VEEVA SYSTEMS INC
Form 10-K
March 28, 2019
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended January 31, 2019

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For transition period from to

Commission File Number 001-36121

Veeva Systems Inc.

(Exact name of Registrant as specified in its charter)

Delaware	20-8235463
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4280 Hacienda Drive

Pleasanton, California 94588

(Address of principal executive offices)

(925) 452-6500

(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Class A Common Stock, par value $0.00001	New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act:

None

Indicate by a check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

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

The aggregate market value of voting stock held by non-affiliates of the Registrant on the last business day of the Registrant's most recently completed second fiscal quarter, which was July 31, 2018, based on the closing price of $75.63 for shares of the Registrant's Class A common stock as reported by the New York Stock Exchange, was approximately $9.4 billion. Shares of Class A common stock or Class B common stock held by each executive officer, director, and their affiliated holders have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 28, 2019, there were 126,191,070 shares of the Registrant's Class A common stock outstanding and 20,234,372 shares of the Registrant's Class B common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the 2019 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Form 10-K to the extent stated herein. The proxy statement will be filed by the Registrant with the Securities and Exchange Commission within 120 days after the end of the Registrant's fiscal year ended January 31, 2019.

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Pursuant to Part IV, Item 16, a summary of Form 10-K content follows, including hyperlinked cross-references (in the EDGAR filing). This allows users to easily locate the corresponding items in this annual report on Form 10-K where the disclosure is fully presented. The summary does not include certain Part III information that will be incorporated by reference from the Proxy Statement for the 2018 Annual Meeting of Stockholders, which will be filed within 120 days after our fiscal year ended January 31, 2019.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-K contains forward-looking statements that are based on our beliefs and assumptions and on information currently available to us. Forward-looking statements include information concerning our possible or assumed future results of operations and expenses, business strategies and plans, trends, market sizing, competitive position, industry environment, potential growth opportunities and product capabilities, among other things. Forward-looking statements include all statements that are not historical facts and, in some cases, can be identified by terms such as “aim,” “anticipates,” “believes,” “could,” “estimates,” “expects,” “goal,” “intends,” “may,” “plans,” “potential,” “projects,” “seeks,” “should,” “strive,” “will,” “would” or similar 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,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this Form 10-K. Given these uncertainties, you should not place undue reliance on these forward-looking statements.

Any forward-looking statement made by us in this Form 10-K 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 Form 10-K, the terms “Veeva,” “Registrant,” “we,” “us,” and “our” mean Veeva Systems Inc. and its subsidiari
unless the context indicates otherwise.

ITEM 1. BUSINESS

Overview

Veeva is the leading provider of industry cloud solutions for the global life sciences industry. We were founded in 2007 on the premise that industry-specific cloud solutions could best address the operating challenges and regulatory requirements of life sciences companies. Our solutions are designed to meet the unique needs of our customers and their most strategic business functions—from research and development (R&D) to commercialization. Our solutions are designed to help life sciences companies develop and bring products to market faster and more efficiently, market and sell more effectively, and maintain compliance with government regulations.

Customer success is one of our core values, and our focus on it has allowed us to deepen and expand our strategic relationships with customers over time. Because of our industry focus, we have a unique, in-depth perspective into the needs and best practices of life sciences companies. This allows us to develop targeted solutions, quickly adapt to regulatory changes, and incorporate highly relevant enhancements into our existing solutions at a rapid pace.

Our goal is to become the most strategic technology partner to the life sciences industry and achieve long-term leadership with our solutions that support the R&D and commercial functions of life sciences companies. Our commercial solutions help life sciences companies achieve better, more intelligent engagement with healthcare professionals and healthcare organizations across multiple communication channels, including face-to-face, email, and web. Our R&D solutions for the clinical, regulatory, quality, and, when available, safety functions help life sciences companies streamline their end-to-end product development processes to increase operational efficiency and maintain regulatory compliance throughout the product lifecycle.

We are now also bringing the benefits of our content and data management solutions to a new set of customers outside of life sciences in regulated industries, including consumer goods, chemicals, and cosmetics. We believe that the ability of our solutions to meet the demanding business and compliance requirements of life sciences companies translates well into many other regulated industries. Our application currently offered to companies outside of life sciences is designed to help customers efficiently manage critical regulated processes and content in a compliant way and to enable secure collaboration across internal and external stakeholders, including outsourcing partners and vendors.

Executing in the Veeva Way

Fundamental to our business model is what we call The Veeva Way. The Veeva Way is key to our disciplined approach to achieve our goal of long-term leadership in each of the product markets we serve.

We start with a focus on addressing clear and correct target markets. Those are large product markets in which the problem being addressed by our solution is strategic to the businesses of our customers and in which we believe Veeva can become the leader over the long-term if we execute well. We embrace the concept of running to complexity, an approach in which we strive to solve the most important and challenging information technology problems our customers face.

We focus on delivering product excellence and cloud innovation. Our product development process begins with assembling and investing in strong product teams focused on building deep, best-in-class applications in every product market we serve. Through innovative cloud technology, we also aim to eliminate disparate systems by delivering unified application suites that work together on a common platform.

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We strive to forge strong relationships with our customers and focus on customer success. When we enter a new product market, we begin with a small number of early adopter customers. We focus on learning from these early adopters and ensuring that they are successful with our products. Once successful, our early adopters have developed into vocal advocates, enabling our reference selling model.

Finally, our goal is to drive strong growth and profitability through highly efficient, targeted sales and marketing, disciplined product planning, and profitable professional services. Our strong growth and profitability has allowed us to make ongoing investments for continued product innovation in our existing markets and provides us with the resources to continue to invest in new market opportunities.

Our Industry Cloud Solutions for Life Sciences

Our industry cloud solutions for the life sciences industry are grouped into two key product areas—Veeva Commercial Cloud and Veeva Vault—and are designed to address pharmaceutical, biotechnology, and medical device companies' most pressing strategic needs in their commercial and R&D operations as illustrated in the graphic below.

Veeva Commercial Cloud

Veeva Commercial Cloud is a suite of multichannel customer relationship management (CRM) applications, a commercial data warehouse, territory allocation and alignment applications, a master data management application, and customer reference and key opinion leader data and services, designed to help companies drive smarter, more proactive engagement with healthcare professionals and healthcare organizations and ensure compliance.

Our multichannel CRM applications that are part of Veeva Commercial Cloud include:

- Veeva CRM and Veeva Medical CRM enable customer-facing employees, such as life sciences sales representatives, key account managers, and scientific liaisons, to manage, track, and optimize interactions with healthcare professionals and healthcare organizations utilizing a single, integrated solution. With multichannel Veeva CRM, customers have an end-to-end solution for the planning and coordination of their teams across all key channels, including face-to-face, email, and web. Veeva CRM supports the life sciences industry's unique commercial business processes and regulatory compliance requirements with highly specialized functionality, such as prescription drug sample management with electronic signature capture, the management of complex affiliations between physicians and the organizations where they work, and the capture of medical inquiries from physicians. Powered by data science, Veeva CRM Suggestions is a dashboard included within Veeva CRM that offers life sciences sales representatives recommendations on the next best action and right channel for the next interaction with their customers. Veeva CRM MyInsights provides a data visualization tool that delivers tailored, actionable insights to life sciences sales representatives in Veeva CRM. Our next-generation Sunrise user interface and real-time architecture for Veeva CRM provides an intuitive, adaptive design for optimal user experience across multiple devices and platforms.

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- Veeva CLM provides capabilities for life sciences sales representatives to present digital marketing content on a mobile device, such as an iPad, during in-person interactions with healthcare professionals.
- Veeva CRM Approved Email enables the management, delivery, and tracking of emails from life sciences sales representatives to healthcare professionals, while maintaining regulatory compliance.
- Veeva CRM Events Management enables the planning, management, and execution of group meetings with healthcare professionals and helps life sciences companies track and manage spending in order to meet transparency reporting requirements.
- Veeva CRM Engage delivers the ability to interact with healthcare professionals for online meetings—using Veeva CRM Engage Meeting—and provides closed-loop marketing capabilities for self-directed interactions with healthcare professionals via the web with Veeva CRM Engage for Portals. Veeva CRM Engage Webinar allows companies to execute virtual events in a compliant way and is also built to work with Veeva CRM Events Management.
- Veeva Align enables life sciences companies to perform fast, accurate sales territory alignments. Through native integration with Veeva CRM, Veeva Align allows seamless field collaboration to increase accuracy and minimize hand-offs.

Our data solutions that are part of Veeva Commercial Cloud include:

- Veeva OpenData provides healthcare professional and healthcare organization data that includes demographic information, license information and status, specialty information, affiliations, and other key data that is crucial to customer engagement and compliance. In the life sciences industry, this category of data is referred to as customer reference data or customer data. We also offer outsourced data stewardship services to our customers.
- Veeva Oncology Link is a single source of continuously updated profile and market intelligence data on key scientific leaders in oncology. Veeva Oncology Link associates thousands of global experts with millions of activities, including publications, clinical trials, and events.

Our master data management solution that is part of Veeva Commercial Cloud includes:

- Veeva Network Customer Master is an industry-specific, customer master software solution that de-duplicates, standardizes, and cleanses healthcare professional and healthcare organization data from multiple systems and data sources to arrive at a single, consolidated customer master record. Veeva Network Customer Master comes pre-configured with a data model that is specific to life sciences and supports global harmonization, as well as country, market, and regional data specifications, within a single system.

Veeva Commercial Cloud also includes our next-generation commercial data warehouse, Veeva Nitro. Nitro eliminates the time and effort of custom data warehouse development and maintenance and provides a foundation for artificial intelligence and advanced analytics. With an industry-specific data model and standard data connectors, Nitro enables life sciences companies to more easily unify their most important data sources, such as prescription, sales, formulary, and claims data.

Veeva Vault

Veeva Vault is a unified suite of cloud-based, enterprise content and data management applications, all built on our proprietary Veeva Vault Platform. Our Veeva Vault applications address the content management requirements for our customers' commercial functions, including medical and sales and marketing, and key R&D functions, including clinical, regulatory, quality, and, when available, safety.

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Veeva Vault's unique ability to handle content and data allows us to build content- and data-centric applications to help customers streamline end-to-end business processes and eliminate manual processes and siloed systems. Veeva Vault can be deployed one application at a time or as an integrated solution with multiple applications that enables our customers to unify and manage important documents and related data in a single, global system.

Our Veeva Vault applications for life sciences are organized into two product areas: Veeva Vault for Commercial Content Management and Veeva Development Cloud.

Veeva Vault for Commercial Content Management

The increasing use of content in the sales and marketing efforts of life sciences companies requires rapid creation of materials and better management of commercial content, with continuous strict regulatory compliance across channels and geographies. The Veeva Vault applications primarily used by the commercial and medical departments of life sciences companies to manage commercial and medical content include:

- Veeva Vault PromoMats combines digital asset management with content review and distribution capabilities through which life sciences companies can manage the end-to-end process for creation, review, approval, claims tracking, multichannel distribution, expiration, and withdrawal of commercial content across the digital supply chain.
- Veeva Vault MedComms enables life sciences companies to streamline the creation, approval, and delivery of medical content and create and maintain a single, validated source of medical content across multiple channels and geographies. Integrated medical inquiry management allows medical affairs teams to centralize medical inquiries and content to deliver verbal and written communications to healthcare professionals and patients, including approved answers to questions received through a call center or company website.

Veeva Development Cloud

Veeva Development Cloud brings together application suites for the clinical, regulatory, quality, and, when available, safety functions of life sciences companies on the Veeva Vault Platform to enable companies to streamline product development lifecycles and eliminate manual processes and siloed systems. These applications help life sciences companies achieve greater efficiency and agility in product development, while maintaining regulatory compliance. Our Veeva Development Cloud applications each have a unique data model, deep functionality, and pre-defined workflows to support industry-specific processes.

The Veeva Development Cloud application suites are:

Veeva Vault Clinical

Veeva Vault Clinical is the industry's first cloud application suite that combines electronic data capture (EDC), clinical trial management (CTMS), electronic trial master file (eTMF), and study start-up applications to unify clinical data management and clinical operations. Veeva also offers a solution to help clinical research sites seamlessly manage regulatory documents and trial information.

- Veeva Vault CDMS is a clinical data management solution that includes Veeva Vault EDC, Veeva Vault Coder, and Veeva Vault Workbench (available late 2019). Vault CDMS combines coding, EDC, data cleaning, and reporting in a single integrated solution. Its modern cloud architecture also integrates with other clinical applications and scales to manage increasing volumes of data. Vault CDMS gives life sciences companies one application to manage studies and gain a complete view of all clinical data within a trial.

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- Veeva Vault CTMS is a clinical trial management application that helps unify information and documentation for a "single source of truth" across clinical operations. With Vault CTMS, trial sponsors, contract research organizations, and investigators can have one source for clinical master data with a single system of record for study, study country, and study site information. This helps reduce complexity, increase transparency, and speed time to market.
- Veeva Vault eTMF is an electronic trial master file application that manages the repository of documents for active and archived clinical trials for improved inspection readiness, visibility, and control. Vault eTMF enables collaboration between the life sciences company sponsoring the trial and outsourced partners, such as contract research organizations.
- Veeva Vault Study Startup helps life sciences companies to more efficiently manage the process of activating investigator sites for clinical trials.
- Veeva Vault SiteDocs helps reduce the administrative burden clinical research centers experience in executing clinical studies by streamlining the management of documents and trial processes for study site qualification, study activation, and investigator site file management in a single system.

Veeva Vault RIM

Veeva Vault RIM is a suite of applications that provides fully integrated regulatory information management (RIM) capabilities on a single cloud platform.

- Veeva Vault Registrations enables life sciences companies to manage, track, and report product and registration information worldwide, including registration status, variations, health authority questions and commitments, and certification requests.
- Veeva Vault Submissions brings together submission content planning and authoring in a single application to help life sciences companies gather and organize documents and content, according to industry-accepted guidelines, that should be included in a regulatory submission to a healthcare authority, such as the U.S. Food and Drug Administration (FDA).
- Veeva Vault Submissions Archive stores published submissions and correspondence in a secure, globally accessible repository.
- Veeva Vault Submissions Publishing provides an integrated solution for dossier publishing that helps speed the preparation and processing time of regulatory submissions.

Veeva Vault Quality

Veeva Vault Quality is the industry's first unified suite of quality applications for life sciences, contract manufacturers, and suppliers to seamlessly manage quality processes and content in a single platform for greater visibility and control.

- Veeva Vault QualityDocs enables the creation, review, approval, distribution, and management of controlled documents, such as standard operating procedures, manufacturing recipes, and specifications.
- Veeva Vault QMS is a quality management solution that provides best practice processes for deviations, internal and external audits, complaints, lab investigations, change controls, corrective and preventative actions, and proactive management initiatives.
- Veeva Vault Training simplifies role-based training within life sciences companies and helps quality teams remain audit-ready and compliant. Companies can efficiently organize, assign, and track content and information so the right people are trained on the right policies and procedures.
- Veeva Vault Station Manager provides manufacturing operators up-to-date documents and video, including critical work instructions and procedures, directly through tablets located at manufacturing stations on the manufacturing floor.

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Veeva Vault Safety

Veeva Vault Safety consists of applications that will help the pharmacovigilance and safety departments of life sciences companies increase efficiency and maintain compliance in the management of safety processes. Vault Safety is planned to be available for customers in the second half of 2019.

Solutions for Regulated Industries Outside of Life Sciences

Our initial applications for customers outside of life sciences address specific content and data management processes within regulated industries, including consumer goods, chemicals, and cosmetics. Veeva QualityOne is a robust quality management, document management, and training solution. Veeva RegulatoryOne helps companies manage regulatory submission content. Veeva Claims, expected to be available in 2019, addresses the marketing claims management process.

Professional Services and Support

We also offer professional services to help customers maximize the value of our solutions. Our service teams possess industry expertise, project management capabilities, and deep technical acumen that we believe our customers highly value. Our professional services teams work with our systems integrator partners to deliver projects. We offer the following professional services:

- implementation and deployment planning and project management;
- requirements analysis, solution design and configuration;
- systems environment management and deployment services;
- services focused on advancing or transforming business and operating processes related to Veeva solutions;
- technical consulting services related to data migration and systems integrations;
- training on our solutions; and
- ongoing managed services, such as outsourced systems administration.

We organize our professional services teams by specific expertise so that they can provide advice and support for best industry practices in the research and development and commercial departments of our customers.

Our global systems integrator partners also deliver implementation and selected support services to customers who wish to utilize them. Our systems integrator partners include Accenture, Cognizant Technology Solutions, Deloitte Consulting, and other life sciences specialty firms.

Our Customers

As of January 31, 2019, we served 719 customers. For an explanation of how we define current customers, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Components of Results of Operations.” We deliver solutions to companies throughout the life sciences industry, including pharmaceutical, biotechnology, and medical device companies, contract sales organizations, and contract research organizations. Our customers range from the largest global pharmaceutical and biotechnology companies such as Bayer AG, Boehringer Ingelheim GmbH, Eli Lilly and Company, Gilead Sciences, Inc., Merck & Co., Inc., and Novartis International AG, to smaller pharmaceutical and biotechnology companies, including Alkermes plc, Grupo Ferrer Internacional S.A., Ironwood Pharmaceuticals, Inc. and LEO Pharma A/S. For our fiscal years ended January 31, 2017, 2018, and 2019, we did not have any single customer that represented more than 10% of our total revenues.

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Our Employees

As of January 31, 2019, we employed 2,553 people worldwide. We also engage temporary employees and consultants. Our employees in the United States are not represented by a labor union, however, in certain foreign locations, there are workers' councils that represent our employees. We have not experienced any work stoppages, and we consider our relations with our employees to be very good.

Research and Development

Our R&D organization is responsible for the design, development, and testing of our solutions and applications. Based on customer feedback and needs, we focus our efforts on developing new solutions functionality, applications, and core technologies and further enhancing the usability, functionality, reliability, performance, and flexibility of existing solutions and applications.

Sales and Marketing

We sell our solutions through our direct sales organization. In large life sciences companies, the R&D and commercial business functions commonly have separate technology and business decision makers. Accordingly, we market and sell our solutions to align with the distinct characteristics of those decision makers. We have distinct R&D and commercial sales teams, which we further segment to focus on selling to large global life sciences companies and smaller life sciences companies. We also have a distinct sales team for our sales efforts to companies in regulated industries outside of life sciences.

Technology Infrastructure and Operations

Our solutions utilize a pod-based architecture that allows for scalability, operational simplicity, and security. Our products are hosted in data centers located in the United States, the United Kingdom, the European Union, and Japan. We utilize third-parties to provide our computing infrastructure and manage the infrastructure on which our solutions operate. For example, for Veeva CRM and certain of our multichannel CRM applications, we utilize the hosting infrastructure provided by salesforce.com. For our Veeva Vault applications, Veeva Network applications, and certain other Veeva Commercial Cloud applications, we utilize Amazon Web Services.

Our infrastructure providers employ advanced measures to ensure physical integrity and security, including redundant power and cooling systems, fire and flood prevention mechanisms, continual security coverage, biometric readers at entry points and anonymous exteriors. We also implement various disaster recovery measures such that data loss would be minimized in the event of a single data center disaster. We architect our solutions using redundant configurations to minimize service interruptions. We continually monitor our solutions for any sign of failure or pending failure, and we take preemptive action to attempt to minimize or prevent downtime.

Our technology is based on multitenant architectures that apply common, consistent management practices for all customers using our solutions. We enable multiple customers to share the same version of our solutions while securely partitioning their respective data. Portions of our multichannel customer relationship management applications are built on the Salesforce1 Platform of salesforce.com inc. Veeva Vault, Veeva Network, and portions of our other Commercial Cloud applications are built upon our own proprietary platforms.

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Quality and Compliance Program

Veeva maintains a quality management system certified to ISO9001 to ensure process controls conform to established industry standards across our product offerings. To comply with IT healthcare regulations, certain capabilities such as robust audit trail tracking, compliant electronic signature capture, data encryption, and secure access controls must be designed for and embedded in our solutions. In addition to design requirements, our solutions must be thoroughly tested to comply with the regulations that apply to electronic record keeping systems for the life sciences industry, which include:

Regulation	Regulation Description
21 CFR 820.75	U.S. FDA device regulation on system validation
21 CFR 211.68	U.S. FDA pharma GMP regulation on system validation
21 CFR 11	U.S. FDA requirement for maintenance of electronic records
EU Annex 11	EU GMP requirement for maintenance of electronic records
21 CFR 203	Drug sample tracking as required by the Prescription Drug Marketing Act
PFSB Notification, No. 0401022 (Japan)	Use of Electromagnetic Records and Electronic Signatures for Approval of, or License for, Drugs

Each version of our solutions that are subject to regulations that require companies to maintain certain records and submit information to regulators as part of compliance verification undergoes validation testing against these and other relevant standards.

Security Program

Veeva maintains an information security management system certified to ISO 27001 to ensure security controls conform to established standards across both product and infrastructure components. Our solution undergoes internal vulnerability testing prior to release, and we employ a third party to perform penetration and vulnerability tests on our solutions on at least an annual basis. We also obtain independent third-party audit opinions related to security and availability annually, such as SOC 2, Type II reports and ISO 27001 attestation reports. We also require role-based security and security awareness training and have defined security incident response processes.

Privacy Program

Veeva maintains a global privacy program aligned to applicable laws and regulations, including the European General Data Protection Regulation (GDPR). Veeva also maintains an EU-U.S. Privacy Shield certification and a Swiss-U.S. Privacy Shield certification in order to allow the transfer of EU and Swiss personal data to the United States. In addition, Veeva maintains privacy policies and procedures and requires role-based privacy awareness training.

Competition

The markets for our solutions are global, rapidly evolving, highly competitive, and subject to changing regulations, advancing technology, and shifting customer needs. In new sales cycles, we generally compete with other cloud-based solutions from providers that make applications geared toward the life sciences industry. The principal such competitor for our Veeva Commercial Cloud applications is IQVIA Inc. (which offers a CRM application built on the Salesforce1 Platform, various data products, and other applications). While no single vendor offers products that compete with all of our Veeva Vault applications, IQVIA, Medidata Solutions, Inc., OpenText Corporation, Oracle Corporation, and other smaller application providers offer applications that compete with certain of our Veeva Vault applications.

Our Commercial Cloud and Veeva Vault application suites also compete to replace client server-based legacy solutions offered by companies such as Oracle, Microsoft Corporation, and other smaller application providers. Our customers may also choose to use horizontal cloud-based applications or platforms that are not life sciences specific—such as Box.com, Amazon Web Services, or Microsoft—for certain of the functions our applications provide.

Our data products compete with IQVIA and other smaller data providers.

We sell certain of our Veeva Vault applications to companies outside the life sciences industry. In this segment of our business, we compete with solutions such as those offered by OpenText, Microsoft, Sparta Systems Inc., EtQ Management Consultants, LLC, Oracle, and Box and custom-built software developed by third-party vendors or in-house by our potential customers.

Our professional services offerings compete with a range of professional services firms.

Some of our actual and potential competitors have advantages over us, such as longer operating histories, significantly greater financial, technical, marketing or other resources, stronger brand and business recognition, larger intellectual property portfolios, and agreements with a broader set of system integrators and other partners. We expect competition to intensify in the future, and we may face competition from new market entrants as well.

We believe the principal competitive factors in our market include the following:

- level of customer satisfaction;
- regulatory compliance verification and functionality;
- domain expertise with respect to life sciences;
- ease of deployment and use of solutions and applications;
- breadth and depth of solution and application functionality;
- brand awareness and reputation;
- modern and adaptive technology platform;
- capability for customization, configurability, integration, security, scalability and reliability of applications;
- total cost of ownership;
- ability to innovate and respond to customer needs rapidly;
- size of customer base and level of user adoption;
- ability to secure the rights to load and process third party proprietary data licensed by customers; and
- ability to integrate with legacy enterprise infrastructures and third-party applications.

We believe that we generally compete favorably on the basis of these factors.

Intellectual Property

We rely on a combination of patents, trade secrets, copyrights and trademarks, as well as contractual protections, to establish and protect our intellectual property rights. We have developed a process for seeking patent protection for our technology innovations. As of January 31, 2019, we have secured 17 U.S. patents, three Japanese patents, and two Chinese patents, which expire between May 2023 and January 2038, and we have over 40 pending U.S. and international patent applications. Our patents and patent applications cover technology within the following of our product categories: Veeva Commercial Cloud, Veeva Vault Platform, Veeva Vault Clinical, Veeva Vault RIM, Veeva Vault CDMS, and Veeva Vault Safety. We plan to continue expanding our patent portfolio. We require our employees, consultants and other third parties to enter into confidentiality and proprietary rights agreements and control access to software, documentation and other proprietary information. Although we rely on our intellectual property rights, as well as contractual protections to establish and protect our proprietary rights, we believe that factors such as the technological and creative skills of our personnel, creation of new features and functionality and frequent enhancements to our applications are essential to establishing and maintaining our technology leadership position as provider of software solutions and applications to the life sciences industry.

Despite our efforts to protect our proprietary technology and our intellectual property rights, unauthorized parties may attempt to copy or obtain and use our technology to develop applications with the same functionality as our application. Policing unauthorized use of our technology and intellectual property rights is difficult, and protection of our rights through civil enforcement mechanisms may be expensive and time consuming.

Companies in our industry often own a number of patents, copyrights, trademarks and trade secrets and frequently enter into litigation based on allegations of infringement, misappropriation or other violations of intellectual property or other rights. We are currently engaged in legal proceedings with competitors in which the competitors are asserting trade secret misappropriation and other claims, and we may face new allegations in the future that we have infringed the patents, trademarks, copyrights, trade secrets and other intellectual property rights of other competitors or non-practicing entities. We expect that we and others in our industry will continue to be subject to third-party infringement claims by competitors as the functionality of applications in different industry segments overlaps, and by non-practicing entities. Any of these third parties might make a claim of infringement against us at any time. For example, see the description of our current litigations in note 13 of the notes to our consolidated financial statements.

Corporate Information

We were incorporated in the state of Delaware in January 2007 and changed our name to Veeva Systems Inc. from Verticals onDemand, Inc. in April 2009. Our principal executive offices are located at 4280 Hacienda Drive, Pleasanton, California 94588. Our telephone number is (925) 452-6500. Our website address is http://www.veeva.com. Information contained on our website is not incorporated by reference into this Form 10-K, and you should not consider information contained on our website to be part of this Form 10-K or in deciding whether to purchase shares of our Class A common stock. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on the Investors portion of our website at http://ir.veeva.com as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

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 and in “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” together with all of the other information in this Form 10-K, including our consolidated financial statements and related notes, before investing in our Class A common stock. The risks and uncertainties described below are not the only ones we face. If any of the following risks actually occurs, our business, financial condition, results of operations, and prospects could be materially and adversely affected. In that event, the price of our Class A common stock could decline and you could lose part or all of your investment.

Risks Related to Our Business and Industry

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, which may include personal health information. As a result, unauthorized access or security breaches as a result of third-party action, employee error, product defect, malfeasance, or otherwise could result in the loss of information, inappropriate use of or access to information, service interruption, service degradation, outages, service level credits, litigation, indemnity obligations, damage to our reputation, and other liability. While we maintain and continue to improve our security measures, we may be unable to adequately anticipate security threats or to implement adequate preventative measures, in part, because the techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not identified until they are launched against a target. Moreover, the detection, prevention, and remediation of known or unknown securities vulnerabilities, including those arising from third-party hardware or software, may result in additional direct or indirect costs and management time. 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, mandatory disclosures, 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.

We expect the future growth rate of our revenues to decline.

In our fiscal years ended January 31, 2017, 2018, and 2019, our total revenues grew by 35%, 25% and 25% respectively, as compared to total revenues from the prior fiscal years. In our fiscal years ended January 31, 2017, 2018, and 2019, our subscription revenues grew by 39%, 27% and 24% respectively, as compared to subscription revenues from the prior fiscal years. Please note that our total revenues and subscription revenues for the fiscal year ended January 31, 2017 included, for the first time, a full year of revenue contribution from the Zinc Ahead business, which we acquired in the third quarter of the fiscal year ended January 31, 2016. We expect the growth rate of our total revenues and subscription revenues to continue to decline in future periods, which may adversely impact the value of our Class A common stock.

Our results may fluctuate from period to period, which could prevent us from meeting security analyst or investor expectations or our own guidance and could cause the price of our Class A common stock to decline substantially.

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

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

The markets for our solutions are highly competitive. In new sales cycles within our largest product categories, we generally compete with other cloud-based solutions from providers that make applications geared toward the life sciences industry. The principal such competitor for our Veeva Commercial Cloud applications is IQVIA Inc. (which offers a CRM application built on the Salesforce1 Platform, various data products, and other applications). While no single vendor offers products that compete with all of our Veeva Vault applications, IQVIA, Medidata Solutions, Inc., OpenText Corporation, Oracle Corporation, and other smaller application providers offer applications that compete with certain of our Veeva Vault applications. Our Commercial Cloud and Veeva Vault application suites also compete to replace client server-based legacy solutions offered by companies such as Oracle, Microsoft Corporation, and other smaller application providers. Our customers may also choose to use horizontal cloud-based applications or platforms that are not life sciences specific—such as Box.com, Amazon Web Services, or Microsoft—for certain of the functions our applications provide. Our data products compete with IQVIA and other smaller data providers. Our professional services offerings compete with a range of professional services firms. With the introduction of new technologies, we expect competition to intensify in the future, and we may face competition from new market entrants as well.

Some of our actual and potential competitors have advantages over us, such as longer operating histories, significantly greater financial, technical, marketing or other resources, stronger brand and business recognition, larger intellectual property portfolios, and agreements with a broader set of system integrators and other partners.

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

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

Our continued growth and profitability will depend on our ability to successfully develop and sell new solutions, including solutions we introduced relatively recently. It is uncertain whether these newer solutions will continue to grow as a percentage of revenues at a pace significant enough to support our expected overall growth. For instance, we have limited experience selling Veeva Vault CDMS, Veeva Nitro, and Veeva Vault Training among others. In addition, we have limited experience selling our products to companies outside the life sciences industry, and we cannot be certain that we will be successful with respect to newer solutions and markets. It may take us significant time, and we may incur significant expense, to effectively market and sell these solutions or to develop other new solutions and make enhancements to our existing solutions. If our newer solutions do not continue to gain traction in the market, or other solutions that we may develop and introduce in the future do not achieve market acceptance in a timely manner, the growth rate of our revenues and operating results will be adversely affected.

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

In our fiscal years ended January 31, 2017, 2018, and 2019, our top 10 customers accounted for 45%, 42%, and 39% 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, our reputation, and our ability to obtain new customers. In the event of an acquisition of one of our customers or a business combination between two of our customers, we have in the past and may in the future suffer reductions in user subscriptions or non-renewal of their subscription orders. We are also likely to face increasing purchasing scrutiny at the renewal of these large customer subscription orders, which may result in reductions in user subscriptions or increased pricing pressure. The business impact of any of these negative events is particularly pronounced with respect to our largest customers.

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

We derive a significant portion of our revenues from the renewal of existing subscription orders. The majority of our customers' orders for subscription services have one-year terms. However, more recently and with respect to solutions other than our core sales automation solution and particularly with respect to certain of our Vault applications, we have entered into a number of orders with terms of up to five years. Our customers have no obligation to renew their subscriptions for our solutions after their orders expire. Thus, securing the renewal of our subscription orders and selling additional solutions and user subscriptions is critical to our future operating results. Factors that may affect the renewal rate for our solutions and our ability to sell additional solutions and user subscriptions include:

- the price, performance, and functionality of our solutions;
- the 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, acquisitions of or business combinations between our customers or other business developments may result in reductions in user subscriptions.

In addition, our customers may negotiate terms less advantageous to us upon renewal, which could reduce our revenues from these customers. As a customer's total spend on Veeva solutions increases, we expect purchasing scrutiny at renewal to increase as well, which may result in reductions in user subscriptions or increased pricing pressure. Other factors that are not within our control may contribute to a reduction in our subscription services revenues. For instance, our customers may reduce their number of sales representatives, which would result in a corresponding reduction in the number of user subscriptions needed for some of our solutions and thus a lower aggregate renewal fee, or our customers may discontinue clinical trials for which our solutions are being used. If our customers fail to renew their subscription orders, renew their subscription orders with less favorable terms or at lower fee levels or fail to purchase new solutions, applications, or professional services from us, our revenues may decline or our future revenues may be constrained.

We rely on third-party providers—including salesforce.com and Amazon Web Services—for computing infrastructure, secure network connectivity, and other technology-related services needed to deliver our cloud solutions. We have migrated to Amazon Web Services for more of these services, particularly with respect to our solutions other than Veeva CRM. Any disruption in the services provided by such third-party providers could adversely affect our business and subject us to liability.

Our solutions are hosted from and use computing infrastructure provided by third parties, including salesforce.com with respect to Veeva CRM and certain of our multichannel CRM applications, Amazon Web Services with respect to Veeva Vault applications, Veeva Network applications, and certain other Veeva Commercial Cloud applications, and other computing infrastructure service providers. We have migrated most of our computing infrastructure needs to Amazon Web Services. Such migrations are risky and may cause disruptions to our cloud solutions, service outages, downtime, or other problems and may increase our costs.

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

Problems faced by our computing infrastructure service providers, including those operated by salesforce.com or Amazon Web Services, could adversely affect the experience of our customers. For example, salesforce.com and Amazon Web Services have experienced significant service outages and may do so again in the future. Additionally, if we fail to manage or react to an increase in demand sufficiently, this could have an adverse effect on our business. For example, a rapid expansion of our business could affect our service levels or cause such systems to fail. Our agreements with third-party computing infrastructure service providers may not entitle us to corresponding service level credits to those we offer to our customers. Any changes in third-party service levels at our computing infrastructure service providers or any related disruptions or performance problems with our solutions could adversely affect our reputation and may damage our customers' stored files, result in lengthy interruptions in our services, or result in 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 service level credit claims and potential liability, or adversely affect our renewal rates.

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 employees. Competition for these employees is intense, especially with respect to sales and marketing personnel and engineers with high levels of experience in enterprise software and internet-related services. We have, from time to time, experienced, and we expect to continue to experience, difficulty in hiring and retaining employees with the appropriate level of qualifications. With respect to sales professionals, even if we are successful in attracting highly qualified personnel, it may take six to nine months or longer before they are fully trained and productive. Many of the companies with which we compete for experienced employees have greater resources than we have and may offer compensation packages that are perceived to be better than ours. For example, we offer equity awards to a substantial majority of our job candidates and existing employees as part of their overall compensation package. If the perceived value of our equity awards declines, including as a result of declines in the market price of our Class A common stock or changes in perception about our future prospects, it may adversely affect our ability to recruit and retain highly skilled employees. Additionally, changes in our compensation structure may be negatively received by employees and result in attrition or cause difficulty in the recruiting process. If we fail to attract new employees or fail to retain and motivate our current employees, our business and future growth prospects could be adversely affected.

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

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

- developing new solutions and enhancing our existing solutions (including adapting certain of our Veeva Vault applications for companies outside the life sciences industry);
- 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 R&D 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;
- employee compensation, including stock-based compensation;
- pending, threatened, or future legal proceedings, certain of which are described in Part II, Item 1A. “Legal Proceedings” and note 13 of the notes to our consolidated financial statements, and which we expect to continue to result in significant expense for the foreseeable future;
- international expansion;
- acquisitions and investments; and
- general operations, IT systems, and administration, including legal and accounting expenses related to being a public company.

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

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

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

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

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 professional and healthcare organization data and data regarding the sales of prescription drugs from third parties such as IQVIA. In order for our customers to upload such data to the Veeva CRM, Veeva Network Customer Master, and Veeva Nitro 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. For instance, IQVIA currently will not consent to its healthcare professional or healthcare organization data being uploaded to Veeva Network Customer Master and this has negatively affected sales and customer adoption of Veeva Network Customer Master. To date, IQVIA has also restricted the uploading of IQVIA data to Veeva Nitro. Similarly, sales and customer adoption of Veeva OpenData has been negatively impacted by certain restrictions on the use of IQVIA data during customer transitions from IQVIA data to Veeva OpenData. If 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 our business, in turn, may be negatively impacted.

We have experienced rapid growth, and if we fail to manage our growth effectively, we may be unable to execute our business plan.

Since we were founded, we have experienced rapid growth and expansion of our operations. Our revenues, customer count, product and service offerings, countries of operation, facilities, and computing infrastructure needs have all increased significantly, and we expect them to increase in the future. We have also experienced rapid growth in our employee base, and as we continue to grow, we must effectively integrate, develop, and motivate a large number of new employees, while executing our growth plan and maintaining the beneficial aspects of our culture. Our rapid growth has placed, and will continue to place, a significant strain on our management capabilities, administrative and operational infrastructure, facilities and other resources. We anticipate that additional investments in our facilities and computing

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infrastructure will be required to scale our operations. To effectively manage growth, we must continue to: improve our key business applications, processes, and computing infrastructure; enhance information and communication systems; and ensure that our policies and procedures evolve to reflect our current operations and are appropriately communicated to and observed by employees. These enhancements and improvements will require additional investments and allocation of valuable management and employee time and resources. Failure to effectively manage growth could result in difficulty or delays in deploying our solutions, declines in quality or customer satisfaction, increases in costs, difficulties in introducing new features or other operational difficulties, and any of these difficulties could adversely impact our business performance and results of operations.

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

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

- The changing regulatory environment of the life sciences industry—Changes in regulations could negatively impact the business environment for our life sciences customers. Healthcare laws and regulations are rapidly evolving and may change significantly in the future. In particular, legislation or regulatory changes regarding the pricing of healthcare treatments sold by life sciences companies has continued to be a topic of discussion by political leaders and regulators in the United States and elsewhere.
- The consolidation of companies or bankruptcies within the life sciences industry—Consolidation within 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 that result from such consolidation may decide that our solutions are no longer needed because of their own internal processes or alternative solutions. As these 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. If consolidation of our 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. In addition, if large life sciences companies merge, it would have the potential to reduce per unit pricing for our solutions for the merged companies or to reduce demand for one or more of our solutions as a result of potential personnel reductions over time. Additionally, our customers with potential treatments in clinical trials may be unsuccessful and may subsequently declare bankruptcy.
- Changes in market conditions and practices within the life sciences industry—The expiration of key patents, the implications of precision medicine treatments, changes in the practices of prescribing physicians, changes with respect to payer relationships, the policies and preferences of healthcare professionals and healthcare organizations with respect to the sales and marketing efforts of life sciences companies, changes in the regulation of the sales and marketing efforts and pricing practices of life sciences companies, and other factors could lead to a significant reduction in sales representatives that use our solutions or otherwise change the demand for our solutions. Changes in public perception regarding the practices of the life sciences industry may result in political pressure to increase the regulation of life sciences companies in one or more of the areas described above, which may negatively impact demand for our solutions.
- Changes in global economic conditions and changes in the global availability of healthcare treatments provided by the life sciences companies to which we sell—Our business depends on the overall economic health of our existing and prospective customers. The purchase of our solutions may involve a significant commitment of capital and other

resources. If economic conditions, including the ability to market life sciences products in key markets or the demand for

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life sciences products globally deteriorates, 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.

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

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

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

There is considerable patent and other intellectual property development activity in our industry. Our competitors, as well as a number of other entities and individuals, including so-called non-practicing entities, or NPEs, may own or claim to own intellectual property relating to our solutions. From time to time, third parties may claim that we are infringing upon their intellectual property rights or that we have misappropriated their intellectual property. For example, in 2014, we settled a lawsuit with Prolifiq Software, Inc. in exchange for a license to certain asserted patents, and we are currently defending against assertions of trade secret misappropriation made by our competitors, Medidata and IQVIA, as described in note 13 of the notes to our consolidated financial statements. As competition in our market grows, the possibility of patent infringement and other intellectual property claims against us increases. In the future, we expect others to claim that our solutions and underlying technology infringe or violate their intellectual property rights. We may be unaware of the intellectual property rights that others may claim cover some or all of our technology or services. 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.

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

Our customers use our solutions for business activities that are subject to a complex regime of global laws and regulations, including requirements for maintenance of electronic records and electronic signatures (as set forth in 21 CFR Part 11, EU Annex 11, and Japan PFSB Notification No. 0401022), requirements regarding drug sample tracking and distribution (as set forth in 21 CFR Part 203, EU Directive 201/83/EC Article 96), requirements regarding system validations (as set forth in 21 CFR Part 802.75 and 21 CFR Part 211.68), 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 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. For example, on June 23, 2016, the United Kingdom held a referendum in which voters approved an exit from the European Union, commonly referred to as "Brexit." Since a significant proportion of the regulatory framework in the United Kingdom is derived from EU directives and regulations, Brexit could materially affect the regulatory regime applicable to our customers with operations in the United Kingdom. The British Parliament is currently reviewing the withdrawal agreement and regulatory framework. If a compromise related to data use is achieved, then data may flow as normal between the UK's departure from the EU and the end of the transition period currently scheduled to end on December 31, 2020. However, if a compromise is not met, changes to the regulatory regime could have a material adverse effect on life sciences and technology industries generally and on our ability to adjust our solutions to comply with such changes.

As we increase the number of products we offer and the number of countries in which we offer solutions, the complexity of adjusting our solutions to comply with legal and regulatory changes will increase. If we are unable to effectively manage this increase or if we are not able to provide solutions that can be used in compliance with applicable laws and regulations, customers may be unwilling to use our solutions and any such non-compliance could result in the termination of our customer agreements or claims arising from such agreements with our customers.

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.

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

Our customers use our solutions to collect, use, process, and store personal data or identifying information regarding their employees and the medical professionals with whom our customers have contact, and, potentially, personal data (including potentially sensitive data such as health information) regarding patients maintained by our customers pursuant to clinical, operational, or compliance processes. In this capacity, we act as a data processor. We also collect and sell a database, via our Veeva OpenData and Veeva Oncology Link solutions, for which we are a data controller. In many countries, national and local governmental bodies have adopted, are considering adopting, or may adopt laws and regulations regarding the collection, use, processing, storage, and disclosure of personal information obtained from individuals, making compliance a complex task.

For example, in the United States, the U.S. Department of Health and Human Services promulgated patient privacy rules under the Health Insurance Portability and Accountability Act of 1996 (HIPAA), 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 purposes. Certain of our customers may be either business associates or covered entities under HIPAA.

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We are a data controller and data processor under European General Data Protection Regulation (GDPR), which went into effect on May 25, 2018 and replaced EU Data Protection Directive 95/46/EC. Compliance with GDPR has and will continue to require valuable management and employee time and resources, and failure to comply with GDPR could include severe penalties and could reduce demand for our solutions.

In addition, we have self-certified under the EU-U.S. and Swiss-U.S. Privacy Shields, and we routinely utilize the EU Standard Contractual Clauses, often also referred to as Model Clauses, to ensure that our European customers have adequate assurance of our technical and organization controls on privacy. However, the Privacy Shield programs and the Model Clauses are currently under review by the European Court of Justice. There is also a trend toward countries enacting data localization requirements which are not particularly compatible with the cloud computing model. For example, Russia's localization law (Federal Law No. 242-FZ) requires that the source of data for Russian nationals collected on Russian territory must be stored in Russia. We are also monitoring the impact of China's cyber security law and its related implementation rules, which are not yet finalized. Depending on the final enacted implementation rules, localization of certain types of data and restrictions on cross-border transfers may apply.

Customers expect that our solutions can be used 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 or to license data products from us, which could reduce demand for our solutions.

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.

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

- inability to integrate or benefit from acquired technologies or services in a profitable manner;
- costs, liabilities or accounting charges associated with the acquisition;
- difficulty integrating the accounting systems, operations and personnel of the acquired business;
- problems arising from differences in applicable accounting standards or practices of the acquired business (for instance, non-U.S. businesses may not be accustomed to preparing their financial statements in accordance with U.S. GAAP) or difficulty identifying and correcting deficiencies in the internal controls over financial reporting of the acquired business;
- difficulties and additional expenses associated with supporting legacy products and hosting infrastructure of the acquired business;
- difficulty converting the customers of the acquired business onto our solutions and contract terms, including due to disparities in the revenues, licensing, support or professional services model of the acquired company;

- diversion of management's attention from other business concerns;
- adverse effects to business relationships with our existing business partners and customers as a result of the acquisition;
- difficulty in retaining key personnel of the acquired business;
- the possibility of investigation by, or the failure to obtain required approvals from, governmental authorities on a timely basis, if at all, under various regulatory schemes, including competition laws, which could, among other things, delay or prevent us from completing a transaction, subject the transaction to divestiture after the fact or otherwise restrict our ability to realize the expected financial or strategic goals of the acquisition;
- 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 we must assess for impairment at least annually. In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our operating results based on this impairment assessment process, which could adversely affect our results of operations. Acquisitions may also result in purchase accounting adjustments, write-offs or restructuring charges, which may negatively affect our results.

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.

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 12 months or longer. In particular, we have limited history selling our newer solutions, such as Veeva Vault CDMS, Veeva Nitro, and Veeva Vault Training. As a result, our sales cycle for these applications may be lengthy and difficult to predict. In addition, we have only recently begun selling certain of our Veeva Vault applications to companies outside the life sciences industry. 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.

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 computing infrastructure is located in the United States, the European Union, Japan, and South Korea. The west coast of the United States and Japan and South Korea each contain active earthquake zones. Additionally, we rely on our network and third-party infrastructure and enterprise applications, internal technology systems, and our website for our development, marketing, operational support, hosted services, and sales activities. In the event of a major earthquake, hurricane, or 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 experience 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.

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Within Veeva Commercial Cloud, our core Veeva CRM application has achieved substantial penetration within the sales teams of pharmaceutical and biotechnology companies. If our efforts to sustain or further increase the use and adoption of our core CRM application does not succeed, the growth rate of our Veeva Commercial Cloud revenues may be negatively impacted.

In our fiscal year ended January 31, 2019, we derived approximately 57% of our subscription services revenues and 53% of our total revenues from our Veeva Commercial Cloud solutions. A significant percentage of the subscription services revenues for our Veeva Commercial Cloud solutions is derived from subscriptions to our core CRM application. We have, however, realized substantial sales penetration of the available market for our core Veeva CRM application among pharmaceutical and biotechnology companies. If we are not able to sell additional user subscriptions to our core CRM application or if we fail to renew existing subscriptions to our core CRM application, the growth rate of our Veeva Commercial Cloud revenues may be negatively impacted.

Because key and substantial portions of our multichannel CRM applications are built on salesforce.com's Salesforce1 Platform, we are dependent upon our agreement with salesforce.com to provide these solutions to our customers, and we are bound by the restrictions of this agreement which limits the companies to which we may sell our Veeva CRM solution.

Our Veeva CRM application and certain portions of the multichannel CRM applications that complement our Veeva CRM application are developed on or utilize the Salesforce1 Platform of salesforce.com, and we rely on our agreement with salesforce.com to continue to use the Salesforce1 Platform as combined with the proprietary aspects of our multichannel CRM applications.

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 Salesforce1 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 Veeva CRM and certain other of our multichannel CRM applications. A termination of the agreement would cause us to incur significant time and expense to acquire rights to, or develop, a replacement CRM platform, and we may not be successful in these efforts. Even if we were to successfully acquire or develop a replacement CRM platform, some customers may decide not to adopt the replacement platform and may decide to use a different CRM solution. If we were unsuccessful in acquiring or developing a replacement CRM platform or acquired or developed a replacement CRM 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 Salesforce1 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 Salesforce1 Platform.

Our agreement with salesforce.com provides that we can use the Salesforce1 Platform as combined with our proprietary Veeva CRM application to sell sales automation solutions only to drug makers in the pharmaceutical and biotechnology industries for human and animal treatments, which does not include the medical devices industry or products for non-drug departments of pharmaceutical and biotechnology companies. Sales of the Salesforce1 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 application outside of drug makers in the pharmaceutical and biotechnology industries may adversely impact our growth.

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While our agreement with salesforce.com, subject to certain exceptions, including pre-existing arrangements, provides that salesforce.com will not position, develop, promote, invest in or acquire applications directly competitive to the Veeva CRM application 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 new arrangements after March 3, 2014 that are 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 Salesforce1 Platform, and our remedy for a breach of these restrictions 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. Some current or potential customers of ours may choose to build custom solutions using the Salesforce1 Platform rather than buying our solutions.

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 and liquidity in the future.

Our Veeva CRM application, and certain portions of the multichannel CRM applications that complement our Veeva CRM application, are developed on and/or utilize the Salesforce1 Platform of salesforce.com. Under our agreement, salesforce.com provides the hosting infrastructure and data center for portions of our multichannel CRM applications, 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. See note 13 to the notes to our consolidated financial statements for more information about our on-going minimum fee obligation to salesforce.com. We have met our first minimum order commitment of $250 million and have a remaining purchase commitment of $216.4 million, as of January 31, 2019, that must be made by September 1, 2025. If we are not able to meet the remaining minimum order commitment, the required true-up payments will negatively impact our margins, cash flows, cash balance and financial condition, and our stock price may decline.

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

In addition to our employment of the Salesforce1 Platform through our agreement with salesforce.com, our solutions incorporate or utilize certain third-party software and software components obtained under licenses from other companies. We anticipate that we will continue to rely on such third-party software and development tools from third parties in the future. Although we believe that there are commercially reasonable alternatives to the third-party software we currently license, this may not always be the case, or it may be difficult or costly to replace. Our use of additional or alternative third-party software would require us to enter into license agreements with third parties. In addition, if the third-party software we utilize has errors or otherwise malfunctions, the functionality of our solutions may be negatively impacted and our business may suffer.

Because we recognize subscription services revenues ratably over the term of the order for our subscription services, 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 subscription services revenues ratably over the term of an order under our subscription agreements. As a result, a substantial majority of our quarterly subscription services revenues are generated from subscription agreements entered into during prior periods. Consequently, a decline in new subscriptions in any quarter may not affect our results of operations in that quarter but could reduce our revenues in future quarters. Additionally, the timing of renewals or non-renewals of a subscription agreement during any quarter may only affect our financial performance in future quarters. For example, the non-renewal of a subscription agreement late in a quarter will have minimal impact on revenues for that quarter but will reduce our revenues in future quarters. Accordingly, the effect of significant declines in sales and customer acceptance of our solutions may not be reflected in our short-term results of operations, which would make these reported results less indicative of our future financial results. By contrast, a non-renewal occurring early in a quarter may have a significant negative impact on revenues for that quarter and we may not be able to offset a decline in revenues due to 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.

Additionally, with respect to certain of our multi-year orders in which fees increase from year to year, Accounting Standards Update (ASU) 2014-09, “Revenue from Contracts with Customers” (Topic 606) may require that the total contracted revenue for the entire multi-year term of the order be recognized ratably in the same amount in each year. As a result, in the initial year of such orders, we will recognize more revenue than the fees we invoice for the same period, and in the last year of such orders, we will recognize less revenue than the fees we invoice for the same period. This treatment may make our reported results less indicative of the actual health of our business at the time revenue is reported and may expose us to impaired accounts receivables or impaired unbilled accounts receivable if, for example, a customer terminated an otherwise non-cancelable multi-year contract for cause.

Changes in accounting principles may cause previously unanticipated fluctuations in our financial results, and the implementation of such changes may impact our ability to meet our financial reporting obligations.

We prepare our financial statements in accordance with U.S. GAAP which are subject to interpretation or changes by the Financial Accounting Standards Board, or FASB, the Securities and Exchange Commission, or SEC, and other various bodies formed to promulgate and interpret appropriate accounting principles. New accounting pronouncements and changes in accounting principles have occurred in the past and are expected to occur in the future which may have a significant effect on our financial results. For example, Topic 606 superseded most revenue recognition guidance, including industry-specific guidance. We were required to implement this new revenue standard in our fiscal year beginning February 1, 2018. The adoption of Topic 606 includes a requirement to capitalize the costs to obtain a customer contract (e.g., sales commissions) and amortize these costs over the estimated life of the underlying contract, which we have not previously done. Additionally, we expect the timing of revenue recognition for certain of our revenue arrangements to be impacted by the changes imposed by Topic 606. For instance, with respect to certain of our multi-year orders in which fees increase from year to year, Topic 606 may require that the total contracted revenue for the entire multi-year term of the order be recognized ratably in the same amount in each year. As a result, in the initial year of such orders, we will recognize more revenue than the fees we invoice for the same period, and in the last year of such orders, we will recognize less revenue than the fees we invoice for the same period. Please see note 1 of the notes to our consolidated financial statements for more information. Any difficulties in implementation of changes in accounting principles, including the ability to modify our accounting systems, could cause us to fail to meet our financial reporting obligations, which could result in regulatory discipline and harm investors’ confidence in us.

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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 end users or solutions are typically coterminus with the anniversary date of the initial order for a related solution, the terms of such orders for additional end users or solutions can be for relatively short periods of time, often 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. We have also agreed from time to time and may agree in the future to allow customers to change the renewal dates of their orders to, for example, align more closely with a customer’s annual budget process or to align with the renewal dates of other orders placed by other entities within the same corporate control group, or to change payment terms from annual to quarterly, or vice versa. Such changes typically result in an order of less than one year as necessary to align all orders to the desired renewal date and, thus, may result in a lesser increase to deferred revenue than if the renewal date adjustment had not occurred. Additionally, if a coterminus order of less than one year renews in the same fiscal year in which it was originally signed and has annual billing terms, the order will generate more deferred revenue in that fiscal year than the annual contract value of that order. Accordingly, we do not believe that changes on a quarterly basis in deferred revenue, unbilled accounts receivable, or calculated billings, a metric commonly cited by financial analysts, are accurate indicators of future revenues for any given period of time. Please note that since the adoption of Topic 606, we define the term calculated billings for any period to mean revenue for the period plus the change in deferred revenue from the immediately preceding period minus the change in unbilled accounts receivable from the immediately preceding period. However, many companies that provide cloud-based software report changes in deferred revenue or calculated billings as key operating or financial metrics, and it is possible that analysts or investors may view these metrics as important. Thus, any changes in our deferred revenue balances or deferred revenue trends, or in the future, our unbilled accounts receivable balances or trends, could adversely affect the market price of our Class A common stock.

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, 2019, sales to customers outside North America, which is primarily measured by the estimated location of the end users or usage for subscription services revenues and the estimated location of the resources performing the services for professional services, accounted for approximately 44% 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 and expense to localize and adapt our solutions for specific countries, including translation into foreign languages, and ensuring that our solutions enable our customers to comply with local 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;
- fluctuations in the exchange rates of foreign currency in which our foreign revenues or expenses may be denominated;
- changes in trade relations and trade policy, including implementation of or changes to trade sanctions, tariffs, and embargos; and
- unstable regional and economic political conditions in the markets in which we operate.

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

We are subject to governmental export and import controls that could impair our ability to compete in international markets in which our products may not be sold or subject us to liability if we violate the controls.

Our products are subject to U.S. export controls, including the U.S. economic sanctions laws and regulations that prohibit the shipment of certain products and services without the required export authorizations or export to countries, governments, and persons targeted by U.S. sanctions. Under current U.S. export restrictions, our products may not be sold in certain jurisdictions in which certain of our non-U.S. based customers have operations. As a result, such customers may choose to use solutions other than ours. While we take precautions to prevent our products and services from being exported in violation of these laws, we cannot guarantee that the precautions we take will prevent violations of export control and sanctions laws. Violations of U.S. sanctions or export control laws can result in fines or penalties. In the event of criminal knowing and willful violations of these laws, fines and possible incarceration for responsible employees and managers could be imposed.

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.

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

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 performed, 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.

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.

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

Our success and ability to compete depend in part upon our intellectual property. As of January 31, 2019, we had filed applications for a number of patents, and we have 17 issued U.S., three Japanese, and two Chinese patents. We also 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.

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

We do not collect sales and use, value added and similar transactional taxes in all jurisdictions in which we have sales and no physical presence, 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 and remit such taxes may assert that such taxes are applicable, which could result in tax assessments, penalties and interest, and we may be required to collect such taxes in the future. The U.S. Supreme Court's decision in South Dakota v. Wayfair, Inc. may increase that risk by increasing states' ability to assert taxing jurisdiction on out-of-state retailers. Such tax assessments, penalties and interest or future requirements may adversely affect our results of operations. We believe that our financial statements reflect adequate reserves to cover such a contingency, but there can be no assurances in that regard.

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

We are subject to income taxes in the United States and various foreign jurisdictions (including Australia, Belgium, Brazil, Canada, China, France, Germany, Hungary, India, Israel, Italy, Japan, Mexico, Singapore, South Korea, Spain, Switzerland, Thailand, Ukraine, and the United Kingdom) and our domestic and international tax liabilities are subject to the allocation of expenses in differing jurisdictions and complex transfer pricing regulations administered by taxing authorities in various jurisdictions. Tax rates in the jurisdictions in which we operate may change as a result of factors outside of our control or relevant taxing authorities may disagree with our determinations as to the income and expenses attributable to specific jurisdictions. In addition, changes in tax and trade laws, treaties or regulations, or their interpretation or enforcement, have become more unpredictable and may become more stringent, which could materially adversely affect our tax position. 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, the valuation of deferred tax assets and liabilities, adjustments to income taxes upon finalization of tax returns, changes in allowable tax attributes, 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. Increases in our effective tax rate would reduce our profitability.

Our tax provision could also be impacted by changes in accounting principles and changes in U.S. federal and state or international tax laws applicable to multinational corporations. For example, the Tax Cuts and Jobs Act of 2017 (Tax Act) significantly changes how the U.S. Department of Treasury imposes income taxes on U.S. corporations. We made significant judgments and assumptions in the interpretation of this new law and in our calculations reflected in our financial statements. The U.S. Department of Treasury, the Internal Revenue Service (IRS), and other standard-setting bodies may issue guidance on how the provisions of the Tax Act will be applied or otherwise administered, and additional accounting guidance or interpretations may be issued in the future that is different from our current interpretation. As a further example, the U.S. Supreme Court’s decision in South Dakota v. Wayfair, Inc. increasing states’ ability to assert taxing jurisdiction on out-of-state retailers could result in certain additional jurisdictions asserting that sales and use and other taxes are applicable, which could result in tax assessments, penalties, and interest, and we may be required to collect such taxes in the future.

In addition, other countries are considering fundamental tax law changes. Any changes in taxing jurisdictions' administrative interpretations, decisions, policies and positions could also impact our tax liabilities. The overall tax environment has made it increasingly challenging for multinational corporations to operate with certainty about taxation in many jurisdictions. The Organization for Economic Co-operation and Development, which represents a coalition of member countries, is supporting changes to numerous long-standing tax rules, including changes to the practice of shifting profits among affiliated entities located in different tax jurisdictions. The increasingly complex global tax environment could have a material adverse effect on our effective tax rate, results of operations, cash flows and financial condition.

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

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 that we have provided publicly, sometimes referred to as total addressable market (TAM), is subject to significant uncertainty and is based on assumptions and estimates, including our internal analysis and industry experience, which may not prove to be accurate. These estimates are, in part, based upon the size of the general application areas 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.

Currency exchange fluctuations may negatively impact our financial results.

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

We initiated a program during our fiscal year ended January 31, 2018 to engage in the hedging of our foreign currency transactions and may, in the future, hedge selected significant transactions or net monetary exposure positions denominated in currencies other than the U.S. dollar. The use of such hedging activities may not offset any or more than a portion of the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place. Moreover, the use of hedging instruments may introduce additional risks if we are unable to structure effective hedges with such instruments.

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

Many of the internal controls we have implemented pursuant to the Sarbanes-Oxley Act are process controls with respect to which a material weakness may be found whether or not any error has been identified in our reported financial statements. This may be confusing to investors and result in damage to our reputation, which may harm our business. Additionally, the proper design and assessment of internal controls over financial reporting are subject to varying interpretations, and, as a result, application in practice may evolve over time as new guidance is provided by regulatory and governing bodies and as common practices evolve. This could result in continuing uncertainty regarding the proper design and assessment of internal controls over financial reporting and higher costs necessitated by ongoing revisions to internal controls.

We must continue to monitor and assess our internal control over financial reporting. If in the future we have any material weaknesses, we may not detect errors on a timely basis and our financial statements may be materially misstated. Additionally, if in the future we are unable to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner, are unable to assert that our internal controls over financial reporting are effective, identify material weaknesses in our internal controls over financial reporting, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal controls over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our 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 SEC, or other regulatory authorities, which could require additional financial and management resources.

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. Currently, our brand may be less recognized by the key decision makers at the potential customers for our newer solutions, including Veeva Vault CDMS, Veeva Nitro, and Veeva Vault Training, and our solutions for companies in industries other than life sciences. 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 attempting to promote and maintain our brand, 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.

If the demand for cloud-based solutions declines, particularly in the life sciences industry, our revenues could decrease and our business could be adversely affected.

The continued 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 and maintain 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 continue to achieve more widespread adoption in the life sciences industry, or there is a reduction in demand for cloud-based solutions, our revenues could decrease and our business could be adversely affected.

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Risks Related to 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. In addition, the trading prices of the securities of technology companies 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. In addition to those risks described in this “Risk Factors” section, other factors could impact the value of our common stock, including:

- fluctuations in the valuation of companies perceived by investors to be comparable to us, such as high-growth or cloud companies, or in valuation metrics, such as our price to revenues ratio;
- overall performance of the stock market;
- changes in our financial, operating or other metrics, regardless of whether we consider those metrics as reflective of the current state or long-term prospects of our business, and how those results compare to securities analyst expectations, including whether those results fail to meet, exceed, or significantly exceed securities analyst expectations;
- changes in the forward-looking estimates of our financial, operating, or other metrics, how those estimates compare to securities analyst expectations, or changes in recommendations by securities analysts that follow our Class A common stock;
- announcements of customer additions and customer cancellations or delays in customer purchases;
- the net increase in the number of customers, either independently or as compared to published expectations of industry, financial or other analysts that cover us;
- announcements by us or by our competitors of technological innovations, new solutions, enhancements to services, strategic alliances or significant agreements;
- announcements by us or by our competitors of mergers or other strategic acquisitions or rumors of such transactions involving us or our competitors;
- the economy as a whole and market conditions within our industry and the industries of our customers;
- macroeconomic and geopolitical factors and instability and volatility in the global financial markets, including uncertainty surrounding the effects and timing of Brexit;
- trading activity by directors, executive officers and significant stockholders, or the perception in the market that the holders of a large number of shares intend to sell their shares;
- the operating performance and market value of other comparable companies;
- changes in legislation relating to our existing or future solutions;
- securities or industry analysts downgrading our Class A common stock or publishing inaccurate or unfavorable research about our business; 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 certain individuals and their affiliates, which will limit or preclude the ability of our investors to influence corporate matters and could depress the market value of our Class A common stock.

Our Class B common stock has ten votes per share, and our Class A common stock has one vote per share. As of January 31, 2019, stockholders who hold shares of Class B common stock, including our executive officers and directors and their affiliates, together hold approximately 61.6% 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.

In addition, S&P Dow Jones and FTSE Russell have recently announced changes to their eligibility criteria for inclusion of shares of public companies with multiple classes of stock on certain indices, including the S&P 500. While this has not affected the inclusion of Veeva's Class A common stock in these indices to date, eligibility criteria of these indices and others may change in the future. In addition, several shareholder advisory firms have announced their opposition to the use of multiple class structures. As a result, the dual class structure of our common stock may prevent the inclusion of our Class A common stock in such indices and may cause shareholder advisory firms to publish negative commentary about our corporate governance practices or otherwise seek to cause us to change our capital structure. Any such exclusion from indices could result in a less active trading market for our Class A common stock. Any actions or publications by shareholder advisory firms critical of our corporate governance practices or capital structure could also adversely affect the value of our Class A common stock.

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

We have broad discretion in the use of our cash balances and may not use them effectively. The failure by our management to apply these funds effectively could adversely affect our business and financial condition. Pending their use, we may invest our cash balances in a manner that does not produce income or that loses value. Our investments may not yield a favorable return to our investors and may negatively impact the price of our Class A common stock.

We do not intend to pay dividends on our capital stock for the foreseeable future, so any returns will be limited to changes in the value of our 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 January 31, 2019, we had options outstanding that, if exercised, would result in the issuance of additional shares of Class A or Class B common stock. Our Class B common stock converts into Class A common stock on a one-for-one basis. As of January 31, 2019, 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 January 31, 2019, are described in note 11 of the notes to our 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.

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 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.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a breach of fiduciary duty, any action asserting a claim against us arising pursuant to the Delaware General Corporation Law or any action asserting a claim against us that is governed by the internal affairs doctrine. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees and may discourage these types of lawsuits. Alternatively, if a court were to find the choice of forum provision contained in our certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, operating results, and financial condition.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We own our Pleasanton, California corporate headquarters, which currently accommodates our principal executive, development, engineering, marketing, business development, employee success, finance, legal, information technology and administrative activities. We expect that our corporate headquarters will support the overall growth of our business for the near term.

We also lease offices in San Francisco and San Carlos, California; Princeton, New Jersey; New York, New York; Dublin, Ohio; Fort Washington and Radnor, Pennsylvania; Australia; Brazil; Canada; China; France; Germany; Hungary; India Japan; Korea; Mexico; Singapore; Spain; Ukraine and the United Kingdom. We expect to expand our facilities capacity in certain field locations during our fiscal year ending January 31, 2020. We may further expand our facilities capacity after January 31, 2020 as our employee base grows. We believe that we will be able to obtain additional space on commercially reasonable terms.

ITEM 3. LEGAL PROCEEDINGS

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

California Non-Compete Matter.

On July 17, 2017, we filed a complaint in the Superior Court of the State of California in the County of Alameda against Medidata, IQVIA, and Sparta Systems, Inc. (Veeva Systems Inc. v. Medidata Solutions, Inc., Quintiles IMS Incorporated, IMS Software Services, LTD., and Sparta Systems, Inc., Case No. RG17868081). Our Complaint seeks declaratory and injunctive relief concerning the use of non-compete, confidentiality, and non-disparagement agreements by these companies. On July 2, 2018, the court, in response to motions by all the defendants, sustained the defendants' "motions to dismiss" (called "demurrers" in California State Court) while giving Veeva the opportunity to plead additional factual allegations. On July 20, 2018, we filed a Second Amended Complaint asserting the same claims and additional factual allegations as to Medidata and Sparta. We have also appealed the Court's ruling as to IQVIA. Medidata and Sparta have "demurred" to Veeva's Second Amended Complaint and have also filed anti-SLAPP motions under California law alleging their conduct is protected by the First Amendment. Veeva has opposed the motions. The hearing on the demurrers and anti-SLAPP motions is currently scheduled for June 5, 2019. Discovery is currently stayed.

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II.

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Price of Class A Common Stock

Our Class A common stock is listed on the New York Stock Exchange under the symbol “VEEV.”

Stockholders

As of January 31, 2019, we had 11 holders of record of our Class A common stock and 54 holders of record of our Class B common stock. The actual number of holders of Class A common stock is greater than this number of record holders and includes stockholders who are beneficial owners but whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Recent Sales of Unregistered Securities

None.

Stock Performance Graph

This performance graph shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), or incorporated by reference into any of our other filings under the Exchange Act or the Securities Act except to the extent we specifically incorporate it by reference into such filing.

This chart compares the cumulative total return on our common stock with that of the S&P 500 Index and the S&P 1500 Application Software Index. The chart assumes $100 was invested at the close of market on January 31, 2014 in the Class A common stock of Veeva Systems Inc., the S&P 500 Index and the S&P 1500 Application Software Index, and assumes the reinvestment of any dividends. The stock price performance on the following graph is not necessarily indicative of future stock price performance.

	1/31/2014	1/31/2015	1/31/2016	1/31/2017	1/31/2018	1/31/2019
Veeva Systems Inc.	100.00	90.47	75.81	133.16	197.74	343.06
S&P 500	100.00	114.22	113.46	136.20	172.17	168.19
S&P 1500 Application Software Index	100.00	107.78	124.34	156.63	230.23	275.70

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ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with our audited consolidated financial statements and related notes thereto and with Management's Discussion and Analysis of Financial Condition and Results of Operations, which are included elsewhere in this Form 10 K. The consolidated statement of income data for our fiscal years ended January 31, 2019, 2018 and 2017, and the selected consolidated balance sheet data as of January 31, 2019 and 2018 are derived from, and are qualified by reference to, the audited consolidated financial statements and are included in this Form 10-K. The consolidated statement of income data for fiscal years ended January 31, 2016 and 2015 and the consolidated balance sheet data as of January 31, 2017, 2016 and 2015 are derived from audited consolidated financial statements which, are not included in this Form 10 K. The consolidated balance sheet data as of January 31, 2018, 2017, and 2016 and consolidated statement of income for the fiscal years ended January 31, 2018 and 2017 have been derived from our audited consolidated financial statements adjusted for the adoption of Topic 606. The consolidated balance sheet data as of January 31, 2015 and consolidated statement of income for the fiscal years ended January 31, 2016 and 2015 are derived from our audited financial statements, which have not been adjusted for Topic 606. Our historical results are not necessarily indicative of our future results. The selected consolidated financial data in this section are not intended to replace our consolidated financial statements and the related notes, and are qualified in their entirety by the consolidated financial statements and related notes included elsewhere in this Form 10-K.

	Fiscal Year Ended January 31,				
	2019	2018	2017	2016	2015
		*As adjusted	*As adjusted		
Consolidated Statements of Income Data:	(in thousands, except share data)				
Revenues:					
Subscription services	$694,467	$ 559,434	$ 440,815	$316,314	$233,063
Professional services and other	167,743	131,125	109,727	92,907	80,159
Total revenues	862,210	690,559	550,542	409,221	313,222
Cost of revenues(1):					
Cost of subscription services	117,009	110,465	94,386	71,180	55,005
Cost of professional services and other	128,272	100,957	79,295	71,034	60,653
Total cost of revenues	245,281	211,422	173,681	142,214	115,658
Gross profit	616,929	479,137	376,861	267,007	197,564
Operating expenses(1):					
Research and development	158,783	132,017	96,743	65,976	41,156
Sales and marketing	148,867	128,781	110,634	80,984	56,203
General and administrative	86,413	60,410	48,796	41,458	30,239
Total operating expenses	394,063	321,208	256,173	188,418	127,598
Operating income	222,866	157,929	120,688	78,589	69,966
Other income (expense), net	15,777	7,842	1,667	28	(2,780)
Income before income taxes	238,643	165,771	122,355	78,617	67,186
Provision for income taxes	8,811	14,594	44,783	24,157	26,803
Net income	$229,832	$ 151,177	$ 77,572	$54,460	$40,383
Net income attributable to Class A and Class B common	$229,832	$ 151,177	$ 77,569	$54,413	$40,138

stockholders, basic and diluted					
Net income per share attributable to Class A and Class B common stockholders:					
Basic	$1.59	$ 1.08	$ 0.57	$0.41	$0.31
Diluted	$1.47	$ 0.98	$ 0.53	$0.38	$0.28
Weighted-average shares used to compute earnings per share attributable to Class A and Class B common stockholders:					
Basic	144,244	140,311	135,698	132,020	127,713
Diluted	156,117	153,681	147,578	144,977	144,204

(1) Includes stock-based compensation as follows:

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Cost of revenues:					
Cost of subscription services	$1,553	$1,448	$1,109	$563	$273
Cost of professional services and other	10,575	8,476	6,002	3,858	2,272
Research and development	22,138	17,782	11,937	7,249	3,844
Sales and marketing	18,381	16,288	13,271	6,861	3,221
General and administrative	23,778	10,055	8,479	5,727	4,715
Total stock-based compensation	$76,425	$54,049	$40,798	$24,258	$14,325

	As of January 31,				
	2019	2018 *As adjusted	2017 *As adjusted	2016 *As adjusted	2015
Consolidated Balance Sheet Data:	(in thousands)				
Cash and cash equivalents	$550,971	$320,183	$ 217,606	$ 132,179	$129,253
Short-term investments	539,190	441,779	301,266	214,024	268,620
Working capital	1,032,392	706,252	472,885	315,990	366,314
Total assets	1,653,766	1,230,333	938,946	723,324	544,890
Deferred revenue	356,357	266,939	208,588	157,419	112,960
Additional paid-in capital	617,623	515,272	439,658	361,691	317,881
Total stockholders' equity	1,237,749	906,238	678,154	521,981	406,833

* The summary consolidated financial data for the years ended January 31, 2019, 2018, and 2017 and as of January 31, 2019, 2018, 2017, and 2016 reflects the adoption of Topic 606 and ASU 2018-02, “Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.” See note 1 of the notes to the consolidated financial statements for a summary of adjustments. The summary consolidated financial data for the years ended January 31, 2016 and 2015 and as of January 31, 2015 does not reflect the adoption of Topic 606 or ASU 2018-02.

ITEM 7. 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 "Selected Consolidated Financial Data" and our consolidated financial statements and notes thereto appearing elsewhere in this Form 10-K. In addition to historical 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 Form 10-K, including those set forth under "Risk Factors" and "Special Note Regarding Forward-Looking Statements."

Overview

Veeva is the leading provider of industry cloud solutions for the global life sciences industry. We were founded in 2007 on the premise that industry-specific cloud solutions could best address the operating challenges and regulatory requirements of life sciences companies. Our solutions are designed to meet the unique needs of our customers and their most strategic business functions—from research and development (R&D) to commercialization. Our solutions are designed to help life sciences companies develop and bring products to market faster and more efficiently, market and sell more effectively, and maintain compliance with government regulations.

In our fiscal year ended January 31, 2019, we derived approximately 57% and 43% of our subscription services revenues and 53% and 47% of our total revenues from our Veeva Commercial Cloud solutions and Veeva Vault solutions, respectively. The contribution of subscription services revenues and total revenues associated with our Veeva Vault solutions are expected to continue to increase as a percentage of subscription services revenues and total revenues going forward. We are also offering certain of our solutions outside the life sciences industry in North America and Europe.

For our fiscal years ended January 31, 2019, 2018, and 2017, our total revenues were $862.2 million, $690.6 million and $550.5 million, respectively, representing year-over-year growth in total revenues of 25% in fiscal year ended January 31, 2019 and 25% in fiscal year ended January 31, 2018. For our fiscal years ended January 31, 2019, 2018, and 2017, our subscription services revenues were $694.5 million, $559.4 million, and $440.8 million, respectively, representing year-over-year growth in subscription services revenues of 24% in fiscal year ended January 31, 2019 and 27% in fiscal year ended January 31, 2018. We expect the growth rate of our total revenues and subscription services revenues to decline in the future. We generated net income of $229.8 million, $151.2 million, and $77.6 million for our fiscal years ended January 31, 2019, 2018, and 2017, respectively.

As of January 31, 2019, 2018, and 2017, we served 719, 625, and 517 customers, respectively. As of January 31, 2019 and 2018, we had 335 and 313 Veeva Commercial Cloud customers, respectively, and 572 and 449 Veeva Vault customers, respectively. The combined customer counts for Veeva Commercial Cloud and Veeva Vault exceed the total customer count in each year because some customers subscribe to products in both areas. Veeva Commercial Cloud customers are those customers that have at least one of the following products: Veeva CRM, Veeva CLM, Veeva CRM Approved Email, Veeva CRM Engage, Veeva Align, Veeva CRM Events Management, Veeva OpenData, Veeva Oncology Link, Veeva Network Customer Master or Veeva Network Product Master. Veeva Vault customers are those customers that have at least one Vault product. Many of our Veeva Vault applications are used by smaller, earlier stage pre-commercial companies, some of which may not reach the commercialization stage. Thus, the potential number of Veeva Vault customers is significantly higher than the potential number of Veeva Commercial Cloud customers.

For a further description of our business and products, see “Business” above.

New Revenue Recognition Standard Under Topic 606

All results, including results from fiscal periods ended January 31, 2018, 2017, and 2016 presented in this Form 10-K, related to revenues, cost of revenues, and operating expenses, and our disclosure of expectations for future periods reflect our adoption of Topic 606. Refer to note 1 of the notes to our consolidated financial statements included elsewhere in this Form 10-K for details regarding our adoption of Topic 606.

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 product portfolio. We expect to continue to invest in research and development to expand existing solutions and build new solutions; in sales and marketing to promote our solutions to new and existing customers and in existing and expanded geographies and industries; in professional services to ensure the success of our customers' implementations of our solutions; and in other operational and administrative functions to support our expected growth. We expect that our headcount will increase as a result of these investments. We also expect our total operating expenses will continue to increase over time, which could have a negative impact 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 end 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 their renewals of subscriptions to our solutions, expanded deployment of our solutions within their organizations, and their purchase of subscriptions to additional solutions. Our growth is also dependent on the adoption of our solutions by new customers.

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, 2019, 2018, and 2017, our subscription services revenue retention rate was 122%, 121%, and 127%, respectively.

Components of Results of Operations

Revenues

We derive our revenues primarily from subscription services fees and professional services fees. Subscription services revenues consist of fees from customers accessing our cloud-based software solutions and subscription or license fees for our data solutions. Professional services and other revenues consist primarily of fees from implementation services, configuration, data services, training and managed services related to our solutions. For our fiscal year ended January 31, 2019, subscription services revenues constituted 81% of total revenues and professional services and other revenues constituted 19% of total revenues.

We enter into master subscription agreements with our customers and count each distinct master subscription agreement that has not been terminated or expired and that has orders for which we have recognized revenue in the quarter as a distinct customer for purposes of determining our total number of current customers as of the end of that quarter. We generally enter into a single master subscription agreement with each customer, although in some instances, affiliated legal entities within the same corporate family may enter into separate master subscription agreements. Conversely, affiliated legal entities that maintain distinct master service agreements may choose to consolidate their orders under a single master service agreement, and, in that circumstance, our customer count would decrease. Divisions, subsidiaries and operating units of our customers often place distinct orders for our subscription services under the same master subscription agreement, and we do not count such distinct orders as new customers for purposes of determining our total customer count. With respect to data services customers that have not purchased one of our software solutions, we count as a distinct customer each party that has a master subscription agreement and a known and recurring payment obligation. For purposes of determining our total customer count, we count each entity that uses a legacy Zinc Ahead product as a distinct customer if such entity is not otherwise a customer of ours.

The majority of our new subscription orders typically have a one-year term and automatically renew unless notice of cancellation is provided in advance. If a customer adds end users or solutions to an existing order, such additional orders will generally be coterminus with the anniversary date of the initial order, and as a result, orders for additional end users or solutions will commonly have an initial term of less than one year. Subscription orders are generally billed at the beginning of the subscription commencement date in annual or quarterly increments. Because the term of orders for additional end users or solutions is commonly less than one year and payment terms may also be quarterly, the annualized value of such orders may not be completely reflected in deferred revenue at any single point in time. We have also agreed from time to time, and may agree in the future, to allow customers to change the renewal dates of their orders to, for example, align more closely with a customer's annual budget process or to align with the renewal dates of other orders placed by other entities within the same corporate control group, or to change payment terms from annual to quarterly, or vice versa. Such changes typically result in an order of less than one year as necessary to align all orders to the desired renewal date and, thus, may result in a lesser increase to deferred revenue than if the adjustment had not occurred. Additionally, if a coterminus order of less than one year renews in the same fiscal year in which it was originally signed and has annual billing terms, the order will generate more deferred revenue in that fiscal year than the annual contract value of that order. Accordingly, we do not believe that changes on a quarterly basis in deferred revenue, unbilled accounts receivable, or calculated billings, a metric commonly cited by financial analysts, are accurate indicators of future revenues for any given period of time. Please note that since the adoption of Topic 606, we define the term calculated billings for any period to mean revenue for the period plus the change in deferred revenue from the immediately preceding period minus the change in unbilled accounts receivable from the immediately preceding period.

With respect to solutions other than Veeva CRM and particularly with respect to our Veeva Vault applications, we have entered into a number of orders with terms of up to seven years. The fees associated with such orders are typically not based on the number of end users and typically escalate over the term of such orders at a pre-agreed rate to account for, among other factors, implementation and adoption timing and planned increased usage by the customer. Similar to our orders with a one-year term, our multi-year orders are also billed in annual or quarterly increments, which means the annualized value of such orders may not be completely reflected in deferred revenue at any single point in time. Also, pursuant to Topic 606, timing differences between billings and revenue recognition with respect to our multi-year orders with escalating fees will result in fluctuations in deferred revenue and unbilled accounts receivable balances that did not occur prior to our adoption of Topic 606. For instance, when the amounts we are entitled to invoice in any period pursuant to multi-year orders with escalating fees are less than the revenue we are required to recognize pursuant to Topic 606, we will accrue an unbilled accounts receivable balance related to such orders. In the same scenario, the net deferred revenue we would record in connection with such orders will be less than it would have been prior to the adoption of Topic 606 because we will be recognizing more revenue earlier in the term of such multi-year orders.

Subscription services revenues are recognized ratably over the respective non-cancelable subscription term because of the continuous transfer of control to the customer. Our subscription services agreements are generally non-cancelable 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 scope of the subscription purchased by each customer (for example, the number of end users or other subscription usage metric) and the number of solutions subscribed to by each customer.

We utilize our own professional services personnel and, in certain cases, third-party subcontractors to perform our professional services engagements with customers. The majority of our professional services arrangements are billed on a time and materials basis and revenues are measured monthly based on time incurred and contractually agreed upon rates. Certain professional services revenues are billed on a fixed fee basis and revenues are typically recognized over time based on the proportion of total services performed. Data services and training revenues are generally recognized as the services are performed. Professional services revenues are affected primarily by our customers' demands for implementation services, configuration, data services, training, and managed services in connection with our solutions.

Cost of Revenues

Cost of subscription services revenues for all of our solutions consists of expenses related to our computing infrastructure provided by third parties, including salesforce.com and Amazon Web Services, personnel related costs associated with hosting our subscription services and providing support, including our data stewards, operating lease expenses 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 Veeva CRM and certain of our multichannel customer relationship management applications includes fees paid to salesforce.com for our use of the Salesforce1 Platform and the associated hosting infrastructure and data center operations that are provided by salesforce.com. We intend to continue to invest additional resources in our subscription services to enhance our product offerings and increase our delivery capacity. We may add or expand computing infrastructure capacity in the future, migrate to new computing infrastructure service providers, and make additional investments in the availability and security of our solutions.

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

Research and Development. Research and development expenses consist primarily of employee-related expenses, third-party consulting fees, hosted infrastructure costs, and allocated overhead, offset by any internal-use software development costs capitalized during the same period. We continue to focus our research and development efforts on adding new features and applications and increasing the functionality and enhancing the ease of use of our cloud-based applications.

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Sales and Marketing. Sales and marketing expenses consist primarily of employee-related expenses, amortization expense associated with capitalized sales commissions, sales commissions that do not qualify for capitalization, marketing program costs, amortization expense associated with purchased intangibles related to our customer contracts, customer relationships and brand development, travel-related expenses and allocated overhead. Sales commissions are costs of obtaining customer contracts and are capitalized and then amortized over a period of benefit that we have determined to be three years. Certain program costs 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 fees related to third-party legal counsel, fees related to third-party accounting, tax and audit services, other corporate expenses, and allocated overhead.

Other Income, Net

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

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 9 of the notes to our consolidated financial statements.

New Accounting Pronouncements Adopted in Fiscal 2019

Refer to note 1 of the notes to our consolidated financial statements for a full description of the recent accounting pronouncements adopted during the fiscal year ended January 31, 2019.

Recent Accounting Pronouncements

Statement of Stockholders’ Equity

In August 2018, the SEC adopted the final rule under SEC Release No. 33-10532, Disclosure Update and Simplification, amending certain disclosure requirements that have become redundant, duplicative, overlapping, outdated or superseded. In addition, the amendments expanded the disclosure requirements on the analysis of stockholders' equity for interim financial statements. Under the amendments, an analysis of changes in each caption of stockholders' equity presented in the balance sheet must be provided in a note or separate statement. The analysis should present a reconciliation of the beginning balance to the ending balance of each period for which a statement of comprehensive income is required to be filed. The final rule was effective November 5, 2018. As permitted by the SEC, we will present this analysis beginning with our Form 10-Q for the three months ending April 30, 2019.

Cloud Computing Arrangements

In August 2018, the FASB issued ASU No. 2018-15, “Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract,” which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The standard is effective for interim and annual reporting periods beginning after December 15, 2019 and can be applied either prospectively to implementation costs incurred after the date of adoption or retrospectively to all arrangements. Early adoption is permitted. We are evaluating the impact of this new accounting standard on our consolidated financial statements and have not determined whether we will early adopt.

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Fair Value Measurement

In August 2018, the FASB issued ASU No. 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement," which modifies the disclosure requirements on fair value measurements. The ASU removes the requirement to disclose: the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; the policy for timing of transfers between levels; and the valuation processes for Level 3 fair value measurements. The standard is effective for interim and annual periods beginning after December 15, 2019, and early adoption is permitted. We are evaluating the impact of this new accounting standard on our consolidated financial statements and have not determined whether we will early adopt.

Intangibles and Goodwill

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment," which eliminates Step 2 from the goodwill impairment test. Under ASU 2017-04, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity should consider income tax effects from any tax-deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. ASU 2017-04 is effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019, and early adoption is permitted for impairment tests performed on testing dates after January 1, 2017. ASU 2017-04 is to be applied on a prospective basis. We are currently evaluating the timing of adoption and do not expect the adoption of ASU 2017-04 to have a material impact on our consolidated financial statements.

Tax Cuts and Jobs Act of 2017

On December 22, 2017, the Tax Act was enacted into law and amended certain provisions of the Internal Revenue Code of 1986 (IRC). Amendments to the IRC, include, among others, a reduction of the corporate income tax rate from 35% to 21% effective January 1, 2018, a transition tax on accumulated foreign earnings (transition tax), the shift from a worldwide to a territorial tax regime, and a limitation on the deductibility of executive compensation under IRC Section 162(m). Accounting Standards Codification (ASC) 740, "Income Taxes" (Topic 740), requires us to recognize the effect of the Tax Act in the period of enactment, such as remeasuring our U.S. deferred tax assets and liabilities as well as reassessing the net realizability of our deferred tax assets and liabilities. We have completed our calculation of our provision for income tax taking into account the effect of the Tax Act. Future changes in law, interpretations, and facts may impact our provision for income taxes.

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Results of Operations

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

	Fiscal year ended January 31,		
	2019	2018 *As adjusted	2017 *As adjusted
	(in thousands)		
Consolidated Statements of Comprehensive Income Data:			
Revenues:			
Subscription services	$694,467	$ 559,434	$ 440,815
Professional services and other	167,743	131,125	109,727
Total revenues	862,210	690,559	550,542
Cost of revenues[(1)]:			
Cost of subscription services	117,009	110,465	94,386
Cost of professional services and other	128,272	100,957	79,295
Total cost of revenues	245,281	211,422	173,681
Gross profit	616,929	479,137	376,861
Operating expenses[(1)]:			
Research and development	158,783	132,017	96,743
Sales and marketing	148,867	128,781	110,634
General and administrative	86,413	60,410	48,796
Total operating expenses	394,063	321,208	256,173
Operating income	222,866	157,929	120,688
Other income, net	15,777	7,842	1,667
Income before income taxes	238,643	165,771	122,355
Provision for income taxes	8,811	14,594	44,783
Net income	$229,832	$ 151,177	$ 77,572

*See note 1 of the notes to the consolidated financial statements for a summary of adjustments.

(1) Includes stock-based compensation as follows:

Cost of revenues:			
Cost of subscription services	$1,553	$1,448	$1,109
Cost of professional services and other	10,575	8,476	6,002
Research and development	22,138	17,782	11,937

Sales and marketing	18,381	16,288	13,271
General and administrative	23,778	10,055	8,479
Total stock-based compensation	$76,425	$54,049	$40,798

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	Fiscal year ended January 31,		
	2019	2018 *As adjusted	2017 *As adjusted
Consolidated Statements of Comprehensive Income Data:			
Revenues:			
Subscription services	80.5 %	81.0 %	80.1 %
Professional services and other	19.5	19.0	19.9
Total revenues	100.0	100.0	100.0
Cost of revenues:			
Cost of subscription services	13.6	16.0	17.1
Cost of professional services and other	14.9	14.6	14.4
Total cost of revenues	28.5	30.6	31.5
Gross profit	71.5	69.4	68.5
Operating expenses:			
Research and development	18.4	19.1	17.6
Sales and marketing	17.3	18.6	20.1
General and administrative	10.0	8.7	8.9
Total operating expenses	45.7	46.4	46.6
Operating income	25.8	23.0	21.9
Other income, net	1.8	1.1	0.3
Income before income taxes	27.6	24.1	22.2
Provision for income taxes	0.9	2.0	8.1
Net income	26.7 %	22.1 %	14.1 %

*See note 1 of the notes to the consolidated financial statements for a summary of adjustments.

Revenues

	Fiscal year ended January 31,				
	2019	2018 *As adjusted	2017 *As adjusted	2019 to 2018 % Change	2018 to 2017 % Change
	(dollars in thousands)				
Revenues:					
Subscription services	$694,467	$ 559,434	$ 440,815	24%	27 %
Professional services and other	167,743	131,125	109,727	28	20

Total revenues	$862,210		$ 690,559		$ 550,542		25	25	
Percentage of revenues:									
Subscription services	81	%	81	%	80	%			
Professional services and other	19		19		20				
Total revenues	100	%	100	%	100	%			

*See note 1 of the notes to the consolidated financial statements for a summary of adjustments.
Fiscal 2019 Compared to Fiscal 2018.

Total revenues increased $171.7 million, of which $135.0 million was from growth in subscription services revenues. The increase in subscription services revenues consisted of $96.4 million of subscription services revenue attributable to Veeva Vault solutions and $38.6 million of subscription services revenue attributable to Veeva Commercial Cloud solutions. The geographic mix of subscription services revenues, which is primarily measured by the estimated location of end users or usage of our subscription services, was 54% from North America, 28% from Europe and other, and 18% from Asia in fiscal year ended January 31, 2019 as compared to subscription services revenues of 53% from North America, 30% from Europe and other, and 17% from Asia in fiscal year ended January 31, 2018. Subscription services revenues were 81% of total revenues for fiscal years ended January 31, 2019 and 2018.

Professional services and other revenues increased $36.6 million. The increase in professional services revenues was due primarily to new customers requesting implementation and deployment related professional services and existing customers requesting professional services related to expanding deployments or the deployment of newly purchased solutions. The increased demand for professional services and the resulting increase in professional services revenues was weighted heavily towards implementation and deployments of our Veeva Vault solutions. The geographic mix of professional services and other revenues, as measured by the estimated location of the resources performing the services, was 62% from North America, 28% from Europe and other, and 10% from Asia in fiscal year ended January 31, 2019 as compared to 60% from North America, 28% from Europe and other, and 12% from Asia in fiscal year ended January 31, 2018.

Over time, we expect the proportion of our total revenues from professional services to decrease.

Fiscal 2018 Compared to Fiscal 2017.

Total revenues increased $140.0 million, of which $118.6 million was from growth in subscription services revenues. The increase in subscription services revenues consisted of $69.9 million of subscription services revenue attributable to Veeva Vault solutions and $48.8 million of subscription services revenue attributable to Veeva Commercial Cloud solutions. The geographic mix of subscription services revenues, which is primarily measured by the estimated location of end users or usage of our subscription services, was 53% from North America, 30% from Europe and other and 17% from Asia in fiscal years ended January 31, 2018 and 2017.

Professional services and other revenues increased $21.4 million. The increase in professional services revenues was due primarily to new customers requesting implementation and deployment related professional services and existing customers requesting professional services related to expanding deployments or the deployment of newly purchased solutions. The increase was primarily driven by the professional services revenues associated with our Veeva Vault solutions. The geographic mix of professional services and other revenues, as measured by the estimated location of the resources performing the services, was 60% from North America, 28% from Europe and other and 12% from Asia in fiscal years ended January 31, 2018 and 2017.

Subscription services revenues were 81% of total revenues for fiscal year ended January 31, 2018, compared to 80% of total revenues for fiscal year ended January 31, 2017, reflecting the faster growth rate of our subscription services revenues as compared to the growth rate of our professional services revenues. Existing customers that are expanding their deployment of an existing Veeva product often do not require the same level of professional services for such expansions as compared with the level required for new customers or implementations of new products by existing customers.

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Costs and Expenses

	Fiscal year ended January 31,				
	2019	2018 *As adjusted	2017 *As adjusted	2019 to 2018 % Change	2018 to 2017 % Change
	(dollars in thousands)				
Cost of revenues:					
Cost of subscription services	$117,009	$ 110,465	$ 94,386	6%	17%
Cost of professional services and other	128,272	100,957	79,295	27	27
Total cost of revenues	$245,281	$ 211,422	$ 173,681	16	22
Gross margin percentage:					
Subscription services	83 %	80 %	79 %		
Professional services and other	24	23	28		
Total gross margin percentage	72 %	69 %	68 %		
Gross profit	$616,929	$ 479,137	$ 376,861	29%	27%
Headcount (at period end)	944	783	623	21%	26%

*See note 1 of the notes to the consolidated financial statements for a summary of adjustments.

Fiscal 2019 Compared to Fiscal 2018. Cost of revenues increased $33.9 million, of which $6.5 million was related to cost of subscription services. The increase in cost of subscription services was primarily due to an increase in the number of end users of our subscription services, which drove an increase of $3.7 million in fees paid to salesforce.com. In addition, we had an 3% increase in the headcount of our subscription services team, which drove a $1.6 million increase in employee compensation-related costs (includes an increase of $0.1 million in stock-based compensation expense). We expect cost of subscription services revenues to increase in absolute dollars in the near term due to increased usage of our subscription services.

Cost of professional services and other revenues increased $27.3 million, primarily due to a 27% increase in headcount of our professional services team, which drove a $22.5 million increase in employee compensation-related costs (includes an increase of $2.1 million in stock-based compensation expense). The increase in employee compensation-related costs is primarily driven by the increase in headcount during the period. We expect cost of professional services and other revenues to increase in absolute dollars and as a percentage of revenue in the near term as we add personnel to our global professional services organization.

Fiscal 2018 Compared to Fiscal 2017. Cost of revenues increased $37.8 million, of which $16.1 million was related to cost of subscription services. The increase in cost of subscription services was primarily due to an increase in the number of end users of our subscription services, which drove an increase of $6.2 million in fees paid to salesforce.com and a $3.8 million increase in computing infrastructure costs, and $2.1 million in duplicative costs associated with the migration of our computing infrastructure. In addition, we had an 8% increase in the headcount of our subscription services team, which drove a $2.9 million increase in employee compensation-related costs (includes an increase of $0.3 million in stock-based compensation expense).

Cost of professional services and other revenues increased $21.7 million, primarily due to a 33% increase in headcount of our professional services team, which drove a $17.6 million increase in employee compensation-related costs (includes an increase of $2.5 million in stock-based compensation expense). The increase in employee compensation-related costs is primarily driven by the increase in headcount during the period. In addition, we had an increase in third-party subcontractor costs of $1.3 million.

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Gross profit as a percentage of total revenues for fiscal years ended January 31, 2019, 2018, and 2017 was 72%, 69%, and 68%, respectively. The increase compared to the prior period is largely due to the continued growth of Veeva Vault and our newer multichannel CRM applications that compliment Veeva CRM, all of which have higher subscription services gross margins than our core Veeva CRM application. We expect gross margin to increase in the fiscal year ending January 31, 2020 due to the growth of our Vault products, which have a higher gross margin profile relative to our core CRM product.

Operating Expenses and Operating Margin

Operating expenses include research and development, sales and marketing and general and administrative expenses. As we continue to invest in our growth through hiring, we expect operating expenses to increase in absolute dollars and slightly as a percentage of revenue in the near term.

Research and Development

	Fiscal year ended January 31,				
	2019	2018 *As adjusted	2017 *As adjusted	2019 to 2018 % Change	2018 to 2017 % Change
	(dollars in thousands)				
Research and development	$158,783	$ 132,017	$ 96,743	20%	36%
Percentage of total revenues	18 %	19 %	18 %		
Headcount (at period end)	866	753	607	15%	24%

*See note 1 of the notes to the consolidated financial statements for a summary of adjustments.

Fiscal 2019 Compared to Fiscal 2018. Research and development expenses increased $26.8 million, primarily due to a 15% increase in headcount during the period, which drove an increase of $22.5 million in employee compensation-related costs (includes an increase of $4.4 million in stock-based compensation expense).

Fiscal 2018 Compared to Fiscal 2017. Research and development expenses increased $35.3 million, primarily due to a 24% increase in headcount during the period, which drove an increase of $30.9 million in employee compensation-related costs (includes an increase of $5.8 million in stock-based compensation expense). There was also an increase of $2.9 million primarily associated with our migration to Amazon Web Services to support the development and testing of our product infrastructure, platform, and applications. This increase was offset by $1.1 million of capitalized internal-use software development costs during the period.

We expect research and development expenses to increase in absolute dollars and may increase as a percentage of revenue in the near term, primarily due to higher headcount as we continue to add research and development personnel, invest in our solutions, and develop new technologies.

Sales and Marketing

	Fiscal year ended January 31,				
	2019	2018 *As adjusted	2017 *As adjusted	2019 to 2018 % Change	2018 to 2017 % Change
	(dollars in thousands)				
Sales and marketing	$148,867	$ 128,781	$ 110,634	16%	16%
Percentage of total revenues	17 %	19 %	20 %		
Headcount (at period end)	510	432	401	18%	8%

*See note 1 of the notes to the consolidated financial statements for a summary of adjustments.

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Fiscal 2019 Compared to Fiscal 2018. Sales and marketing expenses increased $20.1 million, primarily due to an increase of $18.8 million in employee compensation-related costs (includes an increase of $2.1 million in stock-based compensation expense), which was driven by an 18% increase in headcount. In addition, there was an increase of $2.9 million in marketing program costs. This was partially offset by a decrease in sales commissions of $2.8 million due to the change in our sales compensation model, as described further below.

Fiscal 2018 Compared to Fiscal 2017. Sales and marketing expenses increased $18.1 million, primarily due to an 8% increase in headcount, which drove an increase of $12.6 million in employee compensation-related costs (includes an increase of $3.0 million in stock-based compensation expense). Additionally, there was a net increase in sales commissions expense of $3.7 million primarily attributable to the adoption of Topic 606, which increased amortization expense from capitalized costs to obtain a contract, offset by decreased sales commissions that were capitalized as a result of adoption. In addition, there was an increase of $1.4 million in marketing program costs.

We expect sales and marketing expenses to continue to grow in absolute dollars in the near term, primarily due to 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 sales capacity across all our solutions.

Note that since the adoption of Topic 606, we now capitalize and amortize commissions, whereas we previously expensed them in the period in which they were incurred. Normally, this change would have reduced our sales and marketing expenses as compared to the prior accounting treatment. However, beginning in our fiscal year ended January 31, 2019 and unrelated to Topic 606, our sales compensation model shifted to a higher mix of fixed compensation, which is expensed in the period incurred. Due to these simultaneous changes, the adoption of Topic 606 did not cause a material change in our sales and marketing expenses for our fiscal year ended January 31, 2019.

General and Administrative

	Fiscal year ended January 31,				
	2019	2018 *As adjusted	2017 *As adjusted	2019 to 2018 % Change	2018 to 2017 % Change
	(dollars in thousands)				
General and administrative	$86,413	$ 60,410	$ 48,796	43%	24%
Percentage of total revenues	10 %	9 %	9 %		
Headcount (at period end)	233	203	163	15%	25%

*See note 1 of the notes to the consolidated financial statements for a summary of adjustments.

Fiscal 2019 Compared to Fiscal 2018. General and administrative expenses increased $26.0 million, primarily due to an increase of $11.7 million in stock-based compensation expense associated with a stock option grant to our chief executive officer at the end of our fiscal year ended January 31, 2018, a 15% increase in headcount which drove an increase of $5.2 million in employee compensation-related costs (includes an increase of $2.0 million in stock-based compensation expense), and an increase of $4.8 million in legal fees related to litigation activity during the period.

Fiscal 2018 Compared to Fiscal 2017. General and administrative expenses increased $11.6 million, primarily due to a 25% increase in headcount which drove an increase of $6.0 million in employee compensation-related costs (includes an increase of $1.6 million in stock-based compensation expense), an increase of $5.4 million in legal fees related to litigation activity during the period and an increase of $1.5 million related to third-party accounting professional services costs primarily related to the implementation of new accounting standards and tax-related activities. This increase was offset by a decrease of $2.3 million in deferred compensation associated with the acquired Zinc Ahead business.

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We expect general and administrative expenses to continue to grow in absolute dollars in the near term as we continue to invest in our business and infrastructure. Such costs include increases in headcount in our finance, legal, and employee success functions, third-party legal fees, particularly in relation to the matters described in Item 3. “Legal Proceedings” and note 13 of the notes to our consolidated financial statements, and additional accounting, tax and compliance-related fees.

Other Income, Net

	Fiscal year ended January 31,			2019 to 2018	2018 to 2017
	2019	2018	2017	% Change	% Change
	(dollars in thousands)				
Other income, net	$15,777	$7,842	$1,667	101%	370%

Fiscal 2019 Compared to Fiscal 2018. Other income, net increased $7.9 million, primarily due to an increase in interest and other income of $7.0 million driven by higher cash and cash equivalent balances and higher yield from cash and cash equivalents and short-term investments in the current period. In addition, there was an overall increase of $4.2 million from combined changes in amortization and accretion of investments. This increase was offset by a change in foreign currency gains and losses of $3.3 million during the period, which includes gains and losses from the underlying foreign currency exposures partially offset by hedge positions. We continue to experience foreign currency fluctuations primarily due to the impact resulting from the periodic re-measurement of our foreign currency balances that are denominated in currencies other than the functional currency of the entities in which they are recorded. Our results of operations are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Euro, British Pound Sterling, Japanese Yen and Chinese Yuan. We may continue to experience favorable or adverse foreign currency impacts due to volatility in these currencies.

Fiscal 2018 Compared to Fiscal 2017. Other income, net increased $6.2 million, primarily due to an increase in interest and other income of $3.9 million due to higher cash and cash equivalent balances and higher yield in the current period. In addition, there was an increase in foreign currency gains of $2.2 million during the period, which includes gains and losses from the underlying foreign currency exposures partially offset by hedge positions.

Provision for Income Taxes

	Fiscal year ended January 31,			2019 to 2018	2018 to 2017
	2019	2018 *As adjusted	2017 *As adjusted	% Change	% Change

	(dollars in thousands)				
Income before income taxes	$238,643	$ 165,771	$ 122,355	44%	35%
Provision for income taxes	8,811	14,594	44,783	-40%	-67%
Effective tax rate	3.7 %	8.8 %	36.6 %		

* See note 1 of the notes to the consolidated financial statements for a summary of adjustments.

Our effective tax rate was 3.7%, 8.8%, and 36.6% for the years ended January 31, 2019, 2018, and 2017, respectively. The provision for income taxes differs from the tax computed at the U.S. federal statutory income tax rate due primarily to state taxes, tax credits, equity compensation, and foreign income subject to taxation in the United States. Future tax rates could be adversely affected by unfavorable changes in tax laws and regulations or by adverse rulings in tax related litigation, as may be applicable.

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As discussed in note 11 of the consolidated financial statements, we adopted ASU 2016-09 on February 1, 2017. We recorded all income tax effects of share-based awards in the provision for income taxes in the consolidated statement of comprehensive income on a prospective basis. Prior to adoption, we recognized excess tax benefits from stock-based compensation in excess of par value to the extent that the related tax deduction reduced income taxes payable.

Fiscal 2019 Compared to Fiscal 2018. During the fiscal year ended January 31, 2019, our effective tax rate decreased primarily due to the reduction in the federal tax rate as a result of the Tax Act, an increase in the generation and utilization of tax credits, and the recognition of excess tax benefits related to equity compensation in our provision for income taxes of $45.8 million.

Fiscal 2018 Compared to Fiscal 2017. During the fiscal year ended January 31, 2018, our effective tax rate decreased primarily due to the adoption of ASU 2016-09 on February 1, 2017, the first day of fiscal 2018. The adoption of this guidance on a prospective basis resulted in the recognition of excess tax benefits related to equity compensation in our provision for income taxes of $45.8 million.

Non-GAAP Financial Measures

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

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

- Stock-based compensation expenses. We exclude stock-based compensation expenses from our non-GAAP measures primarily because they are non-cash expenses that we exclude from our internal management reporting processes. We also find it useful to exclude these expenses when we assess the appropriate level of various operating expenses and resource allocations when budgeting, planning and forecasting future periods. Moreover, because of varying available valuation methodologies, subjective assumptions and the variety of award types that companies can use under FASB ASC Topic 718, we believe excluding stock-based compensation expenses allows investors to make meaningful comparisons between our recurring core business operating results and those of other companies.
- Amortization of purchased intangibles. We incur amortization expense for purchased intangible assets in connection with acquisitions of certain businesses and technologies. Amortization of intangible assets is a non-cash expense and is inconsistent in amount and frequency because it is significantly affected by the timing, size of acquisitions and the inherent subjective nature of purchase price allocations. Because these costs have already been incurred and cannot be recovered, and are non-cash expenses, we exclude these expenses for internal management reporting processes. We also find it useful to exclude these charges when assessing the appropriate level of various operating expenses and resource allocations when budgeting, planning and forecasting future periods. Investors should note that the use of intangible assets contributed to our revenues earned during the periods presented and will contribute to our future period revenues as well.

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- Capitalization of internal-use software development expenses and the subsequent amortization of the capitalized expenses. We capitalize certain costs incurred for the development of computer software for internal use and then amortize those costs over the estimated useful life. Capitalization and amortization of software development costs can vary significantly depending on the timing of products reaching technological feasibility and being made generally available. Our internal management reporting processes exclude both the capitalization of software (which would otherwise result in a reduction in net research and development operating expenses) and the amortization of capitalized software (which would otherwise result in an increase in cost of subscription revenues) when preparing budgets, plans and reviewing internal performance. Moreover, because of the variety of approaches taken and the subjective assumptions made by other companies in this area, we believe that excluding the effects of capitalized software costs allows investors to make more meaningful comparisons between our operating results and those of other companies.
- Deferred compensation associated with the Zinc Ahead acquisition. The Zinc Ahead share purchase agreement, as revised, called for share purchase consideration to be deferred and paid at a rate of one-third of the deferred consideration amount per year to certain former Zinc Ahead employee shareholders and option holders who remain employed with us on each deferred consideration payment date. In accordance with GAAP, these payments are being accounted for as deferred compensation and the expense is recognized over the requisite service period. We view this deferred compensation expense as an unusual acquisition cost associated with the Zinc Ahead acquisition and find it useful to exclude it in order to assess the appropriate level of various operating expenses to assist in budgeting, planning and forecasting future periods. We believe excluding this deferred compensation expense from our non-GAAP measures may allow investors to make more meaningful comparisons between our recurring operating results and those of other companies.
- Income tax effects on the difference between GAAP and non-GAAP costs and expenses. The income tax effects that are excluded from the non-GAAP measures relate to the imputed tax impact on the difference between GAAP and non-GAAP costs and expenses due to stock-based compensation, purchased intangibles, capitalized internal-use software and deferred compensation associated with the Zinc Ahead acquisition for GAAP and non-GAAP measures.

Limitations on the use of Non-GAAP financial measures

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

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

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

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

	Fiscal year ended		
	January 31,		
	2019	2018	2017
		*As adjusted	*As adjusted
Operating income on a GAAP basis	$222,866	$ 157,929	$ 120,688
Stock-based compensation expense	76,425	54,049	40,798
Amortization of purchased intangibles	6,965	7,790	8,216
Capitalization of internal-use software	(1,378)	(1,733)	(586)
Amortization of internal-use software	704	619	663
Deferred compensation associated with Zinc Ahead acquisition	343	532	2,815
Operating income on a non-GAAP basis	$305,925	$ 219,186	$ 172,594
Net income on a GAAP basis	$229,832	$ 151,177	$ 77,572
Stock-based compensation expense	76,425	54,049	40,798
Amortization of purchased intangibles	6,965	7,790	8,216
Capitalization of internal-use software	(1,378)	(1,733)	(586)
Amortization of internal-use software	704	619	663
Deferred compensation associated with Zinc Ahead acquisition	343	532	2,815
Income tax effect on non-GAAP adjustments(1)	(58,747)	(64,866)	(10,295)
Net income on a non-GAAP basis	$254,144	$ 147,568	$ 119,183
Diluted net income per share on a GAAP basis	$1.47	$ 0.98	$ 0.53
Stock-based compensation expense	0.49	0.35	0.27
Amortization of purchased intangibles	0.05	0.05	0.06
Capitalization of internal-use software	—	(0.01)	—
Amortization of internal-use software	—	—	—
Deferred compensation associated with Zinc Ahead acquisition	—	—	0.02
Income tax effect on non-GAAP adjustments(1)	(0.38)	(0.41)	(0.07)
Diluted net income per share on a non-GAAP basis	$1.63	$ 0.96	$ 0.81

* See note 1 of the notes to the consolidated financial statements for a summary of adjustments.

(1) For the years ended January 31, 2019 and 2018, we used an estimated annual effective non-GAAP tax rate of 21.0% and 35.0%, respectively.

Liquidity and Capital Resources

	Fiscal year ended January 31, 2019	2018 *As adjusted	2017 *As adjusted
	(in thousands)		
Net cash provided by operating activities(1)	$310,827	$233,438	$144,011
Net cash used in investing activities	(103,869)	(154,520)	(96,754)
Net cash provided by financing activities(1)	25,910	20,773	37,976
Effect of exchange rate changes on cash and cash equivalents	(2,077)	3,089	91
Net change in cash and cash equivalents	$230,791	$102,780	$85,324

*See note 1 of the notes to the consolidated financial statements for a summary of adjustments.

Our principal sources of liquidity continue to be comprised of our cash, cash equivalents and short-term investments, as well as cash flows generated from our operations. At January 31, 2019, our cash, cash equivalents and short-term investments totaled $1.1 billion, of which $63.5 million represented cash and cash equivalents held outside of the United States. During the fiscal year ended January 31, 2019, we repatriated funds in certain foreign jurisdictions that we previously designated as indefinitely reinvested outside the United States. This decision had an immaterial impact to our financial statements. For the remaining non-U.S. cash and cash equivalents that have been earmarked for indefinite reinvestment in our operations outside the United States, no U.S. current or deferred taxes have been accrued. 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 additional funds we have designated as indefinitely reinvested outside the United States. Under currently enacted 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 may be subject to certain jurisdictional 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 technology infrastructure, the introduction of new and enhanced solutions and the continuing market acceptance of our solutions. We may in the future enter into arrangements to acquire or invest in complementary businesses, services and technologies and intellectual property rights. We may be required to seek additional equity or debt financing. 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.

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. The first quarter of our fiscal year is seasonally the strongest quarter for cash inflows due to the timing of our annual subscription billings and related collections. Our primary uses of cash from operating activities are for employee-related expenditures, expenses related to our computing infrastructure (including salesforce.com and Amazon Web Services), third-party professional services costs, employee travel costs, fees for third-party legal counsel, and accounting services and leases for office space.

Fiscal 2019 Compared to Fiscal 2018. Net cash provided by operating activities was $310.8 million for the fiscal year ended January 31, 2019. Our cash provided by operating activities during the fiscal year ended January 31, 2019 primarily reflected our net income of $229.8 million, adjustments for non-cash items of $98.4 million, which was offset by a net decrease in our operating assets and liabilities of $17.4 million. Non-cash charges included $76.4 million of stock-based compensation expense, $14.1 million of depreciation and amortization expense, and $2.4 million of accretion of discounts on short-term investments. The net changes in operating assets and liabilities included an increase of $89.4 million in deferred revenue resulting primarily from increased orders from new and existing customers, which was offset by a decrease of $79.0 million in accounts receivable related to the seasonal nature of our billings and the timing of collections.

Fiscal 2018 Compared to Fiscal 2017. Net cash provided by operating activities was $233.4 million for the fiscal year ended January 31, 2018. Our cash provided by operating activities during the fiscal year ended January 31, 2018 primarily reflected our net income of $151.2 million, adjustments for non-cash items of $87.6 million, and a net decrease in our operating assets and liabilities of $5.3 million. Non-cash charges included $54.0 million of stock-based compensation expense, $14.3 million of depreciation and amortization expense, and $1.4 million of amortization of premiums on short-term investments. The net changes in operating assets and liabilities included an increase of $58.2 million in deferred revenue resulting primarily from increased orders from new and existing customers, which was offset by a decrease of $47.8 million in accounts receivable related to the seasonal nature of our billings and the timing of collections.

Cash Flows from Investing Activities

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

Fiscal 2019 Compared to Fiscal 2018. Net cash used in investing activities was $103.9 million for the fiscal year ended January 31, 2019 resulting primarily from $94.1 million in net purchases of marketable securities, $8.4 million in purchases of property and equipment to support the growth of our business, and $1.4 million of capitalized internal-use software development costs.

Fiscal 2018 Compared to Fiscal 2017. Net cash used in investing activities was $154.5 million for the fiscal year ended January 31, 2018 resulting primarily from $143.2 million in net purchases of marketable securities, $9.6 million in cash used for purchases of property and equipment to support the growth of our business, including the build-out of our new corporate headquarters and $1.7 million of capitalized internal-use software development costs.

Cash Flows from Financing Activities

The cash flows from financing activities relate to stock option exercises.

Fiscal 2019 Compared to Fiscal 2018. Net cash provided by financing activities was $25.9 million for the fiscal year ended January 31, 2019 related to the proceeds from employee stock option exercises.

Fiscal 2018 Compared to Fiscal 2017. Net cash provided by financing activities was $20.8 million for the fiscal year ended January 31, 2018 related to the proceeds from employee stock option exercises.

Commitments

Our principal commitments 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. We have met our first minimum order commitment of $250 million and have a remaining purchase commitment of $216.4 million, as of January 31, 2019, that must be made by September 1, 2025.

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As of January 31, 2019, the future non-cancelable 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)				
Salesforce.com commitments	$216,437	$6,050	$—	$—	$210,387
Operating lease obligations	19,898	5,079	8,906	4,418	1,495
Total	$236,335	$11,129	$8,906	$4,418	$211,882

The amounts in the table above are associated with agreements that are enforceable and legally binding, which specify significant terms including payment terms, related services and the approximate timing of the transaction. Obligations under agreements that we can cancel without a significant penalty are not included in the table.

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.

Critical Accounting Policies and Estimates

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

We believe that of our significant accounting policies, which are described in note 1 of the notes to the consolidated financial statements, the following accounting policies involve a greater degree of judgment and complexity. Accordingly, these are the policies we believe are the most critical to aid in fully understanding and evaluating our consolidated financial condition and results of operations.

Revenue Recognition

We derive our revenues primarily from subscription services and professional services. Subscription services revenues consist of fees from customers accessing our cloud-based software solutions and subscription or license fees for our data solutions. Professional services and other revenues consist primarily of fees from implementation services, configuration, data services, training and managed services related to our solutions. Revenues are recognized when control of these services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services.

We determine revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;

- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, we satisfy a performance obligation.

Our subscription services agreements are generally non-cancelable during the term, although customers typically have the right to terminate their agreements for cause in the event of material breach.

Subscription Services Revenues

Subscription services revenues are recognized ratably over the respective non-cancelable subscription term because of the continuous transfer of control 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 billed on a time and materials basis and revenues are measured monthly based on time incurred and contractually agreed upon rates. Certain professional services revenues are billed on a fixed fee basis and revenues are typically recognized over time based on the proportion of total services performed. Data services and training revenues are generally recognized as the services are performed.

Contracts with Multiple Performance Obligations

Some of our contracts with customers contain multiple performance obligations. For these contracts, we account for individual performance obligations separately when they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. We determine the standalone selling prices based on our overall pricing objectives, taking into consideration market conditions and other factors, including other groupings such as customer type and geography.

Unbilled Accounts Receivable

Unbilled accounts receivable is a contract asset related to the delivery of our subscription services and professional services for which the related billings will occur in a future period. Unbilled accounts receivable consists of (i) revenue recognized for professional services performed but not yet billed and (ii) revenue recognized from non-cancelable, multi-year orders in which fees increase annually but for which we are not contractually able to invoice until a future period.

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ITEM 7A. 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 British Pound Sterling, Euro and Japanese Yen, and may be adversely affected in the future due to changes in foreign currency exchange rates. We continue to experience foreign currency fluctuations primarily due to 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. Changes in exchange rates may negatively affect our revenues and other operating results as expressed in U.S. dollars. For our fiscal years ended January 31, 2019, 2018 and 2017, we had a foreign currency loss of $2.1 million, gain of $1.2 million and loss of $1.0 million, respectively.

We have experienced and will continue to experience fluctuations in our net income as a result of gains or losses related to revaluing certain current asset and current liability balances that are denominated in currencies other than the functional currency of the entities in which they are recorded. We engage in the hedging of our foreign currency transactions as described in note 7 of the consolidated financial statements and may, in the future, hedge selected significant transactions or net monetary exposure positions denominated in currencies other than the U.S. dollar.

Interest rate sensitivity

We had cash, cash equivalents and short-term investments totaling $1.1 billion as of January 31, 2019. This amount was invested primarily in U.S. agency obligations, U.S. treasury securities, corporate notes and bonds, commercial paper, asset-backed securities, mortgage-backed securities, foreign government bonds, and money market funds. The cash and cash equivalents are held for working capital 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, which could affect our results of operations. Fixed rate securities may have their market value adversely affected due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fluctuate due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that decline in market value due to changes in interest rates. However, because we classify our marketable securities as “available for sale,” no gains or losses are recognized due to changes in interest rates unless such securities are sold prior to maturity or declines in fair value are determined to be other-than-temporary. Our fixed-income portfolio is subject to interest rate risk.

An immediate increase of 100-basis points in interest rates would have resulted in a $3.0 million market value reduction in our investment portfolio as of January 31, 2019. An immediate decrease of 100-basis points in interest rates would have increased the market value by $3.0 million as of January 31, 2019. This estimate is based on a sensitivity model that measures market value changes when changes in interest rates occur. Fluctuations in the value of our investment securities caused by a change in interest rates (gains or losses on the carrying value) are recorded in other comprehensive income and are realized only if we sell the underlying securities.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
VEEVA SYSTEMS INC.

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Veeva Systems Inc.:

Opinions on the Consolidated Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Veeva Systems Inc. and its subsidiaries (the Company) as of January 31, 2019 and 2018, and the related consolidated statements of comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended January 31, 2019, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of January 31, 2019, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of January 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended January 31, 2019, in conformity with U.S. generally accepted accounting principles. Also in our opinion, Veeva Systems Inc. maintained, in all material respects, effective internal control over financial reporting as of January 31, 2019 based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Change in Accounting Principle

As discussed in note 1 to the consolidated financial statements, the Company has changed its method of accounting for revenue from contracts with customers and accounting for sales commissions due to the adoption of Accounting Standards Codification Topic 606, Revenue from Contracts with Customers, and Subtopic 340-40, Other Assets and Deferred Costs – Contracts with Customers. The Company adopted the new revenue standard using the full retrospective approach.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

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Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

We have served as the Company's auditor since 2010.

Santa Clara, California

March 28, 2019

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VEEVA SYSTEMS INC.

CONSOLIDATED BALANCE SHEETS

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

	January 31, 2019	January 31, 2018 *As adjusted
Assets		
Current assets:		
Cash and cash equivalents	$550,971	$320,183
Short-term investments	539,190	441,779
Accounts receivable, net of allowance for doubtful accounts of $468 and $345, respectively	303,465	224,668
Unbilled accounts receivable	18,122	13,348
Prepaid expenses and other current assets	21,666	12,443
Total current assets	1,433,414	1,012,421
Property and equipment, net	54,966	52,284
Deferred costs, net	30,869	30,306
Goodwill	95,804	95,804
Intangible assets, net	24,521	31,490
Deferred income taxes, noncurrent	5,938	2,222
Other long-term assets	8,254	5,806
Total assets	$1,653,766	$1,230,333
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$9,110	$6,944
Accrued compensation and benefits	15,324	17,054
Accrued expenses and other current liabilities	16,145	13,152
Income tax payable	4,086	2,080
Deferred revenue	356,357	266,939
Total current liabilities	401,022	306,169
Deferred income taxes, noncurrent	6,095	10,949
Other long-term liabilities	8,900	6,977
Total liabilities	416,017	324,095
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Class A common stock, $0.00001 par value; 800,000,000 shares authorized, 125,980,019 and 117,246,735 issued and outstanding at January 31, 2019 and 2018, respectively	1	1

Class B common stock, $0.00001 par value; 190,000,000 shares authorized, 20,210,060 and 24,822,661 issued and outstanding at January 31, 2019 and 2018, respectively	—	—
Additional paid-in capital	617,623	515,272
Accumulated other comprehensive income	928	1,600
Retained earnings	619,197	389,365
Total stockholders’ equity	1,237,749	906,238
Total liabilities and stockholders’ equity	$1,653,766	$1,230,333

See Notes to Consolidated Financial Statements.

*See note 1 of the notes to the consolidated financial statements for a summary of adjustments.

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VEEVA SYSTEMS INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands, except per share data)

	Fiscal year ended January 31, 2019	2018 *As adjusted	2017 *As adjusted
Revenues:			
Subscription services	$694,467	$559,434	$440,815
Professional services and other	167,743	131,125	109,727
Total revenues	862,210	690,559	550,542
Cost of revenues(1):			
Cost of subscription services	117,009	110,465	94,386
Cost of professional services and other	128,272	100,957	79,295
Total cost of revenues	245,281	211,422	173,681
Gross profit	616,929	479,137	376,861
Operating expenses(1):			
Research and development	158,783	132,017	96,743
Sales and marketing	148,867	128,781	110,634
General and administrative	86,413	60,410	48,796
Total operating expenses	394,063	321,208	256,173
Operating income	222,866	157,929	120,688
Other income, net	15,777	7,842	1,667
Income before income taxes	238,643	165,771	122,355
Provision for income taxes	8,811	14,594	44,783
Net income	$229,832	$151,177	$77,572
Net income attributable to Class A and Class B common stockholders, basic and diluted	$229,832	$151,177	$77,569
Net income per share attributable to Class A and Class B common stockholders:			
Basic	$1.59	$1.08	$0.57
Diluted	$1.47	$0.98	$0.53
Weighted-average shares used to compute net income per share attributable to Class A and Class B common stockholders:			
Basic	144,244	140,311	135,698
Diluted	156,117	153,681	147,578
Other comprehensive income:			

Net change in unrealized gain (losses) on available-for-sale investments	$1,409	$(1,598)	$(153)
Net change in cumulative foreign currency translation gain (loss)	(2,081)	3,086	92
Comprehensive income	$229,160	$152,665	$77,511

(1) Includes stock-based compensation as follows:

Cost of revenues:			
Cost of subscription services	$1,553	$1,448	$1,109
Cost of professional services and other	10,575	8,476	6,002
Research and development	22,138	17,782	11,937
Sales and marketing	18,381	16,288	13,271
General and administrative	23,778	10,055	8,479
Total stock-based compensation	$76,425	$54,049	$40,798

See Notes to Consolidated Financial Statements.

*See note 1 of the notes to the consolidated financial statements for a summary of adjustments.

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VEEVA SYSTEMS INC.

CONSOLIDATED STATEMENTS STOCKHOLDERS' EQUITY

(In thousands, except share data)

	Class A & B Common stock Shares	Amount	Additional Paid-in Capital *As adjusted	Retained Earnings *As adjusted	Accumulated Other Comprehensive Income *As adjusted	Total Stockholders' Equity *As adjusted
Balance at January 31, 2016	133,545,185	1	361,691	160,116	172	521,980
Issuance of common stock upon exercise of stock options	3,369,356	—	12,443	—	—	12,443
Vesting of early exercised stock options	—	—	26	—	—	26
Issuance of common stock upon vesting of restricted stock units	972,078	—	(14)	—	—	(14)
Stock-based compensation expense	—	—	39,884	696	—	40,580
Excess tax benefits from employee stock plans	—	—	25,628	—	—	25,628
Other comprehensive loss	—	—	—	—	(61)	(61)
Net income	—	—	—	77,572	—	77,572
Balance at January 31, 2017	137,886,619	$ 1	$ 439,658	$ 238,384	$ 111	$ 678,154
Issuance of common stock upon exercise of stock options	2,935,962	—	21,194	—	—	21,194
Vesting of early exercised stock options	—	—	1	—	—	1
Issuance of common stock upon vesting of restricted stock units	1,246,815	—	—	—	—	—
Stock-based compensation expense	—	—	54,419	—	—	54,419
Excess tax benefits from employee stock plans	—	—	—	—	—	—
Other comprehensive income	—	—	—	(196)	1,489	1,293
Net income	—	—	—	151,177	—	151,177
Balance at January 31, 2018	142,069,396	$ 1	$ 515,272	$ 389,365	$ 1,600	$ 906,238
Issuance of common stock upon	2,807,092	—	25,554	—	—	25,554

exercise of stock options						
Vesting of early exercised stock options	—	—	—	—	—	—
Issuance of common stock upon vesting of restricted stock units	1,313,591	—	—	—	—	—
Stock-based compensation expense	—	—	76,797	—	—	76,797
Excess tax benefits from employee stock plans	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	(672)	(672)
Net income	—	—	—	229,832	—	229,832
Balance at January 31, 2019	146,190,079	$ 1	$ 617,623	$ 619,197	$ 928	$ 1,237,749

See Notes to Consolidated Financial Statements.

*See note 1 of the notes to the consolidated financial statements for a summary of adjustments.

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VEEVA SYSTEMS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Fiscal year ended January 31, 2019	2018 * As adjusted	2017 * As adjusted
Cash flows from operating activities			
Net income	$229,832	$151,177	$77,572
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	14,071	14,277	13,825
Amortization of premiums (accretion of discount) on short-term investments	(2,431)	1,389	1,852
Stock-based compensation	76,425	54,049	40,798
Amortization of deferred costs	18,378	16,647	14,187
Deferred income taxes	(8,091)	1,209	(1,120)
(Gain) Loss on foreign currency from market-to-market derivative	(177)	265	—
Bad debt expense (recovery)	198	(242)	130
Changes in operating assets and liabilities:			
Accounts receivable	(78,995)	(47,799)	(36,647)
Unbilled accounts receivable	(4,774)	(4,329)	(3,026)
Deferred costs	(18,941)	(18,795)	(20,408)
Income taxes	637	(2,520)	911
Prepaid expenses and other current and long-term assets	(10,562)	(2,493)	831
Accounts payable	1,822	1,396	1,113
Accrued expenses and other current liabilities	963	7,149	336
Deferred revenue	89,416	58,240	51,234
Other long-term liabilities	3,056	3,818	2,423
Net cash provided by operating activities	310,827	233,438	144,011
Cash flows from investing activities			
Purchases of short-term investments	(726,379)	(437,858)	(314,847)
Maturities and sales of short-term investments	632,329	294,705	225,600
Purchases of property and equipment	(8,440)	(9,633)	(6,923)
Capitalized internal-use software development costs	(1,379)	(1,734)	(584)
Net cash used in investing activities	(103,869)	(154,520)	(96,754)
Cash flows from financing activities			
Proceeds from exercise of common stock options	25,910	20,773	12,362

Restricted stock units acquired to settle employee tax withholding liability	—	—	(14)
Excess tax benefits from employee stock plans	—	—	25,628
Net cash provided by financing activities	25,910	20,773	37,976
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(2,077)	3,089	91
Net change in cash, cash equivalents, and restricted cash	230,791	102,780	85,324
Cash, cash equivalents, and restricted cash at beginning of period	321,387	218,607	133,283
Cash, cash equivalents, and restricted cash at end of period	$552,178	$321,387	$218,607
Cash, cash equivalents, and restricted cash at end of period:			
Cash and cash equivalents	$550,971	$320,183	$217,606
Restricted cash included in other long-term assets	1,207	1,204	1,001
Total cash, cash equivalents, and restricted cash at end of period	$552,178	$321,387	$218,607
Supplemental disclosures of other cash flow information:			
Cash paid for income taxes, net of refunds	$19,541	$12,461	$14,154
Excess tax benefits from employee stock plans	$45,830	$45,864	$25,628
Non-cash investing and financing activities:			
Changes in accounts payable and accrued expenses related to property and equipment purchases	$644	$(1,388)	$460
Vesting of early exercised stock options	$—	$1	$26

See Notes to Consolidated Financial Statements.

* See note 1 of the notes to the consolidated financial statements for a summary of adjustments.

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Note 1. Summary of Business and Significant Accounting Policies

Description of Business

Veeva is the leading provider of industry cloud solutions for the global life sciences industry. We were founded in 2007 on the premise that industry-specific cloud solutions could best address the operating challenges and regulatory requirements of life sciences companies. Our solutions are designed to meet the unique needs of our customers and their most strategic business functions—from research and development (R&D) to commercialization. Our solutions are designed to help life sciences companies develop and bring products to market faster and more efficiently, market and sell more effectively, and maintain compliance with government regulations. Veeva is also offering its content and data management solutions to a new set of customers outside of life sciences in regulated industries, including consumer goods, chemicals, and cosmetics. Our fiscal year end is January 31.

Principles of Consolidation and Basis of Presentation

These 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 annual financial reporting and include the accounts of our wholly-owned subsidiaries after elimination of intercompany accounts and transactions.

Effective February 1, 2018, we adopted the requirements of Topic 606, ASU 2016-18, "Statement of Cash Flows, Restricted Cash," and ASU 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income," as discussed in this note. All amounts and disclosures set forth in this Form 10-K for previously reported periods have also been updated to comply with the new standards, as indicated by the "as adjusted" tables in this footnote.

Use of Estimates

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

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

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

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Segment Information

Operating segments are defined as components of an enterprise about which separate financial information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assessing performance. We define the term “chief operating decision maker” to be our Chief Executive Officer. Our Chief Executive Officer reviews the financial information presented on a consolidated basis for purposes of allocating resources and evaluating our financial performance. Accordingly, we have determined that we operate in a single reportable operating segment. Since we operate in one operating segment, all required financial segment information can be found in the consolidated financial statements.

Revenue Recognition

We derive our revenues primarily from subscription services and professional services. Subscription services revenues consist of fees from customers accessing our cloud-based software solutions and subscription or license fees for our data solutions. Professional services and other revenues consist primarily of fees from implementation services, configuration, data services, training and managed services related to our solutions. Revenues are recognized when control of these services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services.

We determine revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, we satisfy a performance obligation.

Our subscription services agreements are generally non-cancelable during the term, although customers typically have the right to terminate their agreements for cause in the event of material breach.

Subscription Services Revenues

Subscription services revenues are recognized ratably over the respective non-cancelable subscription term because of the continuous transfer of control 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 billed on a time and materials basis and revenues are measured monthly based on time incurred and contractually agreed upon rates. Certain professional services revenues are billed on a fixed fee basis and revenues are typically recognized over time based on the proportion of total services performed. Data services and training revenues are generally recognized as the services are performed.

Contracts with Multiple Performance Obligations

Some of our contracts with customers contain multiple performance obligations. For these contracts, we account for individual performance obligations separately when they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. We determine the standalone selling prices based on our overall pricing objectives, taking into consideration market conditions and other factors, including other groupings such as customer type and geography.

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Unbilled Accounts Receivable

Unbilled accounts receivable is a contract asset related to the delivery of our subscription services and professional services for which the related billings will occur in a future period. Unbilled accounts receivable consists of (i) revenue recognized for professional services performed but not yet billed and (ii) revenue recognized from non-cancelable, multi-year orders in which fees increase annually but for which we are not contractually able to invoice until a future period.

Deferred Costs

Deferred costs include sales commissions associated with obtaining a contract with a customer. These costs are deferred and then amortized over a period of benefit that we have determined to be three years. We determined the period of benefit by taking into consideration our customer contracts, our technology and other factors. Amortization expense is included in sales and marketing expenses in the accompanying consolidated statements of operations.

Deferred Revenue

Deferred revenue is a contract liability primarily related to billings or payments received in advance of revenue recognition from our subscription services and, to a lesser extent, professional services and other revenues described above. Deferred revenue is recognized as we satisfy our performance obligations. We generally invoice our customers in annual or quarterly installments for subscription services. 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 and the remaining portion is recorded as noncurrent, which is included in other long-term liabilities on the consolidated balance sheet.

Certain Risks and Concentrations of Credit Risk

Our revenues are derived from subscription services, professional services and other services delivered primarily to the 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 by established 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 significantly 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, losses related to lack of collectibility have not been material.

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

	January 31, 2019	January 31, 2018
Customer 1	17%	18%
Customer 2	*	13%
Customer 3	10%	*

*Does not exceed 10%.

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In our fiscal years ended January 31, 2019, 2018 and 2017, our top 10 customers accounted for 39%, 42% and 45% of our total revenues, respectively. No single customer represented over 10% of our total revenues for any of the years presented.

Cash Equivalents

We consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. We classify certain restricted cash balances within other long-term assets on the accompanying balance sheets based upon the term of the remaining restrictions.

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, net, in the 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, net, in the consolidated statements of comprehensive income.

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 consolidated balance sheets.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount and do not bear interest. We establish an allowance for doubtful accounts for estimated losses expected in our accounts receivable portfolio. In establishing the required allowance, we use the specific-identification method, and management considers historical losses adjusted to take into account current market conditions and the customers’ financial condition, the amount of receivables in dispute, and the current receivables aging and current payment patterns. We review our allowance for doubtful accounts periodically. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Activity related to our allowance for doubtful accounts was as follows (in thousands):

	Fiscal Year Ended January 31,		
	2019	2018	2017
Balance at beginning of period	$345	$659	$542
Add: charges (credits) to expenses	198	(242)	130
Less: (write-offs)	(75)	(72)	(13)
Balance at end of period	$468	$345	$659

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Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets and commences once the asset is placed in service or ready for its intended use. Construction in progress is related to the construction or development of property (including land) and equipment that has not yet been placed in service for our intended use. The estimated useful lives by asset classification are generally as follows:

Asset Classification	Estimated Useful Life
Land	Not depreciated
Building	30 years
Land and building improvements	Shorter of remaining life of building or estimated useful life
Equipment and computers	3 years
Furniture and fixtures	5 years
Leasehold improvements	Shorter of remaining life of the lease term or estimated useful life

Upon sale or retirement of an asset, the cost and related accumulated depreciation are removed from the general ledger and any related gains or losses are reflected in operating expenses. Repairs and maintenance are charged to our statement of comprehensive income as incurred.

Internal-Use Software

We capitalize certain costs incurred for the development of computer software for internal use. These costs generally relate to the development of our CRM, content and information management and customer master solutions. We capitalize these costs during the development of the project, when it is determined that it is probable that the project will be completed, and the software will be used as intended. Costs related to preliminary project activities, post-implementation activities, training and maintenance are expensed as incurred. Internal-use software is amortized on a straight-line basis over its estimated useful life, generally three years, and the amortization expense is recorded as a component of cost of subscription services. Management evaluates the useful lives of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets. We exercise judgment in determining the point at which various projects may be capitalized, in assessing the ongoing value of the capitalized costs and in determining the estimated useful lives over which the costs are amortized. To the extent that we change the manner in which we develop and test new features and functionalities related to our solutions, assess the ongoing value of capitalized assets or determine the estimated useful lives over which the costs are amortized, the amount of internal-use software development costs we capitalize and amortize could change in future periods.

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of the underlying net tangible and intangible assets acquired and liabilities assumed in connection with business combinations accounted for using the acquisition method of accounting. Goodwill is not amortized, but instead goodwill is required to be tested for impairment annually and under certain circumstances. We perform such testing of goodwill in the fourth quarter of each year, or as events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

If we determine that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we then conduct a two-step test for impairment of goodwill. The first step of the test for goodwill impairment compares the fair value of the applicable reporting unit with its carrying value. If the fair value of a reporting unit is less than the reporting unit’s carrying value, we will perform the second step of the test for impairment of goodwill. During the second step of the test for impairment of goodwill, we will compare the implied fair value of the reporting unit’s goodwill with the carrying value of that goodwill. If the carrying value of the goodwill exceeds the calculated implied fair value, the excess amount will be recognized as an impairment loss. We have one reporting unit and evaluate goodwill for impairment at the entity level. We completed our annual impairment test in our fourth quarter of the fiscal year ended January 31, 2019, which did not result in any impairment of the goodwill balance.

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All other intangible assets associated with purchased intangibles, consisting of existing technology, databases, customer contracts and relationships, software, and brand are stated at cost less accumulated amortization and are amortized on a straight-line basis over their estimated remaining economic lives. Amortization expense related to existing technology, databases and software is included in cost of subscription services. Amortization expense related to customer contracts and relationships and brand are included in sales and marketing expense.

Long-Lived Assets

Long-lived assets, such as property and equipment and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, we first compare undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. There were no impairment charges recognized during any of the periods presented.

Business Combinations

We use our best estimates and assumptions to accurately assign fair value to the tangible and intangible assets acquired and liabilities assumed at the acquisition date. Our estimates are inherently uncertain and subject to refinement. During the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the fair value of these tangible and intangible assets acquired and liabilities assumed, with the corresponding offset to goodwill. In addition, uncertain tax positions and tax-related valuation allowances are initially established in connection with a business combination as of the acquisition date. We continue to collect information and reevaluate these estimates and assumptions quarterly and record any adjustments to our preliminary estimates to goodwill provided that we are within the measurement period. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our consolidated statements of comprehensive income.

Stock-based Compensation

We recognize compensation expense for all stock-based awards, including stock options and restricted stock units (RSUs), based on the estimate of fair value of the award at the grant date. The fair value of each option award is estimated on the grant date using either a Monte Carlo simulation for market condition awards or Black-Scholes option-pricing model and a single option award approach. These models require that at the date of grant we determine the fair value of the underlying common stock, the expected term of the award, the expected volatility of the price of our common stock, risk-free interest rates, and expected dividend yield of our common stock. The fair value of each RSU award is measured based on the closing stock price of our common stock on the date of grant. We account for forfeitures as they occur. The compensation expense is recognized using a straight-line basis over the requisite service periods of the awards, which is generally four to nine years.

The determination of the grant date fair value of stock based payment awards using an option-pricing model is affected by assumptions regarding a number of other complex and subjective variables, which include our expected stock price volatility over the expected term of the options, stock option exercise behaviors, risk-free interest rates and expected dividends.

Cost of Revenues

Cost of subscription services revenues for all of our solutions consists of expenses related to our computing infrastructure provided by third parties, including salesforce.com and Amazon Web Services, personnel related costs associated with hosting our subscription services and providing support, including our data stewards, 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 Veeva CRM and certain of our multichannel customer relationship management applications includes fees paid to salesforce.com for our use of the Salesforce1 Platform and the associated hosting infrastructure and data center operations that are provided by salesforce.com. We intend to continue to invest additional resources in our subscription services to enhance our product offerings and increase our delivery capacity. We may add or expand computing infrastructure capacity in the future, migrate to new computing infrastructure service providers, and make additional investments in the availability and security of our solutions.

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.

Sales Commissions

Sales commission for subscription services are recorded when earned by our sales team. Commissions are typically earned upon the booking of a customer contract. The majority of our sales commissions are considered to be costs of obtaining our customer contracts and as a result are capitalized and then amortized over a period of benefit that we have estimated to be three years. The remaining sales commissions are recorded as a component of sales and marketing expenses and totaled $0.5 million, $4.8 million, and $3.5 million for the fiscal years ended January 31, 2019, 2018, and 2017, respectively.

Advertising Expenses

Advertising is expensed as incurred. Advertising expense was immaterial for each of the years presented.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

We regularly assess the realizability of our deferred tax assets and establish a valuation allowance if it is more-likely-than-not that some or all of our deferred tax assets will not be realized. We evaluate and weigh all available positive and negative evidence such as historic results, future reversals of existing deferred tax liabilities, projected future taxable income, as well as prudent and feasible tax-planning strategies. Generally, more weight is given to objectively verifiable evidence, such as the cumulative income in recent years.

We establish liabilities or reduce assets for uncertain tax positions when we believe certain tax positions are not more likely than not of being sustained if challenged. We recognize liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining whether the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. If we determine that a tax position will more likely than not be sustained on audit, the second step requires us to estimate and measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement with the tax authority. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and may not accurately forecast actual outcomes. Determining whether an uncertain tax position is effectively settled requires judgment. Such a change in status or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision.

We recognize interest accrued and penalties related to unrecognized tax benefits in our income tax expense.

Other Comprehensive Income

Accumulated other comprehensive income is reported as a component of stockholders' equity and includes unrealized gains and losses on marketable securities that are available-for-sale and foreign currency translation adjustments.

Foreign Currency Exchange

The functional currency for Brazil, China, India, Japan, Korea and the Zinc subsidiaries in the United Kingdom is their local currency and for all other foreign subsidiaries their functional currency is the U.S. dollar. Adjustments resulting from translating foreign functional currency financial statements into U.S. dollars for those entities that do not have U.S. dollars as their functional currency are recorded as part of a separate component of the consolidated statements of comprehensive income. Foreign currency transaction gains and losses are included in the consolidated statements of operations for the period. All monetary assets and liabilities denominated non-functional currency are translated into the functional currency at the exchange rate on the balance sheet date. Revenues and expenses are translated at the average exchange rate during the period. Equity transactions are translated using historical exchange rates.

Warranties and Indemnification

Our cloud applications are generally warranted to perform materially in accordance with our standard services description documentation. Additionally, our contracts generally include provisions for indemnifying customers against liabilities if our solutions infringe a third party's intellectual property rights, and we may also incur liabilities if we breach the security and/or confidentiality obligations in our contracts. To date, we have not incurred any material costs, and we have not accrued any liabilities in the accompanying consolidated financial statements, as a result of these obligations. We also entered into service-level agreements with our customers that specify required levels of application uptime and permit customers to receive credits or to terminate their agreements and receive a refund of prepaid amounts related to unused subscription services in the event that we fail to meet required performance levels. As of January 31, 2019, we have not accrued any liabilities related to these agreements in the consolidated financial statements.

New Accounting Pronouncements Adopted in Fiscal 2019

Income Taxes

In March 2018, the FASB issued ASU No. 2018-05, “Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118.” This standard amends ASC 740, Income Taxes, to provide accounting guidance for the tax effects of the Tax Cuts and Jobs Act of 2017 (Tax Act) pursuant to Staff Accounting Bulletin No. 118, which allows companies to complete the accounting under ASC 740 within a one-year measurement period from the Tax Act enactment date. This standard is effective upon issuance. As of January 31, 2019, we have completed our accounting for the income tax effects for the Tax Act. Future changes in law, interpretations, and facts may impact our provision for income taxes.

Stranded Tax Effects in Accumulated Other Comprehensive Income

In February 2018, the FASB issued ASU 2018-02, "Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." This update allows reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Act.

Topic 220 is effective for fiscal years beginning after December 15, 2018, including interim periods within those years. We early adopted this standard effective February 1, 2018. The impact on our consolidated financial statements was immaterial.

Restricted Cash

In November 2016, the FASB issued ASU 2016-18, “Statement of Cash, Restricted Cash,” which requires that amounts generally described as restricted cash or restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This standard is effective for our interim and annual reporting periods beginning after December 15, 2017. We adopted ASU 2016-18 retrospectively, effective February 1, 2018. As a result of including restricted cash with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts presented on the consolidated statement of cash flows, the impact on net cash flows for the fiscal year ended January 31, 2019 was immaterial.

Financial Instruments

In January 2016, the FASB issued ASU 2016-01, “Financial Instruments.” ASU 2016-01, among other things, requires equity investments, with certain exceptions, to be measured at fair value with changes in fair value recognized in net income and clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity’s other deferred tax assets. This standard is effective for our interim and annual reporting periods beginning after December 15, 2017. We adopted ASU 2016-01 effective February 1, 2018. There was no impact to our consolidated financial statements.

Revenue Recognition

In May 2014, the FASB issued Topic 606. This guidance outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model 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. Topic 606 supersedes the existing revenue recognition guidance in “Revenue Recognition (Topic 605)”.

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We have adopted the requirements of the new standard as of February 1, 2018, utilizing the full retrospective transition method. Adoption of the new standard resulted in changes to our accounting policies for revenue recognition, unbilled accounts receivable, and deferred costs as detailed above in our description of Revenue Recognition. We applied a practical expedient provided by the new standard and are not disclosing the amount of consideration allocated to the remaining performance obligations for all reporting periods presented before the date of the initial application.

The impact of adoption included Subtopic 340-40, "Other Assets and Deferred Costs-Contracts with Customers," requiring the deferral of costs to obtain customer contracts, which is comprised of commissions on our subscription services arrangements. Such costs were expensed as incurred under Topic 605, whereas under Topic 606, they are generally capitalized and amortized over the costs' associated term of economic benefit. We have determined that the term of economic benefit of our costs to obtain customer contracts is three years.

Revenue for the majority of our subscription services customer contracts will continue to be recognized over time because of the continuous transfer of control to the customer; however, there is some impact to revenue primarily driven by (i) accounting for the removal of the limitation on contingent revenue, which may result in revenue being recognized earlier for certain contracts and (ii) allocation of revenue from subscription services to professional services.

We adjusted our consolidated financial statements from amounts previously reported due to the adoption of Topic 606, ASU 2016-18, and Topic 220. Select consolidated balance sheet line items, which reflect the adoption of these new standards are as follows (in thousands):

	January 31, 2018			
	As Reported	Adjustments		As adjusted
Assets				
Accounts receivable[1]	$233,731	(9,063)	a	$224,668
Unbilled accounts receivable[1]	—	13,348	a	13,348
Deferred costs, net	—	30,306	a	30,306
Deferred income taxes, non-current	3,490	(1,268)	a	2,222
Liabilities				
Deferred revenue	$275,446	$ (8,507)	a	$266,939
Deferred income taxes, non-current	3,828	7,121	a	10,949
Stockholders' equity:				
Accumulated other comprehensive income	$1,404	$ 196	b	$1,600
Retained earnings	354,850	34,515	a, b	389,365

(1) Unbilled accounts receivable was previously included in Accounts receivable before the adoption of Topic 606.
a Adjusted to reflect the adoption of ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)."
b

Adjusted to reflect the adoption of ASU 2018-02, “Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.”

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Select audited consolidated statement of comprehensive income line items, which reflect the adoption of the new standards are as follows (in thousands, except per share data):

	Year ended January 31, 2018			
	As Reported	Adjustments		As adjusted
Revenues:				
Subscription services	$554,446	$ 4,988	a	$559,434
Operating expenses:				
Sales and marketing	130,898	(2,117	)a	128,781
Operating income	150,792	7,137	a	157,929
Provision for income taxes	16,668	(2,074	)a	14,594
Net income	$141,966	$ 9,211	a	$151,177
Net income per share attributable to Class A and Class B common stockholders:				
Basic	$1.01	$ 0.07	a	$1.08
Diluted	$0.92	$ 0.06	a	$0.98

	Year ended January 31, 2017			
	As Reported	Adjustments		As adjusted
Revenues:				
Subscription services	$434,316	$ 6,499	a	$440,815
Operating expenses:				
Sales and marketing	116,803	(6,169	)a	110,634
Operating income	107,968	12,720	a	120,688
Provision for income taxes	40,831	3,952	a	44,783
Net income	$68,804	$ 8,768	a	$77,572
Net income per share attributable to Class A and Class B common stockholders:				
Basic	$0.51	$ 0.06	a	$0.57
Diluted	$0.47	$ 0.06	a	$0.53

a Adjusted to reflect the adoption of ASU 2014-09, “Revenue from Contracts with Customers (Topic 606).”

Select audited consolidated statement of cash flows line items, which reflect the adoption of the new standards are as follows (in thousands, except per share data):

	Year ended January 31, 2018			
	As Reported	Adjustments		As adjusted
Cash flows from operating activities				
Net income	$141,966	$ 9,211	a	$151,177
Adjustments to reconcile net income to net cash provided by operating activities:				
Amortization of deferred costs	—	16,647	a	16,647
Deferred income taxes	3,282	(2,073)	a	1,209
Changes in operating assets and liabilities:				
Accounts receivable	(50,673)	2,874	a	(47,799)
Unbilled accounts receivable	—	(4,329)	a	(4,329)
Deferred costs	—	(18,795)	a	(18,795)
Deferred revenue	61,773	(3,533)	a	58,240
Net cash provided by operating activities	233,437	1	a	233,438
Change in restricted cash and deposits	(202)	202	b	—
Net cash used in investing activities	(154,722)	202	b	(154,520)
Net change in cash, cash equivalents and restricted cash	102,577	203	b	102,780
Cash, cash equivalents and restricted cash at the beginning of period	217,606	1,001	b	218,607
Cash, cash equivalents and restricted cash at the end of period	$320,183	$ 1,204	b	$321,387

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	Year ended January 31, 2017 As Reported	Adjustments		As adjusted
Cash flows from operating activities				
Net income	$68,804	$ 8,768	a	$77,572
Adjustments to reconcile net income to net cash provided by operating activities:				
Amortization of deferred costs	—	14,187	a	14,187
Deferred income taxes	(5,073)	3,953	a	(1,120)
Changes in operating assets and liabilities:				
Accounts receivable	(38,148)	1,501	a	(36,647)
Unbilled accounts receivable	—	(3,026)	a	(3,026)
Deferred costs	—	(20,408)	a	(20,408)
Deferred revenue	56,208	(4,974)	a	51,234
Net cash provided by operating activities	144,011	—	a	144,011
Change in restricted cash and deposits	102	(102)	b	—
Net cash (used in) provided by investing activities	(96,652)	(102)	b	(96,754)
Net change in cash, cash equivalents and restricted cash	85,427	(103)	b	85,324
Cash, cash equivalents and restricted cash at the beginning of period	132,179	1,104	b	133,283
Cash, cash equivalents and restricted cash at the end of period	$217,606	$ 1,001	b	$218,607

a Adjusted to reflect the adoption of ASU 2014-09, “Revenue from Contracts with Customers (Topic 606).”
b Adjusted to reflect the adoption of ASU 2016-18, “Statement of Cash Flows, Restricted Cash.”
Future periods may or may not have the same impact as those set forth above.

Recently Issued Accounting Pronouncements

Leases

In February 2016, the FASB issued ASU 2016-02, “Leases” (Topic 842), which requires lessees to record most leases on their balance sheets but recognize the expenses on their statements of comprehensive income in a manner similar to current accounting rules. Topic 842 states that a lessee would recognize a lease liability for the obligation to make lease payments and a right-of-use (ROU) asset for the right to use the underlying asset for the lease term. The updated guidance is effective for interim and annual periods beginning after December 15, 2018, and early adoption is permitted. We plan to adopt this new standard in the first quarter of fiscal 2020 on February 1, 2019 and expect to use the effective date as our date of initial application. Consequently, financial information will not be updated and the disclosures required under the new standard will not be provided for dates and periods before February 1, 2019.

The new standard provides a number of optional practical expedients in transition. We expect to elect the ‘package of practical expedients,’ which permits us not to reassess under the new standard our prior conclusions about lease identification, lease classification and initial direct costs. We do not expect to elect the use-of-hindsight or the practical expedient pertaining to land easements; the latter not being applicable to us. The new standard also provides practical expedients for an entity's ongoing accounting. We currently expect to elect the short-term lease recognition exemption for all of our leases. This means, for those leases that qualify, we will not recognize ROU assets or lease liabilities, and this includes not recognizing ROU assets or lease liabilities for existing short-term leases of those assets in transition. We also currently do not expect to apply the practical expedient to not separate lease and non-lease components for all of our office leases but expect to apply this practical expedient for equipment leases.

On adoption, we currently expect to recognize additional operating liabilities of approximately $20 to 21 million, with corresponding ROU assets of approximately $18 to 19 million based on the present value of the remaining minimum rental payments under current leasing standards for existing operating leases.

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Note 2. Short-Term Investments

At January 31, 2019, short-term investments consisted of the following (in thousands):

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Available-for-sale securities:				
Certificates of deposits	$ 6,001	$ 10	$ (1)	$ 6,010
Asset-backed securities	78,682	13	(300)	78,395
Commercial paper	9,118	1	(2)	9,117
Corporate notes and bonds	185,409	178	(457)	185,130
Foreign government bonds	1,502	—	(11)	1,491
U.S. agency obligations	15,912	2	(2)	15,912
U.S. treasury securities	243,119	78	(62)	243,135
Total available-for-sale securities	$ 539,743	$ 282	$ (835)	$ 539,190

At January 31, 2018, 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	$ 67,875	$ —	$ (424)	$ 67,451
Commercial paper	19,926	—	(12)	19,914
Corporate notes and bonds	160,499	1	(759)	159,741
Foreign government bonds	1,504	—	(18)	1,486
Mortgage backed securities	11,555	—	(75)	11,480
U.S. agency obligations	71,206	1	(76)	71,131
U.S. treasury securities	110,707	5	(136)	110,576
Total available-for-sale securities	$ 443,272	$ 7	$ (1,500)	$ 441,779

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):

	January 31,	
	2019	2018

Due in one year or less	$377,858	$308,172
Due in greater than one year	161,332	133,607
Total	$539,190	$441,779

We have certain available-for-sale securities in a gross unrealized loss position, some of which have been in that position for more 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, our financial position and near-term prospects 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, we would write down the respective investment to fair value. For debt securities, the portion of the write-down related to credit loss would be recognized as other income, net in our 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 January 31, 2019 and 2018.

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The following table shows the fair values of these available-for-sale securities that have been in a gross unrealized loss position for more than 12 months, aggregated by investment category as of January 31, 2019 (in thousands):

	Fair value	Gross unrealized losses
Certificates of deposits	$999	$ (1)
Asset-backed securities	69,131	(300)
Commercial paper	7,155	(2)
Corporate notes and bonds	121,006	(457)
Foreign government bonds	1,490	(11)
U.S. agency obligations	14,928	(2)
U.S. treasury securities	130,785	(62)

The following table shows the fair values of these available-for-sale securities that have been in a gross unrealized loss position for more than 12 months, aggregated by investment category as of January 31, 2018 (in thousands):

	Fair value	Gross unrealized losses
Asset-backed securities	$65,690	$ (424)
Commercial paper	19,914	(12)
Corporate notes and bonds	155,419	(759)
Foreign government bonds	1,485	(18)
Mortgage backed securities	11,481	(75)
U.S. agency obligations	66,655	(76)
U.S. treasury securities	82,147	(136)

Note 3. Deferred Costs

Deferred costs, which consist of deferred sales commissions, were $30.9 million and $30.3 million as of January 31, 2019 and 2018, respectively. Amortization expense for the deferred costs was $18.4 million, $16.6 million, and $14.2 million for fiscal years ended January 31, 2019, 2018, and 2017, respectively. There has been no impairment losses recorded in relation to the costs capitalized for any period presented.

Note 4. Property and Equipment, Net

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

	January 31,	
	2019	2018
Land	$3,040	$3,040
Building	20,984	20,984
Land improvements and building improvements	20,911	20,073
Equipment and computers	7,945	7,732
Furniture and fixtures	11,230	9,619
Leasehold improvements	6,790	3,637
Construction in progress	330	36
	71,230	65,121
Less accumulated depreciation	(16,264)	(12,837)
Total property and equipment, net	$54,966	$52,284

Total depreciation expense was $6.4 million, $5.9 million, and $4.9 million for the fiscal years ended January 31, 2019, 2018, and 2017, respectively. Land is not depreciated.

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Note 5. Intangible Assets and Goodwill

The following schedule presents the details of intangible assets as of January 31, 2019 (dollar amounts in thousands):

	January 31, 2019			
	Gross carrying amount	Accumulated amortization	Net	Remaining useful life (in years)
Existing technology	$3,880	$ (3,834)	$46	1.2
Database	4,939	(4,521)	418	1.2
Customer contracts and relationships	33,643	(12,350)	21,293	6.6
Software	10,867	(8,156)	2,711	1.2
Brand	1,141	(1,088)	53	0.2
	$54,470	$ (29,949)	$24,521	

The following schedule presents the details of intangible assets as of January 31, 2018 (dollar amounts in thousands):

	January 31, 2018			
	Gross carrying amount	Accumulated amortization	Net	Remaining useful life (in years)
Existing technology	$3,880	$ (3,509)	$371	0.8
Database	4,939	(4,091)	848	2.0
Customer contracts and relationships	33,643	(8,798)	24,845	7.5
Software	10,867	(5,820)	5,047	2.2
Brand	1,141	(762)	379	1.2
	$54,470	$ (22,980)	$31,490	

Amortization expense associated with intangible assets for the fiscal years ended January 31, 2019, 2018, and 2017 was $7.0 million, $7.8 million, and $8.2 million, respectively.

The estimated amortization expense for intangible assets for the next five years and thereafter is as follows as of January 31, 2019 (in thousands):

Period	Estimated amortization expense

Fiscal 2020	$	6,062
Fiscal 2021		3,629
Fiscal 2022		3,182
Fiscal 2023		3,182
Fiscal 2024		3,182
Thereafter		5,284
Total	$	24,521

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Note 6. Accrued Expenses

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

	January 31,	
	2019	2018
Accrued commissions	$2,633	$3,565
Accrued bonus	2,848	3,068
Accrued vacation	3,110	2,608
Payroll tax payable	1,971	3,580
Accrued other compensation and benefits	4,762	4,233
Total accrued compensation and benefits	$15,324	$17,054
Accrued fees payable to salesforce.com	5,242	4,929
Accrued third-party professional services subcontractors' fees	1,619	1,614
Taxes payable	2,805	3,009
Other accrued expenses	6,479	3,600
Total accrued expenses and other current liabilities	$16,145	$13,152

Note 7. Fair Value Measurements

We apply the provisions of FASB ASC Topic 820, Fair Value Measurements and Disclosures, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements. Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

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

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

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

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

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

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

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The following table presents the fair value hierarchy for financial assets measured at fair value on a recurring basis as of January 31, 2019 (in thousands):

	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents:				
Money market funds	$39,168	$—	$ —	$39,168
Corporate notes and bonds	—	1,034	—	1,034
U.S. treasury securities	—	41,505	—	41,505
Short-term investments:				
Certificates of deposits	—	6,010	—	6,010
Asset-backed securities	—	78,395	—	78,395
Commercial paper	—	9,117	—	9,117
Corporate notes and bonds	—	185,130	—	185,130
Foreign government bonds	—	1,491	—	1,491
U.S. agency obligations	—	15,912	—	15,912
U.S. treasury securities	—	243,135	—	243,135
Total	$39,168	$581,729	$ —	$620,897
Liabilities				
Foreign currency derivative contracts	—	88	—	88
Total	$—	$88	$ —	$88

The following table presents the fair value hierarchy for financial assets measured at fair value on a recurring basis as of January 31, 2018 (in thousands):

	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents:				
Money market funds	$25,820	$—	$ —	$25,820
Commercial paper	—	1,999	—	1,999
Corporate notes and bonds	—	2,080	—	2,080
U.S. treasury securities	—	8,000	—	8,000
Short-term investments:				
Asset-backed securities	—	67,451	—	67,451
Commercial paper	—	19,914	—	19,914
Corporate notes and bonds	—	159,741	—	159,741
Foreign government bonds	—	1,486	—	1,486
Mortgage backed securities	—	11,480	—	11,480
U.S. agency obligations	—	71,131	—	71,131

U.S. treasury securities	—	110,576	—	110,576
Foreign currency derivative contracts	—	127	—	127
Total	$25,820	$453,985	$ —	$479,805
Liabilities				
Foreign currency derivative contracts	—	391	—	391
Total	$—	$391	$ —	$391

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

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Balance Sheet Hedges

We enter into foreign currency forward contracts (the “Forward Contracts”) in order to hedge our foreign currency exposure. A foreign currency forward contract is a commitment to deliver a certain amount of currency at a certain price on a specific date in the future. By entering into Forward Contracts and holding them to maturity, we are locked into a future currency exchange rate in an amount equal to and for the terms of the Forward Contracts. We account for derivative instruments at fair value with changes in the fair value recorded as a component of other income, net in our consolidated statements of comprehensive income. Cash flows from such forward contracts are classified as operating activities. During the fiscal years ended January 31, 2019 and 2018, we recognized realized foreign currency gains on hedging of $0.3 million and foreign currency losses of $4.3 million, respectively.

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

	January 31, 2019	2018
Notional amount of foreign currency derivative contracts	$(5,112)	$36,266
Fair value of foreign currency derivative contracts	(5,024)	36,531

Details on outstanding balance sheet hedges are presented below as of the date shown below (in thousands):

		January 31, 2019	2018
Derivative Assets	Balance Sheet Location		
Derivatives not designated as hedging instruments:			
Foreign currency derivative contracts	Prepaid expenses and other current assets	$—	$127
Derivative Liabilities			
Derivatives not designated as hedging instruments:			
Foreign currency derivative contracts	Accrued expenses	$88	$391

Note 8. Other Income, Net

Other income, net consisted of the following (in thousands):

	Fiscal Year Ended January 31,		
	2019	2018	2017
Foreign currency gain (loss)	$(2,103)	$1,177	$(1,009)
Accretion (amortization) on investments	2,492	(1,718)	(1,801)
Interest income	15,388	8,383	4,477
Other income, net	$15,777	$7,842	$1,667

Note 9. Income Taxes

The components of income before income taxes by U.S. and foreign jurisdictions were as follows for the periods shown (in thousands):

	Fiscal Year Ended January 31,		
	2019	2018	2017
United States	$222,743	$140,172	$110,701
Foreign	15,900	25,599	11,654
Total	$238,643	$165,771	$122,355

*See note 1 of the notes to the consolidated financial statements for a summary of adjustments.

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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.

Provision for income taxes consisted of the following for the periods shown (in thousands):

	Fiscal Year Ended January 31,		
	2019	2018	2017
Current provision:			
Federal	$5,466	$5,315	$36,004
State	4,089	209	4,924
Foreign	7,438	8,022	4,976
Total	$16,993	$13,546	$45,904
Deferred provision:			
Federal	(1,910)	1,681	966
State	(619)	330	2
Foreign	(5,653)	(963)	(2,089)
Total	$(8,182)	$1,048	$(1,121)
Provision for income taxes	$8,811	$14,594	$44,783

*See note 1 of the notes to the consolidated financial statements for a summary of adjustments.

Provision for income taxes differed from the amount computed by applying the federal statutory income tax rate of 21.0%, 33.8%, and 35.0% for the fiscal years ended January 31, 2019, 2018, and 2017, respectively, to income before income taxes as a result of the following for the periods shown (in thousands):

	Fiscal Year Ended January 31,		
	2019	2018	2017
Federal tax statutory tax rate	$50,115	$56,047	$42,824
State taxes	3,139	3,936	4,104
Permanent differences	594	(462)	(367)
Tax credits	(21,415)	(9,409)	(6,739)
Domestic manufacturing deduction	—	(1,096)	(1,678)
Stock-based compensation	(33,332)	(37,347)	4,338
Foreign rate differential	610	(2,207)	1,042

Valuation allowance	6,666	4,010	1,630
Impact of foreign operations	3,381	4,842	1,891
Others	(947)	(3,720)	(2,262)
Provision for income taxes	$8,811	$14,594	$44,783

* See note 1 of the notes to the consolidated financial statements for a summary of adjustments.

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The tax effects of temporary differences that give rise to significant portions of our deferred tax assets and liabilities related to the following (in thousands):

	January 31,	
	2019	2018
Deferred Tax Assets:		
Accruals and reserves	$4,970	$87
State income taxes	116	2,002
Net operating loss carryforward	2,885	236
Tax credit carryforward	15,411	10,196
Other	435	30
Gross Deferred Tax Assets	$23,817	$12,551
Valuation Allowance	(15,385)	(10,329)
Total Deferred Tax Assets	$8,432	$2,222
Deferred Tax Liabilities:		
Property and equipment	$(822)	$(633)
Intangible assets	(7,159)	(8,078)
Expensed internal-use software	(608)	(595)
Other	—	(1,643)
Total Deferred Tax Liabilities	$(8,589)	$(10,949)
Net Deferred Tax Assets (Liabilities)	$(157)	$(8,727)

* See note 1 of the notes to the consolidated financial statements for a summary of adjustments.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. As a result, a valuation allowance was assessed as it is not more likely than not that we will recognize the future benefits on certain tax credits and net California deferred tax asset balances.

As of January 31, 2019, we did not have any net operating loss carryforwards for federal income tax purposes. As of January 31, 2019, the net operating loss carryforwards for state income tax purposes were approximately $4.1 million. The federal net operating losses and the state net operating losses begin to expire in 2033.

As of January 31, 2019, we had federal and California tax credits of $13.1 million and $24.1 million, respectively. The federal tax credits will begin to expire in 2029 if not utilized. The California tax credits can be carried forward indefinitely.

On December 22, 2017, the Tax Act was enacted into law and amended certain provisions of the Internal Revenue Code of 1986 (IRC). Amendments to the IRC, include, among others, a reduction of the corporate income tax rate from 35% to 21% effective January 1, 2018, a transition tax on accumulated foreign earnings (transition tax), the shift from a worldwide to a territorial tax regime, and a limitation on the deductibility of executive compensation under IRC Section 162(m). Topic 740, requires us to recognize the effect of the Tax Act in the period of enactment, such as remeasuring our U.S. deferred tax assets and liabilities as well as reassessing the net realizability of our deferred tax assets and liabilities.

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However, the SEC staff issued Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (SAB 118), which allows companies the ability to record provisional amounts during a measurement period not to extend more than one year beyond the Tax Act enactment date. As of January 31, 2019, we have completed our calculation of our provision for income tax taking into account the effect of the Tax Act. Future changes in law, interpretations, and facts may impact our provision for income taxes.

We evaluate tax positions for recognition using a more-likely than-not recognition threshold, and those tax positions eligible for recognition are measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon the effective settlement with a taxing authority that has full knowledge of all relevant information. We classify unrecognized tax benefits that are not expected to result in payment or receipt of cash within one year as “other non-current liabilities” in the consolidated balance sheets. As of January 31, 2019, the total amount of gross unrecognized tax benefits was $12.6 million, of which $6.9 million, if recognized, would favorably impact our effective tax rate. The aggregate changes in our total gross amount of unrecognized tax benefits are summarized as follows for the periods shown (in thousands):

	Fiscal Year Ended January 31,		
	2019	2018	2017
Beginning balance	$11,398	$7,868	$5,248
Increases related to tax positions taken during the prior period	968	256	24
Increases related to tax positions taken during the current period	2,697	4,032	2,888
Decreases related to tax positions taken during the prior period	(1,754)	(67)	—
Audit settlements	(403)	—	—
Lapse of statute of limitations	(309)	(691)	(292)
Ending balance	$12,597	$11,398	$7,868

Our policy is to classify interest and penalties associated with unrecognized tax benefits as income tax expense. Interest and penalties were not significant during fiscal year ended January 31, 2019.

We file tax returns in the United States for federal, California, and other states. Fiscal years ended January 31, 2016 and forward remain open to examination for federal income tax, and fiscal years ended January 31, 2014 and forward remain open to examination for California and other states. We file tax returns in multiple foreign jurisdictions. The fiscal years ended January 31, 2013 and forward remain open to examination in these foreign jurisdictions.

During the fiscal year ended January 31, 2019, we repatriated funds in certain foreign jurisdictions that we previously designated as indefinitely reinvested outside the United States. This decision had an immaterial impact to our financial statements. For the remaining non-U.S. cash and cash equivalents that have been earmarked for indefinite reinvestment in our operations outside the United States, no U.S. current or deferred taxes have been accrued.

Note 10. Deferred Revenue and Performance Obligations

We recognized $264.8 million and $206.8 million of subscription services revenue during fiscal years ended January 31, 2019 and 2018, respectively, that was included in the deferred revenue balances at the beginning of the respective periods. Professional services revenue recognized in the same periods from deferred revenue balances at the beginning of the respective periods was immaterial.

Transaction Price Allocated to the Remaining Performance Obligations

Transaction price allocated to the remaining performance obligations represents contracted revenue that has not yet been recognized, which includes deferred revenue and non-cancelable amounts that will be invoiced and recognized as revenues in future periods. We applied the practical expedient in accordance with Topic 606 to exclude the amounts related to professional services contracts as these contracts generally have a remaining duration of one year or less. Revenue from remaining performance obligations for professional services contracts as of January 31, 2019 was immaterial.

As of January 31, 2019, approximately $737.7 million of revenue is expected to be recognized from remaining performance obligations for subscription services contracts. We expect to recognize revenue on approximately $577.6 million of these remaining performance obligations over the next 12 months, with the balance recognized thereafter.

Note 11. Stockholders’ Equity

Common Stock

In connection with our initial public offering in October 2013 (IPO), we amended our certificate of incorporation to provide for Class A common stock, Class B common stock and preferred stock. Immediately prior to the consummation of the IPO, all outstanding shares of convertible preferred stock and common stock were converted into shares of Class B common stock. As a result, following the IPO, we have two classes of authorized common stock: Class A common stock and Class B common stock.

As of January 31, 2019, we had 125,980,019 shares of Class A common stock and 20,210,060 shares of Class B common stock outstanding, of which no shares of Class B common stock were unvested.

As of January 31, 2018, we had 117,246,735 shares of Class A common stock and 24,822,661 shares of Class B common stock outstanding, of which no shares of Class B common stock were unvested.

Employee Equity Plans

2007 Stock Plan

Our board of directors adopted our 2007 Stock Plan (2007 Plan) in February 2007, and our stockholders approved it in February 2007. No further awards have been made under our 2007 Plan since the adoption of the 2012 Equity Incentive Plan. However, awards outstanding under our 2007 Plan will continue to be governed by their existing terms.

2012 Equity Incentive Plan

Our board of directors adopted our 2012 Equity Incentive Plan (2012 EIP) in November 2012, and our stockholders approved it in December 2012. An amendment and restatement of the 2012 EIP was approved by our board of directors in March 2013, and our stockholders approved it in March 2013. The 2012 EIP became effective on adoption and replaced our 2007 Plan. No further awards have been made under our 2012 EIP since the adoption of the 2013 Equity Incentive Plan. However, awards outstanding under the 2012 EIP will continue to be governed by their existing terms.

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2013 Equity Incentive Plan

Our board of directors adopted our 2013 Equity Incentive Plan (2013 EIP) in August 2013, and our stockholders approved it in September 2013. The 2013 EIP became effective immediately on adoption although no awards were made under it until the date of our IPO on October 15, 2013, at which time our 2013 EIP replaced our 2012 EIP.

As of January 31, 2019, the number of shares of our Class A common stock available for issuance under the 2013 EIP was 24,734,680 plus any shares of our Class B common stock subject to awards under the 2012 EIP and the 2007 Plan that expire or lapse unexercised or, with respect to shares issued pursuant to such awards, are forfeited or repurchased by us after the date of our IPO on October 15, 2013. The number of shares available for issuance under the 2013 EIP automatically increases on the first business day of each of our fiscal years, commencing in 2014, by a number equal to the least of (a) 13.75 million shares, (b) 5% of the shares of all classes of our common stock outstanding on the last business day of the prior fiscal year, or (c) the number of shares determined by our board of directors. During our fiscal year ended January 31, 2019, our board of directors determined to add 6,393,122 shares of common stock to the 2013 EIP.

2013 Employee Stock Purchase Plan

Our ESPP was adopted by our board of directors in August 2013 and our stockholders approved it in September 2013. The ESPP became effective as of our IPO registration statement on Form S-1, on October 15, 2013. Our ESPP is intended to qualify under Section 423 of the Internal Revenue Code of 1986, as amended (Code). The ESPP was approved with a reserve of 4.0 million shares of Class A common stock for future issuance under various terms provided for in the ESPP. As of January 31, 2019, the number of shares available for issuance under our ESPP was 4,897,856. The number of shares available for issuance under the ESPP automatically increases on the first business day of each of our fiscal years, commencing in 2014, by a number equal to the least of (a) 2.2 million shares, (b) 1% of the shares of all classes of our common stock outstanding on the last business day of the prior fiscal year or (c) the number of shares determined by our board of directors. Prior to the beginning of our fiscal year ended January 31, 2019, our board of directors determined not to increase the number of shares available for issuance under the 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 initial offering period for our ESPP commenced on the date of our initial public offering and ended on June 15, 2014. We have not had any open offering periods subsequent to the initial offering period.

Voting Rights

The holders of our Class B common stock are entitled to ten votes per share, and holders of our Class A common stock are entitled to one vote per share. The holders of our Class A common stock and Class B common stock vote together as a single class, unless otherwise required by our restated certificate of incorporation or law. Delaware law could require either holders of our Class A common stock or our Class B common stock to vote separately as a single class in the following circumstances:

- if we were to seek to amend our restated certificate of incorporation to increase the authorized number of shares of a class of stock, or to increase or decrease the par value of a class of stock, then that class would be required to vote separately to approve the proposed amendment; and

- if we were to seek to amend our restated certificate of incorporation in a manner that alters or changes the powers, preferences or special rights of a class of stock in a manner that affected its holders adversely, then that class would be required to vote separately to approve the proposed amendment.

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Our restated certificate of incorporation requires the approval of a majority of our outstanding Class B common stock voting as a separate class for any transaction that would result in a change in control of our company.

Stockholders do not have the ability to cumulate votes for the election of directors. Our restated certificate of incorporation and amended and restated bylaws that became effective upon the closing of our IPO provide for a classified board of directors consisting of three classes of approximately equal size, each serving staggered three-year terms. Only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms.

Dividend Rights

Holders of outstanding shares of our common stock are entitled to receive dividends out of funds legally available if our board of directors, in its discretion, determines to issue dividends and only then at the times and in the amounts that our board of directors may determine. To date, no dividends have been declared or paid by us.

No Preemptive or Similar Rights

Our common stock is not entitled to preemptive rights and is not subject to conversion, redemption or sinking fund provisions.

Right to Receive Liquidation Distributions

Upon our dissolution, liquidation or winding-up, the assets legally available for distribution to our stockholders are distributable ratably among the holders of our common stock, subject to prior satisfaction of all outstanding debt and liabilities and the preferential rights and payment of liquidation preferences, if any, on any outstanding shares of preferred stock.

Conversion Rights

Each outstanding share of Class B common stock is convertible at any time at the option of the holder into one share of Class A common stock. In addition, each share of Class B common stock will convert automatically into one share of Class A common stock upon any transfer, whether or not for value, which occurs following the closing of our IPO, except for certain permitted transfers described in our restated certificate of incorporation, including transfers to any "permitted transferee" as defined in our restated certificate of incorporation, which includes, among others, transfers:

- to trusts, corporations, limited liability companies, partnerships, foundations or similar entities established by a Class B stockholder, provided that:
- such transfer is to entities established by a Class B stockholder where the Class B stockholder retains the exclusive right to vote and direct the disposition of the shares of Class B common stock; or
- such transfer does not involve payment of cash, securities, property or other consideration to the Class B stockholder.

Once converted into Class A common stock, a share of Class B common stock may not be reissued.

All the outstanding shares of Class A and Class B common stock will convert automatically into shares of a single class of common stock upon the earliest to occur of the following: (i) upon the election of the holders of a majority of the then-outstanding shares of Class B common stock or (ii) October 15, 2023. Following such conversion, each share of common stock will have one vote per share and the rights of the holders of all outstanding common stock will be identical. Once converted into a single class of common stock, the Class A and Class B common stock may not be reissued.

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Stock Option Activity

The 2007 Stock Plan and the 2012 EIP provided, and the 2013 EIP provides, for the issuance of incentive and nonstatutory options to employees, consultants and non-employee directors. Options issued under and outside of the 2007 Plan generally are exercisable for periods not to exceed 10 years and generally vest over four to five years. Options issued under the 2012 EIP and 2013 EIP generally are exercisable for periods not to exceed 10 years and generally vest over five to nine years. A summary of stock option activity for the fiscal year ended January 31, 2019 is presented below:

	Number of shares	Weighted average exercise price	Weighted average remaining contractual term (in years)	Aggregate intrinsic value
Options outstanding at January 31, 2018	16,024,146	$ 16.76	6.1	$738,648,507
Options granted	185,530	78.86		
Options exercised	(2,807,092)	9.10		
Options forfeited/cancelled	(441,187)	13.26		
Options outstanding at January 31, 2019	12,961,397	$ 19.43	5.4	$1,161,695,032
Options vested and exercisable at January 31, 2019	6,415,267	$ 5.15	4.0	$666,620,512
Options vested and exercisable at January 31, 2019 and expected to vest thereafter	12,961,397	$ 19.43	5.4	$1,161,695,032

The weighted average grant-date fair value of options granted during the fiscal years ended January 31, 2019, 2018 and 2017 was $35.43, $30.87, and $14.12, respectively, per share.

As of January 31, 2019, there was $93.7 million in unrecognized compensation cost 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 3.9 years.

As of January 31, 2019, 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 January 31, 2019, the last trading day of fiscal year 2019 was $109.06. The total intrinsic value of options exercised was $212.1 million for the fiscal year ended January 31, 2019.

Restricted Stock Units

The 2013 EIP provides for the issuance of RSUs to employees. RSUs issued under the 2013 EIP generally vest over one to four years. A summary of RSU activity for the fiscal year ended January 31, 2019 is presented below:

	Unreleased restricted stock units	Weighted average grant date fair value
Balance at January 31, 2018	2,901,736	$ 38.14
RSUs granted	1,096,773	76.83
RSUs vested	(1,313,823)	38.77
RSUs forfeited/cancelled	(325,554)	45.70
Balance at January 31, 2019	2,359,132	$ 54.73

During the fiscal year ended January 31, 2019, we issued RSUs under the 2013 EIP with a weighted-average grant date fair value of $76.83.

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As of January 31, 2019, there was a total of $119.3 million in unrecognized compensation cost related to unvested RSUs, which are expected to be recognized over a weighted-average period of approximately 2.3 years. The total intrinsic value of RSUs vested was $110.4 million for the fiscal year ended January 31, 2019.

Stock-Based Compensation

Compensation expense related to share-based transactions, including equity awards to employees and non-employee directors, is measured and recognized in the consolidated financial statements based on fair value. The grant date fair value of each option award is estimated on the grant date using the Monte Carlo simulation or Black-Scholes option-pricing model. The stock-based compensation expense is recognized using a straight-line basis over the requisite service periods of the awards, which is generally four to nine years. For RSUs, the grant date fair value is based on the closing price of our common stock on the grant date.

We adopted ASU 2016-09 on February 1, 2017. Upon adoption, we elected to account for forfeitures as they occur and to no longer estimate for forfeitures. As such, we recorded a net cumulative-effect adjustment of $0.7 million to increase our February 1, 2017 opening retained earnings balance.

Our option-pricing model requires the input of subjective assumptions, including the fair value of the underlying common stock, the expected term of the option, the expected volatility of the price of our common stock, risk-free interest rates, and the expected dividend yield of our common stock. The assumptions used in our option-pricing model represent management’s best estimates. These estimates involve inherent uncertainties and the application of management’s judgment. If factors change and different assumptions are used, our stock-based compensation expense could be materially different in the future.

These assumptions are estimated as follows:

- Risk-Free Interest Rate. We base the risk-free interest rate used in the Black-Scholes valuation model on the implied yield available on U.S. Treasury zero-coupon issues with an equivalent expected term of the options for each option group.
- Expected Term. The expected term represents the period that our stock-based awards are expected to be outstanding. As we do not have sufficient historical experience for determining the expected term of the stock option awards granted, we have based our expected term on the simplified method available under GAAP.
- Volatility. We determine the price volatility factor based on the historical volatility of our common stock over the expected term of the option.
- Dividend Yield. We have not paid and do not expect to pay dividends.

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

	Fiscal Year Ended January 31,		
	2019	2018	2017
Volatility	41%	42% – 44%	45% – 46%
Expected term (in years)	6.25 – 6.35	6.35	6.31 – 7.56

Risk-free interest rate	2.57% – 2.74%	1.86% – 2.21%	1.48% – 2.10%
Dividend yield	0%	0%	0%

During the fiscal year ended January 31, 2018, we granted 2,838,635 stock options to our CEO. The stock option award is made up of five separate tranches. The first tranche vests over time, while the remaining four tranches vest based on certain stock price targets (market conditions). The grant date fair values of each tranche were calculated using a Monte Carlo simulation model. We have based our expected term on the historical stock activity behavior of our CEO. The following table provides the assumptions used in the Monte Carlo simulation for each tranche granted:

Volatility	41	%
Expected term (in years)	10.00	
Risk-free interest rate	2.53	%
Dividend yield	0	%

For each of the years presented, we capitalized an immaterial amount of stock-based compensation as part of our internal-use software capitalization.

Note 12. Net Income per Share Attributable to Common Stockholders

We compute net income per share of our Class A and Class B common stock using the two-class method required for participating securities. 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 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. The unvested shares of common stock resulting from early exercises of stock options accounted for all of our participating securities.

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 equivalents outstanding during the period. The dilutive effect of potential shares of common stock are 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.

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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):

	For the fiscal year ended January 31,					
	2019		2018 *As adjusted		2017 *As adjusted	
	Class A	Class B	Class A	Class B	Class A	Class B
Basic						
Numerator						
Net income	$194,607	$35,225	$121,203	$29,974	$56,145	$21,427
Undistributed earnings allocated to participating securities	—	—	—	—	(2)	(1)
Net income attributable to common stockholders, basic	$194,607	$35,225	$121,203	$29,974	$56,143	$21,426
Denominator						
Weighted average shares used in computing net income per share attributable to common stockholders, basic	122,137	22,107	112,491	27,820	98,216	37,482
Net income per share attributable to common stockholders, basic	$1.59	$1.59	$1.08	$1.08	$0.57	$0.57
Diluted						
Numerator						
Net income attributable to common stockholders, basic	$194,607	$35,225	$121,203	$29,974	$56,143	$21,426
Reallocation as a result of conversion of Class B to Class A common stock:						
Net income attributable to common stockholders, basic	35,225	—	29,974	—	21,426	—
Reallocation of net income to Class B common stock	—	14,800	—	10,545	—	4,519
Net income attributable to	$229,832	$50,025	$151,177	$40,519	$77,569	$25,945

common stockholders, diluted						
Denominator						
Number of shares used for basic EPS computation	122,137	22,107	112,491	27,820	98,216	37,482
Conversion of Class B to Class A common stock	22,107	—	27,820	—	37,482	—
Effect of potentially dilutive common shares	11,873	11,873	13,370	13,370	11,880	11,880
Weighted average shares used in computing net income per share attributable to common stockholders, diluted	156,117	33,980	153,681	41,190	147,578	49,362
Net income per share attributable to common stockholders, diluted	$1.47	$1.47	$0.98	$0.98	$0.53	$0.53

*See note 1 of the notes to the consolidated financial statements for a summary of adjustments.

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

	Fiscal Year Ended January 31, 2019	2018	2017
Options and awards to purchase shares not included in the computation of diluted net income per share because their inclusion would be anti-dilutive	3,054,322	833,691	2,040,238

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Note 13. Commitments and Contingencies

Litigation

IQVIA Litigation Matter.

On January 10, 2017, IQVIA Inc. (formerly Quintiles IMS Incorporated) and IMS Software Services, Ltd. (collectively, "IQVIA") filed a complaint against us in the U.S. District Court for the District of New Jersey (IQVIA Inc. v. Veeva Systems Inc. (No. 2:17-cv-00177)). In the complaint, IQVIA alleges that we have used unauthorized access to proprietary IQVIA data to improve our software and data products, and that our software is designed to steal IQVIA trade secrets. IQVIA further alleges that we have intentionally gained unauthorized access to IQVIA proprietary information to gain an unfair advantage in marketing our products and that we have made false statements concerning IQVIA's conduct and our data security capabilities. IQVIA asserts claims under both federal and state misappropriation of trade secret laws, federal false advertising law, and common law claims for unjust enrichment, tortious interference, and unfair trade practices. The complaint seeks declaratory and injunctive relief and unspecified monetary damages. While it is not possible at this time to predict with any degree of certainty the ultimate outcome of this action, and we are unable to make a meaningful estimate of the amount or range of loss, if any, that could result from any unfavorable outcome, we believe that IQVIA's claims lack merit.

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

On May 3, 2017, in lieu of filing an answer, IQVIA filed a motion to dismiss our counterclaims. On October 3, 2018, the court denied IQVIA's motion to dismiss and our antitrust claims will proceed. In addition, on December 3, 2018, we filed an amended answer and counterclaims. IQVIA filed its answer and affirmative defenses on December 21, 2018.

There are no motions currently pending in the IQVIA case that have the potential to end the case prior to trial. Discovery in the IQVIA litigation is currently in process. Although no trial date has been set, we expect, based on the current case schedule, that trial could take place by late 2020.

Medidata Litigation Matter.

On January 26, 2017, Medidata Solutions, Inc. filed a complaint in the U.S. District Court for the Southern District of New York (Medidata Solutions, Inc. v. Veeva Systems Inc. et al. (No. 1:17-cv-00589)) against us and five individual Veeva employees who previously worked for Medidata ("Individual Employees"). The complaint alleged that we induced and conspired with the Individual Employees to breach their employment agreements, including non-compete and confidentiality provisions, and to misappropriate Medidata's confidential and trade secret information. The complaint sought declaratory and injunctive relief, unspecified monetary damages, and attorneys' fees. Medidata has since amended its complaint twice, asserting the same claims with additional factual allegations, and has voluntarily dismissed the Individual Defendants without prejudice.

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Veeva filed a motion to compel the entire matter to arbitration, which the district court denied. We appealed the district court's order to the U.S. Court of Appeals for the Second Circuit, which upheld the lower court's ruling. Veeva also filed a motion to dismiss Medidata's complaint, which the district court also denied. Neither motion, nor the district court orders denying them, are conclusory with respect to the merits of Medidata's allegations but rather only require that Veeva answer Medidata's complaint. Veeva filed its answer on December 10, 2018.

There are no motions currently pending in the Medidata case that have the potential to end the case prior to trial. Discovery in the Medidata litigation is currently in process and no trial date has been set.

While it is not possible at this time to predict with any degree of certainty the ultimate outcome of this action, and we are unable to make a meaningful estimate of the amount or range of loss, if any, that could result from any unfavorable outcome, we believe that Medidata's claims lack merit.

Other Litigation Matters

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

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.

Leases

We have several non-cancelable operating leases, primarily for offices and servers. Rental payments include minimum rental fees.

Minimum rent payments under operating leases are recognized on a straight-line basis over the term of the lease including any periods of free rent. Rent expense for operating leases were $5.9 million, $5.0 million and $4.5 million, for the fiscal years ended January 31, 2019, 2018 and 2017, respectively.

Future minimum lease payments under non-cancelable operating leases as of January 31, 2019 are as follows (in thousands):

Period	Operating leases
Fiscal 2020	$ 5,079
Fiscal 2021	4,843
Fiscal 2022	4,063
Fiscal 2023	2,534

Fiscal 2024	1,884
Thereafter	1,495
Total	$ 19,898

Value-Added Reseller Agreement

We have a value-added reseller agreement with salesforce.com, inc. for our use of the Salesforce1 Platform in combination with our developed technology to deliver certain of our multichannel CRM applications, including hosting infrastructure and data center operations provided by salesforce.com. The

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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. We have met our first minimum order commitment of $250 million, and as of January 31, 2019, we remained obligated to pay fees of at least $216.4 million prior to September 1, 2025 in connection with this agreement.

Note 14. Related-Party Transactions

In September 2016, we entered into an agreement with Zoom Video Communications, Inc. (Zoom) to embed two of their products into our multichannel CRM applications. Pursuant to this agreement, we will pay Zoom a fixed annual fee that is not material to us. We have also entered into a contract with Zoom pursuant to which Zoom provides conference call, video conference and web conference capabilities for our internal use. Pursuant to this agreement, we pay Zoom a fee based on usage that has not been material in the past and that we do not expect to be material in the future. Our chief executive officer is on the board of directors of Zoom. Also, another member of our board of directors is the founder and a general partner of Emergence Capital Partners, one of Zoom's investors.

Note 15. Revenues by Product

Our industry cloud solutions are grouped into two key product areas—Veeva Commercial Cloud and Veeva Vault. Veeva Commercial Cloud is a suite of multichannel CRM applications, territory allocation and alignment applications, master data management applications, and customer reference and key opinion leader data and services. Veeva Vault is a unified suite of cloud-based, enterprise content and data management applications.

Total revenues consist of the following (in thousands):

	Fiscal Year Ended January 31,		
	2019	2018 *As adjusted	2017 *As adjusted
Subscription services			
Veeva Commercial Cloud	$395,039	$356,415	$307,648
Veeva Vault[1]	299,428	203,019	133,167
Total subscription services	$694,467	$559,434	$440,815
Professional services			
Veeva Commercial Cloud	$62,557	$61,516	$62,609
Veeva Vault[1]	105,186	69,609	47,118
Total professional services	$167,743	$131,125	$109,727
Total revenues	$862,210	$690,559	$550,542

(1) Veeva Vault revenues includes revenue from legacy Zinc Ahead products.
* See note 1 of the notes to the consolidated financial statements for a summary of adjustments.

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Note 16. Information about Geographic Areas

We track and allocate revenues by the principal geographic area 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. Total revenues by geographic area, which is primarily measured by the estimated location of the end users for subscription services revenues and the estimated location of the resources performing the services for professional services, were as follows for the periods shown below (in thousands):

	Fiscal Year Ended January 31,		
	2019	2018 *As adjusted	2017 *As adjusted
Revenues by geography			
North America	$480,713	$377,797	$299,056
Europe and other	236,100	188,542	164,416
Asia Pacific	145,397	124,220	87,070
Total revenues	$862,210	$690,559	$550,542

*See note 1 of the notes to the consolidated financial statements for a summary of adjustments.

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

	January 31,		
	2019	2018	2017
Long-lived assets by geography			
North America	$51,748	$49,214	$47,096
Europe and other	1,783	1,840	1,762
Asia Pacific	1,435	1,230	1,049
Total long-lived assets	$54,966	$52,284	$49,907

Note 17. 401(k) Plan

We have a qualified defined contribution plan under Section 401(k) of the Code covering eligible employees as well as a Registered Retirement Savings Plan (RRSP) for eligible employees in Canada. Under the 401(k) plan, we match up to $2,000 per employee per year. Under the RRSP plan, we also match up to $2,000 per employee per year. For the fiscal years ended January 31, 2019 and 2018, total expense related to these plans was $3.3 million and $0.4 million, respectively.

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Note 18. Selected Quarterly Financial Data (Unaudited)

Selected summarized quarterly financial information for fiscal years ended January 31, 2019 and 2018 is as follows (in thousands):

	Three Months Ended Jan. 31, 2019	Oct. 31, 2018	Jul. 31, 2018	Apr. 30, 2018	Jan. 31, 2018 *As adjusted	Oct. 31, 2017	Jul. 31, 2017	Apr. 30, 2017
	(in thousands)							
Consolidated Statements of Income Data:								
Total revenues	$232,323	$224,731	$209,609	$195,547	$ 185,984	$177,008	$167,795	$159,772
Gross profit	167,797	163,357	150,383	135,392	127,073	123,774	117,395	110,895
Operating income	62,998	63,094	52,818	43,956	38,504	42,495	38,067	38,863
Net income	$71,151	$64,085	$50,286	$44,310	$ 40,654	$34,925	$38,602	$36,996
Net income per share attributable to Class A and Class B common stockholders:								
Basic	$0.49	$0.44	$0.35	$0.31	$ 0.29	$0.25	$0.28	$0.27
Diluted	$0.45	$0.41	$0.32	$0.29	$ 0.26	$0.23	$0.25	$0.24

*See note 1 of the notes to the consolidated financial statements for a summary of adjustments.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of January 31, 2019. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s (SEC) rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Based on the evaluation of our disclosure controls and procedures as of January 31, 2019, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

(b) Management’s Annual Report on Internal Controls Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our management conducted an assessment of the effectiveness of our internal control over financial reporting as of January 31, 2019 based on the criteria set forth in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the assessment, our management has concluded that our internal control over financial reporting was effective as of January 31, 2019 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. GAAP. Our independent registered public accounting firm, KPMG LLP, has issued an audit report with respect to our internal control over financial reporting, which appears in Part II, Item 8 of this Form 10-K.

(c) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the fiscal quarter ended January 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

(d) Inherent Limitations on Effectiveness of Controls

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

ITEM 9B. OTHER INFORMATION

None.

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PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item will be contained in our definitive proxy statement to be filed with the Securities and Exchange Commission in connection with our 2019 annual meeting of stockholders (the “Proxy Statement”), which we expect to file not later than 120 days after the end of our fiscal year ended January 31, 2019, and is incorporated in this report by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item will be set forth in the Proxy Statement, which we expect to file not later than 120 days after the end of our fiscal year ended January 31, 2019, and is incorporated in this report by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item will be set forth in the Proxy Statement, which we expect to file not later than 120 days after the end of our fiscal year ended January 31, 2019, and is incorporated in this report by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item will be set forth in the Proxy Statement, which we expect to file not later than 120 days after the end of our fiscal year ended January 31, 2019, and is incorporated in this report by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item will be set forth in the Proxy Statement, which we expect to file not later than 120 days after the end of our fiscal year ended January 31, 2019, and is incorporated in this report by reference.

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PART IV.

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of, or incorporated by reference into, this Form 10-K:

1. Financial Statements. See Index to Consolidated Financial Statements under Item 8 of Form 10-K.

2. Financial Statement Schedules. All schedules have been omitted because the information required to be presented in them is not applicable or is shown in the consolidated financial statements or related notes.

3. Exhibits. We have filed, or incorporated into this Form 10-K by reference, the exhibits listed on the accompanying Exhibit Index immediately preceding the signature page of this Form 10-K.

(b) Exhibits. See Item 15(a)(3) above.

(c) Financial Statement Schedules. See Item 15(a)(2) above.

Item 16. FORM 10-K SUMMARY

A Form 10-K summary is provided at the beginning of this document, with hyperlinked cross-references. This allows users to easily locate the corresponding items in this Form 10-K, where the disclosure is fully presented. The summary does not include certain Part III information that is incorporated by reference to the Proxy Statement.

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EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date	Filed Herewith
2.1	Share Purchase Agreement, dated September 29, 2015, among Veeva Systems Inc., Veeva U.K. Holdings Limited, Accel-KKR Structured Capital Partners, LP and the other sellers party thereto.	8-K	001-36121	2.1	10/1/2015	
2.2	Deed of Variation of Share Purchase Agreement, dated May 11, 2016, among Veeva Systems Inc., Veeva U.K. Holdings Limited, Accel-KKR Structured Capital Partners, LP and the other sellers party thereto.	10-Q	001-36121	2.2	6/8/2016	
3.1	Restated Certificate of Incorporation of Registrant.	8-K	001-36121	3.1	10/22/2013	
3.2	Amended and Restated Bylaws of Veeva Systems Inc.	S-1/A	333-191085	3.4	10/3/2013	
4.1	Form of Registrant's Class A common stock certificate.	S-1/A	333-191085	4.1	10/3/2013	
10.1	Data Processing Addendum, dated April 4, 2014, to Value-Added Reseller Agreement, between Registrant and salesforce.com, inc., as amended.	10-Q	001-36121	10.1	6/6/2014	
10.2	Purchase and Sale Agreement, dated June 11, 2014, between Registrant and The Duffield Family Foundation, as amended July 16, 2014.	10-Q	001-36121	10.1	9/11/2014	
10.3	Description of Non-Employee Director Compensation.	8-K	001-36121	Item 5.07	6/15/2018	
10.4	Form of Indemnification Agreement between the Registrant and each of its directors and executive officers.	S-1/A	333-191085	10.1	10/3/2013	
10.5*	2007 Stock Plan and forms of agreements thereunder.	S-1	333-191085	10.2	9/11/2013	
10.6*	2012 Equity Incentive Plan and forms of agreements thereunder.	S-1	333-191085	10.3	9/11/2013	
10.7*	2013 Equity Incentive Plan and forms of agreements thereunder.					X

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Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date	Filed Herewith
10.8*	2013 Employee Stock Purchase Plan.	S-1/A	333-191085	10.5	10/3/2013	
10.9**	Amended and Restated Value-Added Reseller Agreement, dated September 2, 2010, between Registrant and salesforce.com, inc., as amended December 3, 2010, December 13, 2010, April 15, 2011, August 23, 2011, September 29, 2011, April 3, 2012 and May 24, 2012.	S-1/A	333-191085	10.7	9/20/2013	
10.10**	Eighth Amendment, dated March 3, 2014, to Amended and Restated Value-Added Reseller Agreement, dated September 2, 2010, between Registrant and salesforce.com, inc., as amended.	8-K	001-36121	10.1	3/4/2014	
10.11*	Offer letter, dated June 20, 2013, between Peter P. Gassner and the Registrant.	S-1	333-191085	10.8	9/11/2013	
10.12*	Offer letter, dated June 19, 2013, between Matthew J. Wallach and the Registrant.	S-1	333-191085	10.9	9/11/2013	
10.13*	Offer letter, dated January 25, 2010, between Timothy S. Cabral and the Registrant.	S-1	333-191085	10.10	9/11/2013	
10.14*	Offer letter, dated March 16, 2012, between Ronald E. F. Codd and the Registrant.	S-1	333-191085	10.11	9/11/2013	
10.15*	Offer letter, dated August 14, 2012, between Jonathan W. Faddis and the Registrant.	10-Q	001-36121	10.1	6/4/2015	
10.16*	Description of Non-Employee Director Compensation.	8-K	001-36121	10.1	6/15/2018	
10.17	Data Processing Addendum, dated January 23, 2016, to Value-Added Reseller Agreement, between Registrant and salesforce.com, inc., as amended.	10-K	001-36121	10.17	3/31/2016	
10.18*	Offer letter, dated February 20, 2015, between Alan V. Mateo and the Registrant.	10-Q	001-36121	10.1	6/8/2016	

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Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.19*	Offer letter, dated January 23, 2013, between E. Nitsa Zuppas and the Registrant.	10-Q	001-36121	10.2	6/8/2016	
10.20	Ninth Amendment, dated August 11, 2016, to Amended and Restated Value-Added Reseller Agreement, between salesforce.com, inc. and the Registrant, as amended.	10-Q	001-36121	10.1	9/8/2016	
10.21*	Offer Letter, dated January 15, 2016, between Frederic Lequient and the Registrant.	10-Q	001-36121	10.1	6/8/2017	
10.22*	2013 Equity Incentive Plan Forms of Notice of Stock Option Grants to Peter P. Gassner.	10-K	001-36121	10.22	3/30/2018	
21.1	List of Subsidiaries of Registrant.					X
23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm.					X
24.1	Power of Attorney (see page 108 of this Annual Report on Form 10-K).					X
31.1	Certification of Principal Executive Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.					X
31.2	Certification of Principal Financial Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.					X
32.1†	Certification of Chief Executive Officer Required Under Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350.					X
32.2†	Certification of Chief Financial Officer Required Under Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350.					X

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101.INS	XBRL Instance Document.	X
101.SCH	XBRL Taxonomy Schema Linkbase Document.	X
101.CAL	XBRL Taxonomy Calculation Linkbase Document.	X
101.DEF	XBRL Taxonomy Definition Linkbase Document.	X
101.LAB	XBRL Taxonomy Labels Linkbase Document.	X
101.PRE	XBRL Taxonomy Presentation Linkbase Document.	X

* Indicates a management contract or compensatory plan.
** Portions of this exhibit (indicated by asterisks) have been omitted pursuant to an order granting confidential treatment. Omitted portions have been submitted separately to the Securities and Exchange Commission (SEC).
¶The certifications attached as Exhibit 32.1 and 32.2 that accompany this Form 10-K are not deemed filed with the SEC and are not to be incorporated by reference into any filing of Veeva Systems Inc. under the Securities Act of 1933, as amended (Securities Act), or the Securities Exchange Act of 1934, as amended (Exchange Act), whether made before or after the date of this Form 10-K, irrespective of any general incorporation language contained in such filing.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Pleasanton, State of California, on this 28th day of March, 2019.

VEEVA SYSTEMS INC.

/s/ Timothy S. Cabral

Timothy S. Cabral
Chief Financial Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Peter P. Gassner and Timothy S. Cabral, and each of them, as his or her true and lawful attorney-in-fact and agent with full power of substitution, for him or her in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the SEC, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Annual Report on Form 10-K has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Peter P. Gassner	Chief Executive Officer and Director	March 28, 2019
Peter P. Gassner	(Principal Executive Officer)	
/s/ Timothy S. Cabral	Chief Financial Officer	March 28, 2019
Timothy S. Cabral	(Principal Financial Officer)	
/s/ Michele O’ Connor	Chief Accounting Officer	March 28, 2019
Michele O’Connor	(Principal Accounting Officer)	
/s/ Tim Barabe	Director	March 28, 2019

Tim Barabe		
/s/ Mark Carges	Director	March 28, 2019
Mark Carges		
/s/ Paul Chamberlain	Director	March 28, 2019
Paul Chamberlain		
/s/ Ronald E.F. Codd	Director	March 28, 2019
Ronald E.F. Codd		
/s/ Gordon Ritter	Chairman of the Board of Directors	March 28, 2019
Gordon Ritter		
/s/ Paul Sekhri	Director	March 28, 2019
Paul Sekhri		