



# Financial Analyst Day

October 15, 2019



# Justin Furby

Senior Director, Investor Relations



# Agenda

Welcome & Intro

**Justin Furby**

Senior Director, Investor Relations

CEO Update

**Aneel Bhusri**

Co-Founder and CEO

Strategy Update

**Leighanne Levensaler**

Senior VP, Corporate Strategy

Managing Director and Co-Head, Workday Ventures

Power of One

**David Clarke**

Chief Technology Officer

GM Product Panel

James Cross, Bhaskar Himatsingka, Barbara Larson,  
Barbry McGann, and Pete Schlamp

Break

Broadening Our  
Go-to-Market

**Chano Fernandez**

Co-President

Driving Growth at Scale

**Robynne Sisco**

Co-President & Chief Financial Officer

Executive Panel Q&A

# Safe Harbor Statement

This presentation may contain forward-looking statements for which there are risks, uncertainties, and assumptions. If the risks materialize or assumptions prove incorrect, Workday's business results and directions could differ materially from results implied by the forward-looking statements.

Forward-looking statements 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; and any statements of belief. 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/company/investor\\_relations.php](http://www.workday.com/company/investor_relations.php)

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



# Aneel Bhusri

Co-Founder and CEO



# Leighanne Levensaler

Senior Vice President, Corporate Strategy

Managing Director and Co-Head, Workday Ventures



# Our Approach to Strategy Development

Enabling companies to lead in the changing world.



Innovating with and for our customers.

**How can I obtain a  
real-time view  
of global head  
count?**



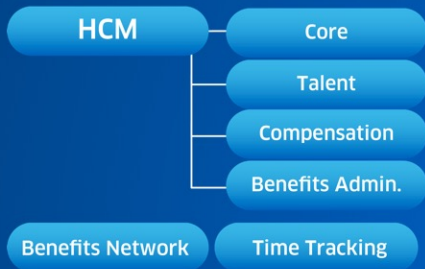
**How can I leverage  
learning best practices  
to manage and  
retain talent?**

**How can I drive  
efficiencies and  
streamline processes?**

**Office of the CHRO**



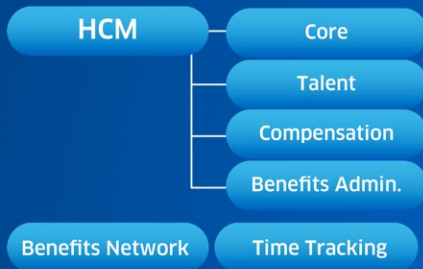
## Office of the CHRO







## Office of the CHRO



**How can I equip my team with data to make better and more informed decisions?**

## Office of the CFO



**Can my system keep up with change management?**

**How do I adapt to new accounting standards?**

# One Cloud ERP System

## Office of the CHRO

### HCM

Core

Talent

Compensation

Benefits Admin.

Benefits Network

Time Tracking

### Country Payrolls

- U.S./Canada
- Third Party

## Office of the CFO

### Financial Mgmt.

Accounting

Consolidation

Audit

Revenue

Expenses

Procurement

Grants

# Our Focus on Delivering Value Drives Strong HCM Share Gains...

FY15

FY20

**16%**

F500  
Share

**6%**

G2K Share

**2%**

Total  
Customer  
Share

**17%**

G2K Share

**>40%**

F500  
Share

**8%**

Total  
Customer  
Share

# ...and Continued FINS Momentum Upmarket...

~10

FINS customers  
with >\$5B in  
annual revenue



# ...and Continued FINS Momentum Upmarket...

~40

FINS customers  
with >\$5B in  
annual revenue

Q2 FY20





# ...Enabled by a Relentless Focus on Customer Success...

FY15

FY20

**~730**

HCM Customers

More Than  
**70%**  
Live

**2,800+**

HCM Customers

**~90**

FINS Customers

**725+**

FINS Customers



Office  
DEPOT®



Linked in.



lululemon  athletica

VISA®

ebay™

intuit.

ING 

SIEMENS

 LAND O'LAKES, INC.

NETFLIX

 **Goodwill**  
Industries of Middle Tennessee, Inc.  
*Our mission is changing lives.*

flex

...MassMutual

KOHL'S



lenovo



 Kimberly-Clark

T-Mobile

 **Goodwill**  
Industries of Middle Tennessee, Inc.  
*Our mission is changing lives.*

FICO™



 GrantThornton  
An instinct for growth™

citi®

 gsk  
GlaxoSmithKline

 TELUS | International™



SANOFI 

97%+

Customer  
Satisfaction  
Since IPO

# Ongoing Innovation Enhances Customer Value...

## Office of the CHRO

HCM

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Talent

Compensation

Benefits Admin.

Benefits Network

Time Tracking

Recruiting

Learning



### Country Payrolls

- U.S./Canada
- UK
- France
- Third Party

## Office of the CFO

Financial Mgmt.

Accounting

Consolidation

Audit

Revenue

Expenses

Procurement

Grants

Inventory

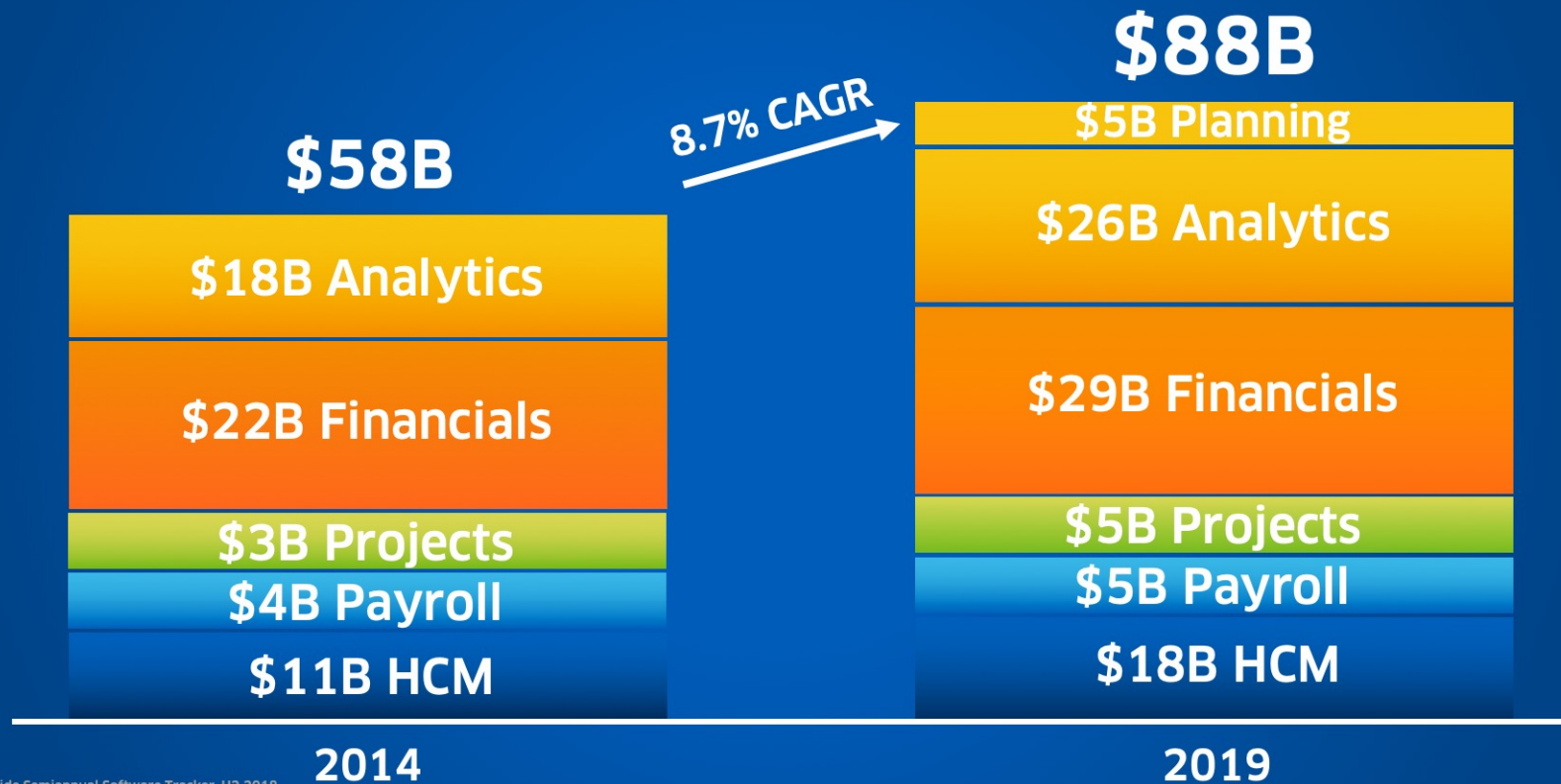
Fin. Planning

Projects

Workday Prism Analytics



# ...And Drives TAM Expansion



2014 Data: IDC Worldwide Semiannual Software Tracker, H2 2018

2019 Data:

- Human Capital Management Applications from IDC WW & US HCM & Payroll Applications Forecast, 2019-2023 (June 2019) #US44179019
- Payroll Applications from IDC WW & US HCM & Payroll Applications Forecast, 2019-2023 (June 2019) #US44179019
- Project & Portfolio Management from IDC WW Project and Portfolio Management Forecast, 2019-2023 (June 2019) #US44637419
- Financial Applications from IDC WW Financial Applications Forecast, 2019-2023 (June 2019) #US45122519
- Workforce Analytic Apps + BI & Analytics Tools from IDC WW Big Data and Analytics Software Forecast, 2018-2023 (Sept. 2019) #US44803719
- Enterprise Performance Management from IDC WW Big Data and Analytics Software Forecast, 2018-2023 (Sept. 2019) #US44803719



# Relentless Innovation: What's New for FY21

## Office of the CHRO

HCM

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Time Tracking

Recruiting

Learning

Workforce Planning

People Analytics

Answers "HR Help"

Transitions

Talent Marketplace



### Country Payrolls

- U.S./Canada
- UK
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- Third Party



**Machine Learning**

## Office of the CFO

Financial Mgmt.

Accounting

Consolidation

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Revenue

Expenses

Procurement

Grants

Inventory

Projects

Fin. Planning

Sales Planning

Ops Planning

Accounting Center

Workday Prism Analytics

Workday Cloud Platform

Workday Student

# Relentless Innovation: On the Horizon

## Office of the CHRO

HCM

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### Country Payrolls

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**Machine Learning**

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KEY TAKEAWAYS

# Strategy

**Leveraging Our  
Foundation to Drive  
HCM and FINS Market  
Share Gains**

**Product Innovation Drives  
Digital Transformation and  
Opens New Revenue Streams**

**Solid Foundation Enables Us  
to Rapidly Expand into  
Adjacencies Where People  
and Finance Matter**

# David Clarke

Chief Technology Officer



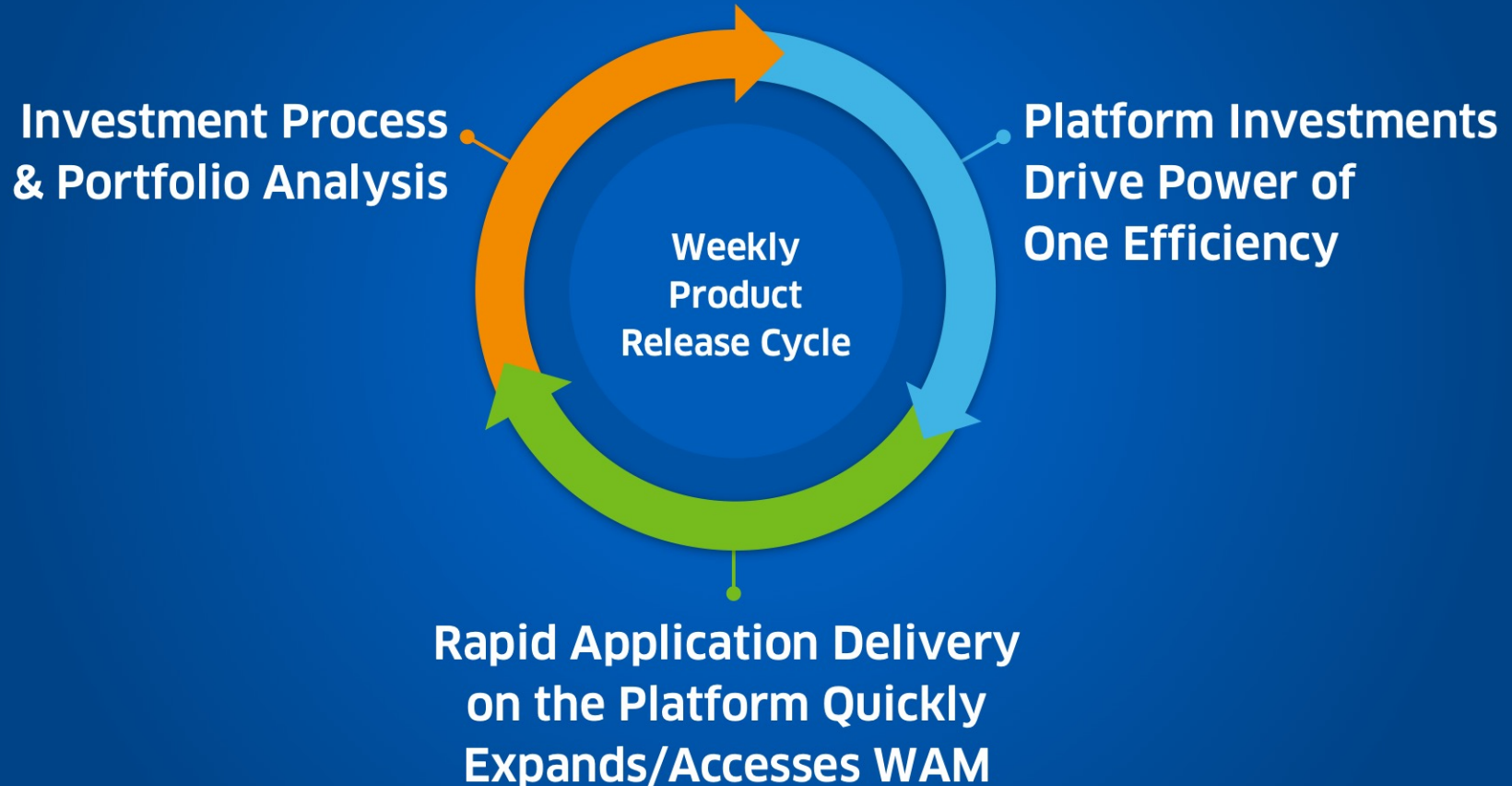


# Power of One Is Core to Our Technology

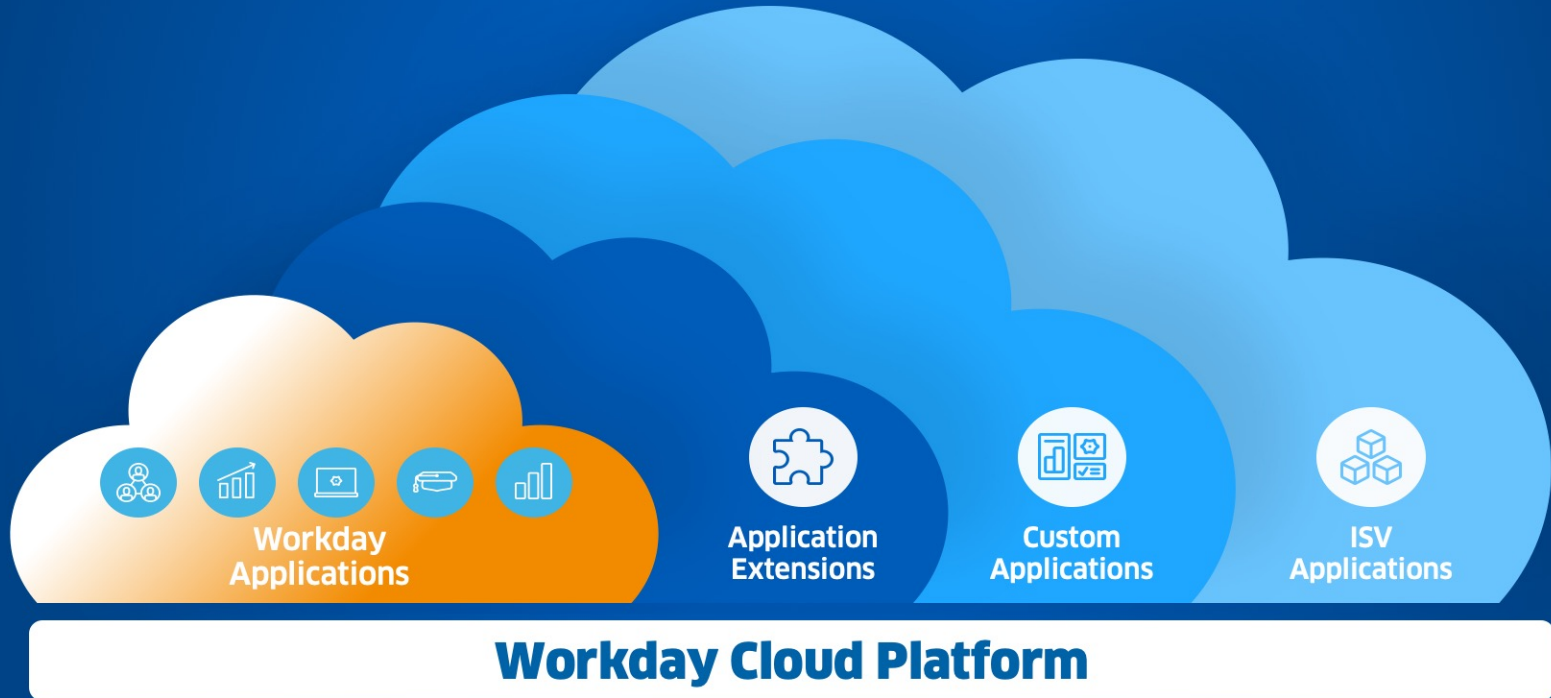




# Power of One Accelerates Our Innovation



# Externalizing the Power of One via Workday Cloud Platform



# Architecture

## Platform Applications



### Customer Applications



### Marketplace Applications

## Developer Tooling



### Business Analyst

App Creator  
Core Configuration



### Professional Developer

Workday Cloud Platform IDE  
Workday Cloud Platform CLI

## Platform APIs

### REST

### SOAP

### GraphQL

## Workday Applications



### HCM



### Financials



### Planning



### Student



### PSA

## Platform Services & Components



### User Interface

Presentation Services  
Worksheets



### Data & Persistence

Application Business Objects  
Custom Objects



### Workflow & Logic

BP & Integration  
Function Service



### Reporting & Analytics

Reports-as-a-Service  
Workday Query Language



### Identity & Security

Authentication  
Single Sign-On

## Application Lifecycle Management



### Developer Tenants

Feature Development



### Sandbox Tenants

Staging, UAT

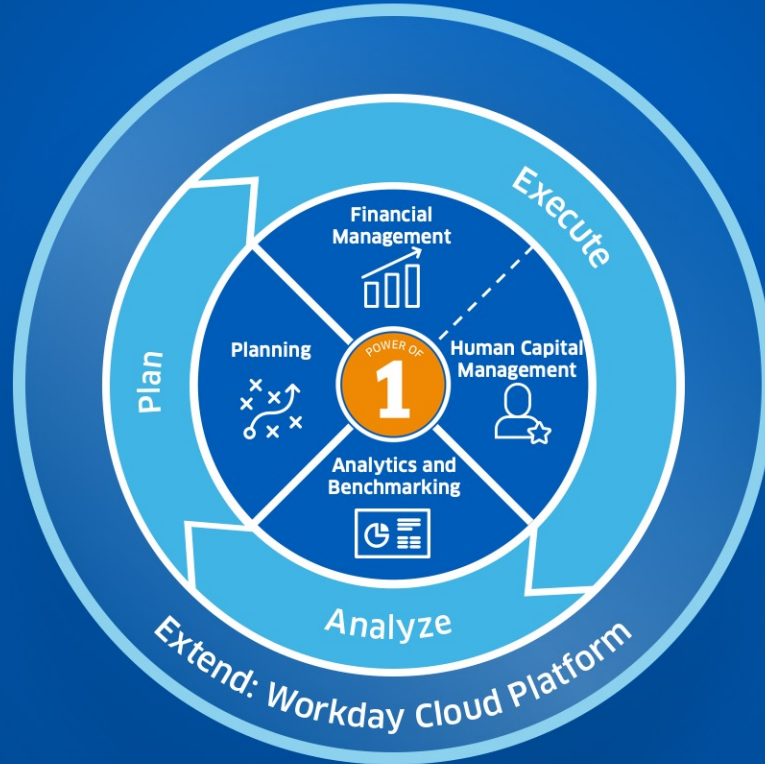


### Production Tenants

Deployment

### AppHub

# Current, Future, and Third-Party Apps Benefit from the Power of One...



# GM Product Panel





Moderator

**David Clarke**

Chief Technology Officer

Panelists

**James Cross**

VP, Product Strategy

**Bhaskar Himatsingka**

GM, Product, Planning Business Unit

**Barbara Larson**

GM, Financial Management

**Barbry McGann**

GM, Workforce Management

**Pete Schlampp**

GM, Analytics & Reporting



# Financial Analyst Day

October 15, 2019



# Chano Fernandez

Co-President



# Broadening Our Go-to-Market



Positioning for Global Growth



Driving FINS Momentum  
Through Vertical Investment



Consistent Strength in the  
Medium Enterprise



Expanding Our Footprint  
Within the Customer Base

# Broadening Our Go-to-Market



Positioning for Global Growth



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Expanding Our Footprint  
Within the Customer Base



# Strong Success in North America...



**76%**  
Of Revenue

**2,200+**  
Customers

**38%**  
Workday  
G2K HCM  
Penetration

Revenue mix is U.S. only for the three months ended 07.31.19  
Customer count is U.S. only as of 07.31.19. Global 2000 Penetration  
is as of 07.31.19 and includes Canada and Mexico and is based on Workday internal estimates

# ...with Continued Growth Opportunities

## SUCCESSES

*Fortune* 500  
>40% HCM penetration

*Fortune* 100  
~50% HCM penetration

Medium Enterprise

## OPPORTUNITIES

Continued HR  
Share Gains  
Large Enterprise  
Medium Enterprise

FINS: Vertical Strategy

New & Existing  
Products Back-to-Base

# Significant Long-Term Runway in Rest of World...

A world map with a dark blue background. The United States and Canada are highlighted in a lighter blue. The rest of the world, including Europe, Africa, Asia, and Australia, is highlighted in a darker blue. Three text blocks are overlaid on the map: '24% Of Revenue' over North America, '600+ Customers' over Europe, and '11% Workday G2K HCM Penetration' over Asia.

**24%**  
Of Revenue

**600+**  
Customers

**11%**  
Workday  
G2K HCM  
Penetration

Revenue mix includes all countries outside of the U.S. for the three months ended 07.31.19

Customer count includes all countries outside of the U.S. as of 07.31.19

Global 2000 Penetration is based on Workday internal estimates and excludes China and India

# **...Driven by Deeper Penetration in Emerging Markets**

## **SUCCESSES**

**Western Europe Large  
Enterprise HCM  
Penetration**

**Medium Enterprise  
EMEA**

**Australia/New Zealand**

## **OPPORTUNITIES**

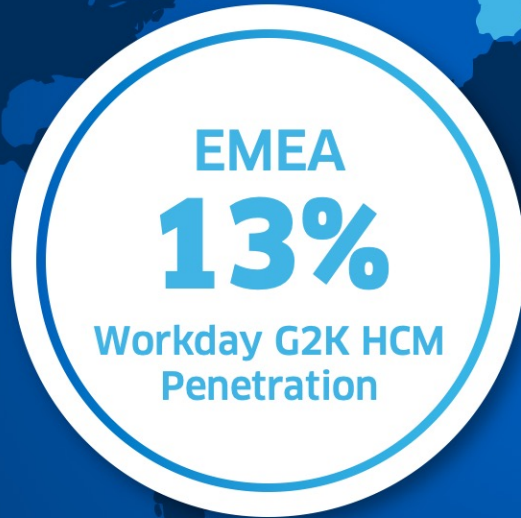
**Emerging Markets  
(e.g. Germany, Japan, France)**

**Medium Enterprise**

**FINS+ Products**

**Vertical Strategy**

# Still Early Days of Global TAM Penetration





# Still Early Days of Global TAM Penetration



# Broadening Our Go-to-Market



Positioning for Global Growth



**Driving FINS Momentum  
Through Vertical Investment**



Consistent Strength in the  
Medium Enterprise



Expanding Our Footprint  
Within the Customer Base

# FINS by the Numbers

## Q2 19 TTM

~170 FINS  
Customers Added

~130 Platform Deals

~25 Add-On Deals

~15 FINS First Deals

**725+**  
Total FINS  
Customers

## Q2 20 TTM

~220 FINS  
Customers Added

~160 Platform Deals

~35 Add-On Deals

~25 FINS First Deals

# FINS Requires a Vertical Approach

Customer

## Dedicated Product

Meets Customer Needs • Commitment to Partnership

## Dedicated Presales

Supports Deal Flow • Enhances Functional Credibility

## Dedicated Marketing

Builds Pipeline • Drives Market Presence

## Dedicated Sales

Supports Partner Alignment  
Focused Business Context and FINS Enablement

## Dedicated Services

Accelerates Deployment • Drives Customer Value

# Initial Vertical Investment Is Paying Off

## Healthcare



## E & G

**Gainesville.**  
Citizen centered  
People empowered





# Initial Vertical Investment Is Paying Off

## Healthcare



# Initial Vertical Investment Is Paying Off

## Healthcare



**~70%**

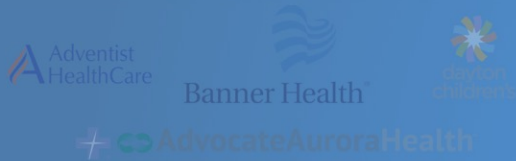
of Healthcare  
Pipeline

=

Platform Deals  
(FINS + HCM)  
or FINS Only

# Expanding Investments in Key Verticals

## Healthcare



## Financial Services



## E & G

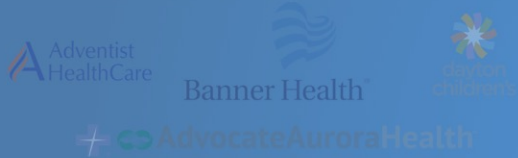


## Professional Services



# with Future Vertical Opportunities

## Healthcare



## Financial Services



## Technology & Media



## E & G



## Professional Services



## Retail & Hospitality



# Broadening Our Go-to-Market



Positioning for Global Growth



Driving FINS Momentum  
Through Vertical Investment



Consistent Strength in the  
Medium Enterprise



Expanding Our Footprint  
Within the Customer Base



# Consistent Strength in the Medium Enterprise

## North America: Hitting Stride

Launch Drives ~35%  
Reduction in Average  
Deployment Costs

ASP Growth Up  
~30% in FY19

# Consistent Strength in the Medium Enterprise

## North America: Hitting Stride

Launch Drives ~35%  
Reduction in Average  
Deployment Costs

ASP Growth Up  
~30% in FY19

## Rest of World: Ramping

Presence in UK, Germany,  
France, Switzerland,  
Netherlands, Nordics

~40% Sales Rep Growth

# Broadening Our Go-to-Market



Positioning for Global Growth



Driving FINS Momentum  
Through Vertical Investment



Consistent Strength in the  
Medium Enterprise



Expanding Our Footprint  
Within the Customer Base

# Strong Retention Rates Lay the Foundation

**95%+**

**Gross  
Retention Rate<sup>(1)</sup>**

**45%**  
of Customers  
Make Add-On  
Purchases  
Within One  
Year of Go-Live

**100%+**

**Net  
Retention Rate<sup>(2)</sup>**

(1) Dollar-Based Gross Retention Rate - (Amount of Annual Recurring Revenues renewed in a given period not including upsell)/(Amount of total Annual Recurring Revenues that was up for the renewal in a given period)

(2) Dollar-Based Net Retention Rate - (Amount of Annual Recurring Revenues renewed in a given period including upsell)/(Amount of total Annual Recurring Revenues that was up for the renewal in a given period)

# Product Attach Rates Continue to Increase





# Product Attach Rates Continue to Increase





# Customer Base Is an Important Future Growth Driver

**~20%**  
of net new  
ACV from  
Add-On Sales



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**~20%**  
of net new  
ACV from  
Add-On Sales

## Biggest Near-Term Add-on Opportunities



Financials



Planning



Prism



Learning

## Medium-Term Add-on Opportunities



Answers



WCP



People  
Analytics



Accounting  
Center

KEY TAKEAWAYS

# Broadening Our Go-to-Market

Well Positioned for  
Significant Long-Term  
Global Opportunity

Expanding Our Vertical  
Investments to Drive  
Increased FINS  
Penetration and Growth

Innovation and Customer  
Success Drive Substantial  
Add-On Opportunities

# Robynne Sisco

Co-President and Chief Financial Officer



# Driving Growth at Scale



**Multiple Growth  
Vectors**



**Subscription  
Revenue Backlog**



**Marching Toward  
Target Margins**

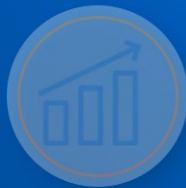
# Driving Growth at Scale



**Multiple Growth  
Vectors**



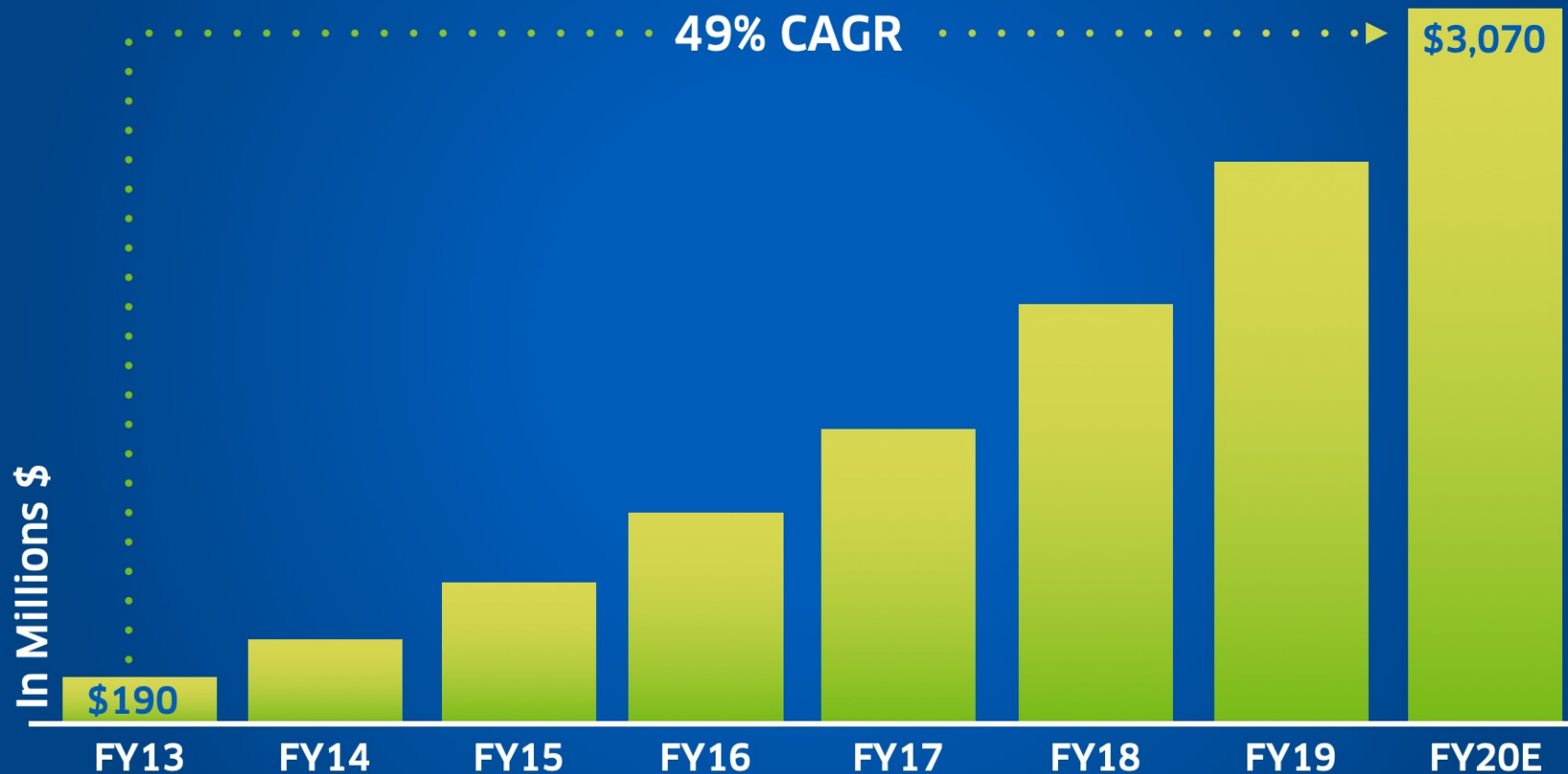
**Subscription  
Revenue Backlog**



**Marching Toward  
Target Margins**



# Strong Subscription Revenue Growth



Annual figures prior to FY2016 do not reflect adoption of ASC 606  
FY20E reflects the high end of subscription revenue guidance provided on 08.29.19

# Growth Composition Is Changing Across Segments...

FY15

Net New ACV  
Bookings Mix

FY20

**17%**

U.S. ME

**57%**

U.S. LE

**18%**

Rest of World

**8%**

U.S.  
Verticals

**35%**

U.S. LE

**20%**

U.S. ME

**18%**

U.S.  
Verticals

**27%**

Rest of World

# ...and Our Broadening Product Portfolio Spotlights Opportunity...

FY15

FY20E

## Subscription Revenue Mix

**<5%**  
FINS+

**>95%**  
HCM

**~81%**  
HCM

**~19%**  
FINS+

FINS+ include core Financials, Planning, Inventory, Expenses, Procurement, PSA, Supply Chain, Workday Prism Analytics, Workday Cloud Platform, Workday Student, and other  
FY15 represents mix of subscription revenue for the 12 months ended 01.31.15  
FY20 represents estimated subscription revenue for the 12 months ending 01.31.20

# ... Resulting in Multiple Growth Vectors

## HCM

Continued North  
American share gains

Rest of World HCM  
cloud adoption

Medium enterprise

Strong retention/  
up-sell rates

## FINS+

Verticalization drives  
increasing penetration

Continued push upmarket

Planning/analytics provide  
other gateways into  
the CFO

## New Innovations

New revenue stream  
opportunities  
(e.g., Workday Cloud  
Platform, People  
Analytics, Accounting  
Center, Answers)

Accelerate market position/  
TAM via M&A

# Multiple Growth Vectors

## HCM

Continued North  
American share gains

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# HCM: Strong Leadership with Remaining U.S. Large Enterprise Opportunity...

**40%+** Workday Market Share  
of *Fortune* 500

**~25%** other cloud HR vendors

**~35%** remaining opportunity





# ...While Global Adoption Still in Early Stages

**~17%** Workday Market Share  
of Global 2000

**~13%** other cloud HR vendors

**~70%** remaining opportunity



# Multiple Growth Vectors

## HCM

Continued North American share gains

Rest of World HCM cloud adoption

Medium Enterprise

Strong retention/up-sell rates

## FINS+

Verticalization drives increasing penetration

Continued push upmarket

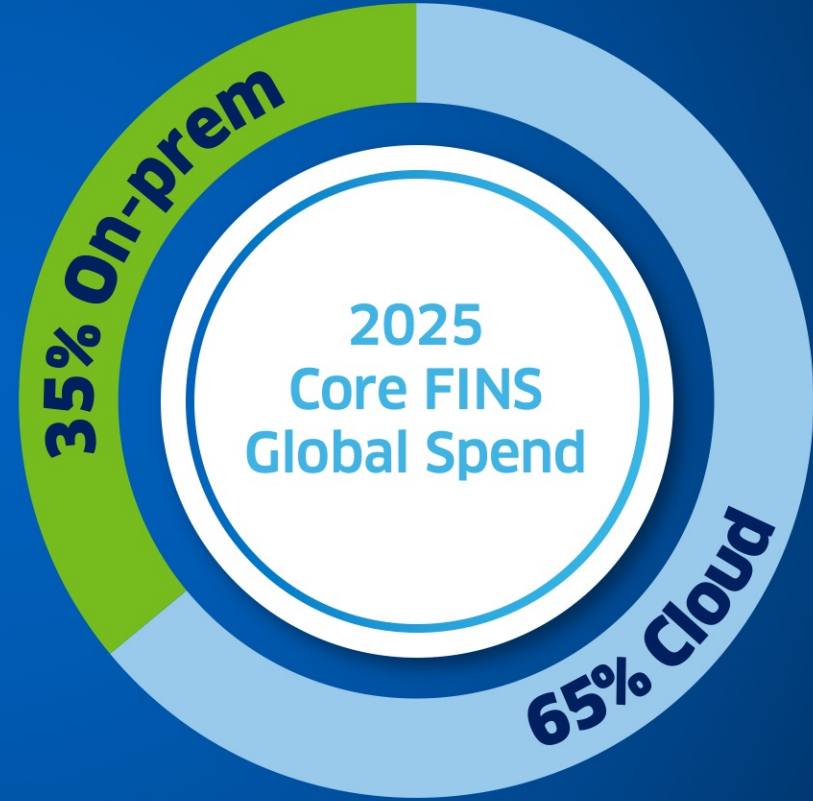
Planning/analytics provide other gateways into the CFO

## New Innovations

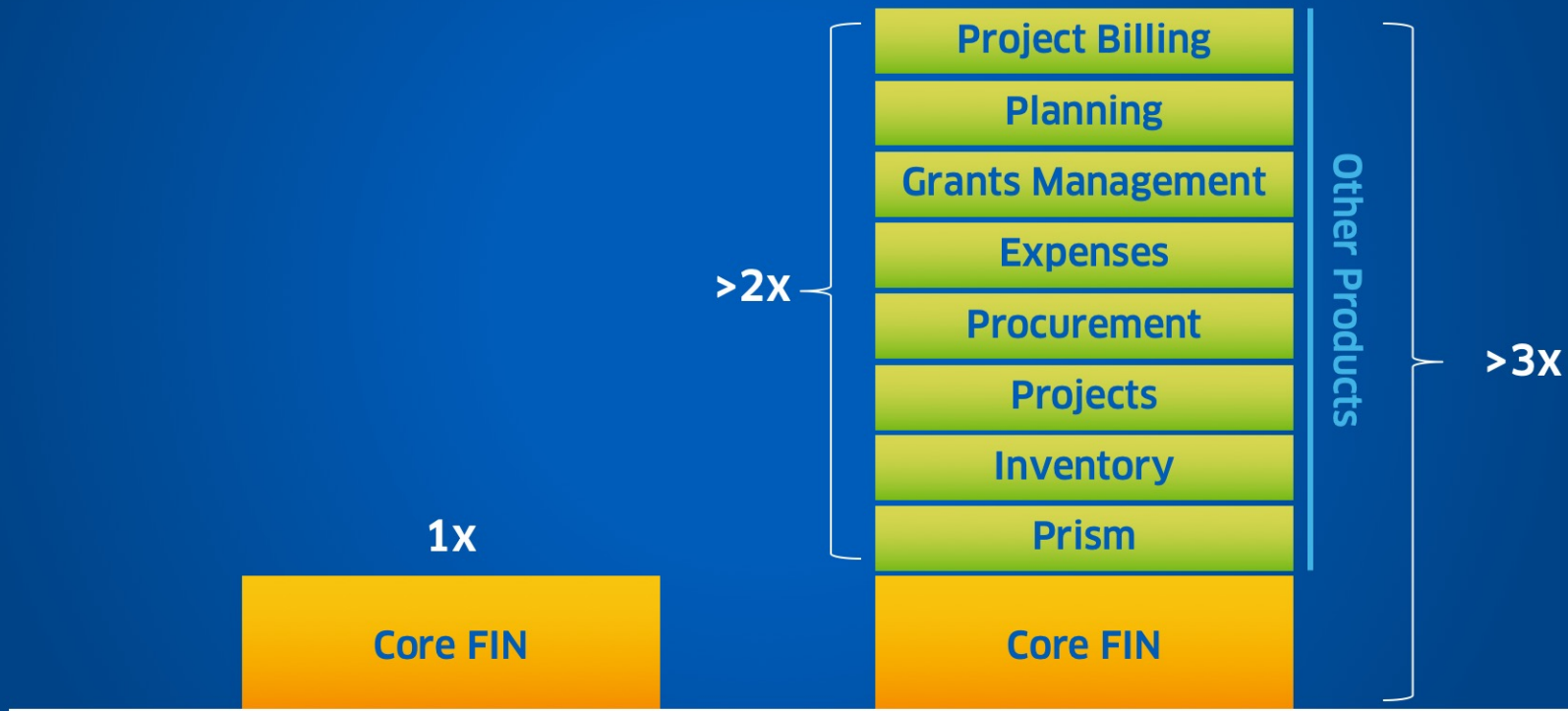
New revenue stream opportunities  
(e.g., Workday Cloud Platform, People Analytics, Accounting Center, Answers)

Accelerate market position/TAM via M&A

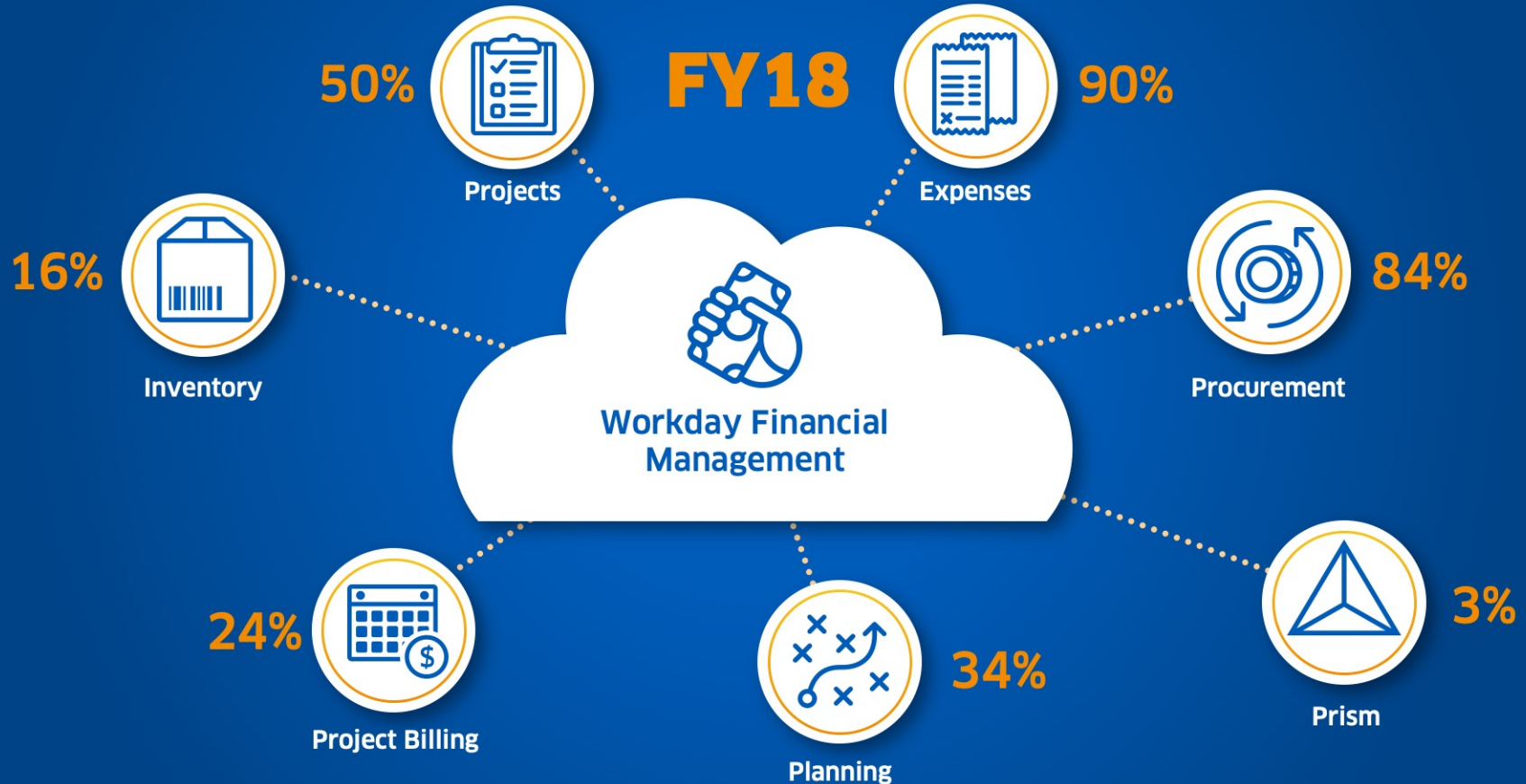
# FINS Cloud Migration Provides Long Runway for Growth



# Financials Opportunity Extends Well Beyond Core FINS

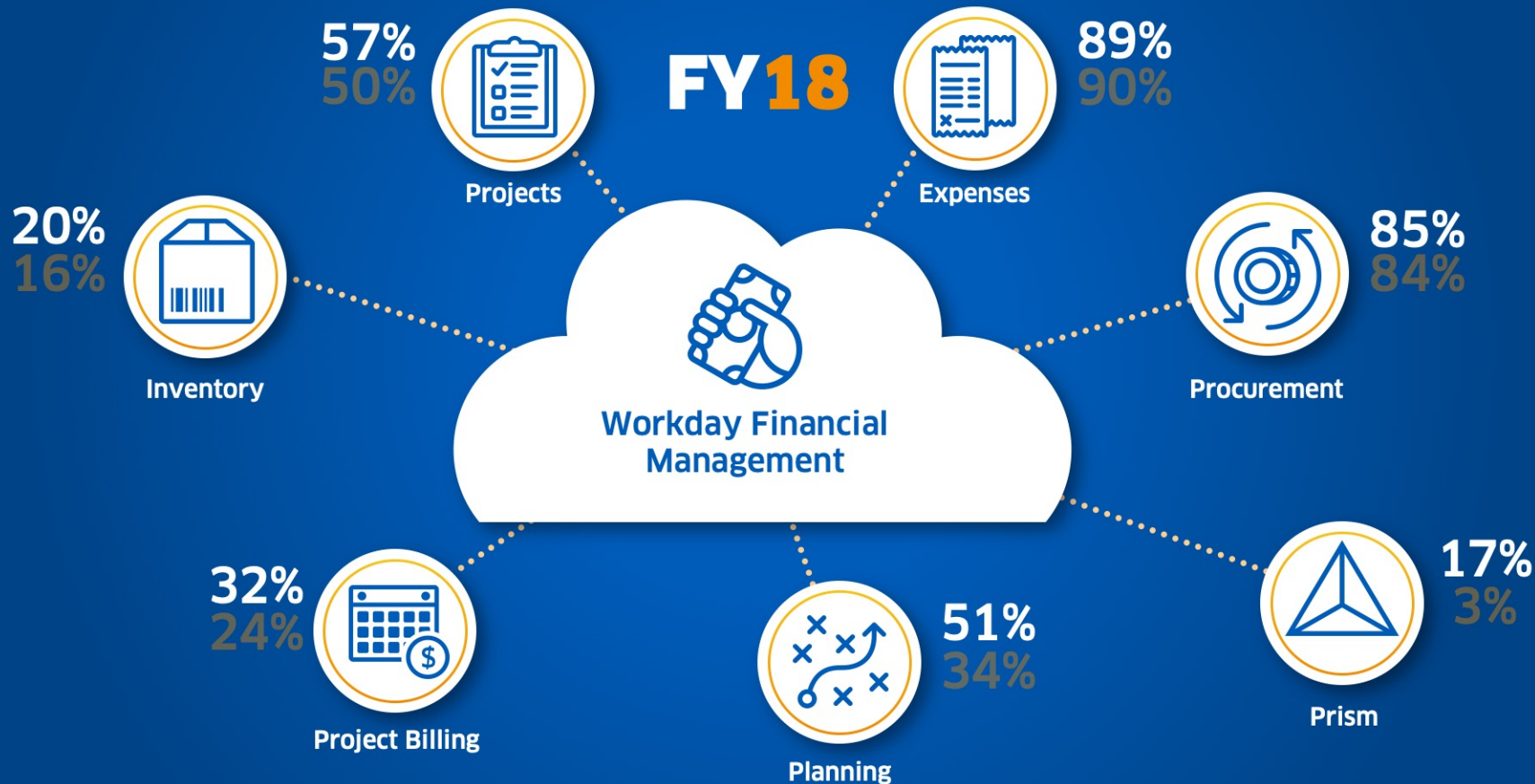


# Attach Rates on Core FINS



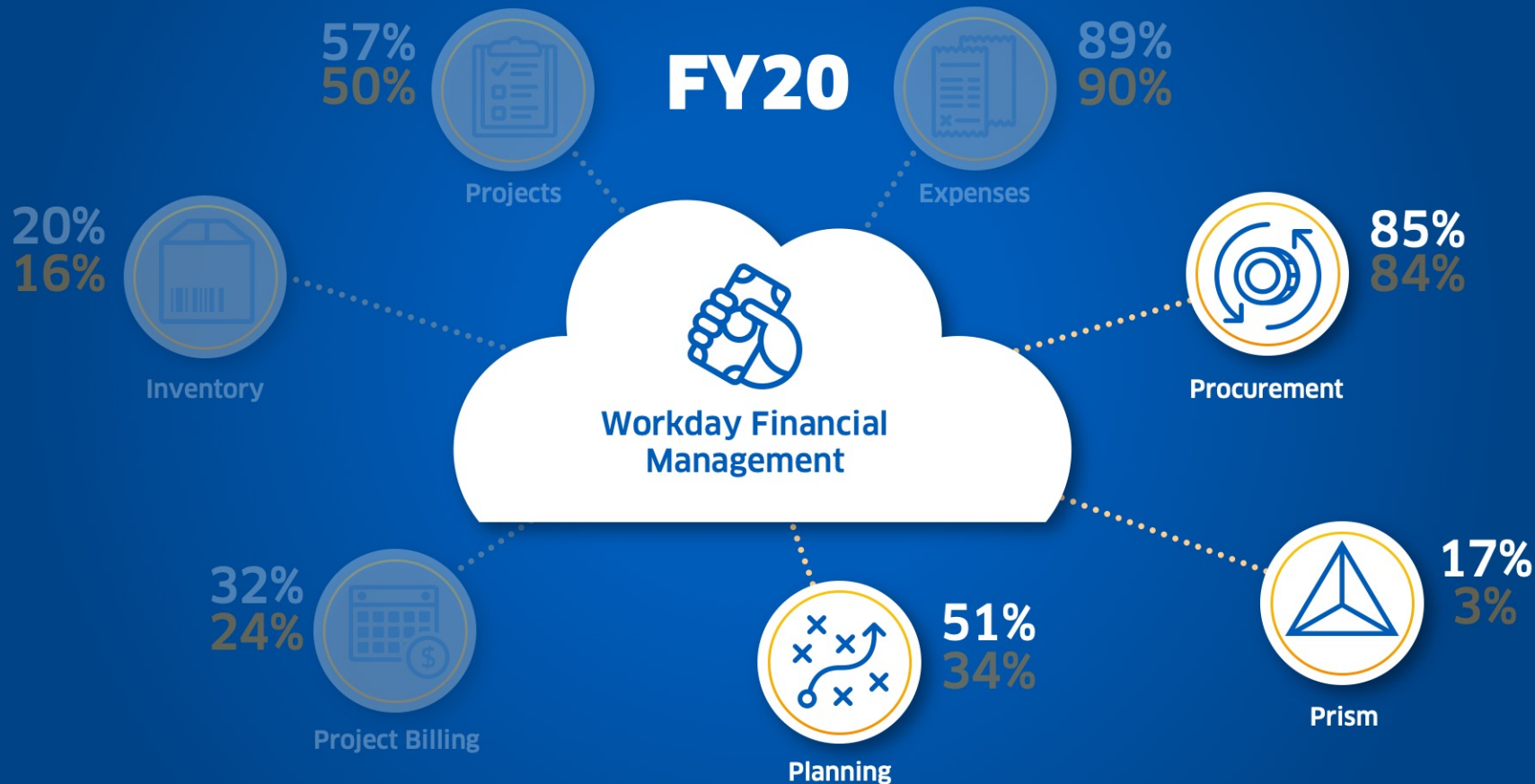


# Attach Rates on Core FINS





# Attach Rates on Core FINS



# Comparing HCM and FINS Adoption Cycles: The First 725 Customers

## HCM

Horizontal adoption

Higher mix of large enterprise adoption relative to FINS

Meaningful mix of first 725 customers were \$1M+ ACV

## FINS

Industry adoption varies by vertical

Higher mix of medium enterprise adoption relative to HCM

~50% fewer \$1M+ FINS+ ACV customers relative to HCM

Large enterprise momentum more recent (\$1M+ ACV customers up 70% y/y for FINS+)

# Multiple Growth Vectors

## HCM

Continued North American share gains

Rest of World HCM cloud adoption

Medium Enterprise

Strong retention/up-sell rates

## FINS+

Verticalization drives increasing penetration

Continued push upmarket

Planning/analytics provide other gateways into the CFO

## New Innovations

New revenue stream opportunities  
(e.g., Workday Cloud Platform, People Analytics, Accounting Center, Answers)

Accelerate market position/TAM via M&A

# Seeding Future Growth: Innovation/M&A

## INNOVATION

Workday Cloud  
Platform

People Analytics

Accounting Center

Answers

Sales/Ops planning

## M&A

Expand TAM across areas  
strategic to CHRO/CFO

Accelerate market  
positioning

Ability to leverage our  
enterprise sales footprint

Culture alignment

# Growth Contributors

**HCM**



**FINS+**



**New Innovations**



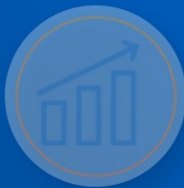
# Driving Growth at Scale



Multiple Growth  
Vectors



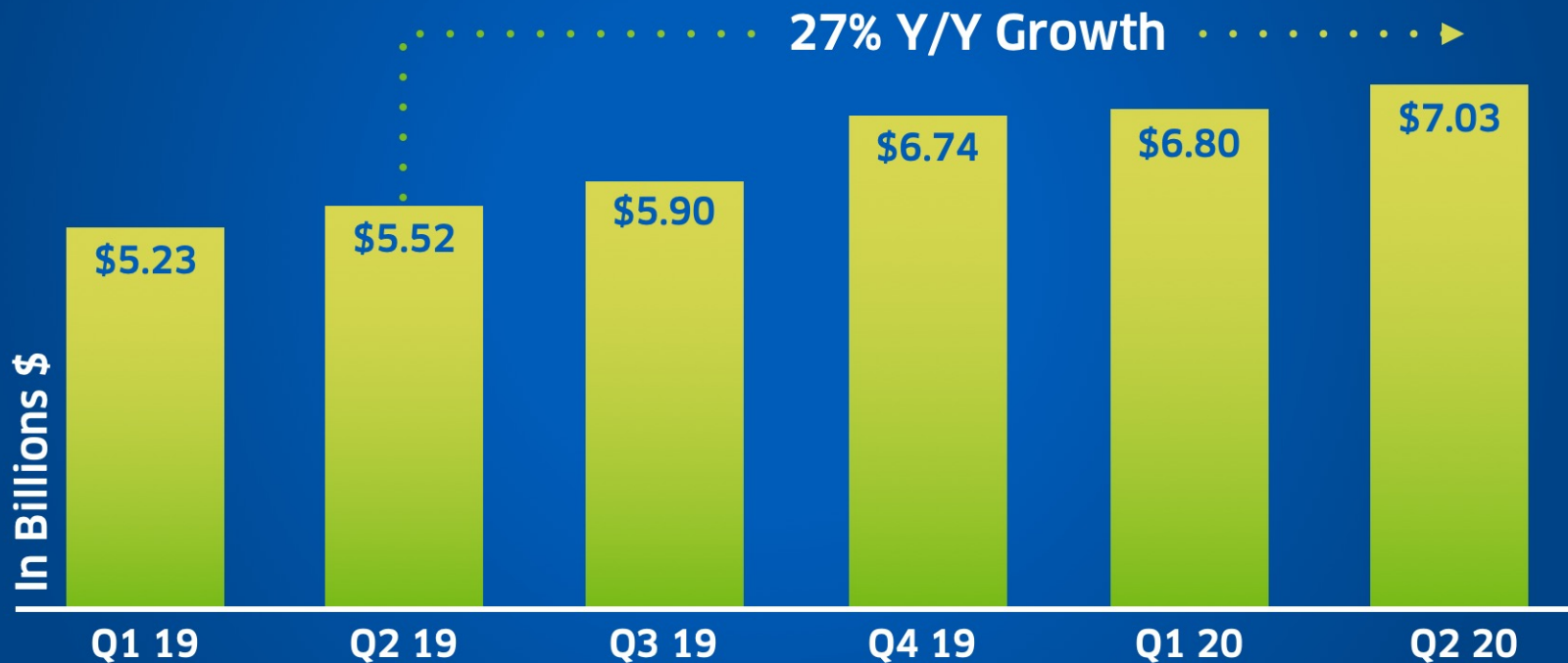
Subscription  
Revenue Backlog



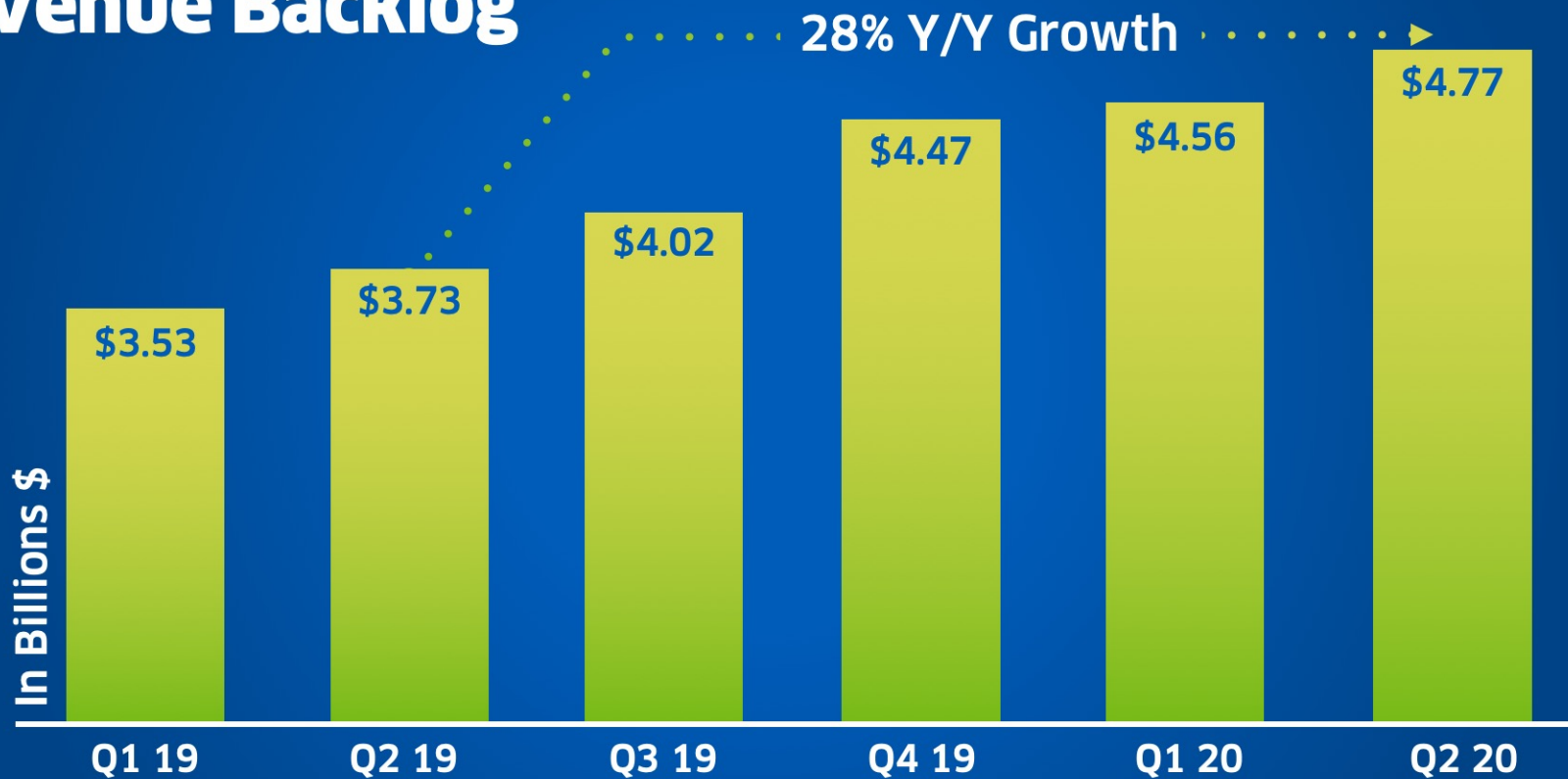
Marching Toward  
Target Margins



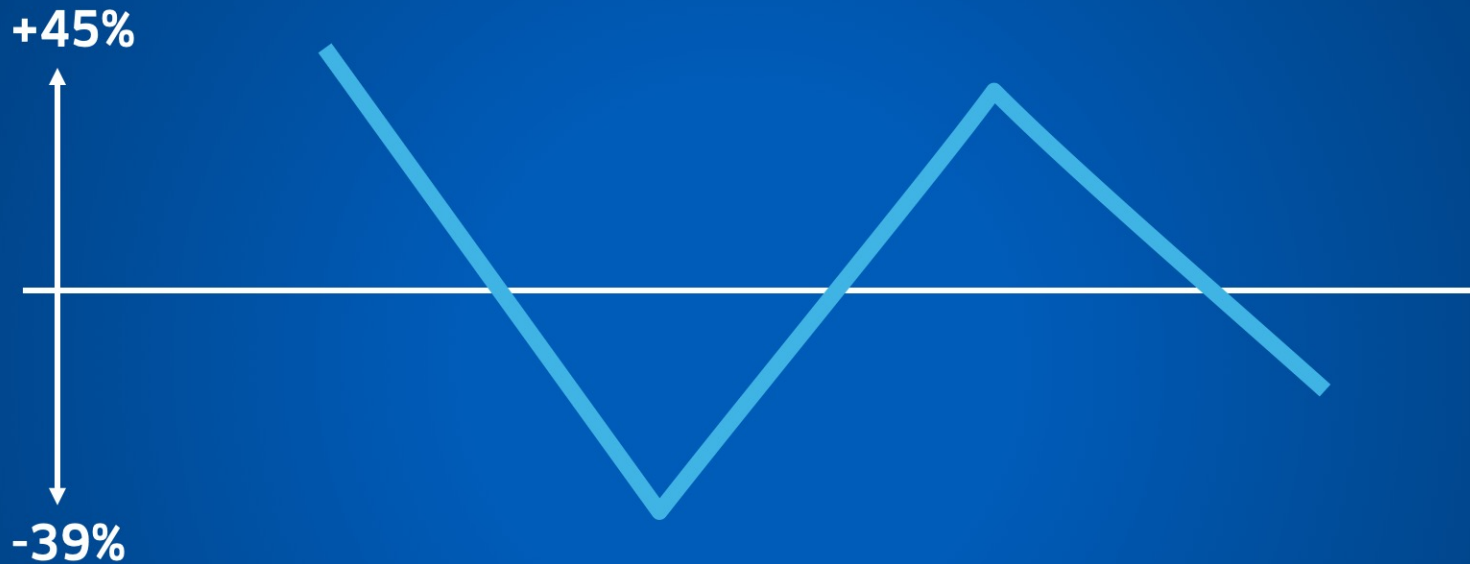
# Subscription Revenue Backlog Supports Enduring Growth



# 0-24 Month View of Subscription Revenue Backlog



# Calculated Bookings Pitfalls



Delta between new ACV bookings and calculated subscription bookings can be significant

Caused by timing of renewals, ramped deals, and duration changes

Trailing 12 Month calculated bookings are a more relevant metric

# Driving Growth at Scale



Multiple Growth  
Vectors



Subscription  
Revenue Backlog



Marching Toward  
Target Margins



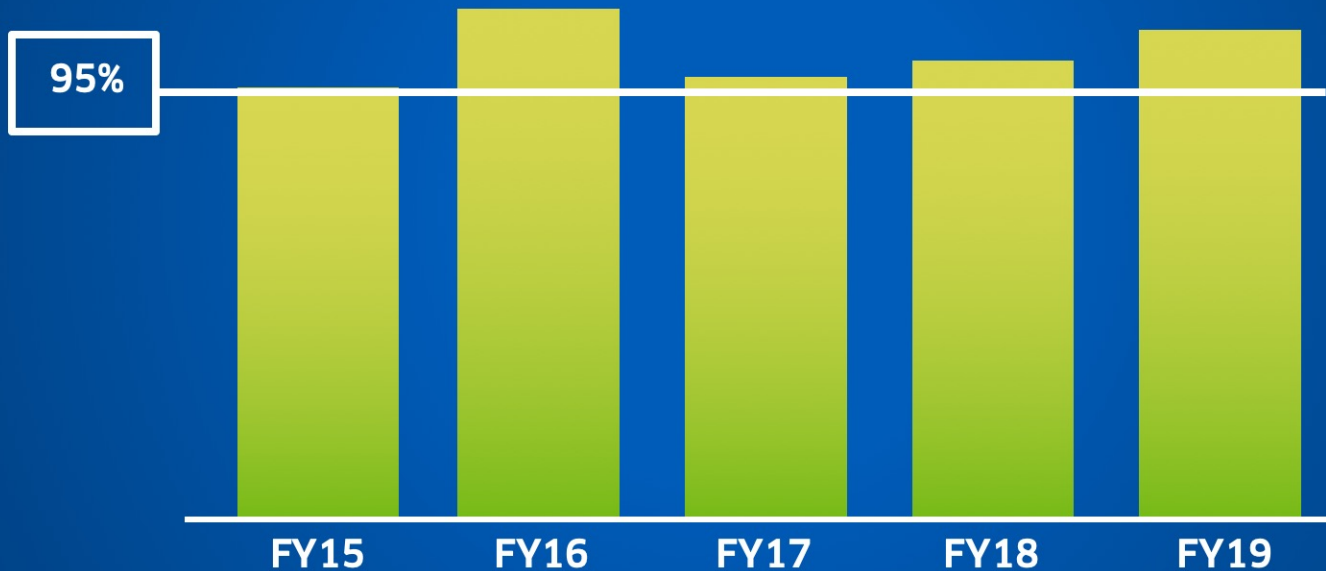
97%+

Customer  
Satisfaction

95%+

Gross Retention  
Rate

# Consistent 95%+ Gross Retention Drives Leverage



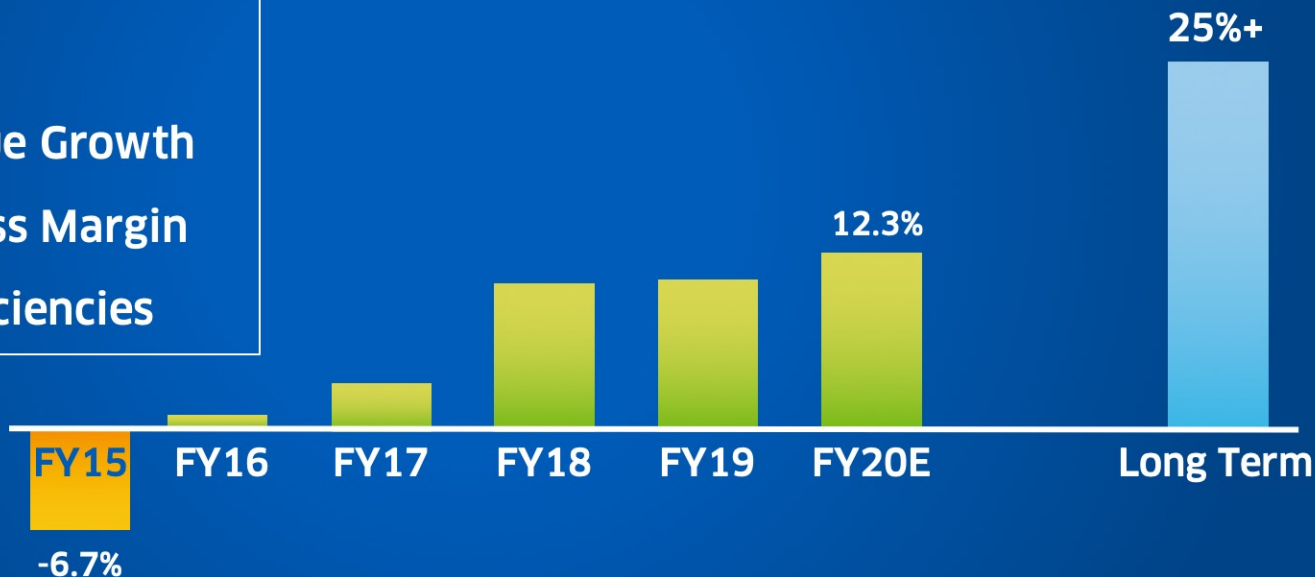


# Continued Non-GAAP Op. Margin Improvement

On track to deliver ~200 bps of expansion this year.

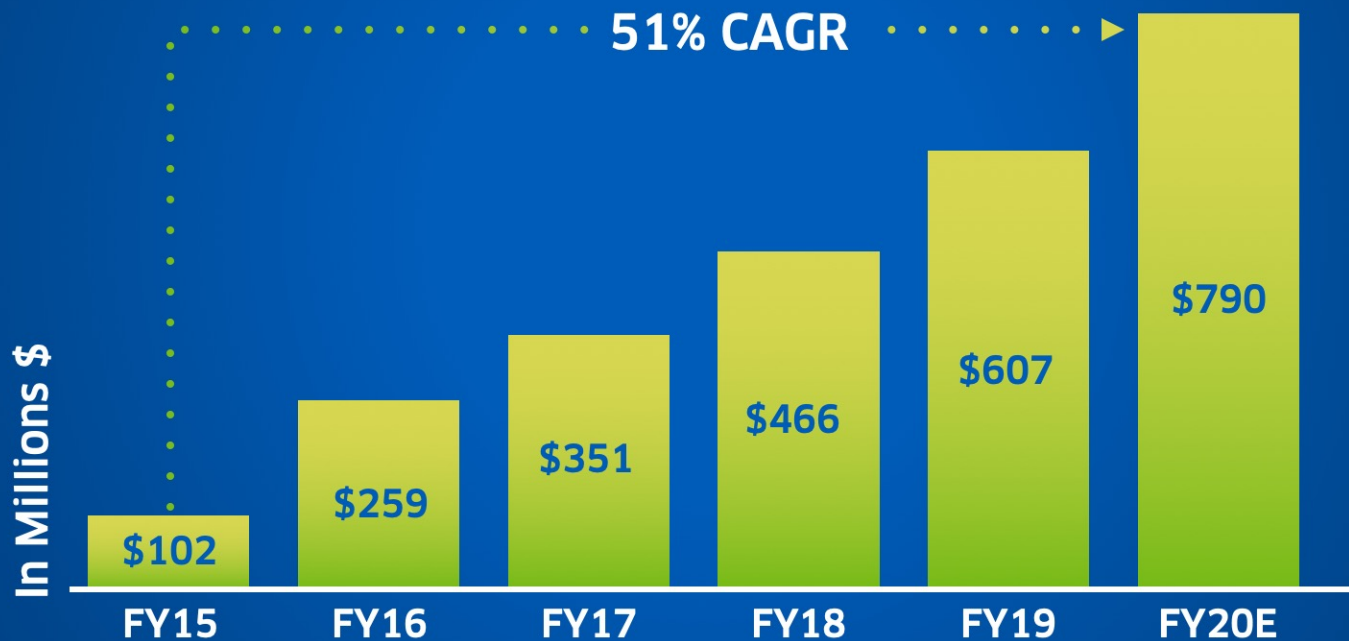
## DRIVERS

- Strong Revenue Growth
- Improved Gross Margin
- Operating Efficiencies



# Operating Cash Flow

Operating cash flow growth should outpace revenue growth going forward.



**Expanding Into  
Adjacencies Where People  
and Finance Matter**



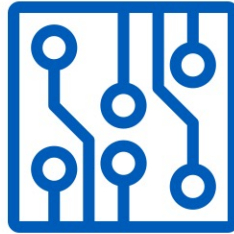
**Product Innovation Opens  
Up New Revenue Streams**

**Relentless Innovation**



**Relentless Innovation**

**Differentiation Through  
the Power of One**



**Surfacing Insights Through  
Machine Learning**

**Technology & Architecture**



**Relentless Innovation**



**Technology & Architecture**

**Expanding Vertical  
Investment**



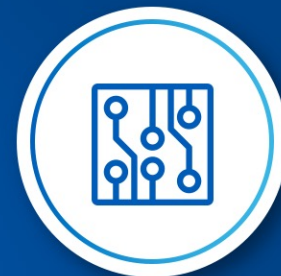
**Significant Install  
Base Opportunity**

**Positioning for Global Growth**





**Relentless Innovation**



**Technology & Architecture**

**Multiple Growth  
Vectors**

**Marching to  
Target Margins**



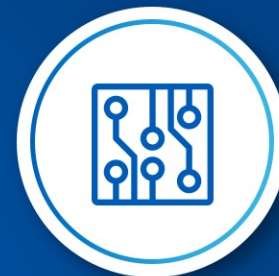
**Driving Growth at Scale**



**Positioning for Global Growth**



**Relentless Innovation**



**Technology & Architecture**



**Positioning for Global Growth**



**Driving Growth at Scale**



**Q&A**



# Financial Analyst Day

October 15, 2019



# Appendix





# Operating Margin

## GAAP to Non-GAAP Reconciliation

(in \$ thousands)	FY15	FY16	FY17	FY18	FY19
Revenue	787,860	1,156,690	1,574,440	2,143,050	2,822,180
Operating Loss	(215,702)	(249,789)	(353,086)	(303,223)	(463,284)
Operating Margin %	(27.4%)	(21.6%)	(22.4%)	(14.1%)	(16.4%)
Non-GAAP Adjustments					
Share-Based Compensation	156,048	249,970	378,629	478,425	673,418
Other <sup>(1)</sup>	6,498	11,960	27,080	40,397	81,123
Operating Income (Loss) (Non-GAAP)	(53,156)	12,141	52,623	215,599	291,257
Operating Margin % (Non-GAAP)	(6.7%)	1.0%	3.3%	10.1%	10.3%

(1) Includes employer payroll tax-related items on employee stock transactions and amortization of acquisition-related intangible assets



# Financial Analyst Day

October 15, 2019

