VEEVA SYSTEMS INC
Form 10-Q
December 11, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended October 31, 2014

OR

¨ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to .

Commission File Number: 001-36121

Veeva Systems Inc.

(Exact name of registrant as specified in its charter)

Delaware	20-8235463
(State or other jurisdiction of incorporation)	(IRS Employer Identification No.)

4637 Chabot Drive, Suite 210

Pleasanton, California 94588

(Address of principal executive offices)

(925) 452-6500

(Registrant’s telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of November 28, 2014, there were 59,042,145 shares of the Registrant’s Class A common stock outstanding and 71,552,834 shares of the Registrant’s Class B common stock outstanding.

VEEVA SYSTEMS INC.

FORM 10-Q

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that are based on our beliefs and assumptions and on information currently available to us. Forward-looking statements include information concerning our possible or assumed future results of operations and expenses, business strategies and plans, trends, market sizing, competitive position, industry environment and potential growth opportunities, among other things. Forward-looking statements include all statements that are not historical facts and, in some cases, can be identified by terms such as “anticipates,” “believes,” “could,” “estimates,” “expects,” “intends,” “may,” “plans,” “potential,” “predicts,” “projects,” “seeks,” “should,” “will,” “woul expressions and the negatives of those terms.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including those described in “Risk Factors” and elsewhere in this report. Given these uncertainties, you should not place undue reliance on these forward-looking statements.

Any forward-looking statement made by us in this report speaks only as of the date on which it is made. Except as required by law, we disclaim any obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

As used in this report, the terms “Veeva,” “Registrant,” “we,” “us,” and “our” mean Veeva Systems Inc. and its subsidiaries unless the context indicates otherwise.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.
VEEVA SYSTEMS INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except number of shares and par value)

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

Class B common stock, $0.00001 par value; 190,000,000 shares authorized, 71,933,469 and 109,746,795 issued and outstanding at October 31, 2014 and January 31, 2014, respectively	1	1
Additional paid-in capital	305,631	231,534
Accumulated other comprehensive income (loss)	(24)	19
Retained earnings	75,599	48,542
Total stockholders' equity	381,207	280,096
Total liabilities and stockholders' equity	$ 492,553	$ 370,308

See Notes to Condensed Consolidated Financial Statements.

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VEEVA SYSTEMS INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands, except per share data)

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

(1)
Includes stock-based compensation as follows:

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

See Notes to Condensed Consolidated Financial Statements.

VEEVA SYSTEMS INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands, except share data)

(Unaudited)

	Class A & B Common Stock Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance at January 31, 2014	124,791,545	$ 1	$ 231,534	$ 48,542	$ 19	$ 280,096
Issuance of common stock upon exercise of stock options	3,815,493	—	4,314	—	—	4,314
Vesting of early exercised stock options	—	—	318	—	—	318
Stock-based compensation expense	—	—	10,288	—	—	10,288
Issuance of common shares under Employee Stock Purchase Plan	350,059	—	5,951	—	—	5,951
Issuance of common stock upon vesting of restricted stock units	62,021	—	—	—	—	
Follow-on offering, net of issuance costs	1,390,000	—	34,495	—	—	34,495
Excess tax benefits from employee stock plans	—	—	18,731	—	—	18,731
Other comprehensive income	—	—	—	—	(43)	(43)
Net income	—	—	—	27,057	—	27,057
Balance at October 31, 2014	130,409,118	$ 1	$ 305,631	$ 75,599	$ (24)	$ 381,207

See Notes to Condensed Consolidated Financial Statements.

VEEVA SYSTEMS INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Three Months Ended		Nine Months Ended	
	October 31,		October 31,	
	2014	2013	2014	2013
	(Unaudited)			
Cash flows from operating activities				
Net income	$10,258	$6,525	$27,057	$17,368
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	1,022	774	2,943	1,552
Amortization of premiums on short-term investments	611	98	1,344	276
Stock-based compensation	3,585	2,086	10,241	4,036
Deferred income taxes	(76)	(86)	(76)	(259)
Bad debt expense	(28)	(303)	41	(21)
Changes in operating assets and liabilities:				
Accounts receivable	16,684	(9,417)	13,151	(9,852)
Income taxes	769	(1,750)	(2,189)	(5,733)
Other current and long-term assets	(2,294)	(1,224)	(3,644)	(2,117)
Accounts payable	354	1,157	56	(946)
Accrued expenses and other current liabilities	4,017	1,720	2,791	5,859
Deferred revenue	(635)	5,254	17,288	14,607
Long-term liabilities	(11)	433	(9)	758
Net cash provided by operating activities	34,256	5,267	68,994	25,528
Cash flows from investing activities				
Purchases of short-term investments	(103,836)	(4,315)	(333,728)	(7,086)
Maturities and sales of investments	52,677	2,250	97,307	4,850
Purchases of property and equipment	(790)	(460)	(26,072)	(1,561)
Acquisitions, net of cash acquired	—	—	—	(12,149)
Payments for capitalized internal-use software	(81)	(720)	(301)	(1,013)
Proceeds from note receivable–related party	—	—	—	253
Payments for restricted cash and deposits	8	(5)	9	(2)
Net cash used in investing activities	(52,022)	(3,250)	(262,785)	(16,708)
Cash flows from financing activities				
Proceeds from early exercise of common stock options	—	158	—	225
Proceeds from exercise of common stock options	2,102	95	4,314	472
Proceeds from Employee Stock Purchase Plan	—	—	5,951	—
Net proceeds from offerings	—	216,263	34,495	215,734
Excess tax benefits from employee stock plans	7,698	—	18,731	—
Net cash provided by financing activities	9,800	216,516	63,491	216,431
Effect of exchange rate changes on cash and cash equivalents	(15)	—	(72)	—
Net change in cash and cash equivalents	(7,981)	218,533	(130,372)	225,251
Cash and cash equivalents at beginning of period	140,116	38,608	262,507	31,890

Cash and cash equivalents at end of period	$132,135	$257,141	$132,135	$257,141
Supplemental disclosures of other cash flow information:				
Cash paid for income taxes	$477	$4,998	$5,101	$14,984
Non-cash investing and financing activities:				
Changes in accounts payable and accrued liabilities related to property and equipment purchases	$191	$(46)	$170	$(20)
Vesting of early exercised stock options	$87	$212	$318	$460
Offering costs not yet paid	$—	$805	$—	$1,473

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 provides industry-specific, cloud-based software solutions for the life sciences industry, which we refer to as Industry Cloud solutions. Our Industry Cloud solutions enable pharmaceutical and other life sciences companies to realize the benefits of modern cloud-based architectures and mobile applications for their most critical business functions, without compromising industry-specific functionality or regulatory compliance. Our customer relationship management solutions, Veeva CRM, and the applications that complement Veeva CRM, enable our customers to increase the productivity and compliance of their sales and marketing functions. Our regulated content management and collaboration solutions, Veeva Vault, enable our customers to manage a range of highly regulated, content-centric processes across the enterprise. The Veeva Vault applications address specific processes within the research and development and sales and marketing, or commercial, functions of life sciences companies. Our customer master solution, Veeva Network, which includes our proprietary database of healthcare provider and healthcare organization data, enables our customers to create and maintain accurate customer data. Our fiscal year end is January 31.

Follow-on Offering

On March 31, 2014, we closed our follow-on offering of 13,800,000 shares of Class A common stock (inclusive of 1,800,000 shares sold upon the full exercise of the over-allotment option granted to the underwriters), which included 1,390,000 shares sold by us and a total of 12,410,000 shares sold by certain selling stockholders. The public offering price of the shares sold in the offering was $26.35 per share. We did not receive any proceeds from the sales of shares by the selling stockholders. Our proceeds from the offering were $34.5 million after deducting underwriting discounts and commissions and total offering expenses.

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 Veeva's Annual Report on Form 10-K for the fiscal year ended January 31, 2014, filed on March 18, 2014. 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 consolidated balance sheet as of January 31, 2014 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 the financial position, results of operations, our 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, 2015 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. Significant items subject to such estimates and assumptions include, but are not limited to:

- the best estimate of selling price of the deliverables included in multiple-deliverable revenue arrangements;
- the fair value of assets acquired and liabilities assumed for business combinations;
- the valuation of short-term investments and the determination of other-than-temporary impairments;
- the valuation of building and land;
- the realizability of deferred income tax assets;
- the fair value of our stock-based awards and related forfeiture rates; and
- the capitalization and estimated useful life of internal-use software development costs.

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

Revenue Recognition

We derive our revenues from two sources: (i) subscription services revenues, which are comprised of subscription fees from customers accessing our enterprise cloud computing solutions, and (ii) related professional services and other revenues. Professional services and other revenues generally include consulting, data services and training. We commence revenue recognition when all of the following conditions are satisfied:

- there is persuasive evidence of an arrangement;
- the service has been or is being provided to the customer;
- the collection of the fees is reasonably assured; and
- the amount of fees to be paid by the customer is fixed or determinable.

Our subscription services arrangements are generally non-cancellable and do not provide for refunds to customers in the event of cancellations. We record revenues net of any sales taxes.

Subscription Services Revenues

Subscription services revenues are recognized ratably over the order term beginning when the solution has been provisioned to the customer. Our subscription arrangements are considered service contracts, and the customer does not have the right to take possession of the software.

Professional Services and Other Revenues

The majority of our professional services arrangements are recognized on a time and material basis. Professional services revenues recognized on a time and material basis are measured monthly based on time incurred and contractually agreed upon rates. Certain professional services revenues are based on fixed fee arrangements and revenues are recognized based on progress against input measures, such as hours incurred. In some cases the terms of our time and materials and fixed fee arrangements may require that we defer the recognition of revenue until contractual conditions are met. Data services and training revenues are generally recognized as the services are performed.

Multiple Element Arrangements

We apply the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2009-13, Multiple—Deliverable Revenue Arrangements, to allocate revenues based on relative best estimated selling price to each unit of accounting in multiple element arrangements, which generally include subscriptions and professional services. Best estimated selling price of each unit of accounting included in a multiple element arrangement is based upon management’s estimate of the selling price of deliverables when vendor specific objective evidence or third-party evidence of selling price is not available.

Our multiple element arrangements contain non-software deliverables such as our subscription offerings and professional services. For these arrangements we must: (i) determine whether each deliverable has stand-alone value; (ii) determine the estimated selling price of each element using the selling price hierarchy of vendor-specific objective evidence (VSOE) of fair value, third-party evidence (TPE) or best estimated selling price (BESP), as applicable; and (iii) allocate the total price among the various deliverables based on the relative selling price method.

In determining whether professional services and other revenues have stand-alone value, we consider the following factors for each consulting agreement: availability of the consulting services from other vendors, the nature of the consulting services and whether the professional services are required in order for the customer to use the subscription services.

We have determined that we are not able to establish VSOE of fair value or TPE of selling price for any of our deliverables, and accordingly we use BESP for each deliverable in the arrangement. The objective of BESP is to estimate the price at which we would transact a sale of the service deliverables if the services were sold on a stand-alone basis. Revenue allocated to each deliverable is recognized when the basic revenue recognition criteria are met for each deliverable.

We determine BESP for our subscription services included in a multiple element subscription arrangement by considering multiple factors including, but not limited to, stated subscription renewal rates offered to the customer to renew the service and other major groupings such as customer type and geography.

BESP for professional services considers the discount of actual professional services sold compared to list price, the experience level of the individual performing the service and geography.

Deferred Revenue

Deferred revenue includes amounts billed to customers for which the revenue recognition criteria have not been met. The majority of deferred revenue primarily consists of billings or payments received in advance of revenue recognition from our subscription services described above and is recognized as the revenue recognition criteria are met. We generally invoice our customers in annual, quarterly or monthly installments for the subscription services, which are typically contracted for a term of one year or less. Accordingly, the deferred revenue balance does not generally represent the total contract value of a subscription arrangement. Deferred revenue that will be recognized during the succeeding 12-month period is recorded as current deferred revenue.

Certain Risks and Concentrations of Credit Risk

Our revenues are derived from subscription services, professional services and other services delivered primarily to the pharmaceutical and life sciences industry. We operate in markets that are highly competitive and rapidly changing. Significant technological changes, shifting customer needs, the emergence of competitive products or services with new capabilities and other factors could negatively impact our operating results.

Our financial instruments that potentially subject us to concentration of credit risk consist primarily of cash and cash equivalents, short-term investments and trade accounts receivable. Our cash equivalents and short-term investments are held in safekeeping by large, credit-worthy financial institutions. We have established guidelines relative to credit ratings, diversification and maturities that seek to maintain safety and liquidity. Deposits in these financial institutions may exceed federally insured limits.

We do not require collateral from our customers and generally require payment within 30 to 60 days of billing. We periodically evaluate the collectibility of our accounts receivable and provide an allowance for doubtful accounts as necessary, based on historical experience. Historically, such losses have not been material.

The following customers individually exceeded 10% of total accounts receivable as of the dates shown:

	October 31, 2014	January 31, 2014
Customer 1	*	10%
Customer 2	12%	*
Customer 3	*	*

*Does not exceed 10%.

The following customers individually exceeded 10% of total revenues for the periods shown:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2014	2013	2014	2013
Customer 1	*	*	*	10%
Customer 2	*	*	*	*
Customer 3	10%	*	*	*

*Does not exceed 10%.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers," which requires revenue to be recognized when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. ASU 2014-09 supersedes the existing revenue recognition guidance in "Revenue Recognition (Topic 605)" and will be effective for our fiscal year beginning February 1, 2017. Early adoption is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. We are evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

Note 2. Short-Term Investments

We classify short-term investments as available-for-sale at the time of purchase and reevaluate such classification as of each balance sheet date. All short-term investments are recorded at estimated fair value. Unrealized gains and losses for available-for-sale securities are included in accumulated other comprehensive income, a component of stockholders' equity. We evaluate our investments to assess whether those with unrealized loss positions are other than temporarily impaired. We consider impairments to be other than temporary if they are related to deterioration in credit risk or if it is likely we will sell the securities before the recovery of their cost basis. Realized gains and losses and declines in value judged to be other than temporary are determined based on the specific identification method and are reported in other income (expense), net, in the condensed consolidated statements of comprehensive income. Interest, amortization of premiums, and accretion of discount on all short-term investments classified as available for sale are also included as a component of other income (expense), net, in the condensed consolidated statements of comprehensive income.

At October 31, 2014, short-term investments consisted of the following (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale securities:				
Asset-backed securities	$ 8,961	$ —	$ (2)	$ 8,959
Corporate notes and bonds	50,356	8	(28)	50,336
U.S. agency obligations	190,170	61	(6)	190,225
U.S. treasury securities	11,199	12	—	11,211
Total available-for-sale securities	$ 260,686	$ 81	$ (36)	$ 260,731

At January 31, 2014, short-term investments consisted of the following (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale securities:				
Corporate notes and bonds	$ 10,499	$ 9	$ (1)	$ 10,507
U.S. agency obligations	15,111	7	—	15,118
Total available-for-sale securities	$ 25,610	$ 16	$ (1)	$ 25,625

We may sell our short-term investments at any time, without significant penalty, for use in current operations or for other purposes, even if they have not yet reached maturity. As a result, we classify our investments, including securities with maturities beyond 12 months as current assets in the accompanying condensed consolidated balance sheets.

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, 2014	January 31, 2014
Due in one year or less	$176,608	$17,667
Due in greater than one year	84,123	7,958
Total	$260,731	$25,625

We have certain available-for-sale securities in a gross unrealized loss position, all of which have been in such position for less than 12 months. We review our debt securities classified as short-term investments on a regular basis to evaluate whether or not any security has experienced an other-than-temporary decline in fair value. We consider factors such as the length of time and extent to which the market value has been less than the cost, the financial position and near-term prospects of the issuer and our intent to sell, or whether it is more likely than not we will be required to sell the investment before recovery of the investment's amortized-cost basis. If we determine that an other-than-temporary decline exists in one of these securities, the respective investment would be written down to fair value. For debt securities, the portion of the write-down related to credit loss would be recognized to other income, net in our condensed consolidated statements of comprehensive income. Any portion not related to credit loss would be included in accumulated other comprehensive income. There were no impairments considered other-than-temporary as of October 31, 2014 and January 31, 2014.

The following table shows the fair values and the gross unrealized losses of these available-for-sale securities aggregated by investment category as of October 31, 2014 (in thousands):

	Fair Value	Gross Unrealized Losses
Asset-backed securities	$6,754	$ (2)
Corporate notes and bonds	33,490	(28)
U.S. agency obligations	34,215	(6)

The following table shows the fair values and the gross unrealized losses of these available-for-sale securities aggregated by investment category as of January 31, 2014 (in thousands):

	Fair Value	Gross Unrealized Losses
Corporate notes and bonds	$1,403	$ (1)

Note 3. Property and Equipment, Net

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

	October 31, 2014	January 31, 2014
Land	$3,040	$—
Building	20,984	—
Equipment and computers	2,969	1,912
Furniture and fixtures	1,195	948
Leasehold improvements	1,135	858
Construction in progress	402	121
	29,725	3,839
Less accumulated depreciation	(2,112)	(1,394)
Total property and equipment, net	$27,613	$2,445

Total depreciation expense for the three and nine months ended October 31, 2014 was $0.4 million and $1.0 million, respectively, and $0.2 million and $0.6 million, for the three and nine months ended October 31, 2013, respectively. Land is not depreciated.

Acquisition of Corporate Headquarters Building

On July 22, 2014, we purchased land and a building for our new corporate headquarters located in Pleasanton, California for $24.0 million. The headquarters will support the overall growth of our business, and we expect to occupy the building in spring 2015. The useful life for the building is expected to be 30 years and will be amortized on a straight-line basis.

Note 4. Capitalized Internal-Use Software

Capitalized internal-use software, net, consisted of the following as of the dates shown (in thousands):

	October 31, 2014	January 31, 2014
Capitalized internal-use software development costs	$3,182	$2,834
Less accumulated amortization	(1,881)	(1,249)
Capitalized internal-use software development costs, net	$1,301	$1,585

During the three and nine months ended October 31, 2014, we capitalized $0.1 million and $0.3 million, respectively, for internal-use software development costs. During the three and nine months ended October 31, 2013, we capitalized $0.8 million and $1.1 million, respectively, for internal-use software development costs.

Capitalized internal-use software amortization expense for the three and nine months ended October 31, 2014 was $0.2 million and $0.6 million, respectively, and $0.1 million and $0.3 million, for the three and nine months ended October 31, 2013, respectively.

Note 5. Intangible Assets

The following schedule presents the details of intangible assets as of October 31, 2014 (in thousands):

	October 31, 2014			
	Gross Carrying Amount	Accumulated Amortization	Net	Remaining Useful Life (in years)
Data update technology	$3,680	$ (1,004)	$2,676	3.7
Database	2,570	(876)	1,694	2.7
Customer relationships	1,020	(232)	788	4.7
Software	304	(148)	156	1.6
	$7,574	$ (2,260)	$5,314	

The following schedule presents the details of intangible assets as of January 31, 2014 (in thousands):

	January 31, 2014			
	Gross Carrying Amount	Accumulated Amortization	Net	Remaining Useful Life (in years)
Data update technology	$3,680	$ (452)	$3,228	4.4
Database	2,570	(394)	2,176	3.4
Customer relationships	1,020	(104)	916	5.4
Software	304	(73)	231	2.3
	$7,574	$ (1,023)	$6,551	

Amortization expense associated with acquired intangible assets for the three and nine months ended October 31, 2014 was $0.4 million and $1.2 million, respectively, and $0.4 million and $0.6 million for the three and nine months ended October 31, 2013.

Note 6. Fair Value Measurements

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

Financial assets and financial 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 financial 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 in its entirety 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 measured at fair value on a recurring basis as of October 31, 2014 (in thousands):

	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market funds	$43,059	$—	$ —	$43,059
Commercial paper	—	2,100	—	2,100
U.S. agency obligations	—	7,933	—	7,933
Short-term investments				
Asset backed-securities	—	8,959	—	8,959
Corporate notes and bonds	—	50,336	—	50,336
U.S. agency obligations	—	190,225	—	190,225
U.S. treasury securities	—	11,211	—	11,211
Total	$43,059	$270,764	$ —	$313,823

The following table presents the fair value hierarchy for financial assets measured at fair value on a recurring basis as of January 31, 2014 (in thousands):

	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market funds	$170,235	$—	$ —	$170,235
Commercial paper	—	9,999	—	9,999
U.S. treasury securities	—	33,153	—	33,153
Short-term investments:				
Corporate notes and bonds	—	10,507	—	10,507
U.S. agency obligations	—	15,118	—	15,118
Total	$170,235	$68,777	$ —	$239,012

We determine the fair value of our security holdings based on pricing from our pricing vendors. 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). We perform procedures to ensure that appropriate fair values are recorded such as comparing prices obtained from other sources.

Note 7. Income Taxes

For the three months ended October 31, 2014 and 2013, our effective tax rates were 45.9% and 35.5%, respectively and for the nine months ended October 31, 2014 and 2013, our effective tax rates were 43.8% and 37.0%, respectively.. Our effective tax rate increased 10.4% and 6.8% during the three and nine months ended October 31, 2014, respectively, as compared to the same period in the prior fiscal year primarily due to the expiration of the federal research and development tax credit and a reduction of the domestic production activities deduction caused by the increased stock option activity during the period.

In July 2013, the FASB ratified ASU 2013-11 “Presenting an Unrecognized Tax Benefit (“UTB”) When a Net Operating Loss Carryforward Exists” (“ASU 2013-11”). ASU 2013-02 provides that an UTB, or a portion thereof, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except to the extent that a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date to settle any additional income taxes that would result from disallowance of a tax position, or the tax law does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, then the unrecognized tax benefit should be presented as a liability. This ASU was effective for reporting periods beginning after December 15, 2013, and may be applied retrospectively. We adopted this ASU on February 1, 2014, and the impact was not significant on our condensed consolidated results of operations and financial position.

Note 8. Stockholders' Equity
Common Stock

As of October 31, 2014, we had 58,475,649 shares of Class A common stock and 71,933,469 shares of Class B common stock outstanding, of which 559,437 shares of Class B common stock were unvested, resulting from employees exercising stock options prior to vesting.

As of January 31, 2014, we had 15,044,750 shares of Class A common stock and 109,746,795 shares of Class B common stock outstanding, of which 1,824,457 shares of Class B common stock were unvested, resulting from employees exercising stock options prior to vesting.

Early Exercise of Employee Options

We historically have allowed for the early exercise of options granted under the 2007 Stock Plan (2007 Plan) prior to vesting. The 2007 Plan allows for such exercises by means of cash payment, surrender of already outstanding common stock, a same day broker assisted sale or through any other form or method consistent with applicable laws, regulations and rules. Historically, all exercises have been through cash payment. The unvested shares are subject to our repurchase right at the original purchase price. The proceeds initially are recorded as an accrued liability from the early exercise of stock options, and reclassified to common stock as our repurchase right lapses. At October 31, 2014 and January 31, 2014, there were unvested shares in the amount of 559,437 and 1,824,457, respectively, which were subject to repurchase at an aggregate price of approximately $0.1 million and $0.5 million, respectively.

Stock Option Activity

A summary of stock option activity for the nine months ended October 31, 2014 is as follows:

	Number of shares	Weighted average exercise price	Weighted average remaining contractual term (in years)	Aggregate intrinsic value
Options outstanding at January 31, 2014	25,424,437	$ 3.22	8.5	$726,649,586
Options granted	526,667	26.64		
Options exercised	(3,832,160)	1.13		$88,592,429
Options forfeited/cancelled	(1,140,985)	4.63		
Options outstanding at October 31, 2014	20,977,959	$ 4.12	8.0	$539,507,766
Options vested and exercisable at October 31, 2014	3,649,536	$ 2.16	6.8	$100,957,561
Options vested and exercisable at October 31, 2014 and expected to vest thereafter	19,694,277	$ 4.09	8.0	$507,063,583

The weighted average grant-date fair value of options granted during the three and nine months ended October 31, 2014 was $14.19 and $13.85, respectively, per share. The weighted average grant-date fair value of options granted during the three and nine months ended October 31, 2013 was $6.98 and $2.72, respectively, per share.

As of October 31, 2014, there was $37.3 million in unrecognized compensation cost, net of estimated forfeitures, related to unvested stock options granted under the 2007 Plan, 2012 EIP and 2013 EIP. This cost is expected to be recognized over a weighted average period of 4.6 years.

As of October 31, 2014, we had authorized and unissued shares of common stock sufficient to satisfy exercises of stock options.

Our closing stock price as reported on the New York Stock Exchange as of October 31, 2014 was $29.78. The total intrinsic value of options exercised was approximately $26.1 million and $88.6 million for the three and nine months ended October 31, 2014.

Restricted Stock Units

A summary of restricted stock unit (RSU) activity for the nine months ended October 31, 2014 is as follows:

	Unreleased Restricted Stock Units	Weighted average grant date fair value
Balance at January 31, 2014	156,050	$ 36.52
RSUs granted	719,835	25.16
RSUs vested	(62,021)	30.04
RSUs forfeited/cancelled	(38,882)	31.52
Balance at October 31, 2014	774,982	$ 26.74

During the three and nine months ended October 31, 2014, we issued RSUs under the 2013 EIP with a weighted-average grant date fair value of $26.21 and $25.16.

As of October 31, 2014, there was a total of $19.7 million in unrecognized compensation cost, net of estimated forfeitures, related to unvested RSUs. This cost is expected to be recognized over a weighted-average period of approximately 3.6 years. We did not grant RSUs during the three and nine months ended October 31, 2013.

Stock-Based Compensation

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

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2014	2013	2014	2013
Volatility	49%	48% – 49%	48% – 50%	42% – 50%
Expected life (in years)	6.00	6.32 – 6.53	6.00 – 6.32	6.32 – 8.23
Risk-free interest rate	1.90%	1.73% – 2.09%	1.85% – 1.94%	1.03% – 2.09%
Dividend yield	—%	—%	—%	—%

Employee Stock Purchase Plan

The initial offering period for our Employee Stock Purchase Plan (ESPP) commenced on the date of our initial public offering and ended on June 15, 2014. During our initial ESPP offering period 350,059 shares of Class A Common Stock were purchased. We do not currently have an active, open offering period under our ESPP.

During active offering periods, our ESPP permits eligible employees to acquire shares of our common stock at 85% of the lower of the fair market value of our Class A common stock on the first day of the applicable offering period or the fair market value of our Class A common stock on the purchase date. Participants may purchase shares of common stock through payroll deductions of up to 15% of their eligible compensation, subject to any plan limitations.

The following table presents the weighted-average assumptions used to calculate our stock-based compensation for the stock purchases under the ESPP:

Volatility	44%
Expected life (in years)	0.58
Risk-free interest rate	0.10%
Dividend yield	—%

The amounts of stock-based compensation capitalized for internal-use software in the three and nine months ended October 31, 2014 and 2013 were immaterial.

Note 9. Net Income per Share Attributable to Common Stockholders

We compute net income per share of Class A and Class B common stock using the two-class method required for participating securities. Prior to the date of our IPO in October 2013, we considered all series of our convertible preferred stock to be participating securities due to their non-cumulative dividend rights. Immediately prior to the completion of our IPO, all outstanding shares of convertible preferred stock converted to Class B common stock. Additionally, we consider unvested shares issued upon the early exercise of options to be participating securities as the holders of these shares have a non-forfeitable right to dividends in the event of our declaration of a dividend for common shares.

Under the two-class method, net income attributable to common stockholders is determined by allocating undistributed earnings, calculated as net income, less (i) current period convertible preferred stock non-cumulative dividends and (ii) earnings attributable to participating securities.

The net income per share attributable to common stockholders is allocated based on the contractual participation rights of the Class A common stock and Class B common stock as if the income for the year has been distributed. As the liquidation and dividend rights are identical, the net loss attributable to common stockholders is allocated on a proportionate basis.

Basic net income per share of common stock is computed by dividing the net income attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. All participating securities are excluded from the basic weighted-average shares of common stock outstanding. Unvested shares of common stock resulting from the early exercises of stock options are excluded from the calculation of the weighted-average shares of common stock until they vest as they are subject to repurchase until they are vested.

Diluted net income per share attributable to common stockholders is computed by dividing net income attributable to common stockholders by the weighted-average shares outstanding, including potentially dilutive shares of common stock assuming the dilutive effect of potential shares of common stock for the period determined using the treasury stock method.

Undistributed net income for a given period is apportioned to participating securities based on the weighted-average shares of each class of common stock outstanding during the applicable period as a percentage of the total weighted-average shares outstanding during the same period.

For purposes of the diluted net income per share attributable to common stockholders calculation, unvested shares of common stock resulting from the early exercises of stock options and unvested options to purchase common stock are considered to be potentially dilutive shares of common stock. In addition, the computation of the 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 EPS 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,			
	2014		2013		2014		2013	
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
Basic								
Numerator								
Net income	$4,358	$5,900	$328	$6,197	$8,630	$18,427	$365	$17,003
Noncumulative dividends on convertible preferred stock	—	—	(6)	(119)	—	—	(8)	(396)
Undistributed earnings allocated to participating securities	(25)	(35)	(204)	(3,857)	(66)	(140)	(260)	(12,091)
Net income attributable to common stockholders, basic	$4,333	$5,865	$118	$2,221	$8,564	$18,287	$97	$4,516
Denominator								
Weighted average shares used in computing net income per share attributable to common stockholders, basic	54,897	74,315	1,800	34,002	40,454	86,382	600	27,919
Net income per share attributable to common stockholders, basic	$0.08	$0.08	$0.07	$0.07	$0.21	$0.21	$0.16	$0.16
Diluted								
Numerator								
Net income attributable to common stockholders, basic	$4,333	$5,865	$118	$2,221	$8,564	$18,287	$97	$4,516
Add back of:								
Noncumulative dividends on convertible preferred stock	—	—	6	119	—	—	8	396

Undistributed earnings allocated to participating securities	—	—	204	3,857	—	—	260	12,091
Reallocation as a result of conversion of Class B to Class A common stock:								
Net income attributable to common stockholders, basic	5,865	—	2,221	—	18,287	—	4,516	—
Noncumulative dividends on convertible preferred stock	—	—	119		—	—	396	
Undistributed earnings allocated to participating securities	—	—	3,857		—	—	12,091	
Reallocation of net income to Class B common stock	—	453	(138)	(138)	—	1,025	(431)	(431)
Net income attributable to common stockholders, diluted	$10,198	$6,318	$6,387	$6,059	$26,851	$19,312	$16,937	$16,572
Denominator								
Number of shares used for basic EPS computation	54,897	74,315	1,800	34,002	40,454	86,382	600	27,919
Conversion of Class B to Class A common stock	74,315	—	34,002	—	86,382	—	27,919	—
Effect of potentially dilutive common shares	15,077	15,077	19,639	19,639	17,246	17,246	18,939	18,939
Effect of conversion of preferred stock upon IPO	—	—	76,522	76,522	—	—	82,143	82,143
Weighted average shares used in computing net income per share	144,289	89,392	131,963	130,163	144,082	103,628	129,601	129,001

attributable to common stockholders, diluted								
Net income per share attributable to common stockholders, diluted	$0.07	$0.07	$0.05	$0.05	$0.19	$0.19	$0.13	$0.13

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

	Three Months Ended		Nine Months Ended	
	October 31,		October 31,	
	2014	2013	2014	2013
Options to purchase shares not included in the computation of diluted net income per share because their inclusion would be anti-dilutive	767,413	35,304	332,458	38,714

Note 10. Commitments and Contingencies

Litigation

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment or remediation can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

On August 6, 2013, Prolifiq Software, Inc. (Prolifiq) filed a lawsuit against us in the U.S. District Court for the Northern District of California, alleging that Veeva CRM Approved Email infringes U.S. Patent No. 7,634,556 held by Prolifiq. Prolifiq filed a First Amended Complaint on September 10, 2013, alleging that Veeva CRM Approved Email also infringes U.S. Patent Nos. 7,707,317, 8,296,378, 7,966,374 and 8,171,077 held by Prolifiq, in addition to U.S. Patent No. 7,634,556. The First Amended Complaint seeks unspecified monetary damages, attorneys' fees, costs and injunctive relief against us. We answered the First Amended Complaint on October 1, 2013. Prolifiq filed a Second Amended Complaint on October 10, 2013, asserting the same five patents. We answered the Second Amended Complaint on October 24, 2013. On January 31, 2014, Prolifiq's claims related to U.S. Patent Nos. 7,707,317, 7,966,374 and 8,171,077 were dismissed without prejudice pursuant to a stipulation of dismissal. On April 4, 2014, Prolifiq filed a Third Amended Complaint, in which, in addition to its remaining claims of patent infringement, Prolifiq sought to assert a cause of action for alleged trade secret misappropriation. We answered the Third Amended Complaint on June 10, 2014. The court issued a claim construction order on August 6, 2014, which, in addition to construing the claims, also held that several claims of the patents that Prolifiq asserted in the case were invalid as indefinite.

On November 21, 2014, we entered into a Confidential Settlement and Cross-License Agreement ("Settlement Agreement") with Prolifiq resolving all outstanding legal disputes between us, including patent infringement and trade secret misappropriation claims asserted by Prolifiq against us. Pursuant to the Settlement Agreement, Prolifiq agreed to dismiss the lawsuit described above, granted us a license to all five of the Prolifiq patents asserted against us over the course of the lawsuit (and any patents claiming priority to the applications that led to those patents), and agreed not to sue us with respect to any additional patents that may be issued to Prolifiq for a period of time set forth in the Settlement Agreement. Prolifiq, in turn, will receive a one-time payment from us and a license to certain future patents of ours that may be issued from our patent applications filed over a period of time set forth in the Settlement Agreement. The financial terms of the Settlement Agreement are reflected in our financial results for the period ended October 31, 2014. Amounts allocated to the settlement of the litigation were recorded as general and administrative expenses in our Condensed Consolidated Statement of Comprehensive Income for the three and nine months ended October 31, 2014, and amounts allocated to the license acquired from Prolifiq were recorded as other current assets and other long-term assets in our Condensed Consolidated Balance Sheet as of October 31, 2014. In connection with the Settlement Agreement, on November 25, 2014, the parties filed a stipulated Dismissal of the Action with Prejudice. Also, in connection with the Settlement Agreement, the parties jointly terminated the Inter Partes Review proceedings that we initiated which challenges the patentability of each of the five patents Prolifiq asserted against

Veeva over the course of the lawsuit.

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 legal proceedings, other than as set forth above, 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.

Value-Added Reseller Agreement

We have a value-added reseller agreement with salesforce.com, inc. for our use of the Salesforce Platform in combination with our developed technology to deliver our Veeva CRM solution, including hosting infrastructure and data center operations provided by salesforce.com. On March 3, 2014, we extended the term of the Value-Added Reseller Agreement for an additional ten years through September 1, 2025 and amended our minimum order commitments. As of October 31, 2014, we remained obligated to pay fees of at least $474.8 million prior to September 1, 2025 in connection with this agreement.

Note 11. Information about Geographic Areas

We track and allocate revenues by the principal geographic region of our customers' end users rather than by individual country, which makes it impractical to disclose revenues for the United States or other specific foreign countries. Revenues by geographic area, as measured by the estimated location of the end users for subscription services revenues and the estimated location of the users for which the services were performed for professional services revenues, were as follows for the periods shown below (in thousands):

	Three Months Ended		Nine Months Ended	
	October 31,		October 31,	
	2014	2013	2014	2013
Revenues by geography				
North America	$46,056	$33,217	$125,399	$88,752
Europe and other	22,326	12,515	58,919	34,985
Asia Pacific	15,443	9,247	41,892	23,611
Total revenues	$83,825	$54,979	$226,210	$147,348

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

	October 31, 2014	January 31, 2014
Long-lived assets by geography		
North America	$26,541	$1,341
Europe and other	531	509
Asia Pacific	541	595
Total long-lived assets	$27,613	$2,445

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 provides industry-specific, cloud-based software solutions for the life sciences industry, which we refer to as Industry Cloud solutions. Our Industry Cloud solutions enable pharmaceutical and other life sciences companies to realize the benefits of modern cloud-based architectures and mobile applications for their most critical business functions, without compromising industry-specific functionality or regulatory compliance. Our customer relationship management solution, Veeva CRM, and the applications that complement Veeva CRM, enable our customers to increase the productivity and compliance of their sales and marketing functions. Our regulated content management and collaboration solutions, Veeva Vault, enable our customers to manage a range of highly regulated, content-centric processes across the enterprise. The Veeva Vault applications address specific processes within the research and development and sales and marketing, or commercial, functions of life sciences companies. Our customer master solution, Veeva Network, which includes our proprietary database of healthcare provider and healthcare organization data, enables our customers to create and maintain accurate customer data.

Veeva CRM was our first commercially available solution and has made up the vast majority of our revenue historically. For instance, in our fiscal year ended January 31, 2014, we derived approximately 95% of our subscription services revenues from our Veeva CRM and Veeva CRM complementary solutions. The contribution of revenues associated with Veeva Vault and Veeva Network is expected to increase as a percentage of total revenue going forward. In the quarter ended October 31, 2014, total revenues associated with our Veeva Vault and Veeva Network solutions, comprised in excess of 15% of our total revenues. However, we have less experience selling Veeva Vault, Veeva Network and our newer commercial applications that complement Veeva CRM. To the extent that these more recently introduced solutions do not achieve significant market acceptance, our business and results of operations may be adversely affected. In particular, certain of our Veeva Vault solutions are offered to segments of the life sciences industry to which we have less experience marketing, including the research and development organizations of life sciences companies and emerging biotechnology companies. We must be successful in marketing to these and other potential newer industry segments. We intend to increase the adoption of our solutions by increasing the size of our sales force. However, the timing and effectiveness of any increase in our sales organization is difficult to predict.

Our solutions are accessed through an internet connection and a web browser, or using our proprietary applications for mobile devices, such as the iPad. We market our solutions and services primarily through our global direct sales force. We currently operate in three principal regions: North America, Europe and Asia Pacific and are expanding our sales and services coverage for the Latin America region. The majority of our revenues from international sales are invoiced from and collected by our U.S. entity and recognized as a component of income before taxes in the United States as opposed to a foreign jurisdiction. However, we measure our revenues by geographic area on the basis of the estimated location of the end users for subscription services revenues and the estimated location of the users for which the services were performed for professional services revenues.

The primary purpose of our professional services organization is to promote customer success and effective deployments of our Industry Cloud solutions. This component of our revenues can vary period to period depending on a number of factors, including the requirements, complexity and timing of our customer's implementation projects, and in certain circumstances, the timing of revenue recognition for our professional services engagements. Historically, professional services revenues have represented a material portion of our total revenues. For example, professional services revenues were 30% of total revenues in the fiscal year ended January 31, 2014.

For the nine months ended October 31, 2014 and 2013, total revenues were $226.2 million and $147.3 million, respectively, representing period-over-period growth of 54%. For the nine months ended October 31, 2014 and 2013, our subscription services revenues were $166.5 million and $100.9 million, respectively, representing period-over-period growth of 65%. We generated net income of $27.1 million and $17.4 million for the nine months ended October 31, 2014 and 2013, respectively.

Key Factors Affecting Our Performance

Investment in Growth. We have invested and intend to continue to invest aggressively in expanding the breadth and depth of our Industry Cloud for life sciences. We expect to invest in research and development to expand existing and build new solutions, sales and marketing to promote our solutions to new and existing customers and in existing and expanded geographies, professional services to ensure the success of our customers' implementations of our solutions, and other operational and administrative functions to support our expected growth and the requirements associated with being a public company. We anticipate that our headcount will increase as a result of these investments. We expect our total operating expenses will increase over time, and, in some cases, have short-term negative impacts on our operating margin.

Adoption of Our Solutions by Existing and New Customers. Most of our customers initially deploy our solutions to a limited number of users within a division or geography and may only initially deploy a limited set of our available solutions. Our future growth is dependent upon our existing customers' continued success and renewals of subscriptions to our solutions, deployment of our solutions to additional users around the world, and the purchase of subscriptions to additional solutions. Our growth is also dependent on the adoption of our solutions by new customers. In particular, our Veeva Vault solutions are offered to segments of the life sciences industry to which we have less experience marketing, including the research and development organizations of life sciences companies as well as emerging biotechnology companies, and we must be successful in marketing to these and other potential new segments.

Subscription Services Revenue Retention Rate. A key factor to our success is the renewal and expansion of our existing subscription agreements with our customers. We calculate our annual subscription services revenue retention rate for a particular fiscal year by dividing (i) annualized subscription revenue as of the last day of that fiscal year from those customers that were also customers as of the last day of the prior fiscal year by (ii) the annualized subscription revenue from all customers as of the last day of the prior fiscal year. Annualized subscription revenue is calculated by multiplying the daily subscription revenue recognized on the last day of the fiscal year by 365. This calculation includes the impact on our revenues from customer non-renewals, deployments of additional users or decreases in users, deployments of additional solutions or discontinued use of solutions by our customers, and price changes for our solutions. Historically, the impact of price changes on our subscription services revenue retention rate has been minimal. For our fiscal years ended January 31, 2014, 2013 and 2012, our subscription services revenue retention rate was 166%, 187% and 159%, respectively.

Mix of Subscription and Professional Services Revenues. We believe our investments in professional services have driven customer success and facilitated the further adoption of our solutions by our customers. During the initial period of deployment by a customer, we generally provide a greater amount of configuration, implementation and training than later in the deployment. At the same time, many of our customers have historically purchased subscriptions for only a limited set of their total potential users during their initial deployments. As a result of these factors, the proportion of total revenues for a customer associated with professional services is relatively high during the initial deployment period. Over time, as the need for professional services associated with user deployments decreases and the number of users often increases, we have observed and continue to expect the mix of total revenues to shift more toward subscription services revenues. As a result, we expect the proportion of our total revenues from subscription services to increase over time.

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 Industry Cloud solutions. Professional services revenues consist primarily of fees from implementation services, configuration, data services, training and managed services related to our solutions. For the nine months ended October 31, 2014, subscription services revenues constituted 74% of total revenues and professional services and other revenues constituted 26% of total revenues.

New subscription orders typically have a one-year term and automatically renew unless notice of cancellation is provided in advance. If a customer adds users or solutions to an existing order, such additional orders will generally be coterminous with the initial order, and as a result, orders for additional users or solutions will commonly have an initial term of less than one year. Subscription orders are generally billed at the subscription commencement date in annual or quarterly increments. Because the term of orders for additional users or solutions is commonly less than one year and payment terms may be quarterly, the annualized value of the orders we enter into with our customers will not be completely reflected in deferred revenue at any single point in time. Accordingly, we do not believe that change in deferred revenue or calculated billings, a metric commonly cited by financial analysts that is the sum of the change in deferred revenue plus revenue, are accurate indicators of future revenues for any given period of time.

Subscription services revenues are recognized ratably over the order term beginning when the solution has been provisioned to the customer. Our subscription services agreements are generally non-cancellable during the term, although customers typically have the right to terminate their agreements for cause in the event of material breach. Subscription services revenues are affected primarily by the number of customers, the number of users (or other subscription usage metric) at each customer that uses our solutions and the number of solutions subscribed to by each customer.

We utilize our own professional services personnel and, in certain cases, third-party subcontractors to perform our professional services engagements with customers. Our professional services engagements are primarily billed on a time and materials basis and revenues are typically recognized as the services are rendered. Certain professional services revenues are based on fixed fee arrangements and revenues are recognized based on progress against input measures, such as hours incurred. In some cases, the terms of our time and materials and fixed fee arrangements may require that we defer the recognition of revenue until contractual conditions are met. In those circumstances, revenue recognition may be sporadic, based upon the achievement of such contractual conditions. Professional services revenues are affected primarily by our customers' demands for implementation services, configuration, data services, training and managed services in connection with our solutions.

Cost of Revenues

Cost of subscription services revenues primarily consists of fees paid to salesforce.com, inc. for our use of the Salesforce Platform and the associated hosting infrastructure and data center operations that are provided by salesforce.com, other third-party expenses related to data center capacity, personnel related costs associated with hosting our subscription services and providing support, operating lease expense associated with computer equipment and software and allocated overhead, amortization expense associated with capitalized internal-use software related to our subscription services and amortization expense associated with purchased intangibles related to our subscription services. Cost of subscription services revenues for our Veeva Vault and Veeva Network solutions do not include fees to salesforce.com because the Salesforce Platform is not used in those solutions. We intend to continue to invest additional resources in our subscription services to broaden our product offerings and increase our delivery capacity. For example, we may open additional data centers, expand our current data centers in the future and continue to make investments in the availability and security of our solutions. The timing of when we incur these additional expenses will affect our cost of revenues in absolute dollars in the affected periods.

Cost of professional services and other revenues consists primarily of employee-related expenses associated with providing these services, including salaries, benefits and stock-based compensation expense, the cost of third-party subcontractors, travel costs and allocated overhead. 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

We accumulate certain costs such as 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."

Research and Development. Research and development expenses consist primarily of employee-related expenses, third-party consulting fees and allocated overhead. We continue to focus our research and development efforts on adding new features and applications, 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, travel-related expenses and allocated overhead. Sales commissions and other incremental costs to acquire contracts are expensed as incurred.

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 legal costs, professional fees, other corporate expenses and allocated overhead.

Other Expense, Net

Other expense, net consists primarily of interest income, amortization of investments and realized and unrealized gains or losses on foreign currency.

Provision for Income Taxes

Provision for income taxes consists of federal and state income taxes in the United States and income taxes in certain foreign jurisdictions. See Note 7 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		Nine Months Ended	
	October 31,		October 31,	
	2014	2013	2014	2013
	(in thousands)			
Consolidated Statements of Income Data:				
Revenues:				
Subscription services	$61,435	$38,935	$166,528	$100,935
Professional services and other	22,390	16,044	59,682	46,413
Total revenues	83,825	54,979	226,210	147,348
Cost of revenues[(1)]:				
Cost of subscription services	14,409	9,511	39,795	24,409
Cost of professional services and other	16,007	11,881	44,707	33,835
Total cost of revenues	30,416	21,392	84,502	58,244
Gross profit	53,409	33,587	141,708	89,104
Operating expenses[(1)]:				
Research and development	10,635	6,585	29,414	18,469
Sales and marketing	14,251	11,467	40,875	28,739
General and administrative	8,582	5,550	22,136	13,900
Total operating expenses	33,468	23,602	92,425	61,108
Operating income	19,941	9,985	49,283	27,996
Other income (expense), net	(989)	125	(1,120)	(439)
Income before income taxes	18,952	10,110	48,163	27,557
Provision for income taxes	8,694	3,585	21,106	10,189
Net income	$10,258	$6,525	$27,057	$17,368

(1) Includes stock-based compensation as follows:

	Three Months Ended		Nine Months Ended	
	October 31,		October 31,	
	2014	2013	2014	2013
	(in thousands)			
Cost of revenues:				
Cost of subscription services	$74	$49	$181	$58
Cost of professional services and other	549	230	1,711	458

Research and development	942	429	2,703	895
Sales and marketing	754	488	2,290	970
General and administrative	1,266	890	3,356	1,655
Total stock-based compensation	$3,585	$2,086	$10,241	$4,036

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	Three Months Ended October 31, 2014	2013	Nine Months Ended October 31, 2014	2013
Consolidated Statements of Income Data:				
Revenues:				
Subscription services	73.3 %	70.8 %	73.6 %	68.5 %
Professional services and other	26.7	29.2	26.4	31.5
Total revenues	100.0	100.0	100.0	100.0
Cost of revenues:				
Cost of subscription services	17.2	17.3	17.6	16.6
Cost of professional services and other	19.1	21.6	19.8	23.0
Total cost of revenues	36.3	38.9	37.4	39.6
Gross profit	63.7	61.1	62.6	60.4
Operating expenses:				
Research and development	12.7	12.0	13.0	12.5
Sales and marketing	17.0	20.9	18.0	19.5
General and administrative	10.2	10.1	9.8	9.4
Total operating expenses	39.9	43.0	40.8	41.4
Operating income	23.8	18.1	21.8	19.0
Other income (expense), net	(1.2)	0.2	(0.5)	(0.3)
Income before income taxes	22.6	18.3	21.3	18.7
Provision for income taxes	10.4	6.5	9.3	6.9
Net income	12.2 %	11.8 %	12.0 %	11.8 %

	Three Months Ended October 31, 2014	2013	% Change	Nine Months Ended October 31, 2014	2013	% Change
	(dollars in thousands)					
Revenues:						
Subscription services	$61,435	$38,935	58 %	$166,528	$100,935	65 %
Professional services and other	22,390	16,044	40	59,682	46,413	29
Total revenues	$83,825	$54,979	52	$226,210	$147,348	54
Percentage of revenues:						
Subscription services	73 %	71 %		74 %	69 %	
Professional services and other	27	29		26	31	
Total revenues	100 %	100 %		100 %	100 %	

Total revenues for the three months ended October 31, 2014 increased $28.8 million from the prior year period, of which $22.5 million was from subscription services revenues and $6.3 million from professional services and other revenues. Subscription services revenues were 73% of total revenues for the three months ended October 31, 2014, compared to 71% of total revenues for the prior year comparable period, reflecting the growth in our subscription services revenues as our customers expanded their use of our solutions across new divisions and geographies, and adopted our newer products.

Total revenues for the nine months ended October 31, 2014 increased $78.9 million from the prior year period, of which $65.6 million was from subscription services revenues and $13.3 million from professional services and other revenues. Subscription services revenues were 74% of total revenues for the nine months ended October 31, 2014, compared to 69% of total revenues for the prior year comparable period, reflecting the growth in our subscription services revenues as our customers expanded their use of our solutions across new divisions and geographies, and adopted our newer products.

Subscription services revenues for the three months ended October 31, 2014 increased $22.5 million from the prior year period. Two percent of the increase in subscription services revenues was attributable to orders from existing customers that were placed on or prior to October 31, 2013 and the renewal of such orders through October 31, 2014. Ninety-eight percent of the increase in subscription services revenues was attributable to new orders placed after October 31, 2013 to deploy our solutions to additional users within our existing customer base and to new users at new customers. New orders from existing customers consisted of expanded use of our solutions within a given customer and the addition of solutions not previously utilized by a given customer. Subscription services revenues from North America, as measured by the estimated location of the end users for subscription services, made up 53% of total subscription services revenues in the three months ended October 31, 2014 and 61% of total subscription services revenues in the three months ended October 31, 2013. This shift in geographic revenue mix was primarily due to the more rapid rate of revenue growth from deployments in both Europe and Asia Pacific as compared to North America.

Subscription services revenues for the nine months ended October 31, 2014 increased $65.6 million from the prior year period. Twenty-six percent of the increase in subscription services revenues was attributable to orders from existing customers that were placed on or prior to October 31, 2013 and the renewal of such orders through October 31, 2014. Seventy-four percent of the increase in subscription services revenues was attributable to new orders placed after October 31, 2013 to deploy our solutions to additional users within our existing customer base and to new users at new customers. New orders from existing customers consisted of expanded use of our solutions within a given customer and the addition of solutions not previously utilized by a given customer. Subscription services revenues from North America made up 54% of total subscription services revenues in the nine months ended October 31, 2014 and 62% of total subscription services revenues in the nine months ended October 31, 2013. This shift in geographic revenue mix was primarily due to the more rapid rate of revenue growth from deployments in both Europe and Asia Pacific as compared to North America.

Professional services and other revenues for the three months ended October 31, 2014 increased $6.3 million from the prior year period. Eighty-three percent of the professional services and other revenues was attributable to existing customers that signed agreements with us on or prior to October 31, 2013 and 17% of the professional services and other revenues was attributable to customers that signed agreements with us after October 31, 2013. Professional services revenues from North America, as measured by the estimated location of the user for which the services were performed, made up 59% of professional services revenues in the three months ended October 31, 2014, as compared to 60% in the prior year period.

Professional services and other revenues for the nine months ended October 31, 2014 increased $13.3 million from the prior year period. Eighty-six percent of the professional services and other revenues was attributable to existing customers that signed agreements with us on or prior to October 31, 2013 and 14% of the professional services and other revenues was attributable to customers that signed agreements with us after October 31, 2013. Professional services revenues from North America made up 58% of professional services revenues in the nine months ended October 31, 2014, as compared to 56% in the prior year period. This shift in geographic revenue mix was primarily due to an increased demand for implementation related professional services for our Veeva Vault solutions in North America, as compared to the prior period.

Cost of Revenues and Gross Profit Percentage

	Three Months Ended			Nine Months Ended		
	October 31,			October 31,		
	2014	2013	%	2014	2013	%

			Change				Change	
	(dollars in thousands)							
Cost of revenues:								
Cost of subscription services	$14,409	$9,511	51	%	$39,795	$24,409	63	%
Cost of professional services and other	16,007	11,881	35		44,707	33,835	32	
Total cost of revenues	$30,416	$21,392	42		$84,502	$58,244	45	
Gross margin percentage:								
Subscription services	77 %	76 %			76 %	76 %		
Professional services and other	29	26			25	27		
Total gross margin percentage	64 %	61 %			63 %	60 %		
Gross profit	$53,409	$33,587	59	%	$141,708	$89,104	59	%

Cost of revenues for the three months ended October 31, 2014 increased $9.0 million from the prior year period, of which $4.9 million was related to cost of subscription services. The increase in cost of subscription services was primarily due to an increase of users of our Veeva CRM solution, which drove an increase of $3.8 million in salesforce.com fees, and a $0.6 million increase in employee compensation-related costs.

Cost of revenues for the nine months ended October 31, 2014 increased $26.3 million from the prior year period, of which $15.4 million was related to cost of subscription services. The increase in cost of subscription services was primarily due to an increase of users of our Veeva CRM solution, which drove an increase of $11.4 million in salesforce.com fees, a $1.6 million increase in employee compensation-related costs, a $0.8 million increase in amortization of purchased intangible assets, a $0.6 million increase of amortization of internal-use software costs, and a $0.6 million increase in third-party server costs.

We expect cost of subscription services revenues to increase in absolute dollars in the near term and to decrease as a percentage of total subscription services revenues over time with the continued growth in the revenue contribution from Veeva Vault and Veeva Network, as these products have a slightly higher subscription services gross margin than Veeva CRM.

Cost of professional services and other revenues for the three months ended October 31, 2014 increased $4.1 million from the prior year period, primarily due to a $2.4 million increase in employee compensation-related costs, which includes an increase of $0.3 million in stock-based compensation, and a $1.5 million increase in third-party subcontractor costs. The increase in employee compensation-related costs resulted from headcount and annual merit increases and the increase in third-party subcontractor expense resulted from the increased demand for professional services during the period.

Cost of professional services and other revenues for the nine months ended October 31, 2014 increased $10.9 million from the prior year period, primarily due to an $8.6 million increase in employee compensation-related costs, which includes an increase of $1.3 million in stock-based compensation, and a $1.7 million increase in third-party subcontractor costs. The increase in employee compensation-related costs resulted from headcount and annual merit increases and the increase in third-party subcontractor expense resulted from the increased demand for professional services during the period.

We expect cost of professional services and other revenues to increase in absolute dollars in the near term and to increase slightly as a percentage of professional services and other revenues as we invest in our services organization to ensure customer success with respect to our newer solutions and newer geographies.

Gross profit as a percentage of total revenues for the three months ended October 31, 2014 and 2013 were 64% and 61%, respectively. The increase compared to the prior period is largely due to an increase in the proportion of total revenues attributable to subscription services revenues, which have higher gross margins than professional services and other revenues, an increase in professional services and other revenues gross margin, and the increased revenue contribution from our Veeva Vault and Veeva Network solutions, which have a slightly higher subscription services gross margin than Veeva CRM.

Gross profit as a percentage of total revenues for the nine months ended October 31, 2014 and 2013 were 63% and 60%, respectively. The increase compared to the prior period is primarily due to an increase in the proportion of total revenues attributable to subscription services revenues, which have higher gross margins than professional services and other revenues.

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 additional headcount and expansion of our headquarters, we expect operating expenses to increase in absolute dollars and as a percentage of revenue in the near term which may result in a slight decrease in our operating margin.

Research and Development

	Three Months Ended October 31,			Nine Months Ended October 31,		
	2014	2013	% Change	2014	2013	% Change
	(dollars in thousands)					
Research and development	$10,635	$6,585	62 %	$29,414	$18,469	59 %
Percentage of total revenues	13 %	12 %		13 %	13 %	

Research and development expenses for the three months ended October 31, 2014 increased $4.1 million from the prior year period, primarily as a result of an increase of $3.0 million in employee compensation-related costs, which includes an increase of $0.5 million in stock-based compensation, and a reduction of $0.6 million in the capitalization of internal-use software development costs compared to the prior period. The increase in employee compensation-related costs resulted from headcount and annual merit increases.

Research and development expenses for the nine months ended October 31, 2014 increased $10.9 million from the prior year period, primarily as a result of an increase of $9.2 million in employee compensation-related costs, which includes an increase of $1.8 million in stock-based compensation, and a reduction of $0.7 million in the capitalization of internal-use software development costs compared to the prior period. The increase in employee compensation-related costs resulted from headcount and annual merit increases, as well as an increase in employer payroll tax expense related to the exercise and subsequent sale of nonqualified stock options.

We expect research and development expenses to increase in absolute dollars in the near term, primarily due to higher headcount as we continue to add developers and invest in our solutions.

Sales and Marketing

	Three Months Ended October 31,			Nine Months Ended October 31,		
	2014	2013	% Change	2014	2013	% Change
	(dollars in thousands)					
Sales and marketing	$14,251	$11,467	24 %	$40,875	$28,739	42 %
Percentage of total revenues	17 %	21 %		18 %	20 %	

Sales and marketing expenses for the three months ended October 31, 2014 increased $2.8 million from the prior year period, primarily due to an increase of $2.3 million in employee compensation-related costs, which includes a $0.5 million increase in sales commissions and an increase of $0.3 million in stock-based compensation. The increase in employee compensation-related costs resulted from headcount and annual merit increases.

Sales and marketing expenses for the nine months ended October 31, 2014 increased $12.1 million from the prior year period, primarily due to an increase of $9.7 million in employee compensation-related costs, which includes a $1.4 million increase in sales commissions and an increase of $1.3 million in stock-based compensation, and an increase of $1.4 million in marketing program costs associated with our Commercial and R&D Summits. The increase in employee compensation-related costs resulted from headcount and annual merit increases, as well as an increase in employer payroll tax expense related to the exercise and subsequent sale of nonqualified stock options.

We expect sales and marketing expenses to continue to grow in absolute dollars in the near term, primarily driven by employee-related expenses as we increase our headcount to support our sales and marketing efforts associated with our newer solutions and our continued expansion of our international sales capacity across all our solutions.

General and Administrative

Three Months Ended October 31,			Nine Months Ended October 31,		
2014	2013	%	2014	2013	%

			Change				Change	
	(dollars in thousands)							
General and administrative	$8,582	$5,550	55	%	$22,136	$13,900	59	%
Percentage of total revenues	10 %	10 %			10 %	9 %		

General and administrative expenses for the three months ended October 31, 2014 increased $3.0 million from the prior year period, primarily due to an increase of $0.8 million in employee compensation-related costs, which includes an increase of $0.4 million in stock-based compensation, and an increase of $1.2 million in third-party professional services costs. The increase in employee compensation-related costs resulted from headcount and annual merit increases.

General and administrative expenses for the nine months ended October 31, 2014 increased $8.2 million from the prior year period, primarily due to an increase of $3.9 million in employee compensation-related costs, which includes an increase of $1.7 million in stock-based compensation, and an increase of $3.0 million in third-party professional services costs. The increase in employee compensation-related costs resulted from headcount and annual merit increases and the increase in third-party professional fees was attributable to higher legal fees and accounting related fees.

We expect general and administrative expenses to increase in absolute dollars in the near term, primarily due to higher headcount and additional expenses, such as professional services from third-party providers, including legal and accounting fees to address public company requirements, and to provide increased administrative support to our foreign operations.

Other Expense, Net

	Three Months Ended October 31,			Nine Months Ended October 31,		
	2014	2013	% Change	2014	2013	% Change
	(dollars in thousands)					
Other income (expense), net	$(989)	$125	-891 %	$(1,120)	$(439)	155 %

Other expenses for the three months ended October 31, 2014 were primarily comprised of foreign currency loss of $1.3 million and investment amortization of $0.6 million, partially offset by $1.0 million in interest income. The higher interest income and investment amortization compared to the prior year period was primarily attributable to our higher cash equivalent and investment balances. The foreign currency loss was driven by the decline in the value of the Euro to the U.S. Dollar and resulting primarily 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, British Pound Sterling, Japanese Yen and Chinese Yuan. We expect to experience additional adverse foreign currency impacts if any of these currencies decline further.

Other expenses for the nine months ended October 31, 2014 were primarily comprised of foreign currency loss of $1.8 million and investment amortization of $1.6 million, partially offset by $2.2 million in interest income. The higher interest income and investment amortization compared to the prior year period was primarily attributable to our higher cash and investment balances.

Provision for Income Taxes

	Three Months Ended October 31,			Nine Months Ended October 31,		
	2014	2013	% Change	2014	2013	% Change
	(dollars in thousands)					
Income before income taxes	$18,952	$10,110	87 %	$48,163	$27,557	75 %
Provision for income taxes	8,694	3,585	143	21,106	10,189	107
Effective tax rate	45.9 %	35.5 %		43.8 %	37.0 %	

Provision for income taxes for the three months ended October 31, 2014 increased by $5.1 million from the prior year period, primarily due to an increase of $8.8 million or 87% in our income before taxes. Our effective tax rate increased primarily due to the expiration of the federal research and development tax credit and a reduction of the domestic production activities deduction caused by the increased stock option activity during the period.

Provision for income taxes for the nine months ended October 31, 2014 increased by $10.9 million from the prior year period, primarily due to an increase of $20.6 million or 75% in our income before taxes. Our effective tax rate increased primarily due to the expiration of the federal research and development tax credit and a reduction of the domestic production activities deduction caused by the increased stock option activity during the period.

Our effective tax rate was 45.9% and 43.8% for the three and nine months ended October 31, 2014, respectively, and 35.5% and 37.0% for the three and nine months ended October 31, 2013, respectively.

Liquidity and Capital Resources

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2014	2013	2014	2013
	(in thousands)			
Net cash provided by operating activities	$34,256	$5,267	$68,994	$25,528
Net cash used in investing activities	(52,022)	(3,250)	(262,785)	(16,708)
Net cash provided by financing activities	9,800	216,516	63,491	216,431
Effect of exchange rate changes on cash and cash equivalents	(15)	—	(72)	—
Net change in cash and cash equivalents	$(7,981)	$218,533	$(130,372)	$225,251

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Our principal sources of liquidity were our cash, cash equivalents, and short-term investments, as well as cash flows generated from our operations. Our cash, cash equivalents and short-term investments totaled $392.9 million, of which $13.5 million represented cash and cash equivalents held outside of the United States. Non-U.S. cash and cash equivalents have been earmarked for indefinite reinvestment in our operations outside the United States and, therefore, no U.S. current or deferred taxes have been accrued related to these balances. We believe our U.S. sources of cash and liquidity are sufficient to meet our business needs in the United States and do not expect that we will need to repatriate the funds we have designated as indefinitely reinvested outside the United States. Under current tax laws, should our plans change and we were to choose to repatriate some or all of the funds we have designated as indefinitely reinvested outside the United States, such amounts would be subject to U.S. income taxes and applicable non-U.S. income and 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 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 data centers, 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/or technologies or other intellectual property rights. We may be required to seek additional equity or debt financing. 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.

On March 31, 2014, we closed our follow-on offering of 13,800,000 shares of Class A common stock (inclusive of 1,800,000 shares sold upon the full exercise of the over-allotment option granted to the underwriters), which included 1,390,000 shares sold by us and a total of 12,410,000 shares sold by certain selling stockholders. The public offering price of the shares sold in the offering was $26.35 per share. We did not receive any proceeds from the sales of shares by the selling stockholders. Our proceeds from the offering were $34.5 million after deducting underwriting discounts and commissions and total offering expenses.

Cash Flows from 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. Our primary uses of cash from operating activities are for employee-related expenditures, fees to salesforce.com, third-party professional services costs, employee travel, and leased facilities.

Net cash provided by operating activities was $34.3 million for the three months ended October 31, 2014. Our cash provided by operating activities during the three months ended October 31, 2014 primarily reflected our net income of $10.3 million, and adjustments for non-cash items including $3.6 million of stock-based compensation expense and $1.0 million of depreciation and amortization expense. Additional sources of cash were from changes in our working capital, which included a $16.7 million decrease in accounts receivable resulting from our collections, and a $4.0 million increase in accrued expenses, which reflects timing of payments primarily related to a legal settlement, legal and accounting professional fees, and third-party subcontractors.

Net cash provided by operating activities was $69.0 million for the nine months ended October 31, 2014. Our cash provided by operating activities during the nine months ended October 31, 2014 primarily reflected our net income of $27.1 million, and adjustments for non-cash items including $10.2 million of stock-based compensation expense and $2.9 million of depreciation and amortization expense. Additional sources of cash were from changes in our working capital, which included a $17.3 million increase in deferred revenue resulting primarily from increased orders from new and existing customers and a $13.2 million decrease in accounts receivable in part related to our collections.

Cash Flows from Investing Activities

The cash flows from investing activities primarily relate to cash used to purchase marketable securities, net of maturities. We also use cash to invest in capital assets to support our growth, including the purchase and build-out of our future headquarters in Pleasanton, California.

Net cash used in investing activities was $52.0 million for the three months ended October 31, 2014 resulting primarily from $51.1 million in net purchases of marketable securities.

Net cash used in investing activities was $262.8 million for the nine months ended October 31, 2014 resulting primarily from $236.4 million in net purchases of marketable securities and $26.1 million used to acquire property and equipment. The purchases of property and equipment included our July 2014 land and building purchase for our future headquarters in Pleasanton, California that used cash of $24.0 million.

Cash Flows from Financing Activities

The cash flows from financing activities relate to proceeds from our follow-on offering of Class A common stock, stock option exercises and early stock option exercises.

Net cash provided by financing activities was $9.8 million for the three months ended October 31, 2014 resulting primarily from the $7.7 million in excess tax benefits from employee exercise of options, and $2.1 million in proceeds from stock option exercises.

Net cash provided by financing activities was $63.5 million for the nine months ended October 31, 2014 resulting primarily from the net proceeds from our follow-on offering of $34.5 million, combined with $18.7 million in excess tax benefits from employee exercise of options, $6.0 million in proceeds from our employee stock purchase plan, and $4.3 million in proceeds from stock option exercises.

Commitments

Our principal commitments primarily consist of obligations for minimum payment commitments to salesforce.com and leases for office space. On March 3, 2014, we amended our agreement with salesforce.com. The agreement, as amended, requires that we meet minimum order commitments of $500 million over the term of the agreement, which ends on September 1, 2025, including “true-up” payments if the orders we place with salesforce.com have not equaled or exceeded the following aggregate amounts within the timeframes indicated: (i) $250 million for the period from March 1, 2014 to September 1, 2020 and (ii) the full amount of $500 million by September 1, 2025.

As of October 31, 2014, the future non-cancellable minimum payments under these commitments were as follows:

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
	(in thousands)				
Purchase commitments	$474,829	$3,975	$—	$—	$470,854
Operating lease obligations	7,353	736	4,393	1,941	283
Total	$482,182	$4,711	$4,393	$1,941	$471,137

We anticipate leasing additional office space in various locations around the world to support our growth. In addition, our existing lease agreements often provide us with an option to renew. We expect our future operating lease obligations will increase as we expand our operations.

Off-Balance Sheet Arrangements

We do not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

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, British Pound Sterling, Japanese Yen and Chinese Yuan. Changes in exchange rates may negatively affect our revenues and other operating results as expressed in U.S. dollars.

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. For example, for the three months ended October 31, 2014, we experienced a foreign currency loss of $1.3 million primarily due to the decline in the Euro. While we have not engaged in the hedging of our foreign currency transactions to date, we are currently evaluating the costs and benefits of initiating such a program and may, in the future, hedge selected significant transactions or net monetary exposure positions denominated in currencies other than the U.S. dollar.

Interest rate sensitivity

We had cash, cash equivalents and short-term investments totaling $392.9 million as of October 31, 2014. This amount was invested primarily in U.S. agency obligations, money market funds, corporate notes and bonds, U.S. treasury securities, commercial paper and asset-backed securities. The cash and cash equivalents are held for working capital purposes. Our investments are made for capital preservation purposes. 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. 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 fall short of expectation 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 debt 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.

We do not believe that an increase or decrease in interest rates of 100-basis points would have a material effect on our operating results or financial condition. 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 supervision and participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of the end of the period covered by this report.

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on our management’s evaluation, our principal executive officer and principal financial officer concluded that, as of October 31, 2014, 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 was no change 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 period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

On August 6, 2013, Prolifiq Software, Inc. (Prolifiq) filed a lawsuit against us in the U.S. District Court for the Northern District of California, alleging that Veeva CRM Approved Email infringes U.S. Patent No. 7,634,556 held by Prolifiq. Prolifiq filed a First Amended Complaint on September 10, 2013, alleging that Veeva CRM Approved Email also infringes U.S. Patent Nos. 7,707,317, 8,296,378, 7,966,374 and 8,171,077 held by Prolifiq, in addition to U.S. Patent No. 7,634,556. The First Amended Complaint seeks unspecified monetary damages, attorneys' fees, costs and injunctive relief against us. We answered the First Amended Complaint on October 1, 2013. Prolifiq filed a Second Amended Complaint on October 10, 2013, asserting the same five patents. We answered the Second Amended Complaint on October 24, 2013. On January 31, 2014, Prolifiq's claims related to U.S. Patent Nos. 7,707,317, 7,966,374 and 8,171,077 were dismissed without prejudice pursuant to a stipulation of dismissal. On April 4, 2014, Prolifiq filed a Third Amended Complaint, in which, in addition to its remaining claims of patent infringement, Prolifiq sought to assert a cause of action for alleged trade secret misappropriation. We answered the Third Amended Complaint on June 10, 2014. The court issued a claim construction order on August 6, 2014, which, in addition to construing the claims, also held that several claims of the patents that Prolifiq asserted in the case were invalid as indefinite.

On November 21, 2014, we entered into a Confidential Settlement and Cross-License Agreement ("Settlement Agreement") with Prolifiq resolving all outstanding legal disputes between us, including patent infringement and trade secret misappropriation claims asserted by Prolifiq against us. Pursuant to the Settlement Agreement, Prolifiq agreed to dismiss the lawsuit described above, granted us a license to all five of the Prolifiq patents asserted against us over the course of the lawsuit (and any patents claiming priority to the applications that led to those patents), and agreed not to sue us with respect to any additional patents that may be issued to Prolifiq for a period of time set forth in the Settlement Agreement. Prolifiq, in turn, will receive a one-time payment from us and a license to certain future patents of ours that may be issued from our patent applications filed over a period of time set forth in the Settlement Agreement. The financial terms of the Settlement Agreement are reflected in our financial results for the period ended October 31, 2014. Amounts allocated to the settlement of the litigation were recorded as general and administrative expenses in our Condensed Consolidated Statement of Comprehensive Income for the three and nine months ended October 31, 2014, and amounts allocated to the license acquired from Prolifiq were recorded as other current assets and other long-term assets in our Condensed Consolidated Balance Sheet as of October 31, 2014. In connection with the Settlement Agreement, on November 25, 2014, the parties filed a stipulated Dismissal of the Action with Prejudice. Also, in connection with the Settlement Agreement, the parties jointly terminated the Inter Partes Review proceedings that we initiated which challenges the patentability of each of the five patents Prolifiq asserted against Veeva over the course of the lawsuit.

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 legal proceedings, other than as set forth above, 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.

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Item 1A. Risk Factors.

Investing in our Class A common stock involves a high degree of risk. You should consider carefully the risks and uncertainties described below, together with all of the other information in this report, including our condensed consolidated financial statements and related notes, before investing in our Class A common stock. 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 Class A common stock could decline and you could lose part or all of your investment.

Risks Related to Our Business and Industry

We have a limited operating history, which makes it difficult to predict our future operating results, and we may not achieve our expected operating results in the future.

We were incorporated in 2007 and introduced our first commercially available cloud-based solution, Veeva CRM, that same year. Our two other major solutions, Veeva Vault and Veeva Network, were introduced in 2011 and 2013, respectively. As a result of our limited operating history, our ability to forecast our future operating results, including revenues, cash flows and profitability, is limited and subject to a number of uncertainties. We have encountered and will encounter risks and uncertainties frequently experienced by growing companies in the technology industry, such as the risks and uncertainties described in this report. If our assumptions regarding these risks and uncertainties are incorrect or change due to changes in our markets, or if we do not address these risks successfully, our operating and financial results may differ materially from our expectations and our business may suffer.

We expect the future growth rate of our revenues to decline, and as our costs increase, we may not be able to generate sufficient revenues to sustain the level of profitability we have achieved in the past or achieve profitability in the future.

In our fiscal years ended January 31, 2013 and 2014, our revenues grew by 111% and 62%, respectively, as compared to revenues from the prior fiscal year, and revenues for our fiscal quarter ended October 31, 2014 grew by approximately 52%, as compared to the same period a year ago. We expect the growth rate of our revenues to decline in future periods. At the same time, we expect our future expenses to increase as we continue to invest in our business. We expect to incur significant future expenditures related to:

- developing new solutions, enhancing our existing solutions and improving the technology infrastructure, scalability, availability, security and support for our solutions;
- expanding and deepening our relationships with our existing customer base, including expenditures related to increasing the adoption of our solutions by the research and development departments of life sciences companies;
- sales and marketing, including expansion of our direct sales organization and global marketing programs;
- expansion of our professional services organization;
- international expansion; and
- general operations, IT systems and administration, including legal and accounting expenses related to being a public company that we did not incur as a private company.

Our investments may not result in increased revenues now or in the future. 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, our operating results and business would be harmed. As a result, we cannot assure you that we will increase or sustain our historical levels of profitability or that we will achieve profitability in the future.

Additionally, our professional services revenues fluctuate as a result of the achievement of milestones in our professional services arrangements, and the requirements, complexity and timing of our customers' implementation projects. Our professional services revenues may not increase on a quarterly basis in the future.

In our fiscal year ended January 31, 2014, we derived approximately 95% of our subscription services revenues from our Veeva CRM solutions, and Veeva CRM has achieved substantial penetration within the U.S.-based sales teams of pharmaceutical and biotechnology companies. If our efforts to further increase the use and adoption of our Veeva CRM solutions do not succeed, the growth rate of our revenues may decline.

In our fiscal year ended January 31, 2014, we derived approximately 95% of our subscription services revenues from our Veeva CRM solutions, including Veeva CRM, Veeva CLM, Veeva iRep and Veeva CRM Approved Email, and we have realized substantial sales penetration with Veeva CRM among the U.S.-based sales teams of large pharmaceutical and biotechnology companies in particular. A critical factor for our continued growth is our ability to sell additional user subscriptions for Veeva CRM to our existing and new customers. Any factor adversely affecting sales of this solution, including penetration of the U.S. market, could adversely affect the growth rate of our revenues, operating results and business.

If our newer solutions, including Veeva Vault, Veeva Network and our newer commercial applications that complement Veeva CRM, 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, including Veeva Vault, Veeva Network and our newer commercial applications that complement Veeva CRM. These solutions were recently introduced and although revenues related to Veeva Vault and Veeva Network exceeded 15% of our total revenues in the three months ended October 31, 2014, it is uncertain whether these solutions will continue growing and comprise a more significant portion of our total revenues. It may take us significant time and we may incur significant expense to effectively market and sell these solutions, or to develop other new solutions and make enhancements to our existing solutions. If Veeva Vault, Veeva Network, our newer commercial applications that complement Veeva CRM, 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.

We have experienced rapid growth in recent periods, and if we fail to manage our growth effectively, we may be unable to execute our business plan, maintain high levels of service or adequately address competitive challenges.

Since we were founded, we have experienced rapid growth and expansion of our operations. For instance, our employee headcount has increased from 437 as of January 31, 2013 to 725 employees as of January 31, 2014. As of October 31, 2014 our headcount was 887, and we plan on hiring additional employees in the future. Our rapid growth has placed, and will continue to place, a significant strain on our administrative and operational infrastructure, facilities and other resources. Our ability to manage our operations and growth will require us to continue to expand our research and development, sales and marketing, professional services and finance and administration teams, as well as our facilities and infrastructure. We will also be required to refine our operational, financial and management controls and reporting systems and procedures. Moreover, if we fail to efficiently manage this expansion, our costs and expenses may increase more than we plan and we may fail to expand our customer base, enhance our existing solutions, develop new solutions, satisfy the requirements of our existing customers, respond to competitive challenges or otherwise execute our business plan. If we are unable to manage our growth, our operating and financial results likely would be harmed.

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 the use of or stop using 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, sensitive proprietary data related to the regulatory submission process for new medical treatments, and other sensitive information. As a result, unauthorized access or security breaches as a result of third-party action, employee error, malfeasance or otherwise could result in the loss of information, litigation, indemnity obligations, damage to our reputation and other liability. Because the techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Any or all of these issues could adversely affect our ability to attract new customers, cause existing customers to elect to not renew their subscriptions, result in reputational damage or subject us to third-party lawsuits, regulatory fines or other action or liability, which could adversely affect our operating results. Our insurance may not be adequate to cover losses associated with such events, and in any case, 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. A security breach of another significant provider of cloud-based solutions may also negatively impact the demand for our solutions.

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

Our subscription agreements with our customers are generally for a term of one year. We expect to continue to derive a significant portion of our revenues from renewal of existing subscription agreements. As a result, maintaining the renewal rate of our subscriptions 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 availability, price, performance and functionality of competing solutions and services;
- the effectiveness of our professional 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, headcount reductions by our customers.

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We enter into master subscription agreements with our customers. Orders typically have a one-year term and automatically renew unless notice of cancellation is provided in advance. Our customers have no obligation to renew their subscriptions for our solutions after their orders expire. In addition, our customers may negotiate terms less advantageous to us upon renewal, which may reduce our revenues from these customers. 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. Our future operating results also depend, in part, on our ability to sell new solutions, applications and professional services to our existing customers. If our customers fail to renew their agreements, renew their agreements upon less favorable terms or at lower fee levels, or fail to purchase new solutions, applications and professional services from us, our revenues may decline or our future revenues may be constrained.

The loss of one or more of our key customers, or a failure to renew our subscription agreements with one or more of our key customers, could slow the growth rate of our revenues or cause our revenues to decline.

In our fiscal years ended January 31, 2012, 2013 and 2014, our top 10 customers accounted for 61%, 54% and 56% of our total revenues, respectively. We rely on our reputation and recommendations from key customers in order to promote our solutions to potential customers. The loss of any of our key customers, or a failure of one or more of them to renew or expand user subscriptions, could have a significant impact on the growth rate of our revenues, reputation and our ability to obtain new customers. In addition, acquisitions of our customers could lead to cancellation or non-renewal of our agreements with those customers or by the acquiring companies, thereby reducing the number of our existing and potential customers.

Our agreement with salesforce.com imposes significant financial commitments on us which we may not be able to meet and which could negatively impact our financial results in the future.

Key and substantial portions of our Veeva CRM solution, and the commercial applications that complement our Veeva CRM solution, are developed on and/or utilize the Salesforce Platform of salesforce.com, inc. Under our agreement, salesforce.com provides the hosting infrastructure and data center for portions of the Veeva CRM solution, as well as the system administration, configuration, reporting and other platform level functionality. In exchange, we pay salesforce.com a fee. Our agreement with salesforce.com requires that we meet minimum order commitments of $500 million over the term of the agreement, which ends on September 1, 2025, including “true-up” payments if the orders we place with salesforce.com have not equaled or exceeded the following aggregate amounts within the timeframes indicated: (i) $250 million from March 1, 2014 to September 1, 2020 and (ii) the full amount of $500 million by September 1, 2025. If we are not able to meet the minimum order commitments, the required true-up payments will negatively impact our margins, cash flows, cash balance and financial condition, and our stock price may decline.

All of our revenues are generated by sales to life sciences industry customers, and factors that adversely affect this industry, including mergers within the life sciences industry, could also adversely affect us.

All of our sales are to customers in the life sciences industry. Demand for our solutions could be affected by factors that adversely affect the life sciences industry. The life sciences industry is highly regulated and competitive, has been adversely affected by the recent economic downturn and has experienced periods of considerable consolidation. Changes in regulations could require us to expend significant resources in order to ensure that our solutions continue to meet the needs our customers. In addition, competition, consolidation, expiration of key patents and other general economic and industry specific factors could lead to a significant reduction in pharmaceutical sales representatives and other personnel that use our solutions. Recently, for example, mergers of large life sciences companies have been discussed which, if consummated, have the potential to reduce demand for one or more of our solutions as a result of potential personnel reductions over time. For these reasons and others, selling to life sciences companies can be highly competitive, expensive and time consuming, often requiring significant upfront time and expense without any assurance that we will successfully complete a sale. 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 factors that affect the life sciences industry generally.

Our quarterly results may fluctuate significantly, which could prevent us from meeting investor expectations, or our own guidance, and which would adversely impact the value of our Class A common stock.

Our quarterly results of operations, including our revenues, gross margin, profitability and cash flows, may vary significantly in the future, 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. Our quarterly financial results may fluctuate as a result of a variety of factors, many of which are outside of our control. Fluctuation in quarterly results may adversely impact the value of our Class A common stock. Factors that may cause fluctuations in our quarterly financial results include, without limitation, those listed elsewhere in this "Risk Factors" section and those listed below:

- the addition or loss of large customers, including through acquisitions or consolidations of such customers;
- the amount and timing of operating expenses related to the maintenance and expansion of our business, operations and infrastructure;
- the timing of revenue recognition for our revenue arrangements;
- network outages or security breaches;
- conditions within the life sciences industry;
- general economic, industry and market conditions;
- our ability to attract new customers;
- amount of professional services purchased by our customers;
- customer renewal rates and the timing and terms of customer renewals;
- increases or decreases in the number of users of our solutions or pricing changes;
- changes in our pricing policies or those of our competitors;
- the mix of solutions and services sold during a period;
- variations in the timing of the sales of our solutions;
- the timing and success of introductions of new solutions by us or our competitors or any other change in the competitive dynamics of our industry, including consolidation among competitors, customers or strategic partners; and
- the timing of expenses related to the development or acquisition of technologies or businesses and potential future charges for impairment of goodwill from acquired companies.

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. Our Veeva CRM solutions compete with offerings from large global enterprise software vendors, such as Oracle Corporation, and also compete with life sciences-specific customer relationship management providers, such as Cegedim SA and IMS Health Holding, Inc. We also compete with a number of vendors of cloud-based and on-premise customer relationship management applications that address only a portion of one of our customer relationship management solutions. Our Veeva Vault regulated content management and collaboration solutions compete with offerings from large global content management platform vendors such as EMC Corporation, Microsoft Corporation and OpenText Corporation. We also compete with professional services companies that provide solutions on these platforms, such as Computer Sciences Corporation, and with other life sciences specific providers. In the future, providers of horizontal cloud-based storage products may seek to compete with our regulated content management and collaboration solutions. Our Veeva Network customer master solution competes with master data software offerings from vendors such as Informatica Corporation, and data providers such as Cegedim SA, IMS Health Holding, Inc. and many other data providers. We may also face competition from custom-built software developed by third-party vendors or developed in-house by our potential customers, or from applications built by our customers or by third parties on behalf of our customers using commercially available software platforms that are provided by third parties. We may also face competition from companies that provide cloud-based solutions in different target or horizontal markets that may develop applications or work with companies that operate in our target markets. With the introduction of new technologies and market entrants, we expect competition to intensify in the future.

In some cases, our competitors are well-established providers of competitive solutions, which have long-standing relationships with many of our current and potential customers, including large pharmaceutical and emerging biopharmaceutical companies. Oracle, EMC and IMS, for example, each have larger and greater name recognition, a much longer operating history, larger marketing budgets and significantly greater resources than we do.

Many of our competitors may be able to devote greater resources to the development, promotion and sale of their products and services than us. Such competitors may be able to initiate or withstand substantial price competition, and may offer solutions competitive to certain of our solutions on a standalone basis at a lower price or bundled as part of a larger product sale, including the bundling of software solutions and data. In addition, many of our competitors have established marketing relationships, access to larger customer bases, and distribution agreements with consultants, system integrators and resellers that we do not have. Our competitors may also establish cooperative relationships among themselves or with third parties that may further enhance their product offerings or resources. In addition, in order to take advantage of customer demand for cloud-based solutions, such competitors may expand their cloud-based solutions through acquisitions and organic development, or may seek to partner with other leading cloud providers. For instance, in June 2014, IMS announced its intention to acquire the information solutions and CRM businesses of Cegedim. The competitive impact of this potential acquisition is uncertain, but the potential combined entity is likely to intensely compete with us in a number of product areas, including software solutions and data, and such competition may negatively impact our business.

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 ours, if their products or services are more technologically capable than ours, 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.

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

Many of our customers license healthcare provider and healthcare organization data and data regarding the sales of prescription drugs from third parties such as IMS and Cegedim. In order for our customers to upload such data to the Veeva CRM and Veeva Network solutions, 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 experience difficulties in the future. If such third-party data providers 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 such data in our solutions, our sales efforts, solution implementations and productive use of our solutions by customers may be harmed, and, in turn, our business may be negatively impacted.

We may not effectively scale and adapt our existing technology to meet the performance and other requirements of our global customers, which could adversely affect our business and operating results.

Our future growth depends upon our ability to continue to meet the expanding needs of our global customers as their use of our solutions grows. As these customers gain more experience with our solutions, the number of users of our solutions, the amount of data transferred, processed and stored by us, the number of locations where our solutions are being accessed and the number of processes and systems managed by our solutions on behalf of these customers have in some cases, and may in the future, expand rapidly. As a result, we intend to continue to make significant investments to develop and implement new technologies in our solutions and cloud infrastructure operations. These technologies, which include databases, applications and server optimizations, network and hosting strategies and automation, are often advanced, complex, new and untested. To the extent that we do not effectively scale our solutions and operations to maintain performance as our customers expand their use of our solutions, our business and operating results could be adversely affected.

If the market for cloud-based solutions develops more slowly than we expect or declines, our revenues could decrease and our business could be adversely affected.

The market for cloud-based solutions is not as mature as the market for on-premise enterprise software in the life sciences industry, and it is uncertain whether cloud-based solutions will achieve and sustain high levels of customer demand and market acceptance in the life sciences industry. Our success will depend to a substantial extent on the widespread adoption of cloud-based solutions in the life sciences industry, and of Veeva CRM and the commercial applications that complement Veeva CRM, Veeva Vault and Veeva Network in particular. Many enterprises, and in particular in the life sciences industry, have invested substantial personnel and financial resources to integrate traditional enterprise software into their businesses, and therefore may be reluctant or unwilling to migrate to cloud-based solutions. It is difficult to predict customer adoption rates and demand for our solutions, the future growth rate and size of the cloud computing market or the entry of competitive solutions. The expansion of cloud-based solutions, particularly in the life sciences industry, depends on a number of factors, including the cost, performance and perceived value associated with cloud-based solutions, as well as the ability of providers of cloud-based solutions to address security, privacy and unique regulatory requirements or concerns. If we or other cloud-based solution providers experience security incidents, loss of customer data, disruptions in delivery or other problems, the market for cloud-based solutions in the life sciences industry, including our solutions, may be adversely affected. If cloud-based solutions do not achieve widespread adoption in the life sciences industry, or there is a reduction in demand for cloud-based solutions caused by a lack of customer acceptance, technological challenges, weakening economic conditions, security or privacy concerns, competing technologies and products, decreases in corporate spending or otherwise, our revenues could decrease and our business could be adversely affected.

Our sales cycles can be long and unpredictable, and our sales efforts require considerable investment of time and expense. 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 can 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 over twelve months. In particular, we have limited history selling to the research and development departments of life sciences companies, yet many of our newer solutions, including certain Veeva Vault solutions, were developed to target the research and development function. As a result, our sales cycle for these solutions may be lengthy and difficult to predict. We spend substantial time, effort and money 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 announcement or planned introduction of new solutions by us or our competitors and the purchasing approval processes of potential customers. If our sales cycle lengthens or we invest substantial resources pursuing unsuccessful sales opportunities, our operating results and growth would be harmed.

The software industry changes rapidly as a result of technological and product developments, which may render our solutions less desirable. If we are unable or unsuccessful in enhancing our solutions in response to technological developments, our revenues and operating results could be adversely affected.

The software industry is subject to rapid technological change. The introduction of new technologies in the software industry, including mobile technologies, will continue to have a significant effect on competitive conditions in the life sciences industry. We may not be able to develop and introduce new solutions and enhancements to our existing solutions that respond to technological changes on a timely basis. If we are unable to develop and sell new solutions that provide utility to our customers and provide enhancements and new features for our existing solutions that keep pace with rapid technological and regulatory change, our revenues and operating results could be adversely affected.

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

We generally release updates to our solutions three times per year. These updates may contain undetected errors when first introduced or released. We have from time to time found defects in our solutions, and new errors in our existing solutions may be detected in the future. Since our customers use our solutions for important aspects of their business, any errors, defects, disruptions 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, 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, an increase in collection cycles for accounts receivable, require us to increase our warranty provisions, or incur the expense of litigation or substantial liability.

Because key and substantial portions of our Veeva CRM solutions are built on salesforce.com's Salesforce Platform, we are dependent upon our agreement with salesforce.com to provide our Veeva CRM solutions to our customers.

Key and substantial portions of our Veeva CRM solution and the commercial applications that complement our Veeva CRM solution are developed on or utilize the Salesforce Platform of salesforce.com, inc., and we rely on our agreement with salesforce.com to continue to use the Salesforce Platform as combined with the proprietary aspects of our Veeva CRM solutions.

Our agreement with salesforce.com expires on September 1, 2025. However, salesforce.com has the right to terminate the agreement in certain circumstances, including in the event of a material breach of the agreement by us, or that salesforce.com 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.com may terminate the agreement upon notice of not less than 12 months. If salesforce.com terminates our agreement under these circumstances, our customers will be unable to access our Veeva CRM solutions. A termination of the agreement would cause us to incur significant time and expense to acquire rights to, or develop, a replacement customer relationship management platform and we may not be successful in these efforts. Even if we were to successfully acquire or develop a replacement customer relationship management platform, some customers may decide not to adopt the replacement platform and may decide to use a different customer relationship management solution. If we were unsuccessful in acquiring or developing a replacement customer relationship management platform or acquired or developed a replacement customer relationship management platform that our customers do not adopt, our business, operating results and brand may be adversely affected.

Also, if either party elects not to renew the agreement at the end of its September 1, 2025 term or if the agreement is terminated by us as a result of salesforce.com's breach, the agreement provides for a five-year wind-down period in which we would be able to continue providing the Salesforce Platform as combined with the proprietary aspects of our solutions to our existing customers but would be limited with respect to the number of additional subscriptions we could sell to our existing customers. After the wind-down period, we would no longer be able to use the Salesforce Platform.

Our agreement with salesforce.com 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, which does not include the medical devices 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.com. Our inability to freely sell our Veeva CRM solution outside of drug makers in the pharmaceutical and biotechnology industries may adversely impact our growth.

While our agreement with salesforce.com, subject to certain exceptions, provides that salesforce.com will not position, develop, promote, invest in or acquire applications directly competitive to the Veeva CRM solution for sales automation that directly target drug makers in the pharmaceutical and biotechnology industry, or the pharma/biotech industry, our remedy for a breach of this commitment by salesforce.com would be to terminate the agreement, or continue the agreement but be released from our minimum order commitments from the date of salesforce.com's breach forward. While our agreement with salesforce.com also restricts salesforce.com from competing with us with respect to sales opportunities for sales automation solutions for the pharma/biotech industry unless such competition has been pre-approved by salesforce.com's senior management based on certain criteria specified in the agreement, and imposes certain limits on salesforce.com from entering into arrangements similar to ours with other parties with respect to sales automation applications for the pharma/biotech industry, it does not restrict a salesforce.com customer's ability (or the ability of salesforce.com on behalf of a specific salesforce.com customer) to customize or configure the Salesforce Platform. Some current or potential customers of ours may choose to build custom solutions using the Salesforce Platform rather than buying our solutions.

We depend on data centers operated by third parties for Veeva CRM, Veeva Vault and Veeva Network, and any disruption in the operation of these facilities could adversely affect our business and subject us to liability.

Veeva CRM is primarily hosted by salesforce.com from data centers located in California, Illinois, Virginia, the United Kingdom and Japan. Veeva Vault, Veeva Network, and certain portions of Veeva CRM and the commercial applications that complement Veeva CRM, are hosted by third parties other than salesforce.com from data centers located in California, Virginia, the United Kingdom, Germany and Japan. We do not control the operation of the data centers hosted by salesforce.com for Veeva CRM. While we control and have access to our servers and all of the components of our network that are located in our external data centers for Veeva Vault, Veeva Network and certain portions of Veeva CRM, we do not control the operation of these facilities. The owners of our non-salesforce.com data centers 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, or if one of our data center operators is acquired, we may be required to transfer our servers and other infrastructure to new data center facilities, and we may incur significant costs and possible service interruption in connection with doing so.

Problems faced by our third-party data center locations, including those operated by salesforce.com, could adversely affect the experience of our customers. The operators of the data centers could decide to close their facilities without adequate notice. In addition, any financial difficulties, such as bankruptcy, faced by the operators of the data centers or any of the service providers with whom we or they contract may have negative effects on our business, the nature and extent of which are difficult to predict. Additionally, if our data centers are unable to keep up with our growing needs for capacity, this could have an adverse effect on our business. For example, a rapid expansion of our business could affect the service levels at our data centers or cause such data centers and systems to fail. Any changes in third-party service levels at our data centers or any disruptions or other performance problems with our solutions could adversely affect our reputation and may damage our customers' stored files or result in lengthy interruptions in our services or potential losses of customer data. Interruptions in our services might reduce our revenues, cause us to issue refunds to customers for prepaid and unused subscriptions, subject us to potential liability or adversely affect our renewal rates.

If we fail to effectively manage our technical operations infrastructure, our existing customers may experience service outages and our new customers may experience delays in the deployment of our solutions.

We have experienced significant growth in the number of users, transactions and data that our operations infrastructure supports. We seek to maintain sufficient excess capacity in our operations infrastructure to meet the needs of all of our customers. We also seek to maintain excess capacity to facilitate the rapid provision of new customer deployments and the expansion of existing customer deployments. In addition, we need to properly manage our technological operations infrastructure in order to support version control, changes in hardware and software parameters and the evolution of our solutions. However, the provision of new hosting infrastructure requires adequate lead-time. We have experienced, and may in the future experience, website disruptions, outages and other performance problems. These types of problems may be caused by a variety of factors, including infrastructure changes, human or software errors, viruses, security attacks, fraud, spikes in customer usage, problems associated with our third-party data center and network providers and denial of service issues. 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. If we do not accurately predict our infrastructure requirements, our existing customers may experience service outages that may subject us to financial penalties, financial liabilities and customer losses. If our operations infrastructure fails to keep pace with increased sales, customers may experience delays in the deployment of our solutions as we seek to obtain additional capacity, which could adversely affect our reputation and adversely affect our revenues.

Privacy laws and regulations are burdensome, may reduce demand for our solutions, and failure to comply may impose significant liabilities.

Our customers can use our solutions to collect, use, process and store personal or identifying information regarding their employees and the medical professionals whom their sales personnel contact, and, potentially, personal health information. Federal, state and foreign government bodies and agencies have adopted, are considering adopting, or may adopt laws and regulations regarding the collection, use, processing, storage and disclosure of personal information obtained from consumers and individuals. In the United States, for instance, the U.S. Department of Health and Human Services promulgated patient privacy rules under the Health Insurance Portability and Accountability Act of 1996, that protect medical records and other personal health information by limiting their use and disclosure, giving individuals the right to access, amend and seek accounting of their own health information and limiting most use and disclosures of health information to the minimum amount reasonably necessary to accomplish the intended purpose. Foreign data privacy regulations, such as the EU’s Data Protection Directive (Directive 95/46/EC), and the country-specific regulations that implement Directive 95/46/EC, also govern the processing of personally identifiable data, and may be stricter than U.S. laws. Our solutions are expected to be capable of use by our customers in compliance with such laws and regulations. The functional and operational requirements and costs of compliance with such laws and regulations may adversely impact our business, and failure to enable our solutions to comply with such laws and regulations could lead to significant fines and penalties imposed by regulators, as well as claims by our customers or third parties. Additionally, all of these domestic and international legislative and regulatory initiatives could adversely affect our customers’ ability or desire to collect, use, process and store personal or health-related information using our solutions, which could reduce demand for our solutions.

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 21 CFR Part 11 (the U.S. Food and Drug Administration’s requirements for maintenance of electronic records), EU Annex 11 (the EU requirements for maintenance of electronic records), 21 CFR Part 203 (requirements regarding drug sample tracking as required by the Prescription Drug Marketing Act) and other laws and regulations. Our solutions are expected to be capable of use by our customers in compliance with such laws and regulations. Our efforts to provide solutions that comply with such laws and regulations are time-consuming and costly, and include third-party 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. 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.

Additionally, any failure of our customers to comply with laws and regulations applicable to the functions for which our solutions are used could result in fines, penalties or claims for substantial damages against our customers that may 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 lawsuits that, even if unsuccessful, could divert our resources and our management's attention and adversely affect our business, and our insurance coverage may not be sufficient to cover such claims against us.

Because we recognize subscription services revenues over the term of the agreements for our subscriptions, a significant downturn in our business may not be reflected immediately in our operating results, which increases the difficulty of evaluating our future financial performance.

We generally recognize revenues ratably over the terms of orders under our subscription agreements, which are typically one year. 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 non-renewal with revenues from new subscription agreements entered into in the same quarter. In addition, we may be unable to adjust our costs in response to reduced revenues.

Because we often bill customers on a quarterly basis and accept orders of relatively short duration, deferred revenue and change in deferred revenue may not be an accurate indicator of our future financial results.

Our subscription orders are generally billed beginning at the subscription commencement date in annual or quarterly increments. 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, because the terms of orders for additional users or solutions are typically co-terminus with the related subscription agreements, the terms of these agreements for additional users or solutions can be for relatively short periods of time and less than one year and payment terms may also be quarterly. Therefore, the annualized value of such orders that we enter into with our customers will not be completely reflected in deferred revenue at any single point in time. Accordingly, we do not believe that change in deferred revenue is an accurate indicator of future revenues for any given period of time. However, many companies that provide cloud-based software do not have business models similar to ours, bill their customer agreements differently, have different agreement and renewal terms and experience different levels of seasonality, and, therefore, they report changes in deferred revenue as a key operating or financial metric. Accordingly, although we do not believe that changes in our deferred revenue should be viewed as key operating or financial metrics by investors, it is possible that analysts or investors may view this metric as important to them and any changes in our deferred revenue balances in different periods could adversely affect the market price of our Class A common stock.

Consolidation among our customers could cause us to lose customers, decrease the available market for our solutions and adversely affect our business.

Consolidation in the life sciences industry has accelerated in recent years, and this trend could continue. We may lose customers due to industry consolidation, and we may not be able to expand sales of our solutions and services to new customers to replace lost customers. In addition, new companies or organizations that result from such consolidation may decide that our solutions are no longer needed because of their own internal processes or the use of alternative solutions. As these entities consolidate, competition to provide solutions and services to industry participants will become more intense and the importance of establishing relationships with large industry participants will become greater. These industry participants may try to use their market power to negotiate price reductions for our solutions. Also, if consolidation of larger current 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 the combined company’s revenues to continue to achieve growth. Industry consolidation or consolidation among current customers or potential customers could adversely affect our business.

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, 2014, sales to customers outside North America accounted for approximately 41% 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 other 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 emerging 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. In addition, we face risks in doing business internationally that could adversely affect our business, including:

the need to localize and adapt our solutions for specific countries, including translation into foreign languages and associated expenses and ensuring that our solutions enable our customers to comply with local life sciences industry laws and regulations;
data privacy laws which require that customer data be stored and processed in a designated territory;
difficulties in staffing and managing foreign operations, including employee laws and regulations;
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 employment, tax, privacy and data protection, and anti-bribery laws and regulations;

increased financial accounting and reporting burdens and complexities;
restrictions on the transfer of funds;
our ability to repatriate funds from abroad without adverse tax consequences;
adverse tax consequences, including the potential for required withholding taxes; and
unstable regional and economic political conditions.
Our international agreements often provide for payment denominated in local currencies, and the majority of our local costs are denominated in local currencies. An increasing portion of our international agreements provided for payment denominated in local currencies for our fiscal year ended January 31, 2014 as compared to our fiscal year ended January 31, 2013, and we anticipate that, over time, an increasing portion of our international agreements may provide for payment denominated in local currencies. As we continue to expand our operations in countries outside the United States, an increasing proportion of our expenditures in the future may be denominated in foreign currencies. Therefore, fluctuations in the value of the U.S. dollar and foreign currencies may impact our operating results when translated into U.S. dollars. We do not currently engage in currency hedging activities to limit the risk of exchange rate fluctuations.

If we lose the services of our founder and Chief Executive Officer or other members of our senior management team, we may not be able to execute our business strategy.

Our success depends in a large part upon the continued service of our senior management team. In particular, our founder and Chief Executive Officer, Peter P. Gassner, is critical to our vision, strategic direction, culture, products and technology. We do not maintain key-man insurance for Mr. Gassner or any other member of our senior management team. We do not have employment agreements with members of our senior management team or other key personnel that require them to continue to work for us for any specified period and, therefore, they could terminate their employment with us at any time. The loss of our founder and Chief Executive Officer or one or more other members of our senior management team could have an adverse effect on our business.

An inability to attract and retain highly skilled employees could adversely affect our business.

To execute our growth plan, we must attract and retain highly qualified personnel. Competition for these personnel is intense, especially for engineers with high levels of experience in designing and developing software and internet-related services and senior sales executives. We have, from time to time, experienced, and we expect to continue to experience, difficulty in hiring and retaining employees with appropriate qualifications. Many of the companies with which we compete for experienced personnel have greater resources than we have. If we hire employees from competitors or other companies, their former employers may attempt to assert that these employees or we have breached their legal obligations, resulting in a diversion of our time and resources. In addition, job candidates and existing employees often consider the value of the stock awards they receive in connection with their employment. If the perceived value of our stock awards declines, it may adversely affect our ability to recruit and retain highly skilled employees. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business and future growth prospects could be adversely affected.

Our business could be adversely affected if our customers are not satisfied with the professional 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. 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 or professional services rendered, then 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.

We typically provide service level commitments under our customer agreements. If we fail to meet these contractual commitments, we could be obligated to provide credits or refunds for pre-paid amounts related to unused subscription services or our customers may terminate their contracts, which could adversely affect our revenues.

Our customer agreements typically provide service level commitments on a quarterly basis. If we are unable to meet the stated service level commitments or suffer extended periods of unavailability for our solutions, we may be contractually obligated to provide these customers with service credits or our customers may terminate their agreements. Our revenues could be significantly affected if we suffer unscheduled downtime that exceeds the allowed downtimes under our agreements with our customers. Any extended service outages could adversely affect our reputation, revenues and operating results.

Any failure to offer high-quality technical support services could adversely affect our relationships with our customers and our operating results.

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 respond quickly enough to accommodate short-term increases in customer demand for technical support services. Increased customer demand for our 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.

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 consummated.

In addition, we have limited experience in acquiring other businesses. If we acquire additional 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;
- unanticipated costs or liabilities associated with the acquisition;
- incurrence of acquisition-related costs;
- difficulty integrating the 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 disparities in the revenues, licensing, support or professional services model of the acquired company;
- diversion of management's attention from other business concerns;
- adverse effects to our existing business relationships with business partners and customers as a result of the acquisition;
- the potential loss of key employees;
- use of resources that are needed in other parts of our business; and
- use of substantial portions of our available cash to consummate the acquisition.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed 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 could also 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.

Adverse economic conditions, particularly with respect to the life sciences industry, could adversely impact our business.

Our business depends on the overall demand for enterprise software, cloud computing technologies and on the economic health of our existing and prospective customers. In addition, the purchase of our solutions is often discretionary and may involve a significant commitment of capital and other resources. The financial weakness in recent years resulted in a significant deterioration of the economy in the United States and Europe and of the global economy, more limited availability of credit, a reduction in business confidence and activity and other difficulties that may affect the life sciences industry. In addition, the economies of countries in Europe have been experiencing weakness associated with high sovereign debt levels, weakness in the banking sector and uncertainty over the future of the Eurozone. We have existing and prospective customers in Europe. If economic conditions in Europe and other key markets for our solutions continue to remain uncertain or deteriorate further, particularly with respect to the life sciences industry, many of our customers may delay or reduce their IT spending. This could result in reductions in sales of our solutions, longer sales cycles, reductions in subscription duration and value, slower adoption of new technologies and increased price competition. In addition, there has been pressure to reduce government spending in the United States, and the possibility of fiscal and budgetary uncertainty in the United States continues into 2014. Any of these events could have an adverse effect on our business, operating results and financial position. In addition, there can be no assurance that enterprise software spending levels will increase following any recovery.

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

Our corporate headquarters are located in Pleasanton, California and our third-party hosted data centers are located in California, Illinois, Virginia, the United Kingdom, Germany and Japan. The west coast of the United States and Japan each contains 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 catastrophic event such as fire, power loss, telecommunications failure, cyber-attack, war or terrorist attack, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in our solution development, lengthy interruptions in our services, breaches of data security and loss of critical data, all of which could have an adverse effect on our future operating results.

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. We currently have no issued patents. Instead, we currently rely on copyright, trade secret and trademark laws, trade secret protection and confidentiality or license agreements with our employees, customers, partners and others to protect our intellectual property rights. However, the steps we take to protect our intellectual property rights may be inadequate.

In order to protect our intellectual property rights, we may be required to spend significant resources to 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 Class A common stock to decline. Our failure to secure, protect and enforce our intellectual property rights could adversely affect our brand and our business.

We may be sued by third parties for alleged infringement of their proprietary rights.

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, 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, and we may be found to be infringing upon such rights. For example, from August 2013 to November 2014, we were a defendant in a lawsuit filed by Prolifiq Software, Inc. (Prolifiq) in which Prolifiq alleged patent infringement and trade secret misappropriation. The Prolifiq lawsuit was settled in November 2014, and involved a payment to Prolifiq by us in exchange for a license to certain asserted patents. In the future, others may 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. Any claims or litigation 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. Even if we were to prevail in such a dispute, 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.

If we fail to develop widespread brand awareness cost-effectively, our business may suffer.

We believe that developing and maintaining widespread awareness of our brand in a cost-effective manner is critical to achieving widespread acceptance of our solutions, attracting new customers, and generating and maintaining profitability. Brand promotion activities may not generate customer awareness or increase revenues, and even if they do, any increase in revenues may not offset the expenses we incur in building our brand. If we fail to successfully promote and maintain our brand, or incur substantial expenses, we may fail to attract or retain customers necessary to realize a sufficient return on our brand-building efforts, or to achieve the widespread brand awareness that is critical for broad customer adoption of our solutions.

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. By the terms of certain open source licenses, we could be required to release the source code of our proprietary software, and to make our proprietary software available under open source licenses, if we combine our proprietary software with open source software in a certain manner. 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 and services. In addition to risks related to license requirements, usage 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 usage of open source software cannot be eliminated and could adversely affect our business.

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 our business will serve a significant portion of the market.

Our estimate of the market size for our solutions we have provided publicly, sometimes referred to as total addressable market or 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 in which our solutions are targeted. 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.

We are an emerging growth company and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our Class A common stock less attractive to investors.

We are an emerging growth company. For as long as we continue to be an emerging growth company, we also intend to take advantage of certain other exemptions from various reporting requirements that are applicable to other public companies including, but not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our Class A common stock less attractive because we will rely on these exemptions. If some investors find our Class A common stock less attractive as a result, there may be a less active trading market for our Class A common stock and our stock price may be more volatile. We will remain an emerging growth company until January 31, 2015.

If we are unable to implement and maintain effective internal controls over financial reporting in the future, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our Class A common stock could be adversely affected.

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, beginning with our second annual report on Form 10-K following our initial public offering, which will be for our fiscal year ending January 31, 2015 (our “Fiscal 2015 Form 10-K”), 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 beginning with our Fiscal 2015 Form 10-K.

If we have a material weakness in our internal controls over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated. We are in the process of designing and implementing the internal controls over financial reporting required to comply with this obligation, which process will be time consuming, costly and complicated. In addition, many of our current controls are manual and may be more subject to error than automated controls. If we identify material weaknesses in our internal controls over financial reporting, if we are unable to comply with the requirements of Section 404 in a timely manner, if we are unable to assert that our internal controls over financial reporting are effective, 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 Class A common stock could be adversely affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the Securities and Exchange Commission (SEC), or other regulatory authorities, which could require additional financial and management resources.

We have incurred and will continue to incur significantly increased costs and devote substantial management time as a result of operating as a public company.

As a public company, we have incurred and will continue to incur significant legal, accounting and other expenses that we did not incur as a private company. For example, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (Exchange Act), and are required to comply with the applicable requirements of the Sarbanes-Oxley Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as rules and regulations subsequently implemented by the SEC and the New York Stock Exchange, including the establishment and maintenance of effective disclosure and financial controls and changes in corporate governance practices. Compliance with these requirements has increased our legal and financial compliance costs and has made some activities more time consuming and costly. Our management and other personnel have little experience managing a public company and preparing public filings. In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. Our management and other personnel may need to divert attention from operational and other business matters to devote substantial time to these public company requirements. In particular, we are incurring and expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act, with which we will be expected to comply beginning with our fiscal year ending January 31, 2015. Although we have hired additional employees to comply with these requirements, we may need to hire more accounting, legal and financial staff in the future with appropriate public company experience and technical accounting knowledge to meet these requirements. We cannot accurately predict or estimate the amount or timing of additional costs we may incur as a result of becoming a public company. Further, if our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

Additional compensation costs and any future equity awards will increase our compensation expenses, which would increase our general and administrative expense and could adversely affect our profitability. We also expect that operating as a public company will make it more difficult and more expensive for us to obtain director and officer liability insurance on reasonable terms. As a result, it may be more difficult for us to attract and retain qualified people to serve on our board of directors, our board committees or as executive officers.

Our international operations subject us to potentially adverse tax consequences.

We report our taxable income in various jurisdictions worldwide based upon our business operations in those jurisdictions. These jurisdictions include Australia, Brazil, Canada, China, France, Germany, Hungary, Israel, Italy, Japan, Singapore, Spain, Switzerland, Thailand and the United Kingdom The international nature and organization of our business activities are subject to complex transfer pricing regulations administered by taxing authorities in various jurisdictions. The relevant taxing authorities may disagree with our determinations as to the income and expenses attributable to specific jurisdictions. If such a disagreement were to occur, and our position were not sustained, we could be required to pay additional taxes, interest and penalties, which could result in one-time tax charges, higher effective tax rates, reduced cash flows and lower overall profitability of our operations. We believe that our financial statements reflect adequate reserves to cover such a contingency, but there can be no assurances in that regard.

Taxing authorities may successfully assert that we should have collected or in the future should collect sales and use, value added or similar 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 and similar taxes in all jurisdictions in which we have sales, based on our belief 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 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 may adversely affect our results of operations.

Unanticipated changes in our effective tax rate could harm our future results.

We are subject to income taxes in the United States and various foreign jurisdictions, and our domestic and international tax liabilities are subject to the allocation of expenses in differing jurisdictions. 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. Our effective tax rate could be adversely affected by changes in the mix of earnings and losses in countries with differing statutory tax rates, certain non-deductible expenses as a result of acquisitions, the valuation of deferred tax assets and liabilities, adjustments to income taxes upon finalization of tax returns, changes in available tax credits, decision to repatriate non-U.S. earnings for which we have not previously provided for U.S. taxes, and changes in federal, state or international tax laws and accounting principles. In addition, because substantially all of our intellectual property resides in the United States and is licensed through our parent U.S. entity, our effective tax rate may be higher than other companies that maintain and license intellectual property from outside the United States. Increases in our effective tax rate would reduce our profitability or in some cases increase our losses.

In addition, we may be subject to income tax audits by many tax jurisdictions throughout the world. Although we believe our income tax liabilities are reasonably estimated and accounted for in accordance with applicable laws and principles, 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.

Risks Related Ownership of Our Class A Common Stock

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

The trading price of our Class A common stock has been and will likely continue to be volatile for the foreseeable future. Since shares of our Class A common stock were sold in our initial public offering in October 2013 at a price of $20.00 per share, our stock price has ranged from $17.11 to $49.00 through November 28, 2014. In addition, the trading prices of the securities of technology companies in general have been highly volatile. Accordingly, the market price of our Class A common stock is likely to be subject to wide fluctuations in response to numerous factors, many of which are beyond our control, such as those in this “Risk Factors” section and others including:

- fluctuations in the valuation of companies perceived by investors to be comparable to us or in valuation metrics, such as our price to revenues ratio or price to earnings ratio;
- overall performance of the equity markets;
- variations in our operating results, including revenues, earnings per share, cash flows from operating activities and other financial metrics and non-financial metrics, and how those results compare to analyst expectations, including whether those results fail to meet, exceed or significantly exceed analyst expectations;
- forward-looking statements related to our projections of future operating results, including the guidance we give in our regular earnings releases, changes in our projections of our future operating results or our failure to meet, exceed or significantly exceed these projections;
- the net increases in the number of customers, either independently or as compared with published expectations of industry, financial or other analysts that cover us;
- changes in our other financial, operational or other metrics, regardless of whether we regard those as metrics that reflect the current state of or longer-term prospects of our business;
- changes in the estimates of our operating results or changes in recommendations by securities analysts that elect to follow our Class A common stock;
- announcements of technological innovations, new solutions or enhancements to services, strategic alliances or significant agreements by us or by our competitors;
- announcements by us or by our competitors of mergers or other strategic acquisitions or rumors of such transactions involving us or our competitors;
- announcements of customer additions and customer cancellations or delays in customer purchases;
- recruitment or departure of key personnel;
- disruptions in our solutions due to computer hardware, software or network problems, security breaches or other man-made or natural disasters;
- the economy as a whole, market conditions in our industry and the industries of our customers;
- trading activity by a limited number of stockholders who together beneficially own a majority of our outstanding Class A common stock;
- the operating performance and market value of other similar companies;
- changes in legislation relating to our existing or future solutions;
- litigation or other claims against us;

the size of our market float; 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 Class A common stock could decline for reasons unrelated to our business, operating results or financial condition. The market price of our Class A 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.

The dual class structure of our common stock has the effect of concentrating voting control with our executive officers (including our Chief Executive Officer) and directors and their affiliates; this will limit or preclude the ability of our investors to influence corporate matters.

Our Class B common stock has ten votes per share, and our Class A common stock has one vote per share. As of October 31, 2014, stockholders who hold shares of Class B common stock, including our executive officers and directors and their affiliates, together hold approximately 92.5% of the voting power of our outstanding capital stock. Because of the ten-to-one voting ratio between our Class B common stock and Class A common stock, the holders of our Class B common stock collectively control a substantial majority of the combined voting power of our common stock and, assuming no material sales of such shares, will be able to control all matters submitted to our stockholders for approval until October 15, 2023, including the election of directors, amendments of our organizational documents and any merger, consolidation, sale of all or substantially all of our assets or other major corporate transaction. This concentrated control will limit or preclude our investors' ability to influence corporate matters for the foreseeable future. In addition, this may prevent or discourage unsolicited acquisition proposals or offers for our capital stock or may adversely affect the market price of our Class A common stock.

Future transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions, such as certain transfers effected for estate planning purposes. The conversion of Class B common stock to Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term. If, for example, our executive officers (including our Chief Executive Officer), employees, directors and their affiliates retain a significant portion of their holdings of Class B common stock for an extended period of time, they could, in the future, continue to control a majority of the combined voting power of our Class A common stock and Class B common stock.

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

Future sales and issuances of our common stock or rights to purchase common stock, including pursuant to our equity incentive plans, could result in additional dilution of the percentage ownership of our stockholders and could cause the stock price of our Class A common stock to decline.

In the future, we may sell common stock, convertible securities or other equity securities in one or more transactions at prices and in a manner we determine from time to time. We expect to issue securities to employees and directors pursuant to our equity incentive plans. If we sell common stock, convertible securities or other equity securities in subsequent transactions, or common stock is issued pursuant to equity incentive plans, our investors may be materially diluted. New investors in such subsequent transactions could gain rights, preferences and privileges senior to those of holders of our common stock, including our Class A common.

Sales of a substantial number of shares of our common stock in the public market, or the perception that they might occur, could cause the price of our Class A common stock to decline.

Sales of a substantial number of shares of our Class A common stock in the public market, or the perception that these sales might occur, could cause the market price of our Class A common stock to decline or make it more difficult for you to sell your common stock at a time and price that you deem appropriate and could impair our ability to raise capital through the sale of additional equity securities. We are unable to predict the effect that sales, or the perception that our shares may be available for sale, will have on the prevailing market price of our Class A common stock.

In addition, as of October 31, 2014, we had options outstanding that, if fully exercised, would result in the issuance of additional shares of Class A and Class B common stock. Our Class B common stock converts into Class A common stock on a one-for-one basis. As of October 31, 2014, we had restricted stock units outstanding which may vest in the future and result in the issuance of additional shares of Class A common stock. Our unexercised stock options and unvested restricted stock units, as of October 31, 2014, are described in Note 8 of the notes to our condensed consolidated financial statements. All of the shares of Class A common stock issuable upon the exercise of options (or upon conversion of shares of Class B common stock issued upon the exercise of options) or upon the vesting of restricted stock units have been registered for public resale under the Securities Act of 1933, as amended, or the Securities Act. Accordingly, these shares will be able to be freely sold in the public market upon issuance as permitted by any applicable vesting requirements.

Certain holders of our Class A and Class B common stock have rights, subject to certain conditions, to require us to file registration statements for the public resale of such shares (in the case of Class B common stock, the Class A common stock issuable upon conversion of such shares) or to include such shares in registration statements that we may file for us or other stockholders. Any sales of securities by these stockholders could have a material adverse effect on the market price of our Class A common stock.

If securities or industry analysts do not continue to publish research or if they publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our Class A common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. If industry analysts cease coverage of us or additional industry analysts do not initiate coverage of us, the trading price for our Class A common stock may be adversely affected. In addition, the stock prices of many companies in the high technology industry have declined significantly after those companies have failed to meet, or often times significantly exceed, the financial guidance publicly announced by the companies or the expectations of analysts. If our financial results fail to meet (or possibly significantly exceed) our announced guidance or the expectations of analysts or public investors, analysts could downgrade our common stock or publish unfavorable research about us. If one or more of the analysts who cover us downgrade our Class A common stock or publish inaccurate or unfavorable research about our business, our Class A common stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our Class A common stock could decrease, which might cause our Class A common stock price and trading volume to decline.

Provisions in our restated certificate of incorporation and amended and restated 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 Class A common stock.

Our restated certificate of incorporation and amended and restated bylaws contain provisions that could depress the market price of our Class A 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:

- establish a classified board of directors so that not all members of our board are elected at one time;
- provide for a dual class common stock structure, which gives our Chief Executive Officer, directors, executive officers, greater than 5% stockholders and their respective affiliates the ability to control the outcome of all matters requiring stockholder approval, even if they own significantly less than a majority of the shares of our outstanding Class A and Class B common stock;
- permit the board of directors to establish the number of directors;
- provide that directors may only be removed “for cause” and only with the approval of $66\frac{2}{3}$% 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;
- eliminate the ability of our stockholders to call special meetings of stockholders;
- 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.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.
Use of Proceeds from Public Offerings of Common Stock

On October 21, 2013, we closed our initial public offering (IPO) of 15,001,750 shares of Class A common stock, in which we sold 11,646,750 shares (inclusive of 1,956,750 shares issued upon the full exercise of the over-allotment option granted to the underwriters) at a public offering price of $20.00 per share. The aggregate offering price for shares sold in the offering was approximately $233 million. The offer and sale of all of the shares in the IPO were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-191085), which was declared effective by the SEC on October 15, 2013. The offering commenced on October 15, 2013 and did not terminate before all of the shares in the IPO were registered in the registration statement were sold. Morgan Stanley & Co. LLC and Deutsche Bank Securities Inc. acted as the managing underwriters. We raised approximately $214.2 million after deducting underwriting discounts and commissions and total offering expenses.

On March 31, 2014, we closed our follow-on offering of 13,800,000 shares of Class A common, in which we sold 1,390,000 shares (inclusive of 500,000 shares issued upon the full exercise of the over-allotment option granted to the underwriters) at a public offering of $26.35 per share. The offer and sale of all of the shares in the follow-on offering were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-194640), which was declared effective by the SEC on March 25, 2014. Morgan Stanley & Co. LLC, Deutsche Bank Securities Inc. and J.P. Morgan Securities LLC acted as the managing underwriters. Our proceeds from the offering were $34.5 million after deducting underwriting discounts and commissions and total offering expenses.

There has been no material change in the planned use of proceeds from our IPO or follow-on offering as described in our final prospectuses filed pursuant to Rule 424(b) with the SEC on October 16, 2013 and March 26, 2014, respectively. No payments were made by us to directors, officers or persons owning ten percent or more of our common stock or to their associates, or to our affiliates, other than payments in the ordinary course of business to officers for salaries. Pending the uses described, we have invested the net proceeds in short-term, investment-grade interest-bearing securities such as money market funds, certificates of deposit, commercial paper, corporate debt, agencies and guaranteed obligations of the U.S. government.

Item 3. Defaults Upon Senior Securities.
None.

Item 4. Mine Safety Disclosures.
Not applicable.

Item 5. Other Information.
None.

Item 6. Exhibits.

Exhibits

Exhibit		Incorporated by Reference			
Number	Exhibit Description	Form	File No.	Exhibit	Filing Date
3.1	Restated Certificate of Incorporation of Veeva Systems Inc.	8-K	001-36121	3.1	10/22/2013
3.2	Bylaws of Veeva Systems Inc.	S-1/A	333-191085	3.4	10/3/2013
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.				
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.				
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.				
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.				
101.INS	XBRL Instance Document.				
101.SCH	XBRL Taxonomy Schema Linkbase Document.				
101.CAL	XBRL Taxonomy Calculation Linkbase Document.				
101.DEF	XBRL Taxonomy Definition Linkbase Document.				
101.LAB	XBRL Taxonomy Labels Linkbase Document.				

101.PRE XBRL Taxonomy Presentation Linkbase Document.

¶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.

By: /s/ TIMOTHY S. CABRAL
Timothy S. Cabral
Chief Financial Officer
(Principal Financial and Accounting Officer)

Dated: December 11, 2014

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