



Investor Presentation

Q1 FY25

Updated on August 22, 2024, see notes on slides 10, 19, 21, and 22

Safe Harbor Statement

This presentation may contain forward-looking statements for which there are risks, uncertainties, and assumptions. Forward-looking statements may include any statements regarding strategies or plans for future operations; any statements concerning new features, enhancements or upgrades to our existing applications or plans for future applications; any projections of revenues, gross margins, earnings, or other financial items; and any statements of expectation or belief. Forward-looking statements are based only on currently available information and our current beliefs, expectations, and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy, and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks, and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements, and therefore you should not rely on any forward-looking statements that we may make. Further information on risks that could affect Workday's results is included in our filings with the Securities and Exchange Commission which are available on the Workday investor relations webpage: www.workday.com/en-us/company/about-workday/investor-relations/overview.html.

Workday assumes no obligation for, and does not intend to update, any forward-looking statements. Any unreleased services, features, functionality or enhancements referenced in any Workday document, roadmap, blog, our website, press release or public statement that are not currently available are subject to change at Workday's discretion and may not be delivered as planned or at all.

Customers who purchase Workday services should make their purchase decisions based upon services, features, and functions that are currently available.

Use of Non-GAAP Measures

In addition to financial results presented in accordance with US generally accepted accounting principles (GAAP), this presentation includes certain non-GAAP financial measures of performance. These non-GAAP financial measures are in addition to, and not a substitute for or superior to, measures of financial performance prepared in accordance with GAAP, and may be different from non-GAAP financial measures used by other companies. In addition, these non-GAAP financial measures have limitations in that they do not reflect all of the amounts associated with Workday's results of operations or cash flows as determined in accordance with GAAP. Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures are contained in the Appendix to this presentation.

Effective beginning fiscal 2025, Workday will exclude certain acquisition-related costs, realignment costs, and gains and losses on strategic investments from its non-GAAP results as these items may vary from period to period independent of the operating performance of Workday's business. Prior period amounts have been recast to conform to this presentation.

The Company has not provided a reconciliation of its forward outlook for non-GAAP operating margin with its forward-looking GAAP operating margin in reliance on the unreasonable efforts exception provided under Item 10(e)(1)(i)(B) of Regulation S-K. The Company is unable, without unreasonable efforts, to quantify share-based compensation expense, which is excluded from our non-GAAP operating margin, as it requires additional inputs such as the number of shares granted and market prices that are not ascertainable.

Workday at a Glance

Workday by the Numbers

\$142B+

Market Opportunity¹

\$6.890B 18.3% YoY Growth

Trailing Twelve Month Subscription Revenue²

\$1.86B 24.6% Margin

Trailing Twelve Month Non-GAAP Operating Income^{2,3}

\$2.24B 29.7% Margin

Trailing Twelve Month Operating Cash Flow²



Enterprise Management Cloud

For Finance, HR, Planning, Spend Management and Analytics



10,500+ Global Customers

Operating across 175+ Countries



Serving 60%+ of the Fortune 500

Including 70%+ of the top 50 Fortune 500 companies



65M+ Global Users⁴

95%+ Customer Satisfaction⁵



19,400+ Employees Worldwide

Offices in 30+ Countries

¹ Based on Workday and third-party data as of 9.27.2023

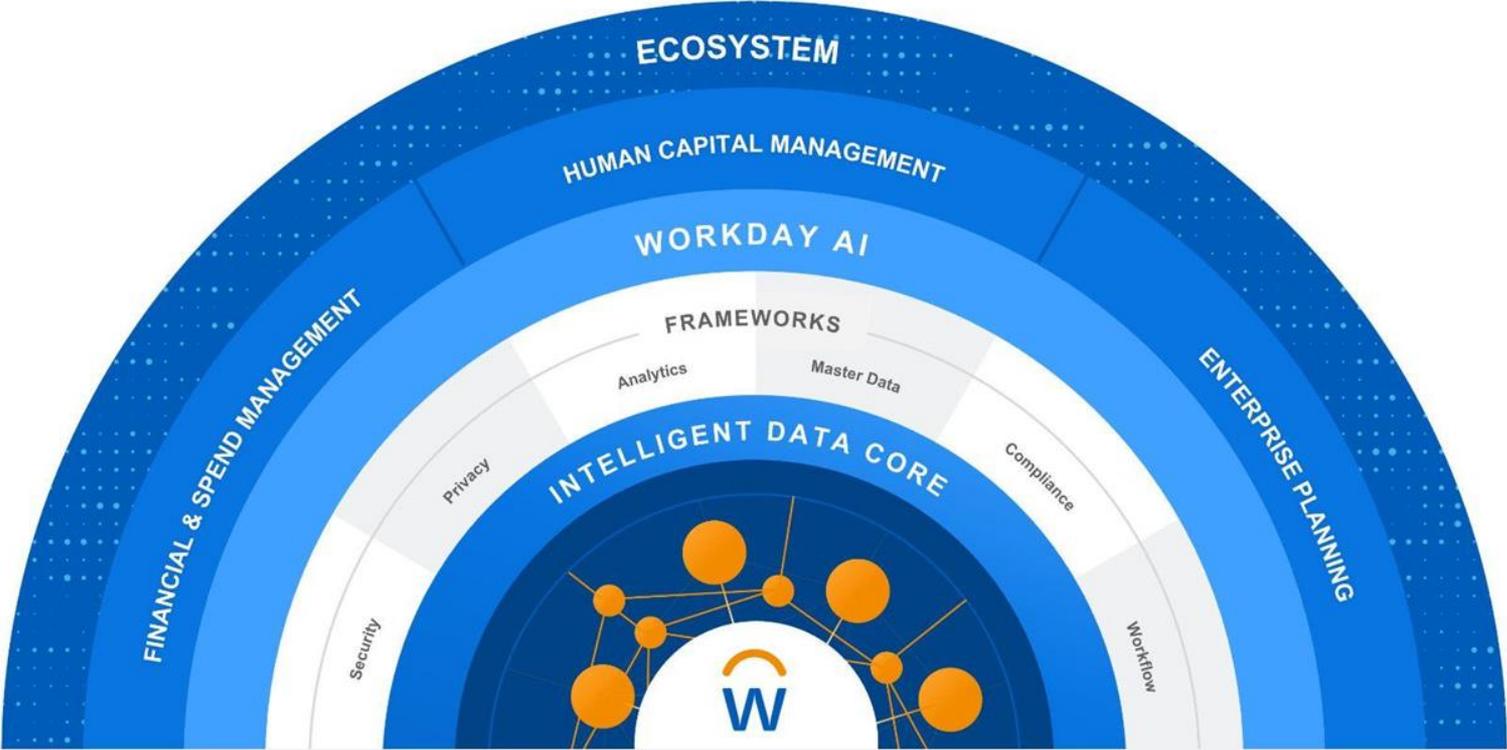
² For the trailing twelve months ended 4.30.2024

³ Reconciliations of GAAP to Non-GAAP financial data included in the Appendix

⁴ Represents users under contract as of 4.30.2024

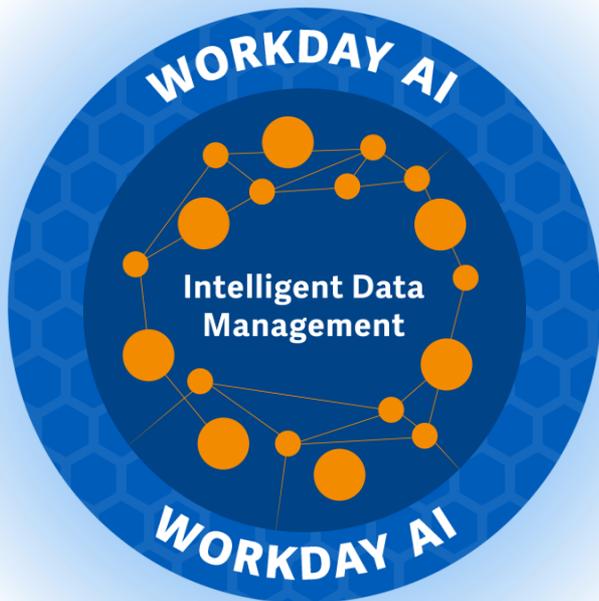
⁵ Based on a survey conducted by Workday of HCM and FINS Named Support Contacts in 2023

Workday Platform



True Cloud Performance • Availability • Continuous Delivery of Innovation • Single Version

Workday Delivers AI Differently



Quality Data

Uniform data model, 65M+ global users¹, 800B+ transactions²

Platform Approach

Embedded, not bolted on

Trustworthy

Transparent and human-centric

¹ Represents users under contract as of 4.30.2024

² For the fiscal year ended 1.31.2024

Serving Organizations of all Sizes and Across Industries



\$142B+

Addressing One of
the Largest Markets
in Enterprise Software

HCM \$58B

Human Capital
Management/Workforce
Management

Workforce Planning
and People Analytics

Talent Management

Employee Experience

Payroll

FINS+ \$84B

Financial Management

Financial Planning

Spend Management

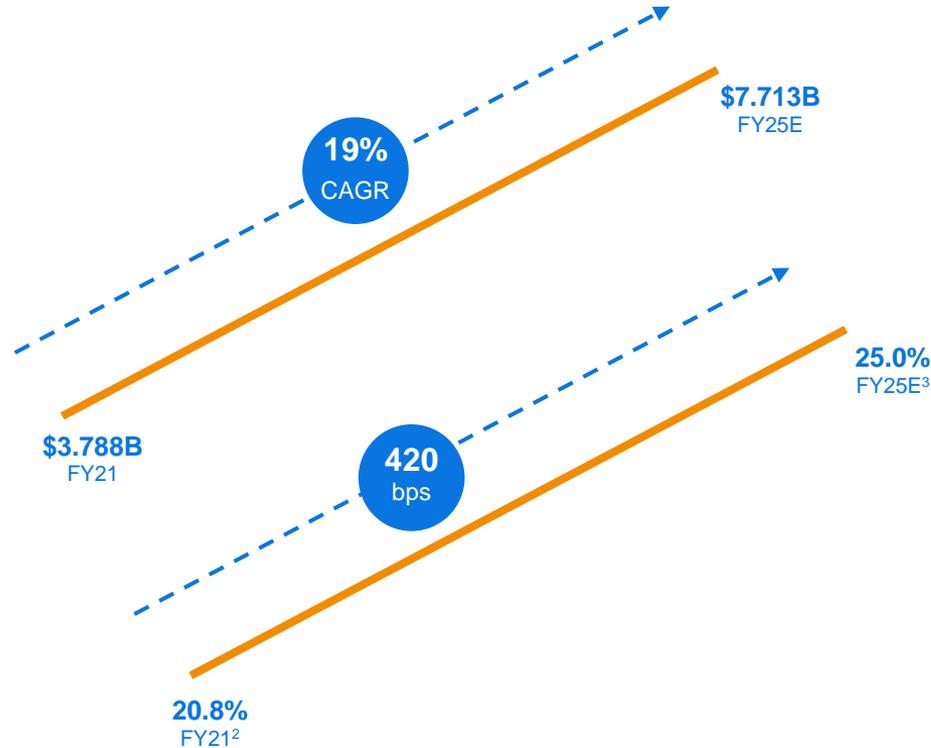
Workday Extend

Analytics

Student

Driving Profitable Growth at Scale

Annual
Subscription
Revenue¹



95%+
Gross Revenue
Retention⁴

Non-GAAP
Operating
Margin

¹ CAGR calculation is based on FY21 actual subscription revenue and the mid-point of our FY25 subscription revenue guidance as provided on 5.23.2024

² Reconciliations of GAAP to Non-GAAP financial data included in the Appendix

³ FY25 Non-GAAP operating margin guidance as provided on 5.23.2024

⁴ Measures the annual recurring revenue of our customers as of 4.30.2023 that we have maintained as of 4.30.2024, without giving credit for additional upsells or price and/or seat related changes. The metric captures only customer and product churn

Note: Lines not drawn to scale

August 22, 2024 Update: FY21 non-GAAP operating margin corrected to include additional items that align with the non-GAAP definition that became effective in February FY25, as discussed on slide 3. As a result of the correction, the FY21 non-GAAP operating margin increased from 20.3% to 20.8%, and the corresponding growth decreased from 470bps to 420bps.

While Growing Responsibly and Inclusively

Our Employees

VIBE

Our commitment to value inclusion, belonging, and equity for all

Opportunity Onramps®

Provide candidates from diverse, nontraditional backgrounds with training and job opportunities

Investing in Training

To help ensure we attract, recruit, hire, and advance employees of all backgrounds

Our Customers

Building Inclusive Companies

Investing to help organizations gain valuable insights about equity within their workforce

Creating Sustainable Solutions

Empowering customers and partners to manage their emissions reduction strategy and resilience of their supply chains

Delivering Responsible AI

Developing trustworthy AI solutions to drive meaningful business results.

Our Communities

Net-Zero Carbon Footprint

Achieved net-zero emissions in fiscal 2023 and matched 100% of the electricity we used at our offices and data centers globally with clean, renewable sources

Commitment to 1.5°C

Science-based targets across our entire value chain

Driving Policy Change

Working to advance policies that support the development of responsible AI and a skills-based approach to talent

For More Information:

Resource Pages: [Sustainability and Reporting with Workday](#)
[Download our 2023 Global Impact Report](#)

Financial Highlights and Guidance

Q1 FY25 Financial Highlights

	Q1 FY25 Results	Increase (Decrease) YoY
Total Revenue	\$1.990B	18.1%
Subscription Revenue	\$1.815B	18.8%
Total Subscription Revenue Backlog	\$20.68B	24.2%
12-month Subscription Revenue Backlog	\$6.60B	17.9%
GAAP Operating Margin	3.2%	437 bps
Non-GAAP Operating Margin ¹	25.9%	236 bps
Operating Cash Flows	\$372M	34.1%
Free Cash Flows ¹	\$291M	33.4%

¹ Reconciliations of GAAP to Non-GAAP financial data included in the Appendix

Q1 FY25 Customer Wins and Expansions



Q1 FY25 Business Highlights

- Workday is used by **more than 60% of the Fortune 500**, including HPE, Keybank, Salesforce, and Unum.
- Added several **full platform customers** for Workday Financial Management and Workday Human Capital Management (HCM), including City of Milwaukee, H. Lee Moffitt Cancer Center, and The Onin Group.
- Workday announced that the **Defense Intelligence Agency** (DIA), the key intelligence agency for national defense in the United States, has selected **Workday Government Cloud** to support DIA on its mission to rapidly accelerate recruitment and onboarding effort
- Completed its **acquisition of HiredScore**, giving the company a comprehensive AI-powered talent acquisition and internal mobility solution.
- Workday now has more than **50 AI use cases** in production, and **25 generative AI use cases** on its roadmap.
- **Expanded its relationship with AWS** to include co-innovation across industries and enhanced go-to-market investments, and **formed a new partnership with Google Cloud**, providing GCP customers access to purchase Workday products through the Google Cloud Marketplace.
- Workday's **native Payroll solution** for customers in Australia became generally available.
- Received the **Gartner® Peer Insights™ Customers' Choice distinction for Cloud HCM Suites for 1,000+ Employee Enterprises**¹ for the seventh consecutive year.
- The company was recognized as one of the **2024 World's Most Ethical Companies®** by Ethisphere for the fourth consecutive year.
- Forbes named Workday as one of **America's Best Employers For Diversity**.

¹ Gartner, Voice of the Customer for Cloud HCM Suites for 1,000+ Employee Enterprises, Peer Contributors, 8 April 2024

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Guidance Summary

Q2 FY25	Quarterly Guidance	Increase (Decrease) YoY
Total Revenue	\$2.070B	16%
Subscription Revenue	\$1.895B	17%
12-month Subscription Revenue Backlog	n/a	15 - 16%
Non-GAAP Operating Margin	24.5%	90 bps
GAAP Operating Margin	~20 points lower than non-GAAP	n/a
Full Year FY25	Full Year Guidance	Increase (Decrease) YoY
Total Revenue	\$8.350B - \$8.385B	15 - 16%
Subscription Revenue	\$7.700B - \$7.725B	~17%
Non-GAAP Operating Margin	25.0%	100 bps
GAAP Operating Margin	~21 points lower than non-GAAP	n/a
Non-GAAP Tax Rate	19%	n/a
Operating Cash Flows	\$2.250B	5%
Capital Expenditures	\$330M	42%

Appendix

Reconciliations of GAAP to Non-GAAP Data

(in millions, except percentages and per share data)	Three Months Ended April 30,	
	2024	2023
Non-GAAP operating income (loss)		
Operating income (loss)	\$ 64	\$ (20)
Share-based compensation expenses	385	369
Employer payroll tax-related items on employee stock transactions	38	26
Amortization of acquisition-related intangible assets	17	21
Acquisition-related costs	3	0
Realignment costs	8	0
Non-GAAP operating income (loss)	\$ 515	\$ 396
Non-GAAP operating margin⁽¹⁾		
Operating margin	3.2%	(1.2)%
Share-based compensation expenses	19.3%	21.9%
Employer payroll tax-related items on employee stock transactions	1.9%	1.5%
Amortization of acquisition-related intangible assets	0.9%	1.3%
Acquisition-related costs	0.2%	0.0%
Realignment costs	0.4%	0.0%
Non-GAAP operating margin	25.9%	23.5%
Non-GAAP diluted net income (loss) per share⁽¹⁾⁽²⁾		
Diluted net income (loss) per share	\$ 0.40	\$ 0.00
Share-based compensation expenses	1.42	1.41
Employer payroll tax-related items on employee stock transactions	0.14	0.10
Amortization of acquisition-related intangible assets	0.06	0.08
Acquisition-related costs	0.01	0.00
Realignment costs	0.03	0.00
Losses (gains) on strategic investments, net	0.03	0.03
Income tax effects	(0.35)	(0.29)
Non-GAAP diluted net income (loss) per share	\$ 1.74	\$ 1.33

- Operating margin and diluted net income (loss) per share are calculated using unrounded data.
- For the three months ended April 30, 2024, GAAP and non-GAAP diluted net income per share were calculated based upon 270,298 diluted weighted-average shares of common stock. For the three months ended April 30, 2023, GAAP and non-GAAP diluted net income per share were calculated based upon 261,371 diluted weighted-average shares of common stock.

Reconciliations of GAAP to Non-GAAP Data

	Year Ended January 31, 2021
<u>Non-GAAP operating margin</u>⁽¹⁾	
Operating margin	(5.8)%
Share-based compensation expenses	23.3%
Employer payroll tax-related items on employee stock transactions	1.2%
Amortization of acquisition-related intangible assets	1.4%
Acquisition-related costs	0.7%
Realignment costs	0.0%
Non-GAAP operating margin	20.8%

1. Operating margin is calculated using unrounded data.

August 22, 2024 Update: FY21 non-GAAP operating margin corrected to include additional items that align with the non-GAAP definition that became effective in February FY25, as discussed on slide 3. As a result of the correction, the FY21 non-GAAP operating margin increased from 20.3% to 20.8%.

Reconciliation of GAAP Cash Flows from Operations to Free Cash Flows

(in millions)	Three Months Ended April 30,			
		2024		2023
Net cash provided by (used in) operating activities	\$	372	\$	277
Less: Capital expenditures		(81)		(59)
Free cash flows	\$	291	\$	218

Q1FY25 Supplemental Information

(in millions)	Three Months Ended April 30,	
	2024	2023
<u>Share-based compensation expenses</u>		
Costs and expenses:		
Costs of subscription services	\$ 38	\$ 29
Costs of professional services	31	30
Product development	173	170
Sales and marketing	72	80
General and administrative	71	60
Total share-based compensation expenses	\$ 385	\$ 369
<u>Employer payroll tax-related items on employee stock transactions</u>		
Costs and expenses:		
Costs of subscription services	\$ 3	\$ 2
Costs of professional services	5	3
Product development	18	11
Sales and marketing	8	7
General and administrative	4	3
Total employer payroll tax-related items on employee stock transactions	\$ 38	\$ 26
<u>Amortization of acquisition-related intangible assets</u>		
Costs and expenses:		
Costs of subscription services	\$ 9	\$ 14
Costs of professional services	0	0
Product development	0	0
Sales and marketing	8	7
General and administrative	0	0
Total amortization of acquisition-related intangible assets	\$ 17	\$ 21

August 22, 2024 Update: Slides added to provide supplemental expense information.

Q1FY25 Supplemental Information (cont'd)

(in millions)	Three Months Ended April 30,	
	2024	2023
Acquisition-related costs		
Costs and expenses:		
Costs of subscription services	\$ 0	\$ 0
Costs of professional services	0	0
Product development	1	0
Sales and marketing	0	0
General and administrative	2	0
Total acquisition-related costs	\$ 3	\$ 0
Realignment costs		
Costs and expenses:		
Costs of subscription services	\$ 0	\$ 0
Costs of professional services	0	0
Product development	0	0
Sales and marketing	0	0
General and administrative	8	0
Total realignment costs	\$ 8	\$ 0

August 22, 2024 Update: Slides added to provide supplemental expense information.

About Non-GAAP Financial Measures

To provide investors and others with additional information regarding Workday's results, we have disclosed the following non-GAAP financial measures: non-GAAP operating income (loss), non-GAAP operating margin, non-GAAP diluted net income (loss) per share, and free cash flows. Workday has provided a reconciliation of each non-GAAP financial measure used in this earnings release to the most directly comparable GAAP financial measure. Non-GAAP operating income (loss) and non-GAAP operating margin differ from GAAP in that they exclude share-based compensation expenses, employer payroll tax-related items on employee stock transactions, amortization expense for acquisition-related intangible assets, acquisition-related costs, and realignment costs. Non-GAAP diluted net income (loss) per share differs from GAAP in that it excludes share-based compensation expenses, employer payroll tax-related items on employee stock transactions, amortization expense for acquisition-related intangible assets, acquisition-related costs, realignment costs, gains and losses on strategic investments, and income tax effects. Free cash flows differ from GAAP cash flows from operating activities in that it treats capital expenditures as a reduction to cash flows.

Workday's management uses these non-GAAP financial measures to understand and compare operating results across accounting periods, for internal budgeting and forecasting purposes, for short- and long-term operating plans, and to evaluate Workday's financial performance. Management believes these non-GAAP financial measures reflect Workday's ongoing business in a manner that allows for meaningful period-to-period comparisons and analysis of trends in Workday's business. Management also believes that these non-GAAP financial measures provide useful information to investors and others in understanding and evaluating Workday's operating results and prospects in the same manner as management and in comparing financial results across accounting periods and to those of peer companies.

Management believes excluding the following items from the GAAP Condensed Consolidated Statements of Operations is useful to investors and others in assessing Workday's operating performance due to the following factors:

- *Share-based compensation expenses.* Share-based compensation primarily consists of non-cash expenses for employee restricted stock units and our employee stock purchase plan, and includes share-based compensation associated with acquisitions. Although share-based compensation is an important aspect of the compensation of our employees and executives, this expense is determined using a number of factors, including our stock price, volatility, and forfeiture rates, that are beyond our control and generally unrelated to operational decisions and performance in any particular period. Further, share-based compensation expenses are not reflective of the value ultimately received by the grant recipients.
- *Employer payroll tax-related items on employee stock transactions.* We exclude the employer payroll tax-related items on employee stock transactions in order to show the full effect that excluding share-based compensation expenses has on our operating results. Similar to share-based compensation expenses, this tax expense is dependent on our stock price and other factors that are beyond our control and do not correlate to the operation of our business.

About Non-GAAP Financial Measures (cont'd)

- *Amortization of acquisition-related intangible assets.* For business combinations, we generally allocate a portion of the purchase price to intangible assets. The amount of the allocation is based on estimates and assumptions made by management and is subject to amortization. The amount of purchase price allocated to intangible assets and the term of the related amortization can vary significantly and are unique to each acquisition and thus we do not believe this activity is reflective of our ongoing operations. Although we exclude the amortization of acquisition-related intangible assets from these non-GAAP financial measures, we believe that it is important for investors to understand that such intangible assets were recorded as part of purchase accounting and contribute to revenue generation.
- *Acquisition-related costs.* Acquisition-related costs include direct transaction costs, such as due diligence and advisory fees, and certain compensation and integration-related expenses. We exclude the effects of acquisition-related costs as we believe these transaction-specific expenses are inconsistent in amount and frequency and do not correlate to the operation of our business.
- *Realignment costs.* Realignment costs are associated with a formal restructuring plan and are primarily related to employee severance, the closure of facilities, and cancellation of certain contracts. We exclude these expenses because they are not reflective of ongoing business and operating results.
- *Gains and losses on strategic investments.* Our strategic investments include investments in early stage companies that are valuable to Workday customers and complementary to Workday products. Gains and losses on strategic investments may result from observable price adjustments and impairment charges on non-marketable equity securities, ongoing mark-to-market adjustments on marketable equity securities, and the sale of equity investments. We do not rely on these securities to fund our ongoing operations nor do we actively trade publicly held securities, and therefore we do not consider the gains and losses on these strategic investments to be reflective of our ongoing operations.
- *Income tax effects.* We utilize a fixed long-term projected tax rate in our computation of the non-GAAP income tax provision to provide better consistency across the reporting periods. In projecting this long-term non-GAAP tax rate, we utilize a three-year financial projection that excludes the direct impact of the items excluded from GAAP income in calculating our non-GAAP income. The projected rate considers other factors such as our current operating structure, existing tax positions in various jurisdictions, and key legislation in major jurisdictions where we operate. For fiscal 2025 and 2024, we determined the projected non-GAAP tax rate to be 19%, which reflects currently available information, as well as other factors and assumptions. We will periodically re-evaluate this tax rate, as necessary, for significant events, relevant tax law changes, material changes in the forecasted geographic earnings mix, and any significant acquisitions.

Additionally, with regards to free cash flows, Workday's management believes that reducing cash provided by (used in) operating activities by capital expenditures is meaningful to investors and others because it provides an enhanced view of cash flow generation from the ongoing operations of our business, and it balances operating results, cash management, and capital efficiency.

The use of these non-GAAP measures have certain limitations as they do not reflect all items of expense or cash that affect Workday's operations. Workday compensates for these limitations by reconciling the non-GAAP financial measures to the most comparable GAAP financial measures. These non-GAAP financial measures should be considered in addition to, not as a substitute for or in isolation from, measures prepared in accordance with GAAP. Further, these non-GAAP measures may differ from the non-GAAP information used by other companies, including peer companies, and therefore comparability may be limited. Management encourages investors and others to review Workday's financial information in its entirety and not rely on a single financial measure.

