



Investor Presentation

Q2 FY25

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 Measures

In addition to financial results presented in accordance with US 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 or cash flows 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.

Effective beginning fiscal 2025, Workday will exclude certain acquisition-related costs, realignment costs, and gains and losses on strategic investments from its non-GAAP results as these items may vary from period to period independent of the operating performance of Workday's business. Prior period amounts have been recast to conform 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 to predict with reasonable certainty the amount and timing of adjustments that are used to calculate this non-GAAP financial measure, particularly related to stock-based compensation and its related tax effects, acquisition-related costs, and realignment costs.

Workday at a Glance

Workday by the Numbers

\$142B+

Market Opportunity¹

\$7.170B 17.9% YoY Growth

Trailing Twelve Month Subscription Revenue²

\$1.96B 24.9% Margin

Trailing Twelve Month Non-GAAP Operating Income^{2,3}

\$2.39B 30.4% Margin

Trailing Twelve Month Operating Cash Flow²



Enterprise Management Cloud

For Finance, HR, Planning, Spend Management and Analytics



10,500+ Global Customers

Operating across 175+ Countries



Serving 60%+ of the Fortune 500

Including 70%+ of the top 50 Fortune 500 companies



70M+ Users Under Contract⁴

95%+ Customer Satisfaction⁵



19,900+ Employees Worldwide

Offices in 30+ Countries

¹ Based on Workday and third-party data as of 9.27.2023

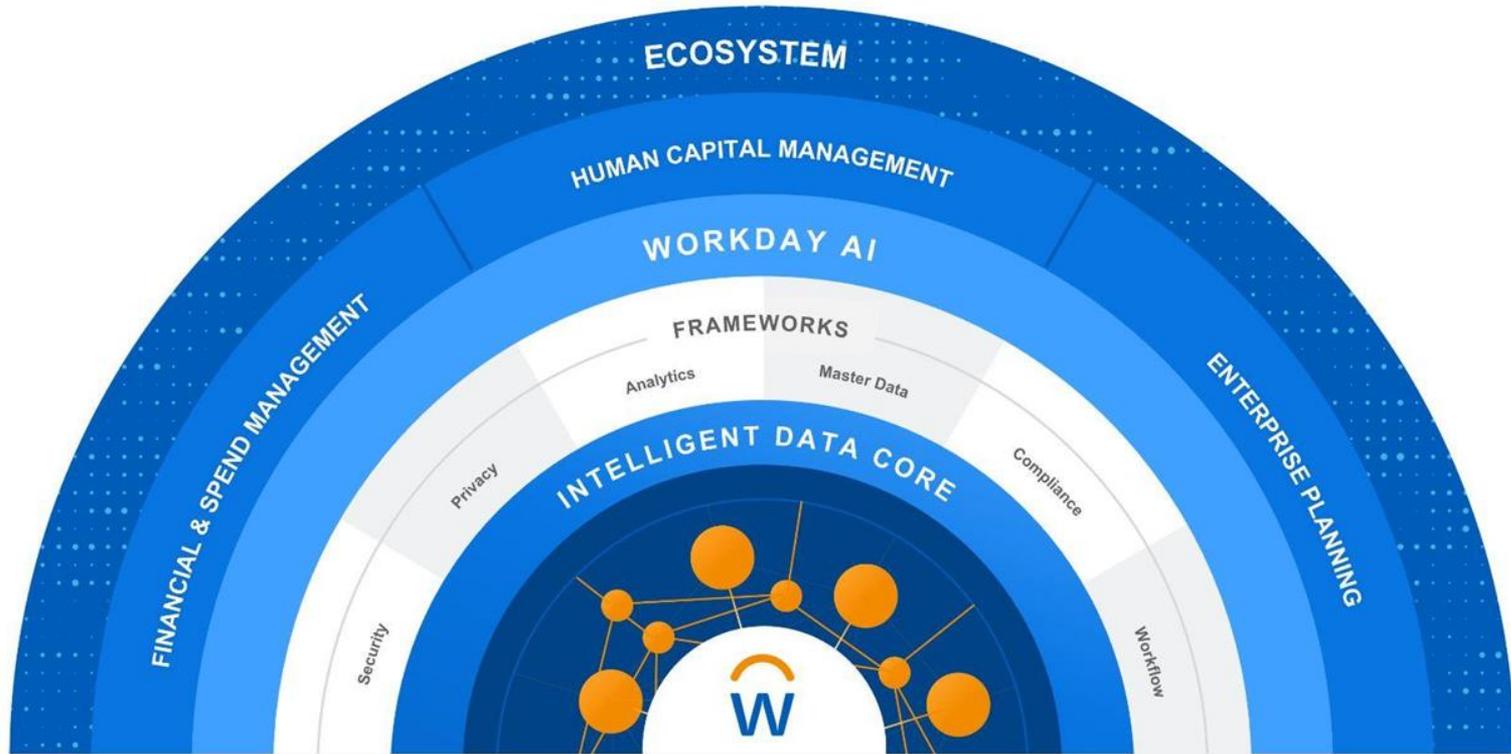
² For the trailing twelve months ended 7.31.2024

³ Reconciliations of GAAP to Non-GAAP financial data included in the Appendix

⁴ Represents users under contract as of 7.31.2024

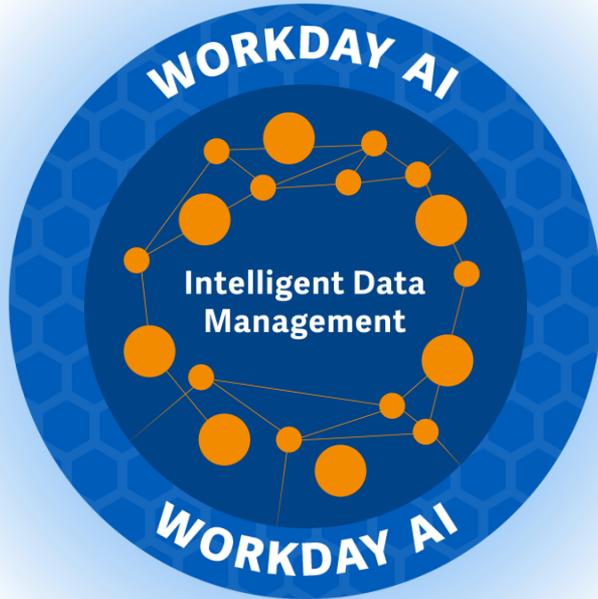
⁵ Based on a survey conducted by Workday of HCM and FINS Named Support Contacts in 2023

Workday Platform



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

Workday Delivers AI Differently



Quality Data

Uniform data model, 70M+ users under contract¹, 800B+ transactions²

Platform Approach

Embedded, not bolted on

Trustworthy

Transparent and human-centric

¹ Represents users under contract as of 7.31.2024

² For the fiscal year ended 1.31.2024

Serving Organizations of all Sizes and Across Industries



\$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

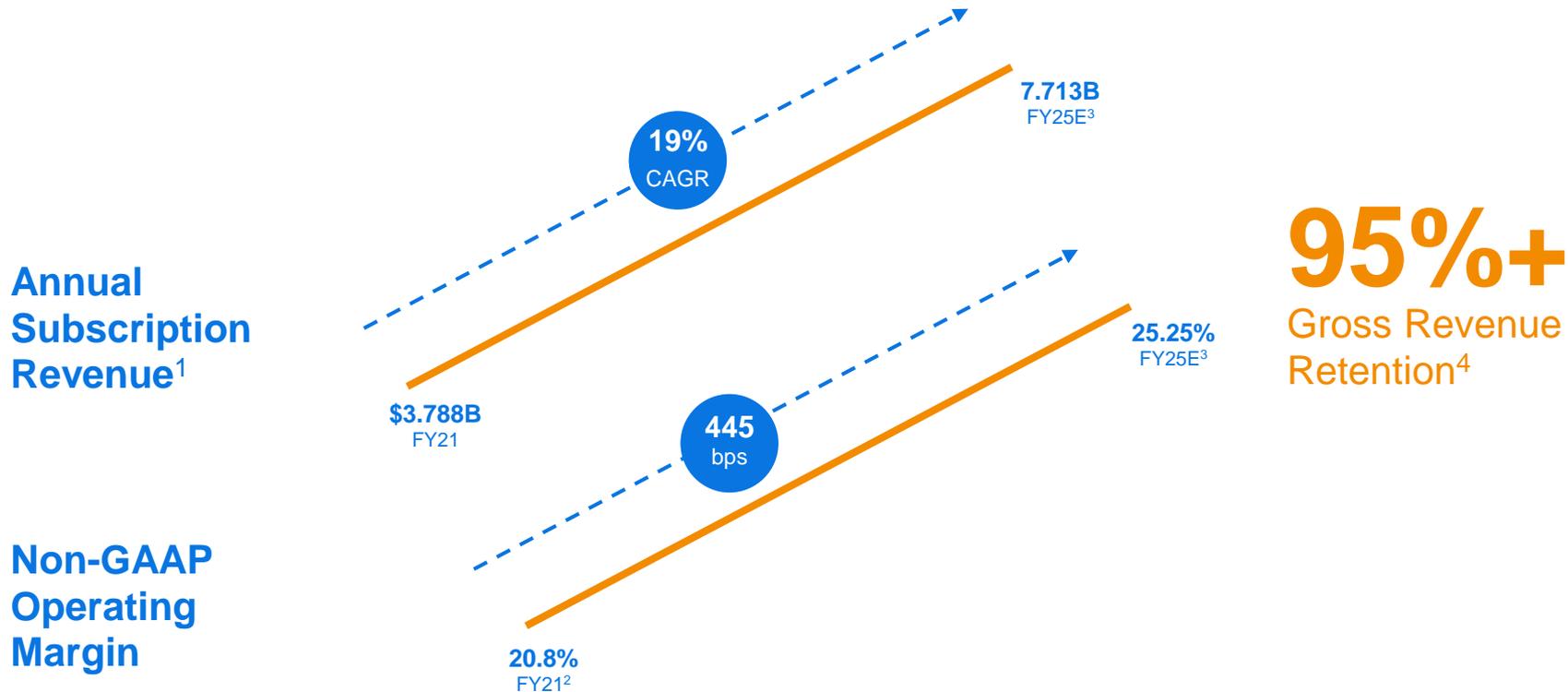
Spend Management

Workday Extend

Analytics

Student

Driving Profitable Growth at Scale



¹ CAGR calculation is based on FY21 actual subscription revenue and the mid-point of our FY25 subscription revenue guidance as provided on 8.22.2024

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

³ FY25 subscription revenue and Non-GAAP operating margin guidance as provided on 8.22.2024

⁴ Measures the annual recurring revenue of our customers as of 7.31.2023 that we have maintained as of 7.31.2024, without giving credit for additional upsells or price and/or seat related changes. The metric captures only customer and product churn

While Growing Responsibly

Putting People First

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

Helping Others Innovate

Building Inclusive Companies

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

Creating Sustainable Solutions

Empowering customers and partners to manage their emissions reduction strategy and resilience of their supply chains

Customer Satisfaction

Aims to maintain a customer satisfaction rating of over 95% - and we have for more than a decade

Protecting the Planet

Net-Zero Carbon Footprint

Achieved net-zero emissions in fiscal 2024 and matched 100% of the electricity we used at our offices and data centers globally with clean, renewable sources

Commitment to 1.5°C

Science-based targets across our entire value chain

Acting with Integrity

Delivering Responsible AI

Developing trustworthy AI solutions to drive meaningful business results

Driving Policy Change

Working to advance policies that support the development of responsible AI and a skills-based approach to talent

Data Privacy and Security

Deeply committed to safeguarding our customers' data, and industry leading privacy and security practices are integrally woven into the foundation of everything we do

For More Information:

[Sustainability and Reporting with Workday](#)
[Download our 2024 Global Impact Report](#)

Financial Highlights and Guidance

Q2 FY25 Financial Highlights

	Q2 FY25 Results	Increase YoY
Total Revenue	\$2.085B	16.7%
Subscription Revenue	\$1.903B	17.2%
Total Subscription Revenue Backlog	\$21.58B	20.9%
12-month Subscription Revenue Backlog	\$6.80B	16.1%
GAAP Operating Margin	5.3%	331 bps
Non-GAAP Operating Margin ¹	24.9%	127 bps
Operating Cash Flows	\$571M	34.3%
Free Cash Flows ¹	\$516M	43.3%

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

Q2 FY25 Customer Wins and Expansions



Q2 FY25 Business Highlights

- Workday **joined the Fortune 500 list** for the first time, ranking it among the largest U.S. companies by revenue.
- Workday now has **more than 70 million users under contract** and more than **2,000 Workday Financial Management customers**.
- **Added several full suite customers** for Workday Financial Management and Workday Human Capital Management (HCM), including Clemson University, County of San Joaquin, and Presbyterian Healthcare Services.
- Announced **new innovations to further bolster its global payroll strategy**, which include the global availability of Workday Payroll provided by Strada, and its new Global Payroll Connect, a unified global payroll solution that can seamlessly connect with payroll providers.
- Announced new updates to make it easier for partners to build solutions, including **AI services for Workday Extend**; the general availability of **Workday AI Marketplace**; and **Built on Workday**, a new program to help partners build, manage, and distribute finance and HCM apps and industry solutions.
- Announced **strategic partnerships** with **Equifax**, **Salesforce**, and **Kainos**.
- Workday announced that **HiredScore AI for Recruiting** and **HiredScore AI for Talent Mobility** are now available through Workday to boost recruiter productivity and empower hiring managers and employees.
- Announced that its Board of Directors approved a **new share repurchase program to repurchase up to an additional \$1.0 billion of shares** of its Class A common stock.
- According to Gartner® market share research, **Workday had the largest market share in 2023 for ERP Worldwide SaaS revenue** at 19.6%.¹
- Workday was named a **Leader in The Forrester Wave™ for Enterprise Resource Planning Solutions For Service-Centric Industries, Q2 2024**.

¹ Gartner® Market Share: Enterprise Application Software as a Service, Worldwide, 2023, Varsha Mehta, Neha Gupta, Chris Pang, Craig Roth, Jim Hare, Julian Poulter, Balaji Abbabatulla, Kevin Quinn, Roland Johnson, Radu Miclaus, Alexandre Oddos, Amarendra, Anand Chouksey, Muditi Sharma, Kanchi Bindal, 14 June 2024. Gartner does not endorse any vendor, product or service depicted in its research publications, and does not advise technology users to select only those vendors with the highest ratings or other designation. Gartner research publications consist of the opinions of Gartner's research organization and should not be construed as statements of fact. Gartner disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose. The Gartner content described herein (the "Gartner Content") represents research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. ("Gartner"), and is not a representation of fact. Gartner Content speaks as of its original publication date (and not as of the date of this investor presentation), and the opinions expressed in the Gartner Content are subject to change without notice. GARTNER is a registered trademark and service mark of Gartner, Inc. and/or its affiliates in the U.S. and internationally and is used herein with permission. All rights reserved.

² By Liz Herbert with Linda Ivy-Rosser, George Lawrie, Sara Sjoblom, February 20, 2024.

Guidance Summary

Q3 FY25	Quarterly Guidance	Increase YoY
Total Revenue	\$2.130B	14%
Subscription Revenue	\$1.955B	16%
12-month Subscription Revenue Backlog	n/a	14 - 15%
Non-GAAP Operating Margin	25.25%	45 bps
GAAP Operating Margin	~19 points lower than non-GAAP	n/a
Full Year FY25	Full Year Guidance	Increase YoY
Total Revenue	\$8.380B - \$8.415B	15 - 16%
Subscription Revenue	\$7.700B - \$7.725B	~17%
Non-GAAP Operating Margin	25.25%	125 bps
GAAP Operating Margin	~20 points lower than non-GAAP	n/a
Non-GAAP Tax Rate	19%	n/a
Operating Cash Flows	\$2.350B	9%
Capital Expenditures	\$330M	42%

Appendix

Reconciliations of GAAP to Non-GAAP Data

(in millions, except percentages and per share data)	Three Months Ended July 31,		Six Months Ended July 31,	
	2024	2023	2024	2023
<u>Non-GAAP operating income (loss)</u>				
Operating income (loss)	\$ 111	\$ 36	\$ 175	\$ 16
Share-based compensation expenses	370	352	755	722
Employer payroll tax-related items on employee stock transactions	10	12	48	37
Amortization of acquisition-related intangible assets	20	21	37	42
Acquisition-related costs	6	0	10	0
Realignment costs	1	0	8	0
Non-GAAP operating income (loss)	\$ 518	\$ 421	\$ 1,033	\$ 817
<u>Non-GAAP operating margin⁽¹⁾</u>				
Operating margin	5.3%	2.0%	4.3%	0.5%
Share-based compensation expenses	17.7%	19.7%	18.5%	20.8%
Employer payroll tax-related items on employee stock transactions	0.6%	0.7%	1.2%	1.1%
Amortization of acquisition-related intangible assets	1.0%	1.2%	1.0%	1.1%
Acquisition-related costs	0.3%	0.0%	0.2%	0.0%
Realignment costs	0.0%	0.0%	0.2%	0.0%
Non-GAAP operating margin	24.9%	23.6%	25.4%	23.5%
<u>Non-GAAP diluted net income (loss) per share⁽¹⁾⁽²⁾</u>				
Diluted net income (loss) per share	\$ 0.49	\$ 0.30	\$ 0.89	\$ 0.30
Share-based compensation expenses	1.38	1.33	2.80	2.74
Employer payroll tax-related items on employee stock transactions	0.04	0.05	0.18	0.14
Amortization of acquisition-related intangible assets	0.07	0.08	0.14	0.16
Acquisition-related costs	0.02	0.00	0.04	0.00
Realignment costs	0.00	0.00	0.03	0.00
Losses (gains) on strategic investments, net	0.01	0.00	0.04	0.03
Income tax effects	(0.26)	(0.33)	(0.63)	(0.61)
Non-GAAP diluted net income (loss) per share	\$ 1.75	\$ 1.43	\$ 3.49	\$ 2.76

¹ Operating margin and diluted net income (loss) per share are calculated using unrounded data.

² For the three months ended July 31, 2024, GAAP and non-GAAP diluted net income per share were calculated based upon 267,949 diluted weighted-average shares of common stock. For the three months ended July 31, 2023, GAAP and non-GAAP diluted net income per share were calculated based upon 264,435 diluted weighted-average shares of common stock. For the six months ended July 31, 2024, GAAP and non-GAAP diluted net income per share were calculated based upon 269,128 diluted weighted-average shares of common stock. For the six months ended July 31, 2023, GAAP and non-GAAP diluted net income per share were calculated based upon 262,923 diluted weighted-average shares of common stock.

Reconciliations of GAAP to Non-GAAP Data

(in millions, except percentages and per share data)	Year Ended January 31, 2021
Non-GAAP operating margin⁽¹⁾	
Operating margin	(5.8) %
Share-based compensation expenses	23.3 %
Employer payroll tax-related items on employee stock transactions	1.2 %
Amortization of acquisition-related intangible assets	1.4 %
Acquisition-related costs	0.7 %
Realignment costs	0.0 %
Non-GAAP operating margin	20.8 %

¹ Operating margin is calculated based upon the respective underlying, non-rounded data.

Reconciliation of GAAP Cash Flows from Operations to Free Cash Flows

(in millions)	Three Months Ended July 31,		Six Months Ended July 31,	
	2024	2023	2024	2023
Net cash provided by (used in) operating activities	\$ 571	\$ 425	\$ 943	\$ 703
Less: Capital expenditures	(55)	(65)	(136)	(124)
Free cash flows	\$ 516	\$ 360	\$ 807	\$ 579

Q2 FY25 Supplemental Information

(in millions)	Three Months Ended July 31,		Six Months Ended July 31,	
	2024	2023	2024	2023
<u>Share-based compensation expenses</u>				
Costs and expenses:				
Costs of subscription services	\$ 35	\$ 30	\$ 73	\$ 59
Costs of professional services	28	29	59	59
Product development	163	162	336	332
Sales and marketing	77	67	149	147
General and administrative	67	64	138	125
Total share-based compensation expenses	\$ 370	\$ 352	\$ 755	\$ 722
<u>Employer payroll tax-related items on employee stock transactions</u>				
Costs and expenses:				
Costs of subscription services	\$ 1	\$ 1	\$ 4	\$ 3
Costs of professional services	1	1	5	4
Product development	4	5	21	16
Sales and marketing	3	3	12	10
General and administrative	1	2	6	4
Total employer payroll tax-related items on employee stock transactions	\$ 10	\$ 12	\$ 48	\$ 37
<u>Amortization of acquisition-related intangible assets</u>				
Costs and expenses:				
Costs of subscription services	\$ 12	\$ 14	\$ 21	\$ 28
Costs of professional services	0	0	0	0
Product development	0	0	0	0
Sales and marketing	8	7	16	14
General and administrative	0	0	0	0
Total amortization of acquisition-related intangible assets	\$ 20	\$ 21	\$ 37	\$ 42

Q2FY25 Supplemental Information (cont'd)

(in millions)	Three Months Ended July		Six Months Ended July	
	2024	31, 2023	2024	31, 2023
<u>Acquisition-related costs</u>				
Costs and expenses:				
Costs of subscription services	\$ 0	\$ 0	\$ 0	\$ 0
Costs of professional services	0	0	0	0
Product development	3	0	5	0
Sales and marketing	0	0	0	0
General and administrative	3	0	5	0
Total acquisition-related costs	\$ 6	\$ 0	\$ 10	\$ 0
<u>Realignment costs</u>				
Costs and expenses:				
Costs of subscription services	\$ 0	\$ 0	\$ 0	\$ 0
Costs of professional services	0	0	0	0
Product development	0	0	0	0
Sales and marketing	0	0	0	0
General and administrative	1	0	8	0
Total realignment costs	\$ 1	\$ 0	\$ 8	\$ 0

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, non-GAAP diluted net income (loss) per share, and free cash flows. 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, amortization expense for acquisition-related intangible assets, acquisition-related costs, and realignment costs. Non-GAAP diluted 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, acquisition-related costs, realignment costs, gains and losses on strategic investments, and income tax effects. Free cash flows differ from GAAP cash flows from operating activities in that it treats capital expenditures 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. 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.* Share-based compensation primarily consists of non-cash expenses for employee restricted stock units and our employee stock purchase plan, and includes share-based compensation associated with acquisitions. Although share-based compensation is an important aspect of the compensation of our employees and executives, this expense is 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.* We exclude the employer payroll tax-related items on employee stock transactions in order to show the full effect that excluding share-based compensation expenses has on our operating results. Similar to share-based compensation expenses, this tax expense is dependent on our stock price and other factors that are beyond our control and do not correlate to the operation of our business.

About Non-GAAP Financial Measures (cont'd)

- *Amortization of 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 the related amortization can vary significantly and are unique to each acquisition and thus we do not believe this activity is reflective of our ongoing operations. Although we exclude the amortization of acquisition-related intangible assets from these non-GAAP financial measures, we believe that it is important for investors to understand that such intangible assets were recorded as part of purchase accounting and contribute to revenue generation.
- *Acquisition-related costs.* Acquisition-related costs include direct transaction costs, such as due diligence and advisory fees, and certain compensation and integration-related expenses. We exclude the effects of acquisition-related costs as we believe these transaction-specific expenses are inconsistent in amount and frequency and do not correlate to the operation of our business.
- *Realignment costs.* Realignment costs are associated with a formal restructuring plan and are primarily related to employee severance, the closure of facilities, and cancellation of certain contracts. We exclude these expenses because they are not reflective of ongoing business and operating results.
- *Gains and losses on strategic investments.* Our strategic investments include investments in early stage companies that are valuable to Workday customers and complementary to Workday products. Gains and losses on strategic investments may result from observable price adjustments and impairment charges on non-marketable equity securities, ongoing mark-to-market adjustments on marketable equity securities, and the sale of equity investments. We do not rely on these securities to fund our ongoing operations nor do we actively trade publicly held securities, and therefore we do not consider the gains and losses on these strategic investments to be reflective of our ongoing operations.
- *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 the items excluded from GAAP income in calculating our non-GAAP income. 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 2025 and 2024, 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, relevant tax law changes, material changes in the forecasted geographic earnings mix, and any significant acquisitions.

Additionally, with regards to free cash flows, Workday's management believes that reducing cash provided by (used in) operating activities by capital expenditures is meaningful to investors and others because it provides an enhanced view of cash flow generation from the ongoing operations of our business, and it balances operating results, cash management, and capital efficiency.

The use of these non-GAAP measures have certain limitations as they do not reflect all items of expense or cash 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.

