



Investor Presentation

Q2 FY23

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/company/investor_relations.php

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 generally accepted accounting principles (GAAP), this presentation includes certain non-GAAP financial measures of financial 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 measures have limitations in that they do not reflect all of the amounts associated with Workday's results of operations as determined in accordance with GAAP. Reconciliations of these non-GAAP financial measures to the most directly comparable financial measures are contained in the Appendix to this presentation. A reconciliation of our forward outlook for non-GAAP operating margin with our forward-looking GAAP operating margin is not available without unreasonable efforts as the quantification of share-based compensation expense, which is excluded from our non-GAAP operating margin, 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

\$105B+

Market Opportunity

\$5.04B 22% YoY Growth

Trailing Twelve Month Subscription Revenue¹

\$8.37B 22% YoY Growth

24-Month Subscription Revenue Backlog²

\$1.55B 27% Margin

Trailing Twelve Month Operating Cash Flow¹



Enterprise Management Cloud

For Finance, HR, Planning, Spend Management and Analytics



9,500+ Global Customers

Operating across 175+ Countries



Serving 50%+ of the *Fortune* 500

Including 70%+ of the top 50 *Fortune* 500 companies



60M+ Global Users

95%+ Customer Satisfaction³



16,900+ Employees Worldwide

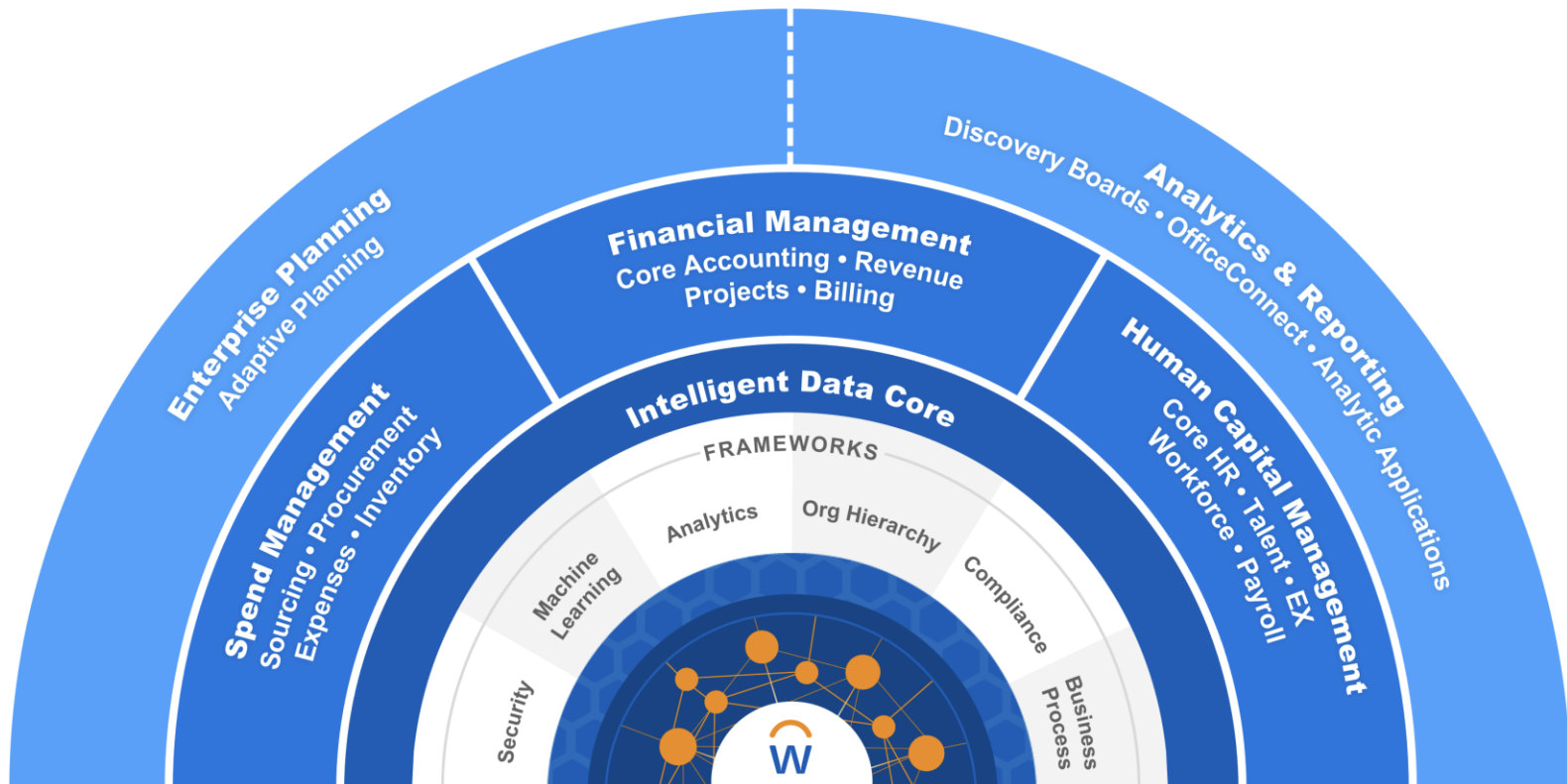
Offices in 30+ Countries

¹ For the trailing twelve months ended 7.31.2022

² As of 7.31.2022

³ Based on a survey conducted by Workday of Named Support Contacts in May 2022

Workday Enterprise Management Cloud



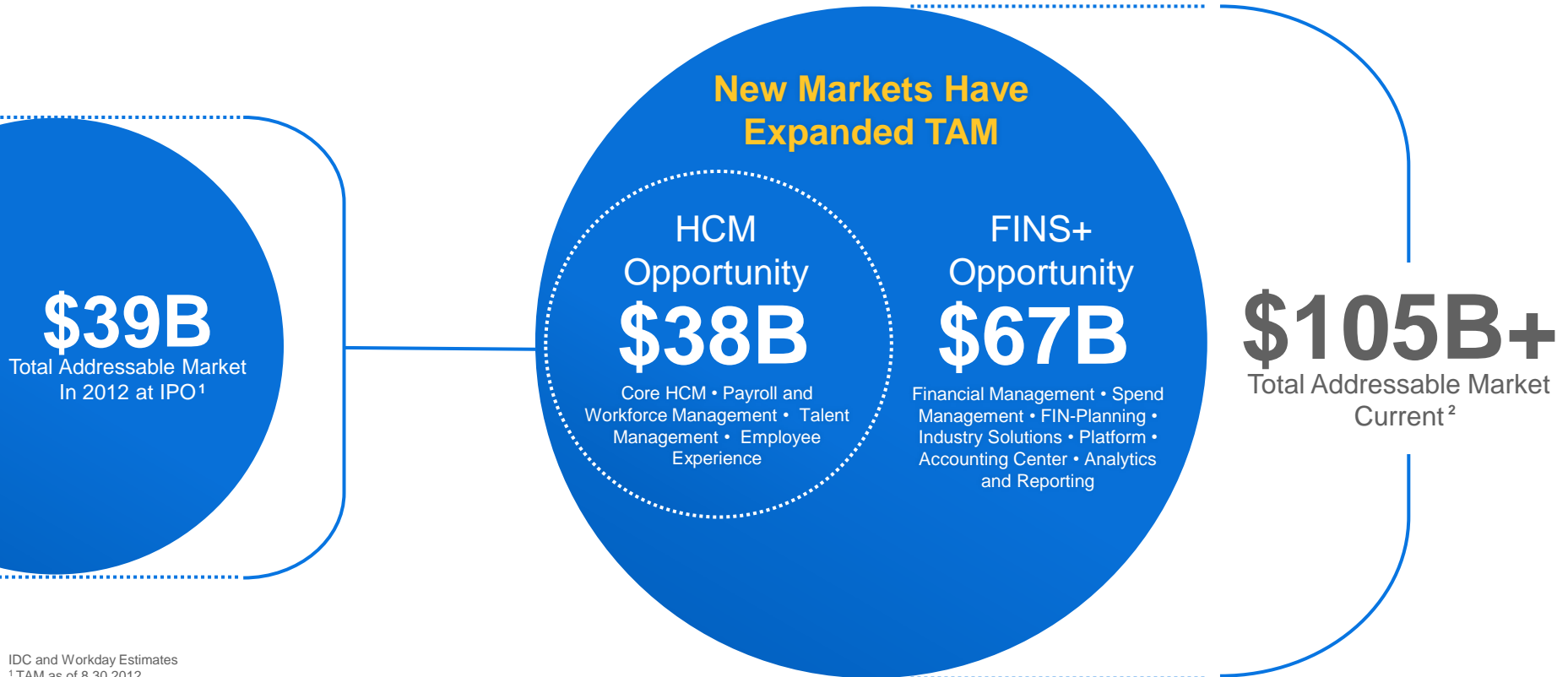
True Cloud

Scale • Elasticity • Performance • Availability • Continuous Delivery of Innovation • Single Version

Serving Organizations of all Sizes and Across Industries



Addressing a Large and Expanding TAM



IDC and Workday Estimates

¹ TAM as of 8.30.2012

² TAM as of 9.21.2021

With a Leading Position in HCM

~\$38B

HCM Market Opportunity

HCM Provides Significant Runway



International



Expanding Share of Wallet



Medium Enterprise



U.S. Federal



Future Innovation



M&A

And a Broadening Footprint in FINS+

~\$67B
FINS+ Market Opportunity

FINS+ Unlocks a Massive Opportunity



New Landing Points



Expanding into Our HCM Base



Medium Enterprise



Deepening Our Industry Presence



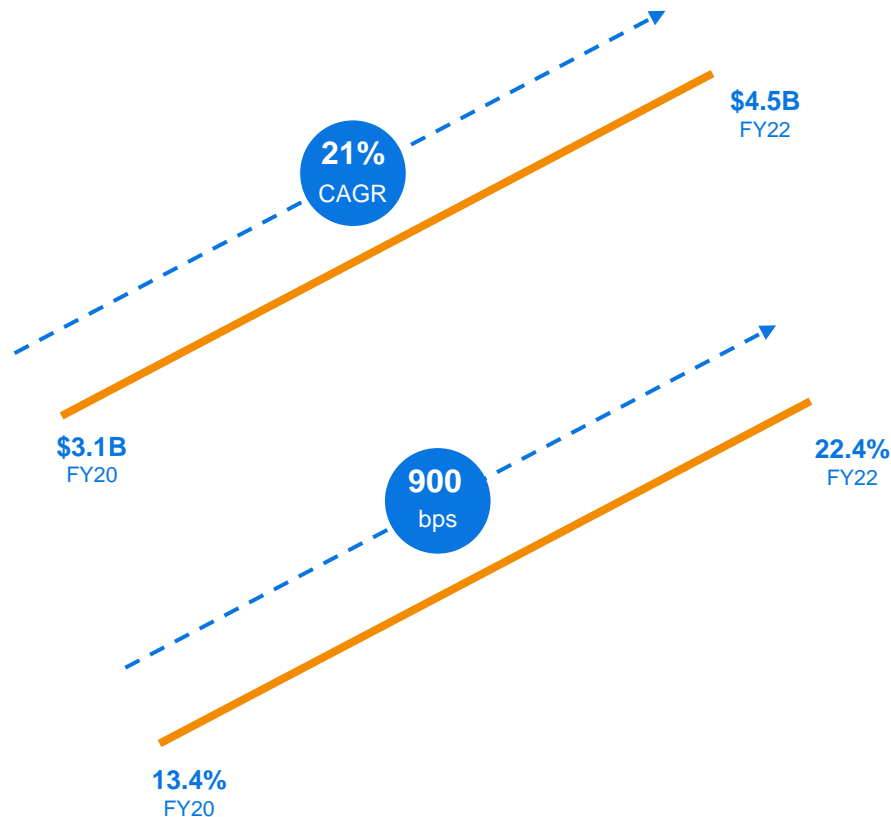
Future Innovation



M&A

Driving Profitable Growth at Scale

Annual
Subscription
Revenue¹



95%+
Gross Revenue
Retention³

Non-GAAP
Operating
Margin²

¹ CAGR calculations are based on FY20-FY22 results

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

³ Measures the annual recurring revenue of our customers as of 7.31.21 that we have maintained as of 7.31.22, without giving credit for additional upsells or price and/or seats related changes. The metric captures only customer and product churn

While Growing Responsibly and Inclusively

ESG and 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

ESG and Our Customers

Building Inclusive Solutions

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

Building Sustainable Solutions

Helping customers improve sustainability and resilience of their supply chains

Empowering our Ecosystem

Workday's adaptable platform enables customers and partners to manage their emissions reduction strategy

ESG and the World Around Us

Net-Zero Carbon Footprint

Achieved net-zero emissions in 2020 and lifetime net-zero carbon footprint in 2021

Commitment to 1.5°C

Science-based targets across our entire value chain

Driving Policy Change

Working to advance policies that support a skills-based approach to talent, and aid in the transition to a low-carbon economy

For More Information:

Visit our ESG Resource Page: [Sustainability and Reporting with Workday](#)

Read our Blog: [Our Commitments to ESG at Workday](#)

[Download our 2021 Global Impact Report](#)

Q2 FY23 Highlights and Guidance

Q2 FY23 Financial Highlights

	Q2 FY23 Results	Increase (Decrease) YoY
Total Revenue	\$1.54B	22%
Subscription Revenue	\$1.37B	23%
Total Subscription Revenue Backlog	\$13.47B	27%
24-month Subscription Revenue Backlog	\$8.37B	22%
GAAP Operating Margin	(2.2)%	(210 bps)
Non-GAAP Operating Margin ¹	19.6%	(360 bps)
Operating Cash Flows	\$114M	(42)%

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

Q2 FY23 Customer Wins and Expansions

RAYMOND JAMES



EXPRESS



ExxonMobil



neighborly

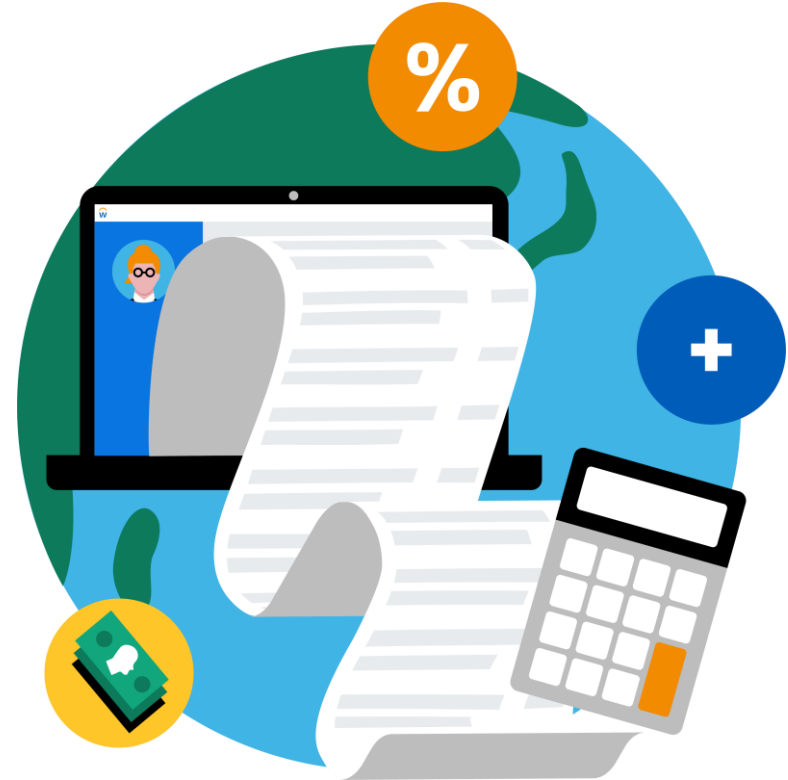


embark.

KOREAN AIR

Q2 FY23 Business Highlights

- Workday [achieved](#) FedRAMP Authorized status at the Moderate security impact level, marking the company's official entry into the U.S. federal government market.
- Workday was [positioned](#) by Gartner® in the Leaders quadrant of the inaugural 2022 Gartner® Magic Quadrant™ for Cloud ERP for Service-Centric Enterprises based on completeness of vision and ability to execute.
- Workday [announced](#) that Wayne A.I. Frederick, M.D., president of Howard University, has been elected to its board of directors as an independent director.
- Workday was included in [JUST Capital's 2022 Workforce Equity and Mobility Ranking](#), which highlights companies that perform best on key disclosure and performance metrics that address racial equity and advance workforce opportunity and mobility.



Gartner Magic Quadrant for Cloud ERP for Service-Centric Enterprises, John Van Decker, Denis Torii, Tim Faith, Sam Grinter, Patrick Connaughton, 12 July 2022

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Guidance Summary

Q3 FY23	Quarterly Guidance	Increase (Decrease) YoY
Total Revenue	\$1.582B - \$1.584B	19%
Subscription Revenue	\$1.418B - \$1.420B	21%
24-month Subscription Revenue Backlog	n/a	19%
Non-GAAP Operating Margin	18%	(700bps)
GAAP Operating Margin	~22 points lower than non-GAAP	n/a
Full Year FY23	Full Year Guidance	Increase (Decrease) YoY
Total Revenue	\$6.187B - \$6.207B	20-21%
Subscription Revenue	\$5.537B - \$5.557B	22%
Non-GAAP Operating Margin	19%	(340 bps)
GAAP Operating Margin	~23 points lower than non-GAAP	n/a
Non-GAAP Tax Rate	19%	n/a
Operating Cash Flows	\$1.640B	(1%)

Appendix

Reconciliation of GAAP to Non-GAAP Data

Three Months Ended July 31, 2022

(in thousands, except percentages and per share data)	GAAP	Share-Based Compensation Expenses	Other Operating Expenses ²	Income Tax and Dilution Effects ³	Non-GAAP
Costs and expenses:					
Costs of subscription services	\$ 244,982	\$ (25,090)	\$ (14,596)	\$ —	\$ 205,296
Costs of professional services	178,103	(25,838)	(775)	—	151,490
Product development	547,835	(147,181)	(2,236)	—	398,418
Sales and marketing	458,701	(59,878)	(9,388)	—	389,435
General and administrative	140,255	(50,020)	(628)	—	89,607
Operating income (loss)	(34,078)	308,007	27,623	—	301,552
Operating margin	(2.2) %	20.1 %	1.7 %	— %	19.6 %
Other income (expense), net	(32,789)	—	—	—	(32,789)
Income (loss) before provision for (benefit from) income taxes	(66,867)	308,007	27,623	—	268,763
Provision for (benefit from) income taxes	(2,709)	—	—	53,773	51,064
Net income (loss)	\$ (64,158)	\$ 308,007	\$ 27,623	\$ (53,773)	\$ 217,699
Net income (loss) per share, basic ¹	\$ (0.25)	\$ 1.21	\$ 0.11	\$ (0.21)	\$ 0.86
Net income (loss) per share, diluted ¹	\$ (0.25)	\$ 1.21	\$ 0.11	\$ (0.24)	\$ 0.83

- GAAP net loss per share is calculated based upon 254,355 basic and diluted weighted-average shares of common stock. Non-GAAP net income per share is calculated based upon 254,355 basic and 262,931 diluted weighted-average shares of common stock. The numerator used to compute non-GAAP diluted net income per share was increased by \$1.3 million for after-tax interest expense on our convertible senior notes in accordance with the if-converted method.
- Other operating expenses include amortization of acquisition-related intangible assets of \$21.5 million and employer payroll tax-related items on employee stock transactions of \$6.1 million.
- 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. For fiscal 2023, the non-GAAP tax rate is 19%. Included in the per share amount is a dilution impact of \$0.03 from the conversion of GAAP diluted net loss per share to non-GAAP diluted net income per share.

Reconciliation of GAAP to Non-GAAP Data

Three Months Ended July 31, 2021

(in thousands, except percentages and per share data)	GAAP	Share-Based Compensation Expenses	Other Operating Expenses ²	Income Tax Effects ³	Non-GAAP
Costs and expenses:					
Costs of subscription services	\$ 192,738	\$ (20,421)	\$ (13,132)	\$ —	\$ 159,185
Costs of professional services	152,783	(26,534)	(1,215)	—	125,034
Product development	444,251	(129,892)	(3,161)	—	311,198
Sales and marketing	358,157	(52,168)	(9,764)	—	296,225
General and administrative	113,552	(35,704)	(933)	—	76,915
Operating income (loss)	(1,120)	264,719	28,205	—	291,804
Operating margin	(0.1) %	21.0 %	2.3 %	— %	23.2 %
Other income (expense), net	102,985	—	—	—	102,985
Income (loss) before provision for (benefit from) income taxes	101,865	264,719	28,205	—	394,789
Provision for (benefit from) income taxes	(3,871)	—	—	78,881	75,010
Net income (loss)	\$ 105,736	\$ 264,719	\$ 28,205	\$ (78,881)	\$ 319,779
Net income (loss) per share, basic ¹	\$ 0.43	\$ 1.07	\$ 0.11	\$ (0.32)	\$ 1.29
Net income (loss) per share, diluted ¹	\$ 0.41	\$ 1.02	\$ 0.11	\$ (0.31)	\$ 1.23

- GAAP and non-GAAP net income per share are both calculated based upon 246,943 basic and 260,016 diluted weighted-average shares of common stock. The numerator used to compute GAAP and non-GAAP diluted net income per share was increased by \$1.6 million and \$1.3 million, respectively, for after-tax interest expense on our convertible senior notes in accordance with the if-converted method.
- Other operating expenses include amortization of acquisition-related intangible assets of \$19.8 million and employer payroll tax-related items on employee stock transactions of \$8.4 million.
- 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. For fiscal 2022, the non-GAAP tax rate was 19%.

Reconciliation of GAAP to Non-GAAP Data

Six Months Ended July 31, 2022

(in thousands, except percentages and per share data)	GAAP	Share-Based Compensation Expenses	Other Operating Expenses ²	Income Tax and Dilution Effects ³	Non-GAAP
Costs and expenses:					
Costs of subscription services	\$ 477,904	\$ (51,320)	\$ (30,922)	\$ —	\$ 395,662
Costs of professional services	348,002	(53,422)	(4,674)	—	289,906
Product development	1,089,344	(300,485)	(15,247)	—	773,612
Sales and marketing	888,002	(119,047)	(23,434)	—	745,521
General and administrative	274,124	(95,239)	(3,241)	—	175,644
Operating income (loss)	(106,921)	619,513	77,518	—	590,110
Operating margin	(3.6) %	20.9 %	2.6 %	— %	19.9 %
Other income (expense), net	(52,952)	—	—	—	(52,952)
Income (loss) before provision for (benefit from) income taxes	(159,873)	619,513	77,518	—	537,158
Provision for (benefit from) income taxes	6,458	—	—	95,601	102,059
Net income (loss)	\$ (166,331)	\$ 619,513	\$ 77,518	\$ (95,601)	\$ 435,099
Net income (loss) per share, basic ¹	\$ (0.66)	\$ 2.45	\$ 0.31	\$ (0.38)	\$ 1.72
Net income (loss) per share, diluted ¹	\$ (0.66)	\$ 2.45	\$ 0.31	\$ (0.44)	\$ 1.66

- GAAP net loss per share is calculated based upon 253,071 basic and diluted weighted-average shares of common stock. Non-GAAP net income per share is calculated based upon 253,071 basic and 263,224 diluted weighted-average shares of common stock. The numerator used to compute non-GAAP diluted net income per share was increased by \$2.6 million for after-tax interest expense on our convertible senior notes in accordance with the if-converted method.
- Other operating expenses include amortization of acquisition-related intangible assets of \$43.1 million and employer payroll tax-related items on employee stock transactions of \$34.4 million.
- 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. For fiscal 2023, the non-GAAP tax rate is 19%. Included in the per share amount is a dilution impact of \$0.06 from the conversion of GAAP diluted net loss per share to non-GAAP diluted net income per share.

Reconciliation of GAAP to Non-GAAP Data

Six Months Ended July 31, 2021

(in thousands, except percentages and per share data)	GAAP	Share-Based Compensation Expenses	Other Operating Expenses ²	Income Tax and Dilution Effects ³	Non-GAAP
Costs and expenses:					
Costs of subscription services	\$ 374,946	\$ (41,138)	\$ (27,336)	\$ —	\$ 306,472
Costs of professional services	303,628	(54,226)	(8,168)	—	241,234
Product development	885,867	(259,754)	(22,703)	—	603,410
Sales and marketing	684,651	(102,476)	(26,870)	—	555,305
General and administrative	225,735	(71,760)	(5,319)	—	148,656
Operating income (loss)	(39,433)	529,354	90,396	—	580,317
Operating margin	(1.6) %	21.7 %	3.7 %	— %	23.8 %
Other income (expense), net	93,934	—	—	—	93,934
Income (loss) before provision for (benefit from) income taxes	54,501	529,354	90,396	—	674,251
Provision for (benefit from) income taxes	(4,713)	—	—	132,821	128,108
Net income (loss)	\$ 59,214	\$ 529,354	\$ 90,396	\$ (132,821)	\$ 546,143
Net income (loss) per share, basic ¹	\$ 0.24	\$ 2.16	\$ 0.37	\$ (0.54)	\$ 2.23
Net income (loss) per share, diluted ¹	\$ 0.23	\$ 2.09	\$ 0.36	\$ (0.58)	\$ 2.10

- GAAP net income per share is calculated based upon 245,308 basic and 252,900 diluted weighted-average shares of common stock. Non-GAAP net income per share is calculated based upon 245,308 basic and 260,718 diluted weighted-average shares of common stock. The numerator used to compute non-GAAP diluted net income per share was increased by \$2.6 million for after-tax interest expense on our convertible senior notes in accordance with the if-converted method.
- Other operating expenses include employer payroll tax-related items on employee stock transactions of \$52.7 million and amortization of acquisition-related intangible assets of \$37.7 million.
- 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. For fiscal 2022, the non-GAAP tax rate was 19%. Included in the per share amount is a dilution impact of \$0.05 from the conversion of GAAP diluted net income per share to non-GAAP diluted net income per share.

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, and non-GAAP net income (loss) per share. 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, and amortization expense for acquisition-related intangible assets. Non-GAAP 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, and income tax effects.

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.* 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.

About Non-GAAP Financial Measures (cont'd)

- *Other operating expenses.* Other operating expenses includes employer payroll tax-related items on employee stock transactions and amortization of acquisition-related intangible assets. 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. 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.
- *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 share-based compensation and related employer payroll taxes, amortization of acquisition-related intangible assets, and amortization of debt discount and issuance costs. 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 2023 and 2022, 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, based on our ongoing analysis of the 2017 U.S. Tax Cuts and Jobs Act, relevant tax law changes, material changes in the forecasted geographic earnings mix, and any significant acquisitions.

The use of non-GAAP operating income (loss), non-GAAP operating margin, and non-GAAP net income (loss) per share measures have 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.



Thank You

