



Investor Presentation

Q2 FY24

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 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. The Company has not provided a reconciliation of its forward outlook for non-GAAP operating margin with its forward-looking GAAP operating margin in reliance on the unreasonable efforts exception provided under Item 10(e)(1)(i)(B) of Regulation S-K. The Company is unable, without unreasonable efforts, to quantify share-based compensation expense, which is excluded from our non-GAAP operating margin, as it 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

\$6.08B 21% YoY Growth

Trailing Twelve Month Subscription Revenue¹

\$10.27B 23% YoY Growth

24-Month Subscription Revenue Backlog²

\$1.81B 27% Margin

Trailing Twelve Month Operating Cash Flow¹



Enterprise Management Cloud

For Finance, HR, Planning, Spend Management and Analytics



10,000+ Global Customers

Operating across 175+ Countries



Serving 50%+ of the *Fortune* 500

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



65M+ Global Users³

95%+ Customer Satisfaction⁴



17,800+ Employees Worldwide

Offices in 30+ Countries

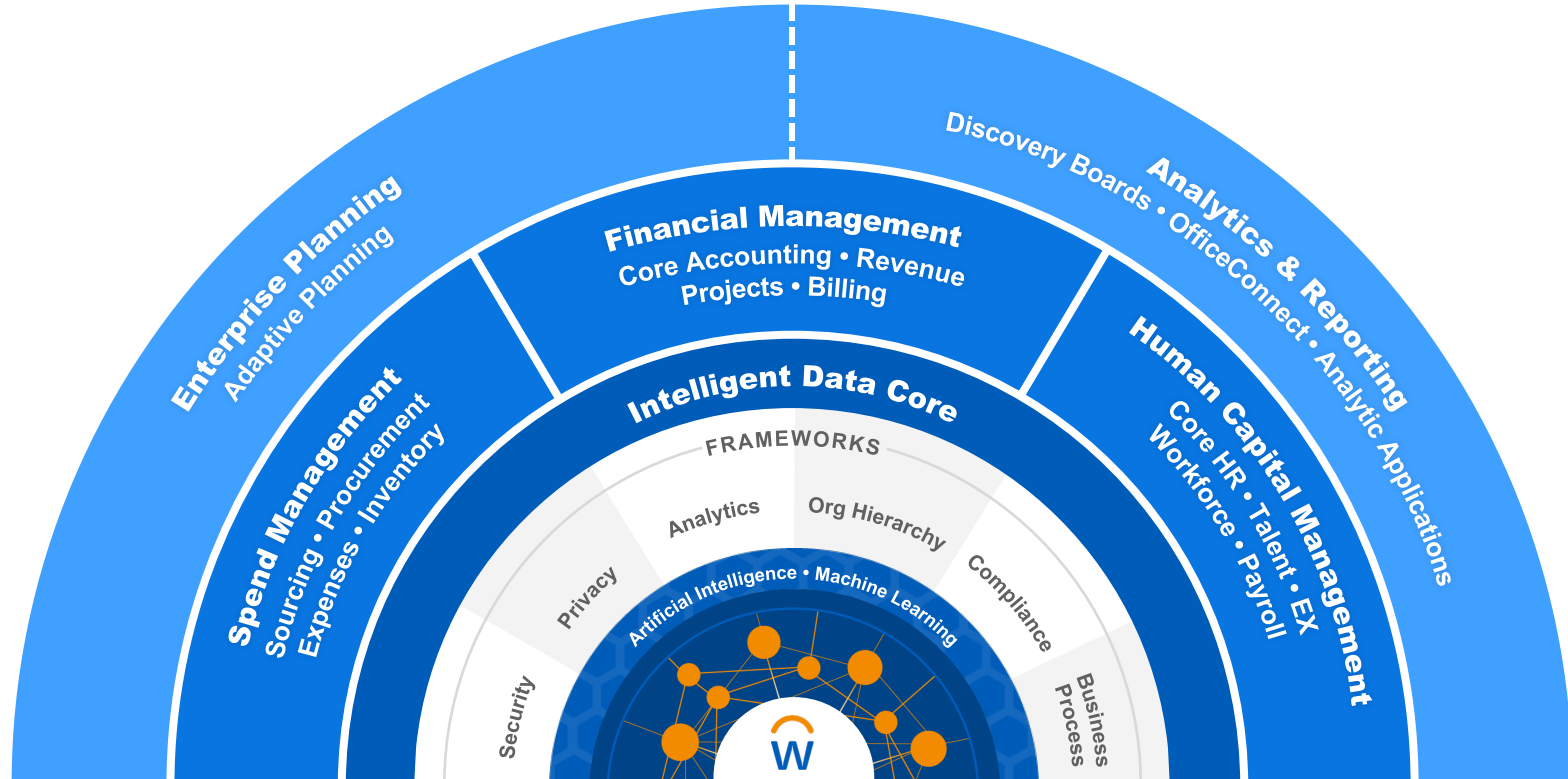
¹ For the trailing twelve months ended 7.31.2023

² As of 7.31.2023

³ Represents users under contract as of 7.31.2023

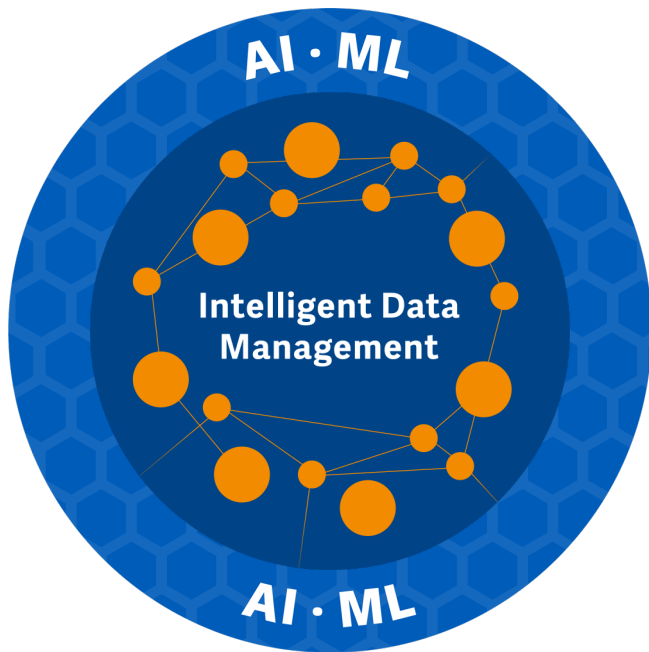
⁴ Based on a survey conducted by Workday of Named Support Contacts in May 2022

Workday Enterprise Management Cloud



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

Workday Delivers AI and ML Differently



Data Quality and Quantity

Unified data-model; 65M+ global users¹; 600B annual transactions



Platform Approach

Embedded, not bolted on



Trustworthy

Transparent and human-centric

¹ Represents users under contract as of 7.31.2023

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

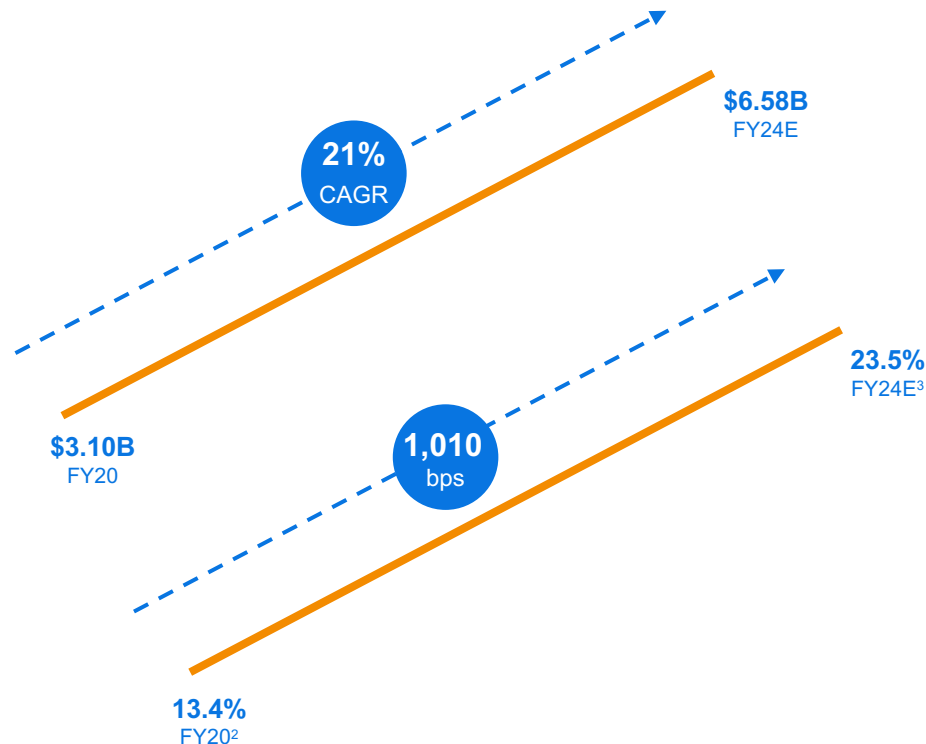
Platform

Analytics

Student

Driving Profitable Growth at Scale

**Annual
Subscription
Revenue¹**



95%+
Gross Revenue
Retention⁴

**Non-GAAP
Operating
Margin**

¹ CAGR calculation is based on FY20 actual subscription revenue and the mid-point of our FY24 subscription revenue guidance as provided on 8.24.23

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

³ FY24 Non-GAAP operating margin guidance as provided on 8.24.23

⁴ Measures the annual recurring revenue of our customers as of 7.31.22 that we have maintained as of 7.31.23, without giving credit for additional upsells or price and/or seats related changes. The metric captures only customer and product churn

Note: Lines not drawn to scale

While Growing Responsibly and Inclusively

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

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

The World Around Us

Net-Zero Carbon Footprint

Achieved net-zero emissions in fiscal 2022 and match 100% of the electricity we use at our offices and data centers globally with clean, renewable sources

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

For More Information:

Resource Pages: [Sustainability and Reporting with Workday](#)
[Download our 2023 Global Impact Report](#)

Financial Highlights and Guidance

Q2 FY24 Financial Highlights

	Q2 FY24 Results	Increase (Decrease) YoY
Total Revenue	\$1.79B	16%
Subscription Revenue	\$1.62B	19%
Total Subscription Revenue Backlog	\$17.85B	32%
24-month Subscription Revenue Backlog	\$10.27B	23%
GAAP Operating Margin	2.0%	420 bps
Non-GAAP Operating Margin ¹	23.6%	400 bps
Operating Cash Flows	\$425M	272%

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

Q2 FY24 Customer Wins and Expansions



KinderCare



Q2 FY24 Business Highlights

- Workday announced **continued momentum for Workday Financial Management** with new customers including KinderCare, Metropolitan Community College, Nordic Consulting Inc., Palomar Health, and The Medical College of Wisconsin. Workday also announced new Workday Human Capital Management (HCM) customers including Commercial Vehicle Group, Mercy Aged and Community Care, SoftwareOne AG, and Symrise AG.
- Workday saw continued momentum across its net new and existing customer base, **surpassing 65 million users** and more than 5,000 core Workday Financial Management and Workday HCM customers.
- Workday saw **notable industry growth in Q2**, with retail and hospitality joining financial services at \$1 billion in annual recurring revenue.
- Workday demonstrated continued leadership in AI and ML, announcing the company's generative AI strategy, and its **work with policymakers** to help shape the European Parliament's amendments to the proposed AI Act.
- Workday **named a Customers' Choice** in the 2023 Gartner Peer Insights™ Voice of the Customer for Financial Planning Software report.¹
- Workday Adaptive Planning was recognized by SIIA as **Best Financial Management Solution**. Workday HCM was also named a leader in The Forrester Wave™: Human Capital Management Q2 2023.
- Workday **continued to add to its leadership bench** with the appointment of Emma Chalwin to chief marketing officer.



Guidance Summary

Q3 FY24	Quarterly Guidance	Increase (Decrease) YoY
Total Revenue	\$1.843B - \$1.845B	15%
Subscription Revenue	\$1.678B - \$1.680B	17%
24-month Subscription Revenue Backlog	n/a	21%
Non-GAAP Operating Margin	23.5%	380 bps
GAAP Operating Margin	~20 points lower than non-GAAP	n/a
Full Year FY24	Full Year Guidance	Increase (Decrease) YoY
Total Revenue	\$7.200B - \$7.240B	16%
Subscription Revenue	\$6.570B - \$6.590B	18%
Non-GAAP Operating Margin	23.5%	400 bps
GAAP Operating Margin	~22 points lower than non-GAAP	n/a
Non-GAAP Tax Rate	19%	n/a
Operating Cash Flows	\$1.950B	18%
Capital Expenditures ¹	\$300M	(18%)

As provided on Q2 FY24 Earnings Call on 8.24.2023

¹ Capital expenditures include owned real estate projects

Appendix

Reconciliation of GAAP to Non-GAAP Data

Three Months Ended July 31, 2023

(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	\$	255,684	\$	(29,988)	\$	(14,688)	\$	—	\$	211,008
Costs of professional services		192,416		(28,754)		(1,425)		—		162,237
Product development		609,677		(161,975)		(4,543)		—		443,159
Sales and marketing		524,186		(66,632)		(11,035)		—		446,519
General and administrative		168,546		(64,563)		(1,572)		—		102,411
Operating income (loss)		36,257		351,912		33,263		—		421,432
Operating margin		2.0 %		19.7 %		1.9 %		— %		23.6 %
Other income (expense), net		45,555		—		—		—		45,555
Income (loss) before provision for (benefit from) income taxes		81,812		351,912		33,263		—		466,987
Provision for (benefit from) income taxes		3,152		—		—		85,575		88,727
Net income (loss)	\$	78,660	\$	351,912	\$	33,263	\$	(85,575)	\$	378,260
Net income (loss) per share, basic ¹	\$	0.30	\$	1.35	\$	0.13	\$	(0.33)	\$	1.45
Net income (loss) per share, diluted ¹	\$	0.30	\$	1.33	\$	0.13	\$	(0.33)	\$	1.43

- GAAP and non-GAAP net income per share are both calculated based upon 261,191 basic and 264,435 diluted weighted-average shares of common stock.
- 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 \$12.1 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 2024, the non-GAAP tax rate is 19%.

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 was 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

Six Months Ended July 31, 2023

(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	\$	494,711	\$	(59,250)	\$	(30,360)	\$	—	\$	405,101
Costs of professional services		370,833		(58,794)		(4,440)		—		307,599
Product development		1,210,134		(331,909)		(15,800)		—		862,425
Sales and marketing		1,042,823		(146,755)		(24,784)		—		871,284
General and administrative		336,120		(124,664)		(4,163)		—		207,293
Operating income (loss)		16,457		721,372		79,547		—		817,376
Operating margin		0.5 %		20.8 %		2.2 %		— %		23.5 %
Other income (expense), net		72,264		—		—		—		72,264
Income (loss) before provision for (benefit from) income taxes		88,721		721,372		79,547		—		889,640
Provision for (benefit from) income taxes		9,925		—		—		159,106		169,031
Net income (loss)	\$	78,796	\$	721,372	\$	79,547	\$	(159,106)	\$	720,609
Net income (loss) per share, basic ¹	\$	0.30	\$	2.77	\$	0.31	\$	(0.61)	\$	2.77
Net income (loss) per share, diluted ¹	\$	0.30	\$	2.74	\$	0.30	\$	(0.60)	\$	2.74

- GAAP and non-GAAP net income per share are both calculated based upon 260,026 basic and 262,923 diluted weighted-average shares of common stock.
- Other operating expenses include amortization of acquisition-related intangible assets of \$42.4 million and employer payroll tax-related items on employee stock transactions of \$37.1 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 2024, 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 was 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

Year Ended January 31, 2020

(in thousands, except percentages and per share data)	GAAP	Share-Based Compensation Expenses	Other Operating Expenses ²	Amortization of Debt Discount and Issuance Costs ³	Income Tax and Dilution Effects ⁴	Non-GAAP
Costs and expenses:						
Costs of subscription services	\$ 488,513	\$ (49,919)	\$ (40,326)	\$ —	\$ —	\$ 398,268
Costs of professional services	576,745	(80,401)	(6,440)	—	—	489,904
Product development	1,549,906	(434,188)	(30,684)	—	—	1,085,034
Sales and marketing	1,146,548	(176,758)	(40,774)	—	—	929,016
General and administrative	367,724	(118,614)	(8,592)	—	—	240,518
Operating income (loss)	(502,230)	859,880	126,816	—	—	484,466
Operating margin	(13.8) %	23.7 %	3.5 %	— %	— %	13.4 %
Other income (expense), net	19,783	—	—	54,034	—	73,817
Income (loss) before provision for (benefit from) income taxes	(482,447)	859,880	126,816	54,034	—	558,283
Provision for (benefit from) income taxes	(1,773)	—	—	—	96,681	94,908
Net income (loss)	\$ (480,674)	\$ 859,880	\$ 126,816	\$ 54,034	\$ (96,681)	\$ 463,375
Net income (loss) per share, basic ¹	\$ (2.12)	\$ 3.78	\$ 0.56	\$ 0.24	\$ (0.42)	\$ 2.04
Net income (loss) per share, diluted ¹	\$ (2.12)	\$ 3.78	\$ 0.56	\$ 0.24	\$ (0.58)	\$ 1.88

- GAAP net loss per share is calculated based upon 227,185 basic and diluted weighted-average shares of common stock. Non-GAAP net income per share is calculated based upon 227,185 basic and 247,013 diluted weighted-average shares of common stock.
- Other operating expenses include amortization of acquisition-related intangible assets of \$71.8 million and employer payroll tax-related items on employee stock transactions of \$55.0 million.
- Prior to the adoption of Accounting Standard Update No. 2020-06, *Debt with Conversion and Other Options (Subtopic 470-20)* and *Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40)*, on February 1, 2021, we were required to separately account for liability (debt) and equity (conversion option) components of the convertible senior notes that were issued in private placements in June 2013 and September 2017. Accordingly, for GAAP purposes we were required to recognize the effective interest expense on our convertible senior notes and amortize the issuance costs over the term of the notes. The difference between the effective interest expense and the contractual interest expense, and the amortization expense of issuance costs were excluded from management's assessment of our operating performance because management believed that these non-cash expenses were not indicative of ongoing operating performance. Management believed that the exclusion of the non-cash interest expense provided investors an enhanced view of Workday's operational performance.
- 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 2020, the non-GAAP tax rate was 17%. Included in the per share amount is a dilution impact of \$0.15 from the conversion of basic and diluted net loss per share to 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 2024 and 2023, 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 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.

