



# Investor Presentation

Q3 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](http://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 performance. These non-GAAP financial measures are in addition to, and not a substitute for or superior to, measures of financial performance prepared in accordance with GAAP, and may be different from non-GAAP financial measures used by other companies. In addition, these non-GAAP financial measures have limitations in that they do not reflect all of the amounts associated with Workday's results of operations as determined in accordance with GAAP. Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures are contained in the Appendix to this presentation. 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

**\$125B+**

Market Opportunity

**\$5.30B** 23% YoY Growth

Trailing Twelve Month Subscription Revenue<sup>1</sup>

**\$8.62B** 21% YoY Growth

24-Month Subscription Revenue Backlog<sup>2</sup>

**\$1.58B** 27% Margin

Trailing Twelve Month Operating Cash Flow<sup>1</sup>



## 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 Satisfaction<sup>3</sup>



## 17,500+ Employees Worldwide

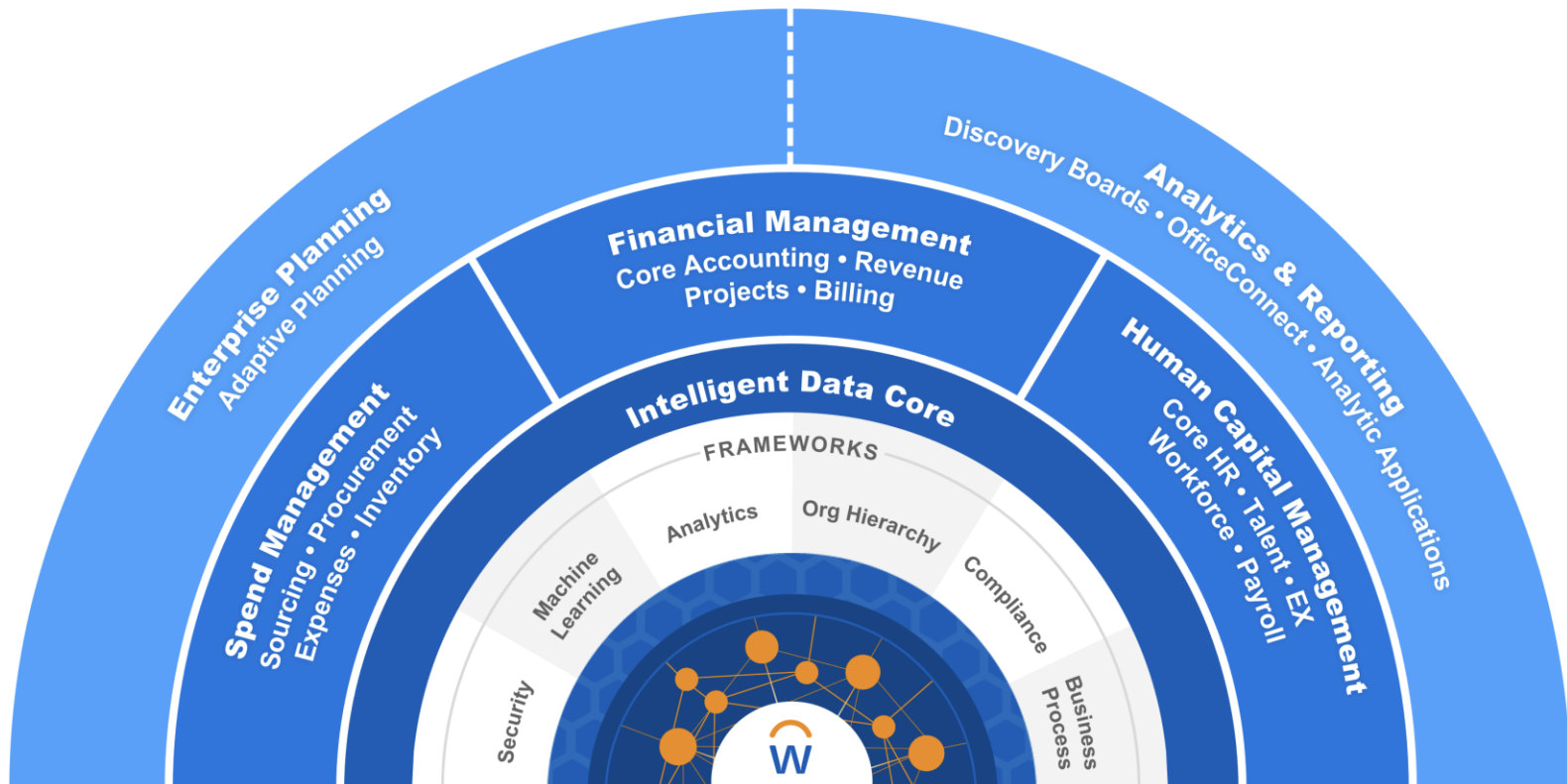
Offices in 30+ Countries

<sup>1</sup> For the trailing twelve months ended 10.31.2022

<sup>2</sup> As of 10.31.2022

<sup>3</sup> 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



**\$125B+**  
Addressing a Large  
and Expanding  
Opportunity

**<5%**  
Penetration

## HCM \$52B

---

Human Capital Management/  
Workforce Management

Workforce Planning  
and People Analytics

Talent Management

Employee Experience

Payroll

## FINS+ \$73B

---

Financial Management

Financial Planning

Spend Management

Platform

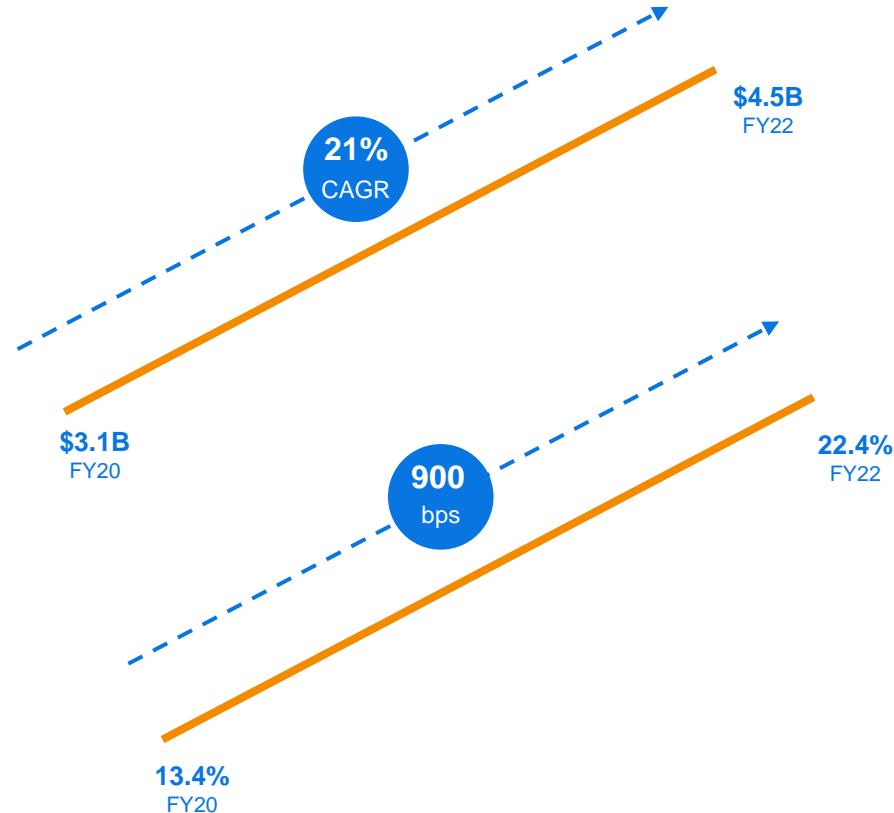
Analytics

Student



# Driving Profitable Growth at Scale

Annual  
Subscription  
Revenue<sup>1</sup>



**95%+**  
Gross Revenue  
Retention<sup>3</sup>

Non-GAAP  
Operating  
Margin<sup>2</sup>

<sup>1</sup> CAGR calculations are based on FY20-FY22 results

<sup>2</sup> Reconciliations of GAAP to Non-GAAP financial data included in the Appendix

<sup>3</sup> Measures the annual recurring revenue of our customers as of 10.31.21 that we have maintained as of 10.31.22, 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](#)

# **Q3 FY23 Highlights and Guidance**

# Q3 FY23 Financial Highlights

	Q3 FY23 Results	Increase (Decrease) YoY
Total Revenue	\$1.60B	20%
Subscription Revenue	\$1.43B	22%
Total Subscription Revenue Backlog	\$14.10B	28%
24-month Subscription Revenue Backlog	\$8.62B	21%
GAAP Operating Margin	(1.6)%	(340 bps)
Non-GAAP Operating Margin <sup>1</sup>	19.7%	(530 bps)
Operating Cash Flows	\$409M	6%

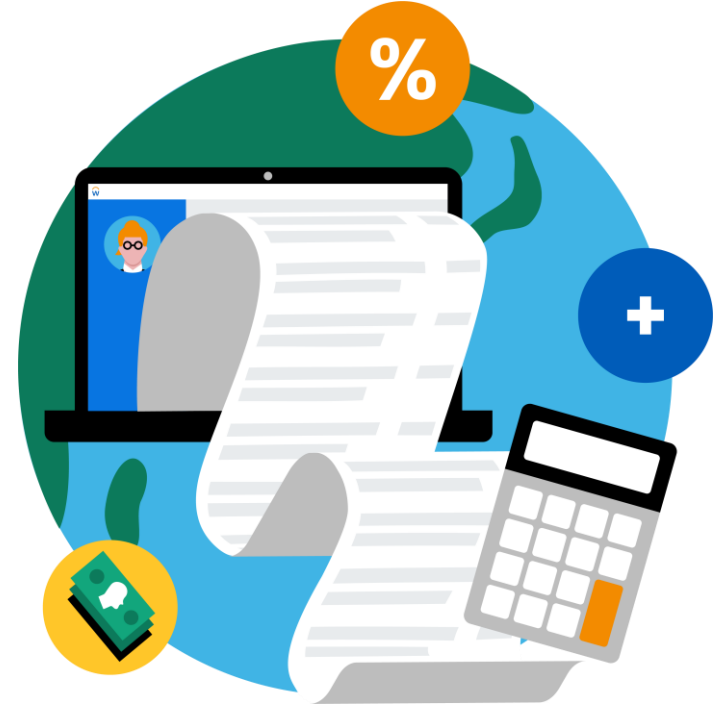
<sup>1</sup> Reconciliations of GAAP to Non-GAAP financial data included in the Appendix

# Q3 FY23 Customer Wins and Expansions



# Q3 FY23 Business Highlights

- Workday announced that its Board of Directors approved a share repurchase program, with a term of 18 months, to purchase up to \$500 million of shares of its Class A common stock.
- Workday [announced](#) its vision for a more open and connected partner ecosystem, which includes the launch of [Industry Accelerators](#), a new industry program that accelerates customer enterprise cloud transformations with partners.
- Workday [announced](#) new technology and user experience innovations aimed at helping customers meet evolving business and employee needs, including low-code/no-code app development functionality in Workday Extend, the Company's app building solution that helps developers to more quickly and easily build apps on Workday.
- Workday [introduced](#) next-generation skills technology, built on an AI/ML foundation, that allows organizations to easily and securely bring skills data in and out of Workday to deliver more personalized employee experiences.
- Workday was [named](#) a Leader in the 2022 Gartner® Magic Quadrant™ for Cloud HCM Suites for 1,000+ Employee Enterprises for the seventh consecutive year and positioned the highest for overall Ability to Execute.<sup>1</sup>



<sup>1</sup> Gartner "Magic Quadrant for Cloud HCM Suites for 1,000+ Employee Enterprises," by Sam Grinter, Chris Pang, Jeff Freyermuth, Ron Hanscome, Helen Poitevin, Ranadip Chandra, John Kostoulas, Emi Chiba, Rania Stewart, October 31, 2022.

# Guidance Summary

Q4 FY23	Quarterly Guidance	Increase (Decrease) YoY
Total Revenue	\$1.630B - \$1.632B	18-19%
Subscription Revenue	\$1.483B - \$1.485B	21%
24-month Subscription Revenue Backlog	n/a	19%
Non-GAAP Operating Margin	17.5%	30 bps
GAAP Operating Margin	~23 points lower than non-GAAP	n/a
Full Year FY23	Full Year Guidance	Increase (Decrease) YoY
Total Revenue	\$6.200B - \$6.202B	21%
Subscription Revenue	\$5.555B - \$5.557B	22%
Non-GAAP Operating Margin	19.2%	(320 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%)
Full Year FY24	Full Year Guidance	Increase (Decrease) YoY
Subscription Revenue	\$6.500B - \$6.600B	17-19%
Non-GAAP Operating Margin	n/a	+150-200 bps

# Appendix



# Reconciliation of GAAP to Non-GAAP Data

Three Months Ended October 31, 2022

(in thousands, except percentages and per share data)	GAAP	Share-Based Compensation Expenses	Other Operating Expenses <sup>2</sup>	Income Tax and Dilution Effects <sup>3</sup>	Non-GAAP
Costs and expenses:					
Costs of subscription services	\$ 259,397	\$ (25,598)	\$ (14,100)	\$ —	\$ 219,699
Costs of professional services	176,396	(26,577)	(623)	—	149,196
Product development	565,727	(149,279)	(1,899)	—	414,549
Sales and marketing	470,196	(61,186)	(9,206)	—	399,804
General and administrative	153,708	(51,556)	(531)	—	101,621
Operating income (loss)	(26,321)	314,196	26,359	—	314,234
Operating margin	(1.6) %	19.6 %	1.7 %	— %	19.7 %
Other income (expense), net	4,163	—	—	—	4,163
Income (loss) before provision for (benefit from) income taxes	(22,158)	314,196	26,359	—	318,397
Provision for (benefit from) income taxes	52,563	—	—	7,933	60,496
Net income (loss)	\$ (74,721)	\$ 314,196	\$ 26,359	\$ (7,933)	\$ 257,901
Net income (loss) per share, basic <sup>1</sup>	\$ (0.29)	\$ 1.23	\$ 0.10	\$ (0.03)	\$ 1.01
Net income (loss) per share, diluted <sup>1</sup>	\$ (0.29)	\$ 1.23	\$ 0.10	\$ (0.05)	\$ 0.99

- GAAP net loss per share is calculated based upon 255,753 basic and diluted weighted-average shares of common stock. Non-GAAP net income per share is calculated based upon 255,753 basic and 261,777 diluted weighted-average shares of common stock. The numerator used to compute non-GAAP diluted net income per share was increased by \$0.9 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 \$21.2 million and employer payroll tax-related items on employee stock transactions of \$5.2 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 \$0.02 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 October 31, 2021

(in thousands, except percentages and per share data)	GAAP	Share-Based Compensation Expenses	Other Operating Expenses <sup>2</sup>	Income Tax and Dilution Effects <sup>3</sup>	Non-GAAP
Costs and expenses:					
Costs of subscription services	\$ 200,700	\$ (21,340)	\$ (12,859)	\$ —	\$ 166,501
Costs of professional services	159,024	(29,105)	(1,043)	—	128,876
Product development	455,615	(135,591)	(2,870)	—	317,154
Sales and marketing	366,323	(55,645)	(9,642)	—	301,036
General and administrative	121,656	(39,437)	(772)	—	81,447
Operating income (loss)	23,945	281,118	27,186	—	332,249
Operating margin	1.8 %	21.2 %	2.0 %	— %	25.0 %
Other income (expense), net	21,557	—	—	—	21,557
Income (loss) before provision for (benefit from) income taxes	45,502	281,118	27,186	—	353,806
Provision for (benefit from) income taxes	2,090	—	—	65,133	67,223
Net income (loss)	\$ 43,412	\$ 281,118	\$ 27,186	\$ (65,133)	\$ 286,583
Net income (loss) per share, basic <sup>1</sup>	\$ 0.17	\$ 1.13	\$ 0.11	\$ (0.26)	\$ 1.15
Net income (loss) per share, diluted <sup>1</sup>	\$ 0.17	\$ 1.10	\$ 0.11	\$ (0.28)	\$ 1.10

- GAAP net income per share is calculated based upon 248,468 basic and 254,760 diluted weighted-average shares of common stock. Non-GAAP net income per share is calculated based upon 248,468 basic and 262,577 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 \$19.7 million and employer payroll tax-related items on employee stock transactions of \$7.5 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 projected tax rate was 19%. Included in the per share amount is a dilution impact of \$0.02 from the conversion of GAAP diluted net income per share to non-GAAP diluted net income per share.

# Reconciliation of GAAP to Non-GAAP Data

Nine Months Ended October 31, 2022

(in thousands, except percentages and per share data)	GAAP	Share-Based Compensation Expenses	Other Operating Expenses <sup>2</sup>	Income Tax and Dilution Effects <sup>3</sup>	Non-GAAP
Costs and expenses:					
Costs of subscription services	\$ 737,301	\$ (76,918)	\$ (45,022)	\$ —	\$ 615,361
Costs of professional services	524,398	(79,999)	(5,297)	—	439,102
Product development	1,655,071	(449,764)	(17,146)	—	1,188,161
Sales and marketing	1,358,198	(180,233)	(32,640)	—	1,145,325
General and administrative	427,832	(146,795)	(3,772)	—	277,265
Operating income (loss)	(133,242)	933,709	103,877	—	904,344
Operating margin	(2.9) %	20.4 %	2.3 %	— %	19.8 %
Other income (expense), net	(48,789)	—	—	—	(48,789)
Income (loss) before provision for (benefit from) income taxes	(182,031)	933,709	103,877	—	855,555
Provision for (benefit from) income taxes	59,021	—	—	103,534	162,555
Net income (loss)	\$ (241,052)	\$ 933,709	\$ 103,877	\$ (103,534)	\$ 693,000
Net income (loss) per share, basic <sup>1</sup>	\$ (0.95)	\$ 3.68	\$ 0.41	\$ (0.41)	\$ 2.73
Net income (loss) per share, diluted <sup>1</sup>	\$ (0.95)	\$ 3.68	\$ 0.41	\$ (0.49)	\$ 2.65

- GAAP net loss per share is calculated based upon 253,975 basic and diluted weighted-average shares of common stock. Non-GAAP net income per share is calculated based upon 253,975 basic and 262,742 diluted weighted-average shares of common stock. The numerator used to compute non-GAAP diluted net income per share was increased by \$3.5 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 \$64.3 million and employer payroll tax-related items on employee stock transactions of \$39.5 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 \$0.08 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

Nine Months Ended October 31, 2021

(in thousands, except percentages and per share data)	GAAP	Share-Based Compensation Expenses	Other Operating Expenses <sup>2</sup>	Income Tax and Dilution Effects <sup>3</sup>	Non-GAAP
Costs and expenses:					
Costs of subscription services	\$ 575,646	\$ (62,478)	\$ (40,195)	\$ —	\$ 472,973
Costs of professional services	462,652	(83,331)	(9,211)	—	370,110
Product development	1,341,482	(395,345)	(25,573)	—	920,564
Sales and marketing	1,050,974	(158,121)	(36,512)	—	856,341
General and administrative	347,391	(111,197)	(6,091)	—	230,103
Operating income (loss)	(15,488)	810,472	117,582	—	912,566
Operating margin	(0.4) %	21.5 %	3.2 %	— %	24.3 %
Other income (expense), net	115,491	—	—	—	115,491
Income (loss) before provision for (benefit from) income taxes	100,003	810,472	117,582	—	1,028,057
Provision for (benefit from) income taxes	(2,623)	—	—	197,954	195,331
Net income (loss)	\$ 102,626	\$ 810,472	\$ 117,582	\$ (197,954)	\$ 832,726
Net income (loss) per share, basic <sup>1</sup>	\$ 0.42	\$ 3.29	\$ 0.48	\$ (0.81)	\$ 3.38
Net income (loss) per share, diluted <sup>1</sup>	\$ 0.40	\$ 3.19	\$ 0.46	\$ (0.85)	\$ 3.20

- GAAP net income per share is calculated based upon 246,348 basic and 253,917 diluted weighted-average shares of common stock. Non-GAAP net income per share is calculated based upon 246,348 basic and 261,734 diluted weighted-average shares of common stock. The numerator used to compute non-GAAP diluted net income per share was increased by \$3.9 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 \$60.1 million and amortization of acquisition-related intangible assets of \$57.5 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 \$0.07 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.

