Agenda

Co-CEO Fireside ................................................................. Aneel Bhusri – Co-Founder, Co-CEO, and Chair  
Carl Eschenbach – Co-CEO  
Emma Chalwin – CMO

Innovating with Generative AI .................................................. Sayan Chakraborty – Co-President  
Aashna Kircher – GM, Workday Talent Products

Our Enhanced Go-To-Market ..................................................... Doug Robinson – Co-President

Break

Our Durable Financial Model  
and Value Creation Framework ........................................ Zane Rowe – CFO

Q&A ....................................................................................... Executive Staff
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 Financial Measures

In addition to financial results presented in accordance with 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. Refer to the Appendix for an explanation of non-GAAP financial measures, and why management believes these measures provide useful information.
Financial Analyst Day
Generative AI Era

Workday’s Position

Where We Are Headed
Why Is This Happening Now?

- 10 parameters (1962)
- 1K parameters
- 60M parameters
- 117M parameters
- 1.5B parameters
- 175B parameters (2023)
What Is Generative AI Uniquely Good At?
<table>
<thead>
<tr>
<th>HR</th>
<th>Finance</th>
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<tbody>
<tr>
<td>Finding Content</td>
<td></td>
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<tr>
<td>Summarizing Content</td>
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<tr>
<td>Creating Content</td>
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<tr>
<td>Completing Tasks</td>
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<td>Interacting with Users</td>
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Key Risks

- Misinformation
- Undesirable Outcomes
- Cost: Financial, Societal, Environmental
- Intellectual Property
- Winners and Losers
Our Data and Scale

- **65M+** Users Under Contract
- **600B+** Annual Transactions
- **11B+** Files Under Management
- **3,000+** Customers Opted in to Sharing Data for ML Models
- **50M+** Daily ML Inference Requests Processed
- **1M+** Job Applications per Working Day

(1) As of 7.31.23 unless otherwise stated
(2) For the fiscal year ended 1.31.23
(3) Per working day average based on forecasted total number of job applications submitted on Workday in 2023, based on year to date job applications as of 7.31.23
Our Platform

- Responsible AI
- Federated Models
- Customer Control of Data
- Hybrid, Ensemble Models
- Ability to Ground Our Models
- Domain-Specific Models
Our Relationship

Technology

Customers
Ecosystem
Leverage
Monetization

- Win and Renewal Rates
- New SKUs
- Partners
Generative AI Era

Workday’s Position

Where We Are Headed
Where We Are Headed

Generative AI Era

Workday’s Position

Where We Are Headed
Four Key Focus Areas

- Delivery of AI and Generative AI in Our Product
- Incorporation of AI and Generative AI Internally at Workday
- Expansion of the Ecosystem
- Continued Engagement with Regulatory Agencies

Revenue

Cost
Product Demo

Aashna Kircher
General Manager, Workday Talent Products
Workday AI Design Principles

Design for Simplicity
Build Trust Through Transparency
Keep the User in Control
Thank you!

- **oCHRO:** Employee Growth Plan
- **oCFO:** Contract Analysis
- **oCIO:** App Builder
Our Enhanced Go-To-Market

Doug Robinson
Co-President
Land Is a Critical Growth Driver . . .

-~50%~
Land

-~50%~
Expand

Represents the mix of new ACV bookings for the Trailing Twelve Months (TTM) ended 7.31.23
...That Has Propelled Our Business Forward ...

5,000+
Core Customers

Represents Core Workday Human Capital Management and Workday Financial Management customers as of 7.31.23
40,000+ opportunity shown is targeted companies for core Workday Human Capital Management and Workday Financial Management in our CRM and includes our existing 5,000+ core customers.
Strong Traction Landing Large Enterprises

Customer Penetration

50%+  
Fortune 500

25%+  
Global 2000

As of 7.31.23
Strong Traction Landing Large Enterprises

Remaining Land Opportunity

$\sim50\%$  $\sim75\%$

*Fortune 500*  *Global 2000*

As of 7.31.23
*Fortune 500 Discounts the Industry Opportunity*

Only 9 Companies in the *Fortune 500*

- Healthcare
- Education
- Government

Based on Workday's industry definitions and Fortune 500 data as of 7.31.23
U.S. Medium Enterprise: Important Land Driver

>50% of U.S. Land ACV Coming from ME

For TTM ended 7.31.23
Taking Our Medium Enterprise Playbook Global

UK
France
Germany
Canada
Australia
Scaling Our Industry Presence

Financial Services
$1B+ ARR

Retail and Hospitality
$1B+ ARR

Technology and Media
Healthcare
Professional Services
Education
Public Sector

As of 7.31.23
Land

Expand

Invest
Expand Drives Durable Growth

Represented by the mix of new ACV bookings for the TTM ended 7.31.23

- ~50% Land
- ~50% Expand

Represents the mix of new ACV bookings for the TTM ended 7.31.23
Expand Drives Durable Growth

~50% Land
~50% Expand

Represents the mix of new ACV bookings for the TTM ended 7.31.23
Compelling Customer Base . . .

50%+ Fortune 500

25%+ Global 2000

As of 7.31.23
Compelling Customer Base . . .

50%+  
*Fortune 500*

25%+  
*Global 2000*

5K+  
Core Customers

1,700+  
FINS

4,850+  
HCM

10K+  
Total Customers

As of 7.31.23
... and Compelling Platform Opportunity

Product Attach Rates

1,000 BPS Expansion

Each Has <10% Attach Rate

(1) Attach rates based on core Human Capital Management and/or Workday Financial Management customers as of 7.31.23
(2) Expansion is YoY growth vs. 7.31.22
Significant Whitespace...within Our Top 100 Accounts...

$2B+

Incremental ARR Opportunity

Represents estimated remaining ARR opportunity within Workday's Top 100 customers as of 9.27.23
Digital AE Team Focused on Capturing the Long Tail
Digital AE Team Focused on Capturing the Long Tail

- Workday Adaptive Planning
- Workday Peakon Employee Voice
- Workday Messaging
- Candidate Engagement
- Journeys
Land

Expand

Invest
Significant FINS Replacement Opportunity

75%–80% of the Overall Current FINS Market is On-Premise

20%–25% of the Overall Current FINS Market is in the Cloud

Based on Workday estimates and third-party data
Potential for Entire FINS Market to Move to the Cloud

20% - 25% of the FINS market

75% - 80% of the FINS market

Longer-Term
FINS Investments Showing Early Signs of Impact

FINS Pipeline\(^{(1)}\)

FINS Unit Growth\(^{(2)}\)

Full Platform Deals\(^{(2)}\)

\(^{(1)}\) For the 7-month period ended 8.31.23 compared with the prior year period
\(^{(2)}\) TTM 7.31.23 vs 7.31.22
Focused on International Acceleration

25% of Workday Revenue Mix\(^{(1)}\)

>50% of Workday TAM\(^{(2)}\)

(1) Revenue mix for the quarter ended 7.31.23
(2) TAM estimates based on Workday and third-party data as of 9.27.23
Bolstering Our Leadership

Angelique De Vries – Schipperijn
President, EMEA - Global Field Sales
Bolstering Our Leadership

Daniel Pell
Vice President, UKI
20+ Years of Experience
Bolstering Our Leadership

Daniel Pell
Vice President, UKI
20+ Years of Experience

Chris Knoerr
Vice President, DACH
20+ Years of Experience
Elevating Japan to Tier 1 Region

- Accelerating Product and Go-To-Market Investments
- Significant TAM with Key Anchor Accounts

[Logos of Nissan, Hitachi, and Rakuten]
Bolstering Our Leadership

Simon Tate
President, APAC
25+ Years of Experience
Taking Our Medium Enterprise Playbook Global

Launch Deployment Key to U.S. Market Success

Partner TBA

Investing in Launch Globally
Partners Amplify Our Global Reach . . .

19,500+ *(1) Certified Deployment Resources

95%+ *(2) On Time Deployments

---

(1) Certified deployment resources inclusive of Workday’s Professional Services Organization
(2) For the fiscal year ended 1.31.23
... and Also Provide a Compelling Strategic Opportunity

<3%

Partner-Sourced ACV

Data is estimated based on the average of last two fiscal years of historical data sourced from Workday’s CRM system of record.
... and Also Provide a Compelling Strategic Opportunity

<3%
Partner-Sourced ACV

<25%
Partner-Impacted ACV

Data is estimated based on the average of last two fiscal years of historical data sourced from Workday’s CRM system of record.
... and Also Provide a Compelling Strategic Opportunity

<3%  
Partner-Sourced ACV

<25%  
Partner-Impacted ACV

Data is estimated based on the average of last two fiscal years of historical data sourced from Workday’s CRM system of record.
... and Also Provide a Compelling Strategic Opportunity

<3%↑
Partner-Sourced ACV

<25%↑
Partner-Impacted ACV

Sales Partners

Innovation Partners

Services Partners
... and Also Provide a Compelling Strategic Opportunity

- **80+** Referral Partners Signed Globally (1)
- **15** Co-Sell Partners Signed Globally (1)
- **~$70M** AWS Co-sell & Marketplace Wins (2)

(1) As of 7.31.23
(2) Represents total contract value as of 9.27.23
...and Also Provide a Compelling Strategic Opportunity

300+
Solutions as Part of New Marketplace Launch

Connecting Buyers with Partner Innovations

Sales Partners

Innovation Partners

Services Partners

As of 9.27.23
... and Also Provide a Compelling Strategic Opportunity

Driving Co-Innovation

- Accenture
- Deloitte
- KPMG
- PwC

Sales Partners
Innovation Partners
Services Partners
Our Durable Financial Model and Value Creation Framework

Zane Rowe
CFO
Durable Platform Built for Scale

Value Creation Framework

Investing in Our Growth Levers
Meaningful Market Opportunity . . .

$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

TAM estimates based on Workday and third-party data as of 9.27.23
... with Healthy TAM Growth

- Growth in Core Markets
- Bolstered by Organic Innovation and Strategic M&A
- Platform Enhances Market Growth

(1) Workday estimates and third-party data as of 9.21.21
(2) Workday estimates and third-party data as of 9.13.22
(3) Workday estimates and third-party data as of 9.27.23
Largest Market Share in 2022 for ERP Worldwide SaaS revenue at 21%, According to Gartner® Research

Leader in the Cloud

Workday 21.0%
Oracle 11.5%
SAP 13.1%
Other 54.4%
HCM and FINS Provide Core Tenants for Durable Growth

Full Platform Opportunity Enhances Durability

HCM Subscription Revenue

- Q2'22: $3.15B
- Q2'23: $3.80B
- Q2'24: $4.54B

(1) HCM includes Workday Human Capital Management, Recruiting, Time Tracking, Payroll, Learning, Talent Optimization, Workforce Planning, People Analytics, Peakon, Help/Journeys, VNDLY, Scheduling, and Other

FINS+ Subscription Revenue

- Q2'22: $0.97B
- Q2'23: $1.24B
- Q2'24: $1.54B

(2) FINS+ includes Workday Financial Management, Financial Planning, Spend Management, Prism Analytics, Industry Solutions, Extend, and Other

20% CAGR

19% YoY

26% CAGR

24% YoY
Immense Land and Expand Opportunity

Leveraging Current Mix of Sales

~50% Land

~50% Expand

Represents the mix of new ACV bookings for the TTM ended 7.31.23
Immense Land and Expand Opportunity

Leveraging Current Mix of Sales

~50% Land

~50% Expand

Represents the mix of new ACV bookings for the TTM ended 7.31.23
Immense Land Opportunity

40,000+ Core Customer Opportunity

Large Enterprise

Medium Enterprise

Incremental Core Customer Opportunity

Current Core Customers

40,000+ opportunity shown is targeted companies for core Workday Human Capital Management and Workday Financial Management in our CRM and includes our existing 5,000+ core customers.
Immense Expand Opportunity

~$10B ARR

Incremental Customer-Base Opportunity

Large Enterprise Customer-Base Penetration $

Medium Enterprise Customer-Base Penetration $

$10 billion ARR customer opportunity as of 9.27.23 and incorporates a product fit analysis
Strong Retention Dynamics as We Lean into Our Customer-Based Opportunity

100% + Net Revenue Retention Rate\(^{(1)}\)  
98% Average Gross Revenue Retention Rate\(^{(2)}\)

(1) NRR is a measure of total ARR retention from existing customers on a trailing 12-month basis, including add-ons, expansion, contraction, and churn. NRR excludes ARR from new customers.

(2) Average gross revenue retention over the 5-year period from Q3'19 to Q2'24. Calculated by measuring the annual recurring revenue of our customers for the year-earlier period that we have maintained in the current period, without giving credit for additional upsells and/or seat related changes. The metric captures only customer and product churn.
High Retention Rates Contribute to Strong Backlog

- Renewals
- Early Renewals
- Expand Existing Customers
- Land New Customers

Duration
Customers’ Commitment to Workday’s Platform Drives Early Renewal & Expansion Opportunities

Backlog Growth Rate Tends to Outpace Revenue Growth Until the Anniversary of the Early Renewal

Early Renewals in Q2’24 Led to ~1.5pts of Growth in 24-Month Backlog

Illustrative example, not based on actual customer data
Durable Growth in 12- and 24-Month Backlog

Intend to Provide Both 12- and 24-Month Backlog Going Forward

See appendix for disclosure of last 8 quarters of 12-month and 24-month backlog
Durable Platform Built for Scale

Value Creation Framework

Investing in Our Growth Levers
Durable Platform Built for Scale

Value Creation Framework

Investing in Our Growth Levers
Durable Long-Term Growth
FY27 Target

17%–19%
Target Annual Subscription Revenue Growth(1)

- Durability Expected to Enable Sustainable Growth Over 3-year Horizon Consistent with Our FY24 Guidance
- Mission-Critical Platform with Core Data Asset Drives Strong Customer Commitment
- Our Key Investments Expected to Drive Growth Beyond FY27

(1) Represents annual subscription revenue growth target through FY27
Balancing Growth and Margins
FY27 Target

17%–19% Target Annual Subscription Revenue Growth

25%+ Non-GAAP Operating Margin\(^{(1)}\)

- Focused Go-To-Market Investments Expected to Drive Long-Term Value
- R&D Investments Will Grow Efficiently and Take Advantage of AI and ML
- Operational Efficiencies and Focus on Systems and Automation Expected to Drive Scale Across the Business

\(^{(1)}\) Non-GAAP operating margin is a non-GAAP financial measure. Reconciliation to the nearest GAAP measure is unavailable without unreasonable efforts. Refer to the Appendix for an explanation of non-GAAP financial measures, and why management believes these measures provide useful information.
Strong Cash Flow Generation
FY27 Target

17%–19%
Target Annual Subscription Revenue Growth

25%+
Non-GAAP Operating Margin

~30%
Operating Cash Flow Margin

~25%
Free Cash Flow Margin\(^{(1)}\)

- Cash Flow Strength from Operating Dynamics and High Retention
- Expected Industry Mix Influences Duration and Timing of Cash Flows
- Business Model and Technology Platform Provides Capital Efficiency

\(^{(1)}\) Free cash flow margin is a non-GAAP financial measure. For FY27 target, free cash flow margin of ~25% is calculated as operating cash flow as a percent of total revenues of ~30% less capital expenditures as a percent of total revenues of ~5%. Refer to the Appendix for an explanation of non-GAAP financial measures, and why management believes these measures provide useful information.
### Managing SBC

**FY27 Target**

<table>
<thead>
<tr>
<th>Target</th>
<th>Description</th>
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<tbody>
<tr>
<td>17%–19%</td>
<td>Target Annual Subscription Revenue Growth</td>
</tr>
<tr>
<td>25%+</td>
<td>Non-GAAP Operating Margin</td>
</tr>
<tr>
<td>~30%</td>
<td>Operating Cash Flow Margin</td>
</tr>
<tr>
<td>~25%</td>
<td>Free Cash Flow Margin</td>
</tr>
<tr>
<td>~15%</td>
<td>Stock-Based Compensation as % Revenue</td>
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</tbody>
</table>

- SBC Aligns Employee Interest with Long-Term Value Creation
- Targeted Equity Allocation Expected to Reduce SBC as a % of Revenue
- Expect to Deliver 100bps+ Annual Reduction of SBC as a % of Revenue Through FY27
- Focused on Reducing Dilutive Impact of SBC
Durable Business Model Enables Sustainable Value Creation

<table>
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<tr>
<th>FY27 Target</th>
<th>Description</th>
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<tbody>
<tr>
<td>17%–19%</td>
<td>Target Annual Subscription Revenue Growth(^{(1)})</td>
</tr>
<tr>
<td>~25%</td>
<td>Non-GAAP Operating Margin (^{(2)})</td>
</tr>
<tr>
<td>~30%</td>
<td>Operating Cash Flow Margin</td>
</tr>
<tr>
<td>~25%</td>
<td>Free Cash Flow Margin (^{(3)})</td>
</tr>
<tr>
<td>~15%</td>
<td>Stock-Based Compensation as % Revenue</td>
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</tbody>
</table>

\(^{(1)}\) Represents annual subscription revenue growth target through FY27. \(^{(2)}\) Non-GAAP operating margin is a non-GAAP financial measure. Reconciliation to the nearest GAAP measure is unavailable without unreasonable efforts. Refer to the Appendix for an explanation of non-GAAP financial measures, and why management believes these measures provide useful information. \(^{(3)}\) Free cash flow margin is a non-GAAP financial measure. For FY27 target, free cash flow margin of ~25% is calculated as operating cash flow as a percent of total revenues of ~30% less capital expenditures as a percent of total revenues of ~15%. Refer to the Appendix for an explanation of non-GAAP financial measures, and why management believes these measures provide useful information.
Durable Platform Built for Scale

Value Creation Framework

Investing in Our Growth Levers
Durable Platform Built for Scale

Value Creation Framework

Investing in Our Growth Levers
Unlocking Meaningful Growth Opportunities

Int’l  Partners  FINS  AI and ML  M&A
Compelling International Opportunity

$1.49B

International Subscription Revenue (2) (TTM)

Tier 1 (1)

Other International

• International TAM Opportunity of ~$80B

• ~2x Investment into Tier 1 Countries in Last Three Years, with Focused Investment Continuing Ahead of Growth

• Investments Include Localizations, Strategic Partnerships, and Go-To-Market Resources

(1) Represents ARR mix as of 7.31.23; Tier 1 International Countries include Australia, Canada, France, Germany, Japan and the U.K.
(2) TTM as of 7.31.23.
Investing Across Our Partner Ecosystem

**Services Partners**
- Strengthening Services Ecosystem by Driving More Deployments to Partners

**Innovation Partners**
- Accelerating Co-Innovation on the Platform
- Strategic Partnerships with Accenture, AWS, ADP, and Alight

**Sales Partners**
- Targeting 100+ Referral Partners and 15+ Co-Sell Partners by Fiscal Year-End
### Winning in FINS Across Industries and Segments

<table>
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<tr>
<th>Industry</th>
<th>ME</th>
<th>LE</th>
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<tbody>
<tr>
<td>Education</td>
<td>Hamilton</td>
<td>University of Florida</td>
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<tr>
<td>Financial Services</td>
<td>farmers mutual</td>
<td>Apex</td>
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<tr>
<td>Healthcare</td>
<td>Great Plains Health</td>
<td>Advocate Health</td>
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<tr>
<td>Professional Services</td>
<td>Plante Moran</td>
<td>Genpact</td>
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<td>Public Sector</td>
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<tr>
<td>Retail and Hospitality</td>
<td>NASCAR</td>
<td>Panda</td>
</tr>
<tr>
<td>Technology and Media</td>
<td>Celonis</td>
<td>Salesforce</td>
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Positioning to Capitalize on the FINS Opportunity

- Broadening and Deepening Our FINS Industry Footprint Through Innovations such as Workday Accounting Center and Workday Services CPQ
- Driving Joint Go-To-Market Targeting oCFO with Key Partners like Accenture
- Focused on Converting Planning-First Customers to Core FINS – which has increased 40%+ over the Trailing Twelve Months
- Over Half of Incremental Quota-Carrying Capacity in FY24 are FINS Targeted Sellers

35%+ of New Customers Landed with FINS

(1) Includes FINS-First and Full Platform HCM+FINS Customers for the TTM period ended 7.31.23
AI and ML Differentiates and Expands Our Opportunity

- 65M+ Users Under Contract\(^{(1)}\) Enables Differentiated and Targeted LLMs
- 40+ ML Use Cases in Production and 12 Generative AI Use Cases Announced
- Economic Benefits Through CSAT and Value/Pricing and Packaging

80%+ YoY ARR Growth\(^{(1)}\)

Talent Optimization

---

\(^{(1)}\) As of 7.31.23
Successful M&A Track Record

- 2014: HR Predictive Analytics, Embedded Worksheets
- 2016: Analytics
- 2018: Planning, Skills ML
- 2020: Services CPQ, Employee Engagement
- 2022: Extend Workforce

Brands: platfora, RALLYTEAM, Peakon, Entified, bridcraft, Adaptive Insights, zimit, VNDLY
Accelerating Our Opportunity Through Strategic M&A

- Successful Acquisitions Have Contributed to Our Strong Portfolio
- M&A Will Enhance Our Platform and Accelerate Our Market Position
- Future Tuck-Ins Expected to Provide Opportunity to Build Out Talented Teams in Cutting-Edge Technologies
- Workday Ventures Provides Market Insights and Portfolio Across oCHRO, oCFO, and oCIO
Strong Foundation and Targeted Investments Enable . . .

- Durable Long-Term Growth
- Further Investments to Drive Incremental Value
- Scale and Strength of Platform
Thanks for joining us.

Please take 2 minutes to fill out our survey.

workday
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 margin and free cash flow margin. 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.

Non-GAAP Operating Margin

Non-GAAP operating margin differs from GAAP in that it excludes share-based compensation expenses, employer payroll tax-related items on employee stock transactions, and amortization expense for acquisition-related intangible assets. Management believes excluding the following items from the GAAP 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. Although share-based compensation is an important aspect of the compensation of our employees and executives, management believes it is useful to exclude share-based compensation expenses to better understand the long-term performance of our core business and to facilitate comparison of our results to those of peer companies. Share-based compensation expenses are 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. The amount of employer payroll tax-related items on employee stock transactions is dependent on our stock price and other factors that are beyond our control and do not correlate to the operation of the business.

• Amortization expense for 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 its related amortization can vary significantly and are unique to each acquisition and thus we do not believe it is reflective of ongoing operations. Although we exclude the amortization of acquisition-related intangible assets from these non-GAAP measures, management believes that it is important for investors to understand that such intangible assets were recorded as part of purchase accounting and contribute to revenue generation.

Free Cash Flow Margin

We define free cash flows as net cash provided by operating activities minus capital expenditures. Free cash flow margin is calculated as free cash flows as a percentage of total revenues. We use free cash flow margin as a measure of financial progress in our business, as it balances operating results, cash management and capital efficiency.

Limitations on the Use of Non-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.
Durable Growth in 12- and 24-Month Backlog

<table>
<thead>
<tr>
<th>Quarter</th>
<th>12-Month Backlog</th>
<th>24-Month Backlog</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3'22</td>
<td>$4.13B</td>
<td>$7.12B</td>
</tr>
<tr>
<td>Q4'22</td>
<td>$4.60B</td>
<td>$7.98B</td>
</tr>
<tr>
<td>Q1'23</td>
<td>$4.61B</td>
<td>$7.97B</td>
</tr>
<tr>
<td>Q2'23</td>
<td>$4.83B</td>
<td>$8.37B</td>
</tr>
<tr>
<td>Q3'23</td>
<td>$4.96B</td>
<td>$8.62B</td>
</tr>
<tr>
<td>Q4'23</td>
<td>$5.51B</td>
<td>$9.68B</td>
</tr>
<tr>
<td>Q1'24</td>
<td>$5.60B</td>
<td>$9.79B</td>
</tr>
<tr>
<td>Q2'24</td>
<td>$5.85B</td>
<td>$10.27B</td>
</tr>
</tbody>
</table>