

Workday, Inc.

Reconciliation of GAAP to Non-GAAP Data
Months Ended April 30, 2013
(in thousands, except per share data)
(unaudited)

	GAAP	Share-Based Compensation	Employer Payroll Taxes on Employee Stock Transactions	Non-GAAP as adjusted
Costs and expenses:				
Costs of revenues:				
Subscription services	\$ 14,930	\$ (262)	\$ (8)	\$ 14,660
Professional services	21,769	(475)	(293)	21,001
Total costs of revenues	36,699	(737)	(301)	35,661
Research and development	36,282	(1,907)	(232)	34,143
Sales and marketing	38,364	(1,043)	(91)	37,230
General and administrative	12,924	(3,729)	(53)	9,142
Operating loss	(32,624)	7,416	677	(24,531)
Operating margin	(35.6%)	8.1%	0.7%	(26.8%)
Loss before provision for income taxes	(32,880)	7,416	677	(24,787)
Provision for income taxes	135	-	-	135
Net loss	\$ (33,015)	\$ 7,416	\$ 677	\$ (24,922)
Net loss per share attributable to common stockholders, basic and diluted ⁽¹⁾	\$ (0.20)	\$ 0.05	\$ -	\$ (0.15)

(1) Calculated based upon 168,074 basic and diluted weighted-average shares of common stock.

Workday, Inc.

Reconciliation of GAAP to Non-GAAP Data
Months Ended April 30, 2012
(in thousands, except per share data)
(unaudited)

	GAAP	Share-Based Compensation	Employer Payroll Taxes on Employee Stock Transactions	Non-GAAP as adjusted
Costs and expenses:				
Costs of revenues:				
Subscription services	\$ 7,594	\$ (78)	\$ -	\$ 7,516
Professional services	17,496	(138)	-	17,358
Total costs of revenues	25,090	(216)	-	24,874
Research and development	20,786	(375)	-	20,411
Sales and marketing	24,838	(367)	-	24,471
General and administrative	6,061	(487)	-	5,574
Operating loss	(19,957)	1,445	-	(18,512)
Operating margin	(35.1%)	2.5%	-	(32.6%)
Loss before provision for income taxes	(19,992)	1,445	-	(18,547)
Provision for income taxes	63	-	-	63
Net loss	\$ (20,055)	\$ 1,445	\$ -	\$ (18,610)
Net loss per share attributable to common stockholders, basic and diluted ⁽¹⁾	\$ (0.61)	\$ 0.04	\$ -	\$ (0.57)

(1) Calculated based upon 33,013 basic and diluted weighted-average shares of common stock.

Workday, Inc.

Revenue by Type
(in thousands)
(unaudited)

Three Months Ended
April 30,

	2013		2012
Revenues:			
Subscription services	\$ 68,418	\$	36,922
Professional services	23,227		19,896
Total revenues	<u>\$ 91,645</u>	<u>\$</u>	<u>56,818</u>
Revenues:			
Subscription services	74.7%		65.0%
Professional services	25.3%		35.0%
Total revenues	<u>100.0%</u>		<u>100.0%</u>

Workday, Inc.

Reconciliation of GAAP Cash Flows from Operations to Free Cash Flows
(A Non-GAAP Financial Measure)
(in thousands)
(unaudited)

Three Months Ended
April 30,

	2013		2012
GAAP cash flows from operating activities	\$ 17,310	\$	12,708
Capital expenditures	(1,895)		(2,197)
Property and equipment acquired under capital lease	(115)		(234)
Free cash flows	<u>\$ 15,300</u>	<u>\$</u>	<u>10,277</u>

Workday, Inc.

Supplemental financial information including non-GAAP data

	Quarter ended 4/30/12	Quarter ended 4/30/13
GAAP results:		
Revenues:		
Subscription services	\$ 36,922	\$ 68,418
Y/Y change		85%
Professional services	19,896	23,227
Y/Y change		17%
	<u>\$ 56,818</u>	<u>\$ 91,645</u>
Y/Y change		61%

Adjustments (1):

Revenues:		
Subscription services	\$ (2,567)	\$ -
Professional services	(1,994)	-
	<u>\$ (4,561)</u>	<u>\$ -</u>

(1) - Adjustments relate to revenue recognized related to the expiration of a delivery obligation for a 2009 customer arrangement.

Non-GAAP results:

Revenues:		
Subscription services	\$ 34,355	\$ 68,418
Y/Y change		99%
Professional services	17,902	23,227
Y/Y change		30%
	<u>\$ 52,257</u>	<u>\$ 91,645</u>
Y/Y change		75%

Workday, Inc.

Supplemental financial information including non-GAAP data

	Quarter ended 1/31/12	Quarter ended 4/30/12	Quarter ended 7/31/12	Quarter ended 10/31/12	Quarter ended 1/31/13	Quarter ended 4/30/13
GAAP results:						
Costs of subscription services	\$ 6,711	\$ 7,594	\$ 8,994	\$ 10,179	\$ 12,484	\$ 14,930
Sequential change					23%	20%
Y/Y change					86%	97%
Costs of professional services	13,619	17,496	19,271	20,015	20,502	21,769
Sequential change					2%	6%
Y/Y change					51%	24%
Total costs of revenue	20,330	25,090	28,265	30,194	32,986	36,699
Sequential change					9%	11%
Y/Y change					62%	46%
Subscription services gross margin	77%	79%	79%	80%	79%	78%
Professional services gross margin	4%	12%	6%	5%	6%	6%
Gross margin	53%	56%	55%	58%	60%	60%
Research and development	18,287	20,786	23,552	28,075	30,252	36,282
Sequential change					8%	20%
Y/Y change					65%	75%
Sales and marketing	22,582	24,838	29,629	32,584	36,389	38,364
Sequential change					12%	5%
Y/Y change					61%	54%
General and administrative	5,050	6,061	7,616	22,633	12,570	12,924
Sequential change					-44%	3%
Y/Y change					149%	113%
Operating loss	(23,091)	(19,957)	(26,360)	(40,868)	(30,678)	(32,624)
Operating margin	-54%	-35%	-42%	-56%	-38%	-36%
Sequential change					18%	2%
Y/Y change					16%	-1%
Net loss	(23,586)	(20,055)	(26,881)	(41,310)	(30,944)	(33,015)
Net loss attributable to Class A and Class B common stockholders	(23,843)	(20,256)	(27,087)	(41,471)	(30,944)	(33,015)
Net loss per share attributable to Class A and Class B common stockholders, basic and diluted	\$ (0.77)	\$ (0.61)	\$ (0.78)	\$ (0.67)	\$ (0.19)	\$ (0.20)
Weighted-average shares used to compute net loss per share attributable to Class A and Class B common stockholders	30,818	33,013	34,734	61,960	161,916	168,074

Workday, Inc.

Supplemental financial information including non-GAAP data

	Quarter ended 1/31/12	Quarter ended 4/30/12	Quarter ended 7/31/12	Quarter ended 10/31/12	Quarter ended 1/31/13	Quarter ended 4/30/13
Adjustments (1) (3):						
Costs of subscription services	\$ (82)	\$ (78)	\$ (99)	\$ (224)	\$ (200)	\$ (270)
Costs of professional services	(131)	(138)	(178)	(385)	(612)	(768)
Total costs of revenue	(213)	(216)	(277)	(609)	(812)	(1,038)
Subscription services gross margin	0%	0%	0%	0%	0%	0%
Professional services gross margin	1%	1%	1%	2%	3%	3%
Gross margin	0%	0%	0%	1%	1%	1%
Research and development	(373)	(375)	(552)	(1,300)	(1,301)	(2,139)
Sales and marketing	(306)	(367)	(500)	(970)	(879)	(1,134)
General and administrative (2)	(535)	(487)	(954)	(14,523)	(2,456)	(3,782)
Operating loss	1,427	1,445	2,283	17,402	5,448	8,093
Operating margin	0.03	0.03	0.04	0.24	0.07	0.09
Net loss	1,427	1,445	2,283	17,402	5,448	8,093
Net loss attributable to Class A and Class B common stockholders	1,427	1,445	2,283	17,402	5,448	8,093
Net loss per share attributable to Class A and Class B common stockholders, basic and diluted	\$ 0.05	\$ 0.04	\$ 0.07	\$ 0.28	\$ 0.03	\$ 0.05
Weighted-average shares used to compute net loss per share attributable to Class A and Class B common stockholders	30,818	33,013	34,734	61,960	161,916	168,074

(1) All adjustments relate to share-based compensation except amount noted with (2) and (3)

(2) For the quarter ended October 31, 2012, also includes a \$11,250,000 one-time charge related to our contribution of 500,000 shares of common stock to the Workday Foundation

(3) Beginning in the Quarter ended 4/30/13, there are adjustments to subtract employer payroll taxes on employee stock transactions

Workday, Inc.

Supplemental financial information including non-GAAP data

	Quarter ended 1/31/12	Quarter ended 4/30/12	Quarter ended 7/31/12	Quarter ended 10/31/12	Quarter ended 1/31/13	Quarter ended 4/30/13
Non-GAAP results:						
Costs of subscription services	\$ 6,629	\$ 7,516	\$ 8,895	\$ 9,955	\$ 12,284	\$ 14,660
Sequential change					23%	19%
Y/Y change					85%	95%
Costs of professional services	13,488	17,358	19,093	19,630	19,890	21,001
Sequential change					1%	6%
Y/Y change					47%	21%
Total costs of revenue	20,117	24,874	27,988	29,585	32,174	35,661
Sequential change					9%	11%
Y/Y change					60%	43%
Subscription services gross margin	77%	80%	79%	81%	79.4%	78.6%
Sequential change					-2%	-1%
Y/Y change					2%	-1%
Professional services gross margin	5%	13%	7%	7%	9.0%	9.6%
Sequential change					2%	1%
Y/Y change					4%	-3%
Gross margin	53%	56%	55%	59%	60.5%	61.1%
Sequential change					2%	1%
Y/Y change					8%	5%
Research and development	17,914	20,411	23,000	26,775	28,951	34,143
Sequential change					8%	18%
Y/Y change					62%	67%
Sales and marketing	22,276	24,471	29,129	31,614	35,510	37,230
Sequential change					12%	5%
Y/Y change					59%	52%
General and administrative	4,515	5,574	6,662	8,110	10,114	9,142
Sequential change					25%	-10%
Y/Y change					124%	64%
Operating loss	(21,664)	(18,512)	(24,077)	(23,466)	(25,230)	(24,531)
Operating margin	-50%	-33%	-38%	-32%	-31%	-27%
Sequential change					1%	4%
Y/Y change					19%	6%
Net loss	(22,159)	(18,610)	(24,598)	(23,908)	(25,496)	(24,922)
Net loss attributable to Class A and Class B common stockholders	(22,416)	(18,811)	(24,804)	(24,069)	(25,496)	(24,922)
Net loss per share attributable to Class A and Class B common stockholders, basic and diluted	\$ (0.73)	\$ (0.57)	\$ (0.71)	\$ (0.39)	\$ (0.16)	\$ (0.15)
Weighted-average shares used to compute net loss per share attributable to Class A and Class B common stockholders	30,818	33,013	34,734	61,960	161,916	168,074

About Non-GAAP Financial Measures

To provide investors and others with additional information regarding Workday's results, we have disclosed certain non-GAAP financial measures including non-GAAP revenue, non-GAAP expenses, non-GAAP subscription services gross margin, non-GAAP professional services gross margin, non-GAAP gross margin, non-GAAP operating loss, non-GAAP operating margin, non-GAAP net loss, non-GAAP net loss per share and free cash flows. Workday has provided a reconciliation of each non-GAAP financial measure to the most directly comparable GAAP financial measure. These non-GAAP financial measures, other than free cash flows, differ from GAAP in that they exclude share-based compensation for the all periods presented; a one-time charge related to the contribution of 500,000 shares of common stock to the Workday Foundation in the quarter ended October 31, 2012; and beginning in quarter ended April 30, 2013, employer payroll taxes on employee stock transactions. Free cash flows differ from GAAP cash flows from operating activities in that it treats capital expenditures and assets acquired under a capital lease 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 and the ability of operations to generate cash. 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, as they exclude expenses that are not reflective of ongoing operating results. 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 future prospects in the same manner as management and in comparing financial results across accounting periods and to those of peer companies. Additionally, management believes information regarding free cash flows provides investors and others with an important perspective on the cash available to make strategic acquisitions and investments, to fund ongoing operations and to fund other capital expenditures.

Management believes these non-GAAP financial measures are useful to investors and others in assessing Workday's operating performance due to the following factors:

- *Share-based compensation.* Although share-based compensation is an important aspect of the compensation of Workday's employees and executives, determining the fair value of certain of the share-based instruments we utilize involves a high degree of judgment and estimation and the expense recorded may bear little resemblance to the actual value realized upon the vesting or future exercise of the related share-based awards. Furthermore, unlike cash compensation, the value of stock options, which is an element of our ongoing share-based compensation expense, is determined using a complex formula that incorporates factors, such as market volatility, that are beyond our control. Management believes it is useful to exclude share-based compensation in order to better understand the long-term performance of our core business and to facilitate comparison of our results to those of peer companies.
- *Equity Grant to Workday Foundation.* During the third quarter of fiscal 2013, Workday granted 500,000 shares of common stock to the Workday Foundation. The Workday Foundation is a non-profit organization established to provide grants, humanitarian relief and employee matching contributions and support volunteerism and social development projects. This grant resulted in a one-time charge of \$11.3 million, which was recorded to the General and administrative expenses line of the income statement. Management believes it is useful to exclude this one-time charge in order to better understand the ongoing expenses of our core business and to facilitate comparison of our results across periods.
- *Employer payroll taxes on employee stock transactions.* The amount of employer payroll taxes on share-based compensation is dependent on Workday's stock price and other factors that are beyond our control and do not correlate to the operation of the business. Also included in this number are tax equalization payments for certain of Workday's expatriate employees related to their stock transactions.

Additionally, we believe that the non-GAAP financial measure, free cash flows, is meaningful to investors because we review cash flows generated from operations after deducting capital expenditures, whether purchased or leased, due to the fact that these expenditures are considered to be an ongoing operational component of our business.

The use of non-GAAP financial measures has certain limitations as they do not reflect all items of income and expense 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.