and \$7 billion is specifically focused on cloud-solutions. Currently, Veeva only consists of 9.6% of their total addressable market, which provides room for significant growth in the life sciences industry. The life sciences industry is highly regulated and demands the need for compliance and quality control software. Veeva is able to capitalize on this demand as a best of breed, unified platform. This integration will reduce the costs associated with bringing a drug to market.

In addition to their specialization in the life sciences industry, Veeva is looking to expand out into other highly regulated industries with their Vault QualityOne software. So far, Veeva has 10 customers outside of life sciences, including a top 5 consumer packaged goods company.

## Investment Thesis

Veeva stands at the crossroads of two dominating factors in the life science space – innovation and regulation. Here the company has excelled and executed in the past – and is positioned to transform the industry. They look to leverage their best of class products and services to increase and further penetrate their customer base. Their expansion into OLS industries with their QualityOne application looks to increase their TAM and provide a beachhead for future products. They look to take advantage of cross-sell products which will increase their customers switching costs and lead to a wider economic moat.

## Valuation Assumptions

WACC: 10.1%  
Terminal FCF Growth Rate: 3.5%  
Upside: 27.0%  
Sources: Bloomberg, Annual reports

## Key Financials

Current stock price: \$58.84  
Intrinsic Value: \$74.72

## Corporate Social Responsibility

ESG Disclosure Score: 13.22 (Industry Average: 11.83)  
Percent Female Executives: 20.00% (Industry Average: 15.88%)  
Percent Ind. Directors on Board: 83.33% (Industry Average: 60.69%)  
CEO Tenure as of FYE: 10.08<sup>(1)</sup> (Industry Average: 10.87)

## 5-Year Stock Performance



## Competitive Advantages

Veeva has a distinct competitive advantage because they are the only unified cloud-solutions platform in the life sciences industry. They also have best of breed products which customers have looked to integrate more of as their relationships have matured. Companies are looking to replace the logo soup of providers for their old CRM needs with Veeva's one-stop-shop solution. They are competing with legacy providers such as Oracle and SAP that do not have the life sciences focus, integrated platforms, or Veeva's proprietary Vault platform.

## Risks

Veeva faces the risk of having large software companies start to specifically focus on the life sciences industry. Veeva looks to defend their position by having many years of experience focusing on the space and providing specialized solutions through their unified platform and proprietary Vault system. Data security can be a problem with any large, sensitive data set, but Veeva's integrated platform and annual testing ensures data security. Their risk of expansion into OLS industries threatens their innovation and quality in life-sciences related software. Veeva has continued to innovate their Vault platform and look to roll-out two new applications in the next year. They are devoted to the life sciences industry and have only worked with early-stage integration of their QualityOne application OLS

## Report Prepared By:

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(1) Veeva Systems has only had one CEO since its inception in 2007.