USA TRUCK INC
Form 4
May 04, 2016

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL	
OMB Number:	3235-0287
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(Print or Type Responses)

1. Name and Address of Reporting Person *
PEISER ROBERT A
(Last) (First) (Middle)
3200 INDUSTRIAL PARK ROAD
(Street)
VAN BUREN, AR 72956
(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
USA TRUCK INC [USAK]

3. Date of Earliest Transaction (Month/Day/Year)
05/02/2016

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	05/02/2016		A		5,002 (1)	A	$ 0	30,513	D	
Common Stock								21,272 (2) (3)	I	By Trust

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Own Follo Repo Trans (Instr
								Date Exercisable	Expiration Date	Title	Amount or Number of Shares		
				Code	V	(A)	(D)						

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
PEISER ROBERT A 3200 INDUSTRIAL PARK ROAD VAN BUREN, AR 72956	X			

Signatures

/s/ Robert A. Peiser, by David F. Marano, Attorney-in-fact pursuant to POA previously filed	05/04/2016
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Represents annual award of restricted stock under the USA Truck, Inc. 2014 Omnibus Incentive Plan as part of the non-employee director compensation package. The shares will vest on the date of the Company's 2017 Annual Meeting, subject to certain acceleration and forfeiture provisions.

(2) The reporting person disclaims ownership of the shares to the extent that the number of shares exceeds his pecuniary interest in the shares.

(3) Includes 3,345 shares previously owned directly that have been transferred to a trust.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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2015

2014

2013

2014 to 2015

% Change

2013 to 2014

% Change

(dollars in thousands)

Sales and marketing

$

56,203

Explanation of Responses:

$

41,507

$

19,490

35

%

113

%

Percentage of total revenues

18

%

20

%

Explanation of Responses:

15

%

Headcount (at period end)

200

158

87

27

%

Explanation of Responses:

82

%

Fiscal 2015 compared to Fiscal 2014. Sales and marketing expenses increased $14.7 million, primarily due to an increase of $11.7 million in employee compensation-related costs (which includes the impact of an increase of $1.4 million in stock-based compensation, an increase of $1.3 million in sales commissions and a 27% increase in headcount), an increase of $1.4 million in marketing program costs, and a $0.8 million increase in travel-related costs.

Fiscal 2014 compared to Fiscal 2013. Sales and marketing expenses increased $22.0 million, primarily due to an increase of $16.6 million in employee compensation-related costs (which includes the impact of an increase of $1.6 million in stock-based compensation, an increase of $5.3 million in sales commissions and a 82% increase in headcount), an increase of $1.5 million in allocated overhead and other expenses, an increase of $2.2 million in marketing program costs, and a $1.7 million increase in travel-related costs.

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

General and Administrative

	Fiscal Year Ended January 31,							
				2014 to 2015 %		2013 to 2014	
	2015	2014	2013	Change		% Change	
	(dollars in thousands)						
General and administrative	$30,239	$20,411	$8,371	48	%	144	%
Percentage of total revenues	10 %	10 %	7 %				
Headcount (at period end)	93	69	44	35	%	57	%

Fiscal 2015 compared to Fiscal 2014. General and administrative expenses increased $9.8 million, primarily due to increases of $5.1 million in employee compensation-related costs (which includes the impact of an increase of $2.3 million in stock-based compensation and a 35% increase in headcount), and an increase of $3.1 million in third-party professional services costs. Much of this increased spending was incurred to address public company requirements, litigation related costs, and to provide increased administrative support to our foreign operations.

Fiscal 2014 compared to Fiscal 2013. General and administrative expenses increased $12.0 million, primarily due to increases of $7.6 million in employee compensation-related costs (which includes the impact of an increase of $2.2 million in stock-based compensation and a 57% increase in headcount) and an increase of $3.2 million in third-party professional services costs. Much of this increased spending was incurred in preparation of becoming a public company.

We expect general and administrative expenses to increase in absolute dollars in the near term, primarily due to higher headcount and expenses and to provide additional administrative support to our growing foreign operations.

Other Income (Expense), Net

	Fiscal Year Ended January 31,			2014 to 2015	2013 to 2014
	2015	2014	2013	% Change	% Change
	(dollars in thousands)				
Other expense, net	$2,780	$804	$940	246 %	-14 %

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Fiscal 2015 compared to Fiscal 2014. Other expenses increased $2.0 million, primarily due to an increase of $2.9 million in foreign currency loss and an increase of $2.1 million in investment amortization, offset by an increase of $3.0 million in interest income. The higher interest income and investment amortization compared to the prior year period was primarily attributable to our higher cash equivalent and investment balances. The foreign currency loss was driven by the decline in the value of the Euro to the U.S. Dollar and resulting primarily from the periodic re-measurement of our foreign currency balances that are denominated in currencies other than the functional currency of the entities in which they are recorded. Our results of operations are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Euro, British Pound Sterling, Japanese Yen and Chinese Yuan. We expect to experience additional adverse foreign currency impacts if any of these currencies decline further.

Fiscal 2014 compared to Fiscal 2013. Other expenses were primarily comprised of foreign currency loss of $0.9 million and investment amortization of $0.4 million, offset by $0.5 million in interest income. These amounts were relatively consistent compared to the prior year period.

Provision for Income Taxes

	Fiscal Year Ended January 31,			2014 to 2015 % Change	2013 to 2014 % Change
	2015	2014	2013		
	(dollars in thousands)				
Income before income taxes	$67,186	$38,500	$29,093	75 %	32 %
Provision for income taxes	26,803	14,885	10,310	80	44
Effective tax rate	39.9 %	38.7 %	35.4 %		

Our effective tax rate in all periods is the result of the mix of income earned in various tax jurisdictions that apply a broad range of income tax rates. The provision for income taxes differs from the tax computed at the U.S. federal statutory income tax rate due primarily to earnings considered as indefinitely reinvested in foreign operations, state taxes, the U.S. research and development tax credit, equity compensation and the U.S. domestic production activity deduction. Future effective tax rates could be adversely affected if earnings are lower than anticipated in countries where we have lower statutory tax rates, by unfavorable changes in tax laws and regulations or by adverse rulings in tax related litigation. Differing tax rates in various jurisdictions could harm our results of operations and financial condition by increasing our overall tax rate.

Our effective tax rate was 40%, 39% and 35% for the years ended January 31, 2015, 2014 and 2013, respectively. The increase in effective tax rate is primarily due to earnings being taxed at a higher mixed jurisdictional rate, an increase in non-deductible stock-based compensation expense, combined with a decrease in the U.S. domestic production activity deduction benefit.

Fiscal 2015 compared to Fiscal 2014. Provision for income taxes increased $11.9 million, primarily due to an increase in income before taxes for the year, and an increase of 1% in our effective tax rate.

Fiscal 2014 compared to Fiscal 2013. Provision for income taxes increased $4.6 million, primarily due to an increase in income before taxes for the year, and an increase of 4% in our effective tax rate.

On December 19, 2014, the President signed into law the Tax Increase Prevention Act of 2014 (the "2014 Act"). Under prior law, a taxpayer was entitled to a research tax credit for qualifying amounts paid or incurred on or before December 31, 2013. The 2014 Act extended the research credit for one year to December 31, 2014. The extension of

the research credit was retroactive and includes amounts paid or incurred after December 31, 2013. As a result of the retroactive extension, we recognized a tax benefit of $1.4 million in the fourth quarter of fiscal 2015 for qualifying amounts incurred in the calendar year 2014. The federal research credit has not been extended to new research activities incurred after December 31, 2014. We will therefore not have a similar favorable impact to our effective tax rate in fiscal year 2016 unless new legislation is passed which will provide a credit for qualifying amounts generated in fiscal year 2016.

Non-GAAP Financial Measures

Regulation S-K Item 10(e), “Use of Non-GAAP Financial Measures in Commission Filings,” defines and prescribes the conditions for use of non-GAAP financial information. Our measures of non-GAAP operating income, non-GAAP net income and non-GAAP net income per share each meet the definition of a non-GAAP financial measure.

Non-GAAP operating income and non-GAAP net income

We use the non-GAAP measures of non-GAAP operating income and non-GAAP net income to provide an additional view of operational performance by excluding non-cash expenses that are not directly related to performance in any particular period. In addition to our GAAP measures we use these non-GAAP measures for budgeting and resource allocation purposes and in analyzing our financial results. We believe that these non-GAAP measures reflect our ongoing operating results and trends in a manner that allows for meaningful period-to-period comparisons and analysis of trends in our business, as they exclude certain expenses and benefits. These items are excluded because the decisions which gave rise to them are not made to increase revenue in a particular period, but are made for our long-term benefit over multiple periods and we are not able to change or affect these items in any particular period.

We define non-GAAP net income as our total net income excluding the following components, which we believe are not reflective of our ongoing operational expenses. In each case, for the reasons set forth below, we believe that excluding the component provides useful information to investors and others in understanding and evaluating the impact of certain non-cash items to our operating results and future prospects in the same manner as it does for us, in comparing financial results across accounting periods and to those of peer companies and to better understand the impact of these non-cash items on our gross margin and operating performance. Additionally, as significant, unusual or discrete events occur, the income statement impact thereof may be excluded in the period in which the events occur.

- Stock-based compensation expenses. We excluded 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 certain non-cash charges to assess the appropriate level of various operating expenses and our forecasting of 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 and is significantly affected by the timing and size of acquisitions. Because these costs have already been incurred and cannot be recovered, and are non-cash expenses, we exclude these expenses for internal management reporting purposes. We also find it useful to exclude these fixed charges when assessing the appropriate level of various operating expenses and in our forecasting of 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. Amortization of purchased intangible assets will recur in future periods.
- 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.
- 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 tax impact on the difference between GAAP and non-GAAP costs and expenses due to stock-based compensation, purchased intangibles and capitalized internal-use software for GAAP and non-GAAP measures.

We define non-GAAP operating income as our operating income, as reported on our consolidated statement of comprehensive income, excluding the portions of stock-based compensation, amortization of purchased intangibles, capitalization of expenses associated with development of internal-use software and the subsequent amortization of the capitalized expenses that are included in operating expenses.

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Non-GAAP net income per share

Management uses the non-GAAP net income per share to provide an additional view of performance by excluding items that are not directly related to performance in any particular period in the earnings per share calculation.

We define non-GAAP net income per share as our non-GAAP net income, which excludes the above components, which we believe are not reflective of our ongoing operational expenses, divided by diluted shares outstanding. Diluted shares outstanding are diluted shares, as reported on our consolidated statement of comprehensive income, adjusted for the 85,000,000 shares of convertible preferred stock that was issued and outstanding for the year, or the proportionate part of, prior to our initial public offering were assumed to be converted to common shares.

Limitations on the use of Non-GAAP financial measures

A limitation of our non-GAAP financial measures of non-GAAP operating income, non-GAAP net income and non-GAAP net income per share is that they do not have uniform definitions. Our definitions will likely differ from the definitions used by other companies, including peer companies, and therefore comparability may be limited. Thus, our non-GAAP measures of non-GAAP operating income, non-GAAP net income and non-GAAP net income per share should be considered in addition to, not as a substitute for, or in isolation from, measures prepared in accordance with GAAP. Additionally, in the case of stock-based expense, if we did not pay a portion of compensation in the form of stock-based expense, the cash salary expense included in costs of revenues and operating expenses would be higher which would affect our cash position and our non-GAAP profitability.

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. Veeva compensates 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. Investors are encouraged to review the reconciliation of these non-GAAP measures to their most directly comparable GAAP financial measure and not to rely on any single financial measure to evaluate our business. A reconciliation of GAAP to the non-GAAP financial measures has been provided in the tables below.

We compensate for these limitations by reconciling non-GAAP gross profit, non-GAAP operating profit, non-GAAP net income and non-GAAP earnings per share to the most comparable GAAP financial measure. We encourage investors and others to review our financial information in its entirety, not to rely on any single financial measure and to view our non-GAAP financial measures in conjunction with the most comparable GAAP financial measures.

The following table reconciles the specific items excluded from GAAP net income in the calculation of non-GAAP net income and non-GAAP net income per share for the periods shown below:

	Fiscal Year Ended January 31,		
	2015	2014	2013
Operating income on a GAAP basis	$69,966	$39,304	$30,033
Stock-based compensation expense	14,325	6,950	715
Amortization of purchased intangibles	1,650	1,022	—
Capitalization of internal-use software	(413)	(1,117)	(590)
Amortization of internal-use software	818	502	300
Operating income on a non-GAAP basis	$86,346	$46,661	$30,458
Net income on a GAAP basis	$40,383	$23,615	$18,783
Stock-based compensation expense	14,325	6,950	715
Amortization of purchased intangibles	1,650	1,022	—
Capitalization of internal-use software	(413)	(1,117)	(590)
Amortization of internal-use software	818	502	300
Income tax effect on non-GAAP adjustments	(3,573)	(865)	69
Net income on a non-GAAP basis	$53,190	$30,107	$19,277
Net income allocated to participating securities on a GAAP basis	$(245)	$(13,210)	$(15,303)
Net income allocated to participating securities from non-GAAP adjustments[1]	(77)	12,581	15,922
Net income allocated to participating securities on a non-GAAP basis	(322)	(629)	(619)
Net income attributable to common stockholders on a non-GAAP basis	$52,868	$29,478	$18,658
Diluted shares on a GAAP basis	144,204	68,024	30,599
Impact of assumed conversion of preferred stock[1]	—	61,247	85,000
Diluted shares on a non-GAAP basis	144,204	129,271	115,599
Diluted net income per share on a GAAP basis	$0.28	$0.15	$0.11
Stock-based compensation expense	0.10	0.06	0.01
Amortization of purchased intangibles	0.01	0.01	—
Capitalization of internal-use software	—	(0.01)	—
Amortization of internal-use software	0.01	—	—
Income tax effect on non-GAAP adjustments	(0.03)	(0.01)	—
Impact of assumed conversion of preferred stock[1]	—	0.03	0.04
Diluted net income per share on a non-GAAP basis	$0.37	$0.23	$0.16

[1] In computing the fully diluted shares for non-GAAP purposes, the 85,000,000 shares of convertible preferred stock that was issued and outstanding for the proportionate part of the year prior to our initial public offering were assumed to be converted to common shares. As a result of the assumed conversion, convertible preferred stock was not considered participating securities when allocating net income to participating securities, for non-GAAP purposes.

Liquidity and Capital Resources

	Fiscal Year Ended January 31,		
	2015	2014	2013
	(in thousands)		
Net cash provided by operating activities	$67,574	$41,753	$30,799
Net cash used in investing activities	(272,018)	(26,576)	(16,364)
Net cash provided by financing activities	71,262	215,440	575
Effect of exchange rate changes on cash and cash equivalents	(72)	—	—
Net change in cash and cash equivalents	$(133,254)	$230,617	$15,010

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Our principal sources of liquidity were our cash, cash equivalents and short-term investments, as well as cash flows generated from our operations. Our cash, cash equivalents and short-term investments totaled $397.9 million, of which $8.0 million represented cash and cash equivalents held outside of the United States. Non-U.S. cash and cash equivalents have been earmarked for indefinite reinvestment in our operations outside the United States and, therefore, no U.S. current or deferred taxes have been accrued related to these balances. We believe our U.S. sources of cash and liquidity are sufficient to meet our business needs in the United States and do not expect that we will need to repatriate the funds we have designated as indefinitely reinvested outside the United States. Under current tax laws, should our plans change and we were to choose to repatriate some or all of the funds we have designated as indefinitely reinvested outside the United States, such amounts would be subject to U.S. income taxes and applicable non-U.S. income and withholding taxes.

We have financed our operations primarily through cash generated from operations. We believe our existing cash, cash equivalents and short-term investments generated from operations will be sufficient to meet our working capital and capital expenditure needs over at least the next 12 months. Our future capital requirements will depend on many factors including our growth rate, subscription renewal activity, the timing and extent of spending to support product development efforts, the expansion of sales and marketing activities, the ongoing investments in data centers, the introduction of new and enhanced solutions and the continuing market acceptance of our solutions. We may in the future enter into arrangements to acquire or invest in complementary businesses, services and 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.

On October 21, 2013, we closed our initial public offering of 11,676,750 shares of Class A common stock sold by us, at a public offering price of $20.00 per share. Our proceeds from the offering were $214.2 million after deducting underwriting discounts and commissions and total offering expenses.

On March 31, 2014, we closed our follow-on offering of 1,390,000 shares of Class A common stock sold by us, at a public offering price of $26.35 per share. Our proceeds from the offering were $34.5 million after deducting underwriting discounts and commissions and total offering expenses.

Cash Flows from Operating Activities

Our largest source of operating cash inflows is cash collections from our customers for subscription services. We also generate significant cash flows from our professional services arrangements. Our primary uses of cash from operating activities are for employee-related expenditures, fees to salesforce.com, third-party professional services costs, employee travel and leased facilities.

Fiscal 2015 compared to Fiscal 2014. Net cash provided by operating activities was $67.7 million for the year ended January 31, 2015. Our cash provided by operating activities during the year ended January 31, 2015 primarily reflected our net income of $40.4 million, adjustments for non-cash items of $14.3 million of stock-based compensation expense and $3.9 million of depreciation and amortization expense. Additional sources of cash inflows were from changes in our working capital, which included a $45.6 million increase in deferred revenue resulting primarily from increased orders from new and existing customers and a $3.3 million increase in our net income tax obligations related to the timing of tax payments. These sources of cash were partially offset by a $34.5 million increase in accounts receivable related to the timing of billings and collections, a $4.7 million increase in other current and long-term assets and a $4.3 million increase in our net deferred income taxes assets.

Fiscal 2014 compared to Fiscal 2013. Net cash provided by operating activities was $41.8 million for the year ended January 31, 2014. Our cash provided by operating activities during the year ended January 31, 2014 primarily reflected our net income of $23.6 million, adjustments for non-cash items of $7.0 million of stock-based compensation

expense and $2.4 million of depreciation and amortization expense. Additional sources of cash inflows were from changes in our working capital, which included a $28.5 million increase in deferred revenue resulting primarily from increased orders from new and existing customers and a $9.7 million increase in accrued expenses, which reflects timing of payments primarily related to employee compensation related accruals and accruals for our salesforce.com fees associated with our subscription services revenues. These sources of cash were partially offset by a $19.7 million increase in accounts receivable in part related to the timing of billings and collections and a $4.8 million decrease in our income tax obligations related to the timing of tax payments.

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 and for the acquisition of AdvantageMS. We also use cash to invest in capital assets to support our growth.

Fiscal 2015 compared to Fiscal 2014. Net cash used in investing activities was $272.5 million for the year ended January 31, 2015 resulting primarily from $245.1 million in net purchases of marketable securities and $27.0 million in cash used for purchases of property and equipment, which primarily includes the July 2014 purchase of our new corporate headquarters located in Pleasanton, California for $24.0 million.

Fiscal 2014 compared to Fiscal 2013. Net cash used in investing activities was $26.6 million for the year ended January 31, 2014 resulting primarily from $12.1 million in cash used to complete the acquisition of AdvantageMS, combined with $11.7 million in net purchases of marketable securities.

Cash Flows from Financing Activities

The cash flows from financing activities relate to proceeds from our initial public offering of Class A common stock, stock option exercises and excess tax benefits from our stock plans.

Fiscal 2015 compared to Fiscal 2014. Net cash provided by financing activities was $71.6 million for the year ended January 31, 2015 resulting from $34.5 million net proceeds from our follow-on offering, $25.3 million in excess tax benefits from our employee stock plans, and $11.8 million from employees participating in the employee stock plans.

Fiscal 2014 compared to Fiscal 2013. Net cash provided by financing activities was $215.4 million for the year ended January 31, 2014 resulting primarily from the net proceeds from our initial public offering of $214.5 million.

Commitments

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

As of January 31, 2015, 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)				
Purchase commitments	$462,815	$4,051	$—	$—	$458,764
Operating lease obligations	8,224	2,665	3,200	1,545	814
Total	$471,039	$6,716	$3,200	$1,545	$459,578

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.

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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 our 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 consider revenue recognition to be a significant accounting policy. For a description of our application of GAAP to our revenue recognition, see note 1 of the notes to our consolidated financial statements.

Stock-Based Compensation

Compensation expense related to stock-based transactions, including employee, consultant and non-employee director stock option awards, is measured and recognized in the consolidated financial statements based on fair value. The fair value of each option award is estimated on the grant date using the Black-Scholes option-pricing model. The stock-based compensation expense, net of forfeitures, is recognized using a straight-line basis over the requisite service periods of the awards, which is generally four to five years.

Our option-pricing model requires the input of highly 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. For a description of our assumptions used for our stock-based compensation policy, see note 11 of the notes to our consolidated financial statements.

In addition to assumptions used in the Black-Scholes option-pricing model, we must also estimate a forfeiture rate to calculate the stock-based compensation expense for our option awards. Our forfeiture rate is based on an analysis of our actual forfeitures. We will continue to evaluate the appropriateness of the forfeiture rate based on actual forfeiture experience, analysis of employee turnover and other factors. Changes in the estimated forfeiture rate can have a significant impact on our stock-based compensation expense as the cumulative effect of adjusting the rate is recognized in the period the forfeiture rate is revised. If a revised forfeiture rate is higher than the previously estimated forfeiture rate, an adjustment is made that will result in a decrease to the stock-based compensation expense recognized in the consolidated financial statements. If a revised forfeiture rate is lower than the previously estimated forfeiture rate, an adjustment is made that will result in an increase to the stock-based compensation expense recognized in the consolidated financial statements.

We will continue to use judgment in evaluating the assumptions related to our stock-based compensation expense on a prospective basis. As we continue to accumulate additional data related to our common stock, we may have refinements to our estimates, which could materially impact our future stock-based compensation expense.

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 Euro and Japanese Yen. Revenues outside of North America as a percentage of revenues were approximately 45%, 41% and 35% in our fiscal years ended January 31, 2015, 2014 and 2013, respectively. 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, 2015, 2014 and 2013, our foreign currency loss was $3.9 million, $0.9 million and $1.0 million, respectively.

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

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currency of the entities in which they are recorded. While we have not engaged in the hedging of our foreign currency transactions to date, we are currently evaluating the costs and benefits of initiating such a program and may, in the future, hedge selected significant transactions or net monetary exposure positions denominated in currencies other than the U.S. dollar.

Interest rate sensitivity

We had cash, cash equivalents and short-term investments totaling $397.9 million as of January 31, 2015. This amount was invested primarily in U.S. agency obligations, corporate notes and bonds, money market funds, U.S. treasury securities, asset-based securities, and commercial paper. The cash and cash equivalents are held for working capital purposes. Our investments are made for capital preservation purposes. We do not enter into investments for trading or speculative purposes.

Our cash equivalents and our portfolio of marketable securities are subject to market risk due to changes in interest rates, 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 $1.9 million market value reduction in our investment portfolio as of January 31, 2015. All of our investments earn less than 100-basis points and as a result, an immediate decrease of 100-basis points in interest rates would have increased the market value by $0.6 million as of January 31, 2015. 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

The Board of Directors and Stockholders

Veeva Systems Inc.:

We have audited the accompanying consolidated balance sheets of Veeva Systems Inc. (the Company) and its subsidiaries as of January 31, 2015 and 2014, 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, 2015. We also have audited the Company's internal control over financial reporting as of January 31, 2015, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). 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 appearing under Item 9A(b). Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. 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.

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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Veeva Systems Inc. and subsidiaries as of January 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended January 31, 2015, 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, 2015, based on criteria

established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/ KPMG LLP

Santa Clara, California

March 31, 2015

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VEEVA SYSTEMS INC.

CONSOLIDATED BALANCE SHEETS

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

	January 31, 2015	2014
Assets		
Current assets:		
Cash and cash equivalents	$129,253	$262,507
Short-term investments	268,620	25,625
Accounts receivable, net of allowance for doubtful accounts of $413 and $305, respectively	92,661	58,433
Deferred income taxes	4,815	2,075
Other current assets	6,488	5,092
Total current assets	501,837	353,732
Property and equipment, net	28,203	2,445
Capitalized internal-use software, net	1,240	1,585
Goodwill	4,850	4,850
Intangible assets, net	4,904	6,551
Other long-term assets	3,856	1,145
Total assets	$544,890	$370,308
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$3,886	$2,117
Accrued compensation and benefits	6,497	8,750
Accrued expenses and other current liabilities	8,939	7,931
Income tax payable	3,241	439
Deferred revenue	112,960	67,380
Total current liabilities	135,523	86,617
Other long-term liabilities	2,534	3,595
Total liabilities	138,057	90,212
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Class A common stock, $0.00001 par value; 800,000,000 shares authorized, 64,729,479 and 15,044,750 issued and outstanding at January 31, 2015 and 2014, respectively	—	—
Class B common stock, $0.00001 par value; 190,000,000 shares authorized, 66,338,146 and 109,746,795 issued and outstanding at January 31, 2015 and 2014, respectively	1	1
Additional paid-in capital	317,881	231,534
Accumulated other comprehensive income	26	19
Retained earnings	88,925	48,542
Total stockholders' equity	406,833	280,096
Total liabilities and stockholders' equity	$544,890	$370,308

See Notes to Consolidated Financial Statements.

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VEEVA SYSTEMS INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands, except per share data)

	Fiscal Year Ended January 31,		
	2015	2014	2013
Revenues:			
Subscription services	$233,063	$146,621	$73,280
Professional services and other	80,159	63,530	56,268
Total revenues	313,222	210,151	129,548
Cost of revenues[1]:			
Cost of subscription services	55,005	36,199	18,852
Cost of professional services and other	60,653	46,403	38,164
Total cost of revenues	115,658	82,602	57,016
Gross profit	197,564	127,549	72,532
Operating expenses[1]:			
Research and development	41,156	26,327	14,638
Sales and marketing	56,203	41,507	19,490
General and administrative	30,239	20,411	8,371
Total operating expenses	127,598	88,245	42,499
Operating income	69,966	39,304	30,033
Other expense, net	2,780	804	940
Income before income taxes	67,186	38,500	29,093
Provision for income taxes	26,803	14,885	10,310
Net income	$40,383	$23,615	$18,783
Net income attributable to Class A and Class B common stockholders, basic and diluted	$40,138	$10,405	$3,480
Net income per share attributable to Class A and Class B common stockholders:			
Basic	$0.31	$0.20	$0.17
Diluted	$0.28	$0.15	$0.11
Weighted-average shares used to compute net income per share attributable to Class A and Class B common stockholders:			
Basic	127,713	51,725	20,887
Diluted	144,204	68,024	30,599
Other comprehensive income:			
Net change in unrealized gains on available-for-sale investments	$76	$10	$5
Net change in cumulative foreign currency translation gain (loss)	(69)	4	—
Comprehensive income	$40,390	$23,629	$18,788

[1] Includes stock-based compensation as follows:

Cost of revenues:			
Cost of subscription services	$273	$118	$3
Cost of professional services and other	2,272	902	120
Research and development	3,844	1,700	238
Sales and marketing	3,221	1,788	140
General and administrative	4,715	2,442	214
Total stock-based compensation	$14,325	$6,950	$715

See Notes to Consolidated Financial Statements.

VEEVA SYSTEMS INC.

CONSOLIDATED STATEMENTS STOCKHOLDERS' EQUITY

(In thousands, except share data)

	Series A and B Convertible Preferred Stock Shares	Amount	Class A & B Common stock Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance at January 31, 2012	85,000,000	$ 6,933	22,620,207	$ —	$ 1,026	$ 6,144	$ —	$ 14,103
Issuance of common stock upon exercise of stock options	—	—	1,481,017	—	136	—	—	136
Issuance of common stock upon early exercise of stock options	—	—	742,627	—	—	—	—	—
Vesting of early exercised stock options	—	—	—	—	224	—	—	224
Stock-based compensation expense	—	—	—	—	715	—	—	715
Other comprehensive income	—	—	—	—	—	—	5	5
Net income	—	—	—	—	—	18,783	—	18,783
Balance at January 31, 2013	85,000,000	6,933	24,843,851	—	2,101	24,927	5	33,966
Issuance of common stock upon exercise of stock options	—	—	2,913,194	—	514	—	—	514
Issuance of common stock upon early exercise of stock options	—	—	357,750	—	—	—	—	—
Vesting of early exercised stock options	—	—	—	—	572	—	—	572
Stock-based compensation expense	—	—	—	—	7,041	—	—	7,041
Conversion of preferred stock to common stock	(85,000,000)	(6,933)	85,000,000	1	6,932	—	—	—
Initial public offering, net of issuance costs	—	—	11,676,750	—	214,200	—	—	214,200
Excess tax benefits from employee stock plans	—	—	—	—	174	—	—	174
Other comprehensive income	—	—	—	—	—	—	14	14
Net income	—	—	—	—	—	23,615	—	23,615

Balance at January 31, 2014	—	—	124,791,545	1	231,534	48,542	19	280,096
Issuance of common stock upon exercise of stock options	—	—	4,437,349	—	5,813	—	—	5,813
Vesting of early exercised stock options	—	—	—	—	377	—	—	377
Repurchase of unvested early exercised stock options	—	—	(16,667)	—	—	—	—	—
Issuance of common stock upon vesting of restricted stock units	—	—	115,339	—	(15)	—	—	(15)
Stock-based compensation expense	—	—	—	—	14,385	—	—	14,385
Issuance of common shares under Employee Stock Purchase Plan	—	—	350,059	—	5,951	—	—	5,951
Follow-on offering, net of issuance costs	—	—	1,390,000	—	34,495	—	—	34,495
Excess tax benefits from employee stock plans	—	—	—	—	25,341	—	—	25,341
Other comprehensive income	—	—	—	—	—	—	7	7
Net income	—	—	—	—	—	40,383	—	40,383
Balance at January 31, 2015	—	$—	131,067,625	$ 1	$ 317,881	$ 88,925	$ 26	$ 406,833

See Notes to Consolidated Financial Statements.

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VEEVA SYSTEMS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Fiscal Year Ended January 31,		
	2015	2014	2013
Cash flows from operating activities			
Net income	$40,383	$23,615	$18,783
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	3,929	2,410	789
Amortization of premiums on short-term investments	2,176	364	101
Stock-based compensation	14,325	6,950	715
Deferred income taxes	(4,268)	(1,781)	(639)
Bad debt expense	227	35	540
Changes in operating assets and liabilities:			
Accounts receivable	(34,455)	(19,738)	(17,067)
Income taxes	3,326	(4,784)	5,124
Other current and long-term assets	(4,652)	(2,951)	(593)
Accounts payable	1,290	(1,303)	1,747
Accrued expenses and other current liabilities	(754)	9,690	(4)
Deferred revenue	45,580	28,473	20,860
Other long-term liabilities	467	773	443
Net cash provided by operating activities	67,574	41,753	30,799
Cash flows from investing activities			
Purchases of short-term investments	(401,955)	(21,403)	(14,372)
Maturities and sales of investments	156,860	9,700	—
Purchases of property and equipment	(26,531)	(1,860)	(964)
Acquisitions, net of cash acquired	—	(12,149)	—
Capitalized internal-use software development costs	(413)	(1,117)	(590)
Proceeds from (issuance of) note receivable–related party	—	253	(3)
Payments for restricted cash and deposits	21	—	(435)
Net cash used in investing activities	(272,018)	(26,576)	(16,364)
Cash flows from financing activities			
Proceeds from early exercise of common stock options	—	229	439
Proceeds from exercise of common stock options	5,813	514	136
Net proceeds from offerings	34,172	214,523	—
Proceeds from Employee Stock Purchase Plan	5,951	—	—
Restricted stock units acquired to settle employee tax withholding liability	(15)	—	—
Excess tax benefits from employee stock plans	25,341	174	—
Net cash provided by financing activities	71,262	215,440	575
Effect of exchange rate changes on cash and cash equivalents	(72)	—	—
Net change in cash and cash equivalents	(133,254)	230,617	15,010
Cash and cash equivalents at beginning of period	262,507	31,890	16,880
Cash and cash equivalents at end of period	$129,253	$262,507	$31,890

Supplemental disclosures of other cash flow information:			
Cash paid for income taxes	$1,515	$20,673	$5,659
Non-cash investing and financing activities:			
Changes in accounts payable and accrued liabilities related to property and equipment purchases	$688	$18	$80
Vesting of early exercised stock options	$377	$572	$224
Offering costs not yet paid	$—	$323	$—

See Notes to Consolidated Financial Statements.

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Note 1. Summary of Business and Significant Accounting Policies

Description of Business

Veeva is a leading provider of cloud-based software solutions for the global life sciences industry. We were founded in 2007 on the premise that industry-specific business problems would best be addressed by tailored cloud solutions, an approach referred to as industry cloud. All of our solutions are designed from the ground up to address the unique business and regulatory requirements of the life sciences industry. We enable life sciences companies to realize the benefits of a cloud delivery model and modern mobile applications for their most critical business functions with solutions that meet their specialized functional and compliance needs. Our fiscal year end is January 31.

Initial Public Offering and Follow-on Offering

On October 21, 2013, we closed our initial public offering (IPO) of 15,001,750 shares of Class A common stock, which included 11,676,750 shares sold by us (inclusive of 1,956,750 shares issued upon the full exercise of the over-allotment option granted to the underwriters) and a total of 3,325,000 shares sold by certain selling stockholders. The public offering price of the shares was $20.00 per share. We did not receive any proceeds from the sales of shares by the selling stockholders. Our proceeds from the offering were $214.2 million after deducting underwriting discounts and commissions and total offering expenses.

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

Principles of Consolidation and Basis of Presentation

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (GAAP). The consolidated financial statements include accounts of our wholly owned subsidiaries after elimination of intercompany accounts and transactions.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires us to make certain 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. Significant items subject to such estimates and assumptions include, but are not limited to:

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

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

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

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

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

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

Subscription Services Revenues

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

Professional Services and Other Revenues

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

Multiple Element Arrangements

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

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

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

services.

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

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

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

Deferred Revenue

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

Certain Risks and Concentrations of Credit Risk

Our revenues are derived from subscription services, professional services and other services delivered primarily to the pharmaceutical and life sciences industry. We operate in markets that are highly competitive and rapidly changing. Significant technological changes, shifting customer needs, the emergence of competitive products or services with new capabilities and other factors could negatively impact our operating results. Our financial instruments that potentially subject us to concentration of credit risk consist primarily of cash and cash equivalents, short-term investments and trade accounts receivable. Our cash equivalents and short-term investments are held in safekeeping by large, credit-worthy financial institutions. We have established guidelines relative to credit ratings, diversification and maturities that seek to maintain safety and liquidity. Deposits in these financial institutions may exceed federally insured limits.

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

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

	January 31,	
	2015	2014
Customer 1	*	*
Customer 2	11%	10%
Customer 3	16	*

*Does not exceed 10%.

In our fiscal years ended January 31, 2015, 2014 and 2013, our top 10 customers accounted for 54%, 56% and 54% of our total revenues, respectively. The following customers individually exceeded 10% of total revenues for the periods shown:

	Fiscal Year Ended January 31,		
	2015	2014	2013
Customer 1	*	*	12%
Customer 2	*	*	11
Customer 3	*	*	*

*Does not exceed 10%.

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.

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Short-term Investments

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

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,		
	2015	2014	2013
Balance at beginning of period	$305	$305	$300
Add: charges (credits) to costs and expenses	227	(35)	317
Less: recoveries (write-offs)	(119)	35	(312)
Balance at end of period	$413	$305	$305

Property and Equipment

Property and equipment are stated at cost. Depreciation on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets, generally three to five years. Leasehold improvements are depreciated over the shorter of the estimated useful life of the leasehold improvements or the lease term. We depreciate buildings over periods up to 30 years. Land is not depreciated. Construction in progress is related to the construction or development of property (including land) and equipment that have not yet been placed in service for our intended use. Depreciation for equipment commences once it is placed in service and depreciation for buildings and leasehold improvements commences once they are ready for our intended use. Upon sale or retirement, the asset's 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 operations 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 customer relationship management, content management and collaboration 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 net assets acquired 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 fiscal 2015, which did not result in any impairment of the goodwill balance.

All other intangible assets, consisting of data update technology, database, customer relationships and software, are stated at cost less accumulated amortization and are amortized on a straight-line basis over their estimated remaining economic lives, ranging from 1.3 to 4.3 years. Amortization expense related to developed technology is included in cost of subscription services. Amortization expense related to customer relationships is 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 fiscal 2015, 2014 and 2013.

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 the Black-Scholes option-pricing model and a single option award approach. This model requires 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 compensation expense recorded is based on awards ultimately expected to vest and therefore is reduced by estimated forfeitures. Forfeitures are estimated at the time of grant based on an analysis of our actual historical forfeitures, and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The compensation expense, net of estimated forfeitures, is recognized using a straight-line basis over the requisite service periods of the awards, which is generally four to five years. We estimate a forfeiture rate to calculate the stock-based compensation expense for our awards.

The fair value of each stock based payment award and stock purchase right granted under the 2013 Employee Stock Purchase Plan (ESPP) was estimated on the date of grant using the Black-Scholes option pricing model. We recognized stock-based compensation expenses related to our ESPP on a straight-line basis over the offering period, which was seven months.

The determination of the grant date fair value of stock based payment awards using an option-pricing model are 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 and cancellation behaviors, risk-free interest rates and expected dividends.

Cost of Revenues

Cost of subscription services and professional services and other revenues are expensed as incurred. Cost of subscription services revenues primarily consists of fees for our use of the Salesforce1 Platform, as well as other expenses such as data center operational costs, and personnel related costs to support our cloud infrastructure.

Cost of professional services and other revenues primarily consists of personnel related costs, and third-party sub-contractor costs associated with providing professional services.

Sales Commissions

Sales commissions paid for subscriptions are recorded as a component of sales and marketing expenses when earned. Commissions are typically earned upon booking of a customer contract. Sales commission expense was $13.2 million, $11.8 million and $6.6 million for the fiscal years ended January 31, 2015, 2014 and 2013, respectively.

Advertising Expenses

Advertising is expensed as incurred. Advertising expense was $0.1 million and $0.2 million for the fiscal year ended January 31, 2015 and 2014, respectively. Advertising expense for the fiscal year ended January 31, 2013 was immaterial.

Foreign Currency Exchange

The functional currency for China, Japan and Brazil 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 assets and liabilities denominated in a foreign currency are translated into U.S. dollars 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.

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. When applicable, a valuation allowance is established to reduce any deferred tax asset when it is determined that it is more

likely than not that some portion of the deferred tax asset will not be realized.

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. 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.

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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 include unrealized gains and losses on marketable securities that are available-for-sale and foreign currency translation adjustment.

Recent Accounting Pronouncements

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

Note 2. Acquisition of AdvantageMS

On June 20, 2013, we completed our acquisition of Advantage Management Solutions, Inc. (AdvantageMS), a privately held supplier of healthcare professional data and related software and services. We expect this acquisition to support our Veeva OpenKey data and data services offerings through the addition of a database of healthcare professionals, healthcare organizations and other supplemental data in the U.S. market. Total closing consideration for the purchase was $10.5 million in cash. Approximately 15% of the closing consideration was placed into escrow to be held for 18 months following the close as security for losses incurred by us in the event of certain breaches of representations and warranties by the sellers. We retained approximately $0.4 million of the escrow amount as recovery for such losses at the end of the escrow period. Additionally, we paid approximately $1.9 million in cash as part of a net working capital adjustment. There are no contingent cash payments related to this transaction. As of January 31, 2015, we had incurred $0.3 million in acquisition-related transaction costs and $0.3 in connection with asserted losses previously claimed against escrow which were not recovered. The assets, liabilities and operating results of AdvantageMS have been reflected in our consolidated financial statements from the date of acquisition and have not been material.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date (in thousands):

Purchase price	
Cash	$12,363
Allocation of purchase price	
Cash	$408
Accounts receivable	1,636

Intangible assets	7,380
Deferred tax asset	173
Other current and non-current assets	435
Deferred tax liability	(2,305)
Other current and non-current liabilities	(214)
Goodwill	4,850
Total purchase price	$ 12,363

We did not record any in-process research and development in connection with the acquisition.

Intangible assets are being amortized on a straight-line basis over an estimated useful life ranging from three to six years. Goodwill of $4.9 million represents the excess of the purchase price over the fair value of the underlying net tangible and intangible assets and represents the future economic benefits of the data technology contributions in support of our Veeva OpenKey data and data services offerings. Goodwill is not deductible for U.S. tax purposes.

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Each component of identifiable intangible assets acquired in connection with the above acquisition as of January 31, 2015 were as follows (dollar amounts in thousands):

	January 31, 2015			
	Gross Carrying Amount	Accumulated Amortization	Net	Remaining Useful Life (in years)
Data update technology	$3,680	$ (1,188)	$2,492	3.4
Database	2,570	(1,037)	1,533	2.3
Customer relationships	1,020	(274)	746	4.3
Software	110	(59)	51	1.3
	$7,380	$ (2,558)	$4,822	

Also included in intangible assets on the consolidated balance sheet is $0.2 million of technology acquired on April 25, 2013. The carrying value of these acquired intangibles as of January 31, 2015 was $0.1 million.

Pro forma results of operations have not been presented because the effect of this acquisition was not material to the consolidated financial statements.

Note 3. Short-Term Investments

At January 31, 2015, 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	$9,323	$ —	$ (4)	$9,319
Commercial paper	3,394	—	—	3,394
Corporate notes and bonds	45,990	18	(19)	45,989
U.S. agency obligations	199,822	92	(3)	199,911
U.S. treasury securities	9,999	8	—	10,007
Total available-for-sale securities	$268,528	$ 118	$ (26)	$268,620

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

	Amortized	Gross Unrealized	Gross Unrealized	Estimated Fair

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

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, 2015	January 31, 2014
Due in one year or less	$224,263	$17,667
Due in greater than one year	44,357	7,958
Total	$268,620	$25,625

We have certain available-for-sale securities in a gross unrealized loss position, all of which have been in such position for less than 12 months. We review our debt securities classified as short-term investments on a regular basis to evaluate whether or not any security has experienced an other-than-temporary decline in fair value. We consider factors such as the length of time and extent to which the market value has been less than the cost, the financial position and near-term prospects of the issuer and our intent to sell, or

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whether it is more likely than not we will be required to sell the investment before recovery of the investment's amortized-cost basis. If we determine that an other-than-temporary decline exists in one of these securities, the respective investment would be written down to fair value. For debt securities, the portion of the write-down related to credit loss would be recognized to other income, net in our 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, 2015 and 2014.

The following table shows the fair values and the gross unrealized losses of these available-for-sale securities aggregated by investment category as of January 31, 2015 (in thousands):

	Fair Value	Gross Unrealized Losses
Asset-backed securities	$9,319	$ (4)
Corporate notes and bonds	23,239	(19)
U.S. agency obligations	18,398	(3)

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

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

Note 4. Property and Equipment, Net

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

	January 31,	
	2015	2014
Land	$3,040	$—
Building	20,984	—
Equipment and computers	3,103	1,912
Furniture and fixtures	1,207	948
Leasehold improvements	1,228	858
Construction in progress	980	121
	30,542	3,839
Less accumulated depreciation	(2,339)	(1,394)
Total property and equipment, net	$28,203	$2,445

Total depreciation expense was $1.4 million, $0.9 million and $0.5 million for the fiscal years ended January 31, 2015, 2014 and 2013, respectively.

Acquisition of Corporate Headquarters Building

On July 22, 2014, we purchased land and a building for our new corporate headquarters located in Pleasanton, California for $24.0 million. The headquarters will support the overall growth of our business for the next few years, and we expect to occupy the building in summer 2015. The useful life for the building is expected to be 30 years and will be depreciated on a straight-line basis once it is ready for its intended use. Land is not depreciated.

Note 5. Capitalized Internal-Use Software

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

	January 31,	
	2015	2014
Capitalized internal-use software development costs	$3,307	$2,834
Less accumulated amortization	(2,067)	(1,249)
Capitalized internal-use software development costs, net	$1,240	$1,585

During the fiscal years ended January 31, 2015 and 2014, we capitalized $0.5 million and $1.2 million, respectively, for internal-use software development costs.

Capitalized internal-use software amortization expense totaled $0.8 million, $0.5 million and $0.3 million for the fiscal years ended January 31, 2015, 2014 and 2013, respectively.

Note 6. Intangible Assets

The following schedule presents the details of intangible assets as of January 31, 2015 (in thousands):

	January 31, 2015			
	Gross Carrying Amount	Accumulated Amortization	Net	Remaining Useful Life (in years)
Data update technology	$3,680	$ (1,188)	$2,492	3.4
Database	2,570	(1,037)	1,533	2.3
Customer relationships	1,020	(274)	746	4.3
Software	304	(171)	133	1.3
	$7,574	$ (2,670)	$4,904	

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

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

Amortization expense associated with acquired intangible assets for the fiscal year ended January 31, 2015 and 2014 was $1.7 million and $1.0 million, respectively. As of January 31, 2013, we did not have any acquired intangible assets.

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

Period	Estimated Amortization Expense
Fiscal 2016	$ 1,651
Fiscal 2017	1,580
Fiscal 2018	1,154
Fiscal 2019	454
Fiscal 2020	65
Total	$ 4,904

Note 7. Accrued Expenses

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

	January 31,	
	2015	2014
Accrued commissions	$1,309	$1,452
Accrued bonus	1,901	1,419
Accrued other compensation and benefits	3,287	5,879
Total accrued compensation and benefits	$6,497	$8,750
Accrued fees paid to salesforce.com	3,395	2,677
Early exercise of stock options	87	470
Sales taxes payable	1,666	2,769
Other accrued expenses	3,791	2,015
Total accrued expenses and other current liabilities	$8,939	$7,931

Note 8. Fair Value Measurements

We apply the provisions of FASB Accounting Standards Codification (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. ASC 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. ASC Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

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

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

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

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

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

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

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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, 2015 (in thousands):

	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market funds	$41,861	$—	$ —	$41,861
U.S. agency obligations	—	3,595	—	3,595
Short-term investments				
Asset backed-securities	—	9,319	—	9,319
Commercial paper	—	3,394	—	3,394
Corporate notes and bonds	—	45,989	—	45,989
U.S. agency obligations	—	199,911	—	199,911
U.S. treasury securities	—	10,007	—	10,007
Total	$41,861	$272,215	$ —	$314,076

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

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

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

Note 9. Other Expense, Net

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

	Fiscal Year Ended January 31,		
	2015	2014	2013
Foreign currency loss	$3,893	$940	$987
Investment amortization	2,424	366	101
Interest (income)	(3,537)	(502)	(148)
Other expense, net	$2,780	$804	$940

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Note 10. 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,		
	2015	2014	2013
United States	$64,178	$35,018	$27,332
Foreign	3,008	3,482	1,761
Total	$67,186	$38,500	$29,093

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 for our fiscal years ended January 31, 2015, 2014 and 2013 consisted of the following (in thousands):

	Fiscal Year Ended January 31,		
	2015	2014	2013
Current provision:			
Federal	$26,039	$13,837	$9,211
State	3,022	1,186	1,138
Foreign	2,093	1,644	600
Total	$31,154	$16,667	$10,949
Deferred provision:			
Federal	(3,421)	(1,360)	(616)
State	(197)	(94)	(23)
Foreign	(733)	(328)	—
Total	$(4,351)	$(1,782)	$(639)
Provision for income taxes	$26,803	$14,885	$10,310

Provision for income taxes differed from the amount computed by applying the federal statutory income tax rate of 35%, to income before income taxes for our fiscal years ended January 31, 2015, 2014 and 2013, respectively, as a result of the following (in thousands):

	Fiscal Year Ended January 31,		
	2015	2014	2013
Federal tax statutory tax rate	$23,470	$13,475	$10,182
State taxes	1,429	904	880
Nondeductible expenses	140	55	80
Research and development credit	(2,028)	(880)	(351)
Domestic manufacturing deduction	(431)	(1,124)	(699)

Stock-based compensation	2,506	1,802	231
Foreign rate differential	1,101	(164)	(50)
Valuation allowance	1,589	512	(52)
Others	(973)	305	89
Provision for income taxes	$26,803	$14,885	$10,310

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The tax effects of temporary differences that give rise to significant portions of our deferred tax assets and liabilities as of January 31, 2015 and 2014 related to the following (in thousands):

	Fiscal Year Ended January 31,	
	2015	2014
Deferred Tax Assets:		
Accruals and reserves	$4,974	$2,357
Net operating loss carryforward	1,176	1,015
State income taxes	967	535
Tax credit carryforward	1,795	750
Other	521	—
Gross Deferred Tax Assets	$9,433	$4,657
Valuation Allowance	(2,304)	(716)
Total Deferred Tax Assets	$7,129	$3,941
Deferred Tax Liabilities:		
Property and equipment	$(193)	$(74)
Intangible assets	(1,822)	(2,448)
Expensed internal-use software	(469)	(606)
Other	—	(436)
Total Deferred Tax Liabilities	$(2,484)	$(3,564)
Net Deferred Tax Assets	$4,645	$377

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 the net California deferred tax asset balances. We expect to generate sufficient California research and development credits in the future to offset our future California State tax liability.

As of January 31, 2015, the net operating loss carryforwards for federal and state income tax purposes were approximately $2.0 million and $4.1 million, respectively. The federal net operating losses and the state net operating losses begin to expire in 2033.

As of January 31, 2015, we had $2.8 million of California research and development tax credits available to offset future taxes, which do not expire.

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, 2015, the total amount of gross unrecognized tax benefits was $3.2 million, of which $2.0 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,		
	2015	2014	2013
Beginning balance	$2,439	$1,220	$644
Increases related to tax positions taken during the prior period	169	28	—
Increases related to tax positions taken during the current period	869	1,191	576
Lapse of statute of limitations	(230)	—	—
Ending balance	$3,247	$2,439	$1,220

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 2015.

We file tax returns in the United States for federal, California, and other states. The tax years from 2011 remain open to examination for federal, 2007 for California and 2010 for other states. We file tax returns in multiple foreign jurisdictions. The tax years from 2011 remain open to examination in these foreign jurisdictions.

As of January 31, 2015, we had not made any tax provision for U.S. federal and state income taxes and foreign withholding taxes on the approximately $3.3 million of undistributed cumulative earnings of foreign subsidiaries because those earnings are considered to be indefinitely reinvested in those operations. If we were to repatriate these earnings to the United States, we would be subject to approximately $0.4 million in U.S. income taxes, subject to an adjustment for foreign tax credits and foreign withholding taxes, based on the U.S. statutory rate of 35%.

Note 11. Stockholders' Equity

Common Stock

In connection with our 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, 2015, we had 64,729,479 shares of Class A common stock and 66,338,146 shares of Class B common stock outstanding, of which 195,833 shares of Class B common stock were unvested, resulting from employees exercising stock options prior to vesting.

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

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.

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, 2015, the number of shares of our Class A common stock available for issuance under the 2013 EIP is 8,149,581 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.

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. 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. For the fiscal year beginning February 1, 2015, 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 Employee Stock Purchase Plan (ESPP) commenced on the date of our initial public offering and ended on June 15, 2014. During our initial ESPP offering period 350,059 shares of Class A Common Stock were purchased. We have not had an open offering period subsequent to the initial offering period, and do not currently have an active, open offering period under our ESPP.

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.

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.

Early Exercise of Employee Options

We historically have allowed for the early exercise of options granted under the 2007 Plan prior to vesting. The 2007 Plan allows for such exercises by means of cash payment, surrender of already outstanding common stock, a same day broker assisted sale or through any other form or method consistent with applicable laws, regulations and rules. Historically, all exercises have been through cash payment. The unvested shares are subject to our repurchase right at the original purchase price. The proceeds initially are recorded as an accrued liability from the early exercise of stock options, and reclassified to common stock as our repurchase right lapses. At January 31, 2015 and 2014, there were unvested shares in the amount of 195,833 and 1,824,457, respectively, which were subject to repurchase at an aggregate price of approximately $0.1 million and $0.5 million, respectively.

These repurchase terms are considered to be a forfeiture provision and do not result in variable accounting. The restricted shares issued upon early exercise of stock options are legally issued and outstanding. However, these restricted shares are only deemed outstanding for basic earnings per share computation purposes upon the respective repurchase rights lapsing. We treat cash received from employees for the exercise of unvested options as a refundable deposit shown as a liability in our consolidated balance sheets. During fiscal 2014, we recorded $0.2 million of cash received for early exercise of options in accrued expenses. During fiscal 2015, there were no early exercises of options. Amounts from accrued expenses are reclassified to common stock and additional paid-in capital as the shares vest.

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. We have also issued nonstatutory options outside of these plans. 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 fiscal 2015 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, 2014	25,424,437	$ 3.22	8.5	$726,649,586
Options granted	548,667	26.77		
Options exercised	(4,437,349)	1.31		$104,689,345
Options forfeited/cancelled	(1,302,135)	4.74		
Options outstanding at January 31, 2015	20,233,620	$ 4.18	7.7	$498,862,568
Options vested and exercisable at January 31, 2015	3,745,852	$ 2.41	6.7	$98,970,347
Options vested and exercisable at January 31, 2015 and expected to vest thereafter	19,080,337	$ 4.16	7.7	$470,900,166

The weighted average grant-date fair value of options granted during fiscal 2015, 2014 and 2013 was $13.87, $2.78 and $0.71, respectively, per share.

As of January 31, 2015, there was $34.9 million in unrecognized compensation cost, net of estimated forfeitures, related to unvested stock options granted under the 2007 Plan, 2012 EIP and 2013 EIP. This cost is expected to be recognized over a weighted average period of 4.4 years.

As of January 31, 2015, 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 30, 2015, the last trading day of fiscal year 2015 was $28.76. The total intrinsic value of options exercised was $104.7 million for the fiscal year ended January 31, 2015.

Restricted Stock Units

The 2013 EIP provides for the issuance of RSUs to employees. RSUs issued under the 2013 EIP generally vest over four years. A summary of RSU activity for fiscal 2015 is presented below:

	Unreleased Restricted	Weighted average grant date

	Stock Units	fair value
Balance at January 31, 2014	156,050	$ 36.52
RSUs granted	990,270	26.33
RSUs vested	(115,866)	28.64
RSUs forfeited/cancelled	(64,482)	29.59
Balance at January 31, 2015	965,972	$ 27.48

During the year ended January 31, 2015, we issued RSUs under the 2013 EIP with a weighted-average grant date fair value of $26.33.

As of January 31, 2015, there was a total of $25.4 million in unrecognized compensation cost, net of estimated forfeitures, related to unvested RSUs, which are expected to be recognized over a weighted-average period of approximately 3.5 years.

Stock-Based Compensation

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

Our option-pricing model requires the input of highly 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:

- Fair Value of Common Stock. Prior to our IPO in October 2013, our compensation committee considered numerous objective and subjective factors to determine the fair value of our common stock at each meeting at which awards were approved. The factors included, but were not limited to: (i) contemporaneous third-party valuations of our common stock; (ii) the prices, rights, preferences and privileges of our Preferred Stock relative to those of our common stock; (iii) the lack of marketability of our common stock; (iv) our actual operating and financial results; (v) current business conditions and projections; and (vi) the likelihood of achieving a liquidity event, such as an IPO or sale of our company, given prevailing market conditions.

Since our IPO, we have used the market closing price for our Class A common stock as reported on the New York Stock Exchange.

- 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 a blend of our historical volatility and the historical volatilities of our peer group. Industry peers consist of several public companies in the technology industry that are similar to us in size, stage of life cycle and financial leverage. We did not rely on implied volatilities of traded options in our common stock or of our industry peers' common stock because the volume of stock option activity was relatively low. We intend to continue to consistently apply this process using the same or similar public companies until a sufficient amount of historical information regarding the volatility of our own common stock share price becomes available, or unless circumstances change such that the identified companies are no longer similar to us, in which case, more suitable companies whose share prices are publicly available would be utilized in the calculation.
- 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 fair value of our stock options granted during the periods presented: :

	Fiscal Year Ended January 31,		
	2015	2014	2013
Volatility	48% – 50%	42% – 50%	42% – 55%

Expected term (in years)	6.00 – 6.32	6.32 – 8.23	6.32
Risk-free interest rate	1.75% – 1.94%	1.03% – 2.09%	0.83% – 1.15%
Dividend yield	—%	—%	—%

For the year ended January 31, 2015 and 2014, we capitalized $0.1 million and $0.5 million, respectively, of stock-based compensation as part of our internal-use software capitalization. The amounts capitalized in year ended January 31, 2013 were immaterial.

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Employee Stock Purchase Plan

The initial offering period for our Employee Stock Purchase Plan (ESPP) commenced on the date of our initial public offering and ended on June 15, 2014. During our initial ESPP offering period 350,059 shares of Class A Common Stock were purchased.

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

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

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

Note 12. Net Income per Share Attributable to Common Stockholders

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

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

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

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

Diluted net income per share attributable to common stockholders is computed by dividing net income attributable to common stockholders by the weighted-average shares outstanding, including potentially dilutive shares of common

stock assuming the dilutive effect of potential shares of common stock for the period determined using the treasury stock method.

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

For purposes of the diluted net income per share attributable to common stockholders calculation, unvested shares of common stock resulting from the early exercises of stock options and unvested options to purchase common stock are considered to be potentially dilutive shares of common stock. In addition, the computation of the fully diluted net income per share of Class A common stock assumes the conversion from Class B common stock, while the fully diluted net income per share of Class B common stock does not assume the conversion of those shares.

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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):

	Fiscal Year Ended January 31,					
	2015		2014		2013	
	Class A	Class B	Class A	Class B	Class A	Class B
Basic						
Numerator						
Net income	$14,540	$25,843	$1,934	$21,681	$—	$18,783
Noncumulative dividends on convertible preferred stock	—	—	(33)	(371)	—	(560)
Undistributed earnings allocated to participating securities	(88)	(157)	(1,049)	(11,757)	—	(14,743)
Net income attributable to common stockholders, basic	$14,452	$25,686	$852	$9,553	$—	$3,480
Denominator						
Weighted average shares used in computing net income per share attributable to common stockholders, basic	45,983	81,730	4,237	47,488	—	20,887
Net income per share attributable to common stockholders, basic	$0.31	$0.31	$0.20	$0.20	$—	$0.17
Diluted						
Numerator						
Net income attributable to common stockholders, basic	$14,452	$25,686	$852	$9,553	$—	$3,480
Reallocation as a result of conversion of Class B to Class A common stock:						
Net income attributable to common stockholders, basic	25,686	—	9,553	—	—	—
Reallocation of net income to Class B common stock	—	1,653	—	204	—	—
Net income attributable to common stockholders, diluted	$40,138	$27,339	$10,405	$9,757	$—	$3,480
Denominator						
Number of shares used for basic EPS computation	45,983	81,730	4,237	47,488	—	20,887
Conversion of Class B to Class A common stock	81,730	—	47,488	—	—	—
Effect of potentially dilutive common shares	16,491	16,491	16,299	16,299	—	9,712
Weighted average shares used in computing net income per share attributable to common stockholders, diluted	144,204	98,221	68,024	63,787	—	30,599
Net income per share attributable to common stockholders, diluted	$0.28	$0.28	$0.15	$0.15	$—	$0.11

Potential common shares excluded where the inclusion would be anti-dilutive are as follows (in thousands):

	Fiscal Year Ended January 31,		
	2015	2014	2013
Options and awards to purchase shares not included in the computation of diluted net income per share because their inclusion would be anti-dilutive	355	15,928	8,951

Note 13. Commitments and Contingencies

Litigation

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

From time to time, we may be involved in other legal proceedings and subject to claims incident to the ordinary course of business. Although the results of such legal proceedings and claims cannot be predicted with certainty, we believe we are not currently a party to any legal proceedings. The outcome of any potential legal proceedings, if determined adversely to us, could 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.

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 $2.9 million, $2.5 million and $1.5 million, for the fiscal year ended January 31, 2015, 2014 and 2013, respectively.

Future minimum lease payments under non-cancelable operating leases as of January 31, 2015 are as follows (in thousands):

Period	Operating leases
Fiscal 2016	$ 2,665
Fiscal 2017	2,008
Fiscal 2018	1,192
Fiscal 2019	1,081
Fiscal 2020	464
Thereafter	814
Total	$ 8,224

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 our Veeva CRM solution, including hosting infrastructure and data center operations provided by salesforce.com. On March 3, 2014, we extended the term of the Value-Added Reseller Agreement for an additional ten years through September 1, 2025 and amended our minimum order commitments. As of January 31, 2015, we remained obligated to pay fees of at least $462.8 million prior to September 1, 2025 in connection with this agreement.

Note 14. Related-Party Transactions

On February 18, 2011, we entered into an interest bearing promissory note with our current President. The promissory note had a principal amount of $250,000 with an annual compound interest rate of 0.51% and was collateralized. The note, including both principal and accrued interest, was due on or before February 18, 2014 and was classified as a short-term note receivable on our consolidated balance sheet as of January 31, 2013. On April 11, 2013, the promissory note was paid in full.

Note 15. Information about Geographic Areas

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

	Fiscal Year Ended January 31,		
	2015	2014	2013
Revenues by geography			
North America	$173,261	$124,451	$84,546
Europe and other	81,782	49,944	29,036
Asia Pacific	58,179	35,756	15,966
Total revenues	$313,222	$210,151	$129,548

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

	January 31, 2015	January 31, 2014	January 31, 2013
Long-lived assets by geography			
North America	$27,213	$1,341	$846
Europe and other	538	509	445
Asia Pacific	452	595	88
Total long-lived assets	$28,203	$2,445	$1,379

Substantially all of the long-lived assets included in the North America region are located in the United States.

Note 16. 401(k) Plan

We have a qualified defined contribution plan under Section 401(k) of the Code covering eligible employees. To date, we have not made any matching contributions to this plan.

Note 17. Subsequent Events

On March 31, 2015, we acquired the key opinion leader, or KOL, business and products known as Qforma CrowdLink in an all-cash transaction. Total closing consideration was $10.0 million, with 15% of the closing consideration placed into escrow to be held for 12 months following the close as security for losses incurred by us in the event of certain breaches of representations and warranties by the sellers and certain other losses. Through the transaction we will acquire the outstanding equity interests of Mederi AG, and selected other KOL-related business assets of Qforma, Inc. and other affiliated entities. We expect this acquisition to support our Veeva OpenKey Key Opinion Leader Data and Services.

Note 18. Selected Quarterly Financial Data (Unaudited)

Selected summarized quarterly financial information for fiscal 2015 and 2014 is as follows (in thousands):

	Three Months Ended							
	Jan. 31, 2015	Oct. 31, 2014	Jul. 31, 2014	Apr. 30, 2014	Jan. 31, 2014	Oct. 31, 2013	Jul. 31, 2013	Apr. 30, 2013
Consolidated Statements of Income Data:	(in thousands)							
Revenues:								
Subscription services	$66,535	$61,435	$56,572	$48,521	$45,686	$38,935	$34,063	$27,937
Professional services and other	20,477	22,390	19,092	18,200	17,117	16,044	15,518	14,851
Total revenues	87,012	83,825	75,664	66,721	62,803	54,979	49,581	42,788
Cost of revenues:								
Cost of subscription services	15,210	14,409	13,346	12,040	11,790	9,511	7,948	6,950
Cost of professional services and other	15,946	16,007	14,790	13,910	12,568	11,881	11,195	10,759
Total cost of revenues	31,156	30,416	28,136	25,950	24,358	21,392	19,143	17,709
Gross profit	55,856	53,409	47,528	40,771	38,445	33,587	30,438	25,079
Operating expenses:								
Research and development	11,742	10,635	9,787	8,992	7,858	6,585	6,357	5,527
Sales and marketing	15,328	14,251	13,810	12,814	12,768	11,467	9,610	7,662
General and administrative	8,103	8,582	7,146	6,408	6,511	5,550	4,633	3,717
Total operating expenses	35,173	33,468	30,743	28,214	27,137	23,602	20,600	16,906
Operating income	20,683	19,941	16,785	12,557	11,308	9,985	9,838	8,173
Other income (expense), net	(1,660)	(989)	(101)	(30)	(365)	125	(65)	(499)
Income before income taxes	19,023	18,952	16,684	12,527	10,943	10,110	9,773	7,674
Provision for income taxes	5,697	8,694	7,106	5,306	4,696	3,585	3,775	2,829
Net income	$13,326	$10,258	$9,578	$7,221	$6,247	$6,525	$5,998	$4,845
Net income attributable to Class A and Class B common stockholders, basic and diluted	$13,288	$10,198	$9,490	$7,128	$6,145	$2,339	$1,275	$926
Net income per share attributable to Class A and Class B common stockholders:								
Basic	$0.10	$0.08	$0.07	$0.06	$0.05	$0.07	$0.05	$0.04
Diluted	$0.09	$0.07	$0.07	$0.05	$0.04	$		