Workday Announces Fiscal 2020 First Quarter Financial Results

First Quarter Total Revenues of \$825.1 Million, Up 33.4% Year Over Year Subscription Revenue of \$701.0 Million, Up 34.3% Year Over Year Subscription Revenue Backlog of \$6.80 Billion, Up 30.0% Year Over Year

PLEASANTON, Calif., May 28, 2019 (GLOBE NEWSWIRE) -- Workday. Inc. (NASDAQ: WDAY), a leader in enterprise cloud applications for finance and human resources, today announced results for the fiscal 2020 first quarter ended April 30, 2019.

#### **Fiscal First Quarter Results**

- Total revenues were \$825.1 million, an increase of 33.4% from the first quarter of fiscal year 2019. Subscription revenue was \$701.0 million, an increase of 34.3% from the same period last year.
- Operating loss was \$123.4 million, or negative 15.0% of revenues, compared to an operating loss of \$71.3 million, or negative 11.5% of revenues, in the same period last year. Non-GAAP operating income for the first quarter was \$107.7 million, or 13.1% of revenues, compared to a non-GAAP operating income of \$80.8 million, or 13.1% of revenues, in the same period last year.
- Net loss per basic and diluted share was \$0.52, compared to a net loss per basic and diluted share of \$0.35 in the first quarter of fiscal 2019. Non-GAAP net income per diluted share was \$0.43 compared to a non-GAAP net income per diluted share of \$0.33 in the same period last year.<sup>2</sup>
- Operating cash flows were \$209.2 million.
- Cash, cash equivalents, and marketable securities were \$1.89 billion as of April 30, 2019. Unearned revenues were \$1.83 billion, a 29.3% increase from the same
  period last year.

#### Comments on the News

"Coming off the heels of an excellent fiscal year 2019, our momentum continued with a strong first quarter. We added many new customers across the globe – increasing our footprint across the Fortune 50 and 500 – and saw more existing customers expand their investment in Workday," said Aneel Bhusri, co-founder and CEO, Workday. "Looking ahead, we believe our ability to enable more organizations to plan, execute, and analyze in one system powered by machine learning, coupled with our commitment to employee and customer success, will further solidify our foundation for enduring growth."

"Our fiscal year 2020 got off to a great start as we delivered strong top-line growth and record non-GAAP operating profit," said Robynne Sisco, co-president and chief financial officer, Workday. "Based on our strong first quarter results, we are raising our fiscal year 2020 outlook for subscription revenue to \$3.045 to \$3.060 billion, or growth of 28%. We expect our second quarter subscription revenue to be \$746 to \$748 million, or growth of approximately 32%. Our focus remains centered on driving strong, durable growth as we continue to invest in the business to support our long-term aspirations."

#### **Recent Highlights**

- Workday welcomed Ann-Marie Campbell to its Board of Directors in April 2019. Ann-Marie currently serves as executive vice president of U.S. Stores for The Home Depot.
- Workday was positioned by Gartner, Inc. in the Leaders quadrant of the Magic Quadrant for Cloud Core Financial Management Suites for Midsize, Large, and Global Enterprises. Workday was acknowledged as a Leader for the third year in a row.<sup>3</sup>
- As part of its latest feature release, Workday 32, Workday delivered more than 500 new features, including deeper investments in Workday Learning and Workday
  Recruiting, finance-focused machine learning capabilities to help resource managers align skills resources to projects, and even deeper integration between Workday
  and Adaptive Insights.
- Workday, along with 10 leading federal government agencies and large corporations from the technology and financial services industries, launched<u>The Cybersecurity Talent Initiative</u>. The first-of-its-kind, public-private <u>partnership</u> is focused on developing the next generation of motivated, mission-driven technologists to ensure a world-class cybersecurity workforce for the future.
- Workday was ranked #1 on San Francisco Business Times' Best Places to Work in the Bay Area list. This is the seventh time Workday has been ranked #1 on the list. Workday also ranked #1 on the UK's Best Large Workplaces list by Great Place to Work Institute.

#### **Earnings Call Details**

Workday plans to host a conference call today to review its fiscal 2020 first quarter financial results and to discuss its financial outlook. The call is scheduled to begin at 1:30 p.m. PT/ 4:30 p.m. ET and can be accessed via webcast. The webcast will be available live, and a replay will be available following completion of the live broadcast for approximately 90 days.

Workday uses the Workday Blog as a means of disclosing material non-public information and for complying with its disclosure obligations under Regulation FD.

- <sup>1</sup> Non-GAAP operating income excludes share-based compensation expenses, employer payroll tax-related items on employee stock transactions, and amortization expense for acquisition-related intangible assets. See the section titled "About Non-GAAP Financial Measures" in the accompanying financial tables for further details.
- <sup>2</sup> Non-GAAP net income per share excludes share-based compensation expenses, employer payroll tax-related items on employee stock transactions, amortization expense for acquisition-related intangible assets, non-cash interest expense related to our convertible senior notes, and income tax effects. See the section titled "About Non-GAAP Financial Measures" in the accompanying financial tables for further details.
- <sup>3</sup> Gartner, Magic Quadrant for Cloud Core Financial Management Suites for Midsize, Large and Global Enterprises, John Van Decker, Robert Anderson, and Greg Leiter, 13 May 2019. 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, express or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.

### **About Workday**

Workday is a leading provider of enterprise cloud applications for finance and human resources. Founded in 2005, Workday delivers financial management, human capital management, planning, and analytics applications designed for the world's largest companies, educational institutions, and government agencies. Organizations ranging from medium-sized businesses to Fortune 50 enterprises have selected Workday.

#### Use of Non-GAAP Financial Measures

Reconciliations of non-GAAP financial measures to Workday's financial results as determined in accordance with GAAP are included at the end of this press release following the accompanying financial data. For a description of these non-GAAP financial measures, including the reasons management uses each measure, please see the section of

the tables titled "About Non-GAAP Financial Measures." 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.

#### **Forward-Looking Statements**

This press release contains forward-looking statements including, among other things, statements regarding Workday's ability to enable more organizations to plan, execute, and analyze in one system powered by machine learning, ability to solidify its foundation for enduring growth, employee and customer success, subscription revenue projections and growth, products, and investments in its business. The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," "seek," "plans," "project," "looking ahead," and similar expressions are intended to identify forward-looking statements. These forward-looking statements are subject to risks, uncertainties, and assumptions. If the risks materialize or assumptions prove incorrect, actual results could differ materially from the results implied by these forward-looking statements. Risks include, but are not limited to: (i) risks related to our ability to successfully integrate Adaptive Insights' operations or failure to achieve the expected benefits of this or any other acquisition or transaction; (ii) our ability to implement our plans, objectives, and other expectations with respect to the Adaptive Insights business or that of any other acquired company; (iii) breaches in our security measures, unauthorized access to our customers' data or disruptions in our data center operations; (iv) our ability to manage our growth effectively; (v) competitive factors, including pricing pressures, industry consolidation, entry of new competitors and new applications, and marketing initiatives by our competitors; (vi) the development of the market for enterprise cloud applications and services; (vii) acceptance of our applications and services by customers; (viii) adverse changes in general economic or market conditions; (ix) the regulatory, economic, and political risks associated with our international operations; (x) delays or reductions in information technology spending; and (xi) changes in sales, which may not be immediately reflected in our resul

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## Workday, Inc. Condensed Consolidated Balance Sheets (in thousands)

(in thousands) (unaudited)

	April 30, 2019	January 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 781,772	\$ 638,554
Marketable securities	1,110,141	1,139,864
Trade and other receivables, net	542,843	704,680
Deferred costs	82,316	80,809
Prepaid expenses and other current assets	148,062	136,689
Total current assets	2,665,134	2,700,596
Property and equipment, net	885,789	796,907
Operating lease right-of-use assets	280,145	_
Deferred costs, noncurrent	179,616	183,518
Acquisition-related intangible assets, net	293,897	313,240
Goodwill	1,379,125	1,379,125
Other assets	140,468	147,360
Total assets	\$ 5,824,174	\$ 5,520,746
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 35,146	\$ 29,093
Accrued expenses and other current liabilities	129,182	123,542
Accrued compensation	244,794	207,924
Unearned revenue	1,734,442	1,837,618
Operating lease liabilities	64,107	_
Current portion of convertible senior notes, net	235,408	232,514
Total current liabilities	2,443,079	2,430,691
Convertible senior notes, net	983,507	972,264
Unearned revenue, noncurrent	95,708	111,652
Operating lease liabilities, noncurrent	246,037	_
Other liabilities	11,095	47,697
Total liabilities	3,779,426	3,562,304
Stockholders' equity:		
Common stock	225	221
Additional paid-in capital	4,294,370	4,105,334
Accumulated other comprehensive income (loss)	13,113	(809)
Accumulated deficit	(2,262,960	) (2,146,304 )
Total stockholders' equity	2,044,748	1,958,442
Total liabilities and stockholders' equity	\$ 5,824,174	\$ 5,520,746

#### (unaudited)

	Three Months Ended April 30, 2019 2018						
Revenues:	2019	2010					
Subscription services	\$ 701,024	\$ 522,149					
Professional services	124,031	96,494					
Total revenues	825,055	618,643					
Costs and expenses (1):	,	,					
Costs of subscription services	112,469	80,245					
Costs of professional services	130,750	97,726					
Product development	347,831	263,584					
Sales and marketing	272,936	192,771					
General and administrative	84,455	55,581					
Total costs and expenses	948,441	689,907					
Operating loss	(123,386 )	(71,264					
Other income (expense), net	7,141	(3,848					
Loss before provision for (benefit from) income taxes	(116,245 )	(75,112					
Provision for (benefit from) income taxes	30	(702					
Net loss	\$ (116,275 )	\$ (74,410					
Net loss per share, basic and diluted	\$ (0.52)	\$ (0.35					
Weighted-average shares used to compute net loss per share, basic and diluted	223,309	213,055					
(1) Costs and expenses include share-based compensation expenses as follows:							
Costs of subscription services	\$ 10,415	\$ 7,877					
Costs of professional services	16,150	10,792					
Product development	91,237	68,511					
Sales and marketing	38,854	25,612					
General and administrative	28,579	19,867					

## Workday, Inc. Condensed Consolidated Statements of Cash Flows (in thousands) (unaudited)

	Three Months 2019	ed April 30, 2018		
Cash flows from operating activities				
Net loss	\$ (116,275	)	\$ (74,410	)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation and amortization	61,165		38,664	
Share-based compensation expenses	185,235		132,659	
Amortization of deferred costs	20,880		16,360	
Amortization of debt discount and issuance costs	11,587		18,139	
Other	8,976		(9,289	)
Changes in operating assets and liabilities:				
Trade and other receivables, net	157,379		168,702	
Deferred costs	(18,485	)	(12,606	)
Prepaid expenses and other assets	(5,107	)	8,488	
Accounts payable	1,503		7,954	
Accrued expenses and other liabilities	21,403		11,627	
Unearned revenue	(119,098	)	(122,055	)
Net cash provided by (used in) operating activities	209,163		184,233	
Cash flows from investing activities				
Purchases of marketable securities	(471,054	)	(908,126	)
Maturities of marketable securities	460,097		686,676	
Sales of marketable securities	50,948		27,359	
Owned real estate projects	(39,634	)	(39,233	)
Capital expenditures, excluding owned real estate projects	(65,535	)	(48,862	)
Purchases of non-marketable equity and other investments	(2,200	)	(2,400	)
Other	23		_	
Net cash provided by (used in) investing activities	(67,355	)	(284,586	)
Cash flows from financing activities				
Proceeds from issuance of common stock from employee equity plans	3,455		2,611	
Other	(93	)	(57	)
Net cash provided by (used in) financing activities	3,362		2,554	
Effect of exchange rate changes	(327	)	(420	)
Net increase (decrease) in cash, cash equivalents, and restricted cash	144,843	•	(98,219	)
Cash, cash equivalents, and restricted cash at the beginning of period	642,203		1,135,654	•
			•	

## Workday, Inc. Reconciliation of GAAP to Non-GAAP Data

Three Months Ended April 30, 2019 (in thousands, except percentages and per share data) (unaudited)

	GAAP		Share-Base Compensati Expenses		Other Operating Expenses (2	2)	Amortization of Debt Discount an Issuance Costs		Income Tax Effects <sup>(3)</sup>	(	Non-GAAP	
Costs and expenses:												
Costs of subscription services	\$ 112,469		\$ (10,415	)	\$ (12,660	)	\$ —		\$ —		\$ 89,394	
Costs of professional services	130,750		(16,150	)	(3,459	)	_		_		111,141	
Product development	347,831		(91,237	)	(13,631	)	_		_		242,963	
Sales and marketing	272,936		(38,854	)	(12,834	)	_		_		221,248	
General and administrative	84,455		(28,579	)	(3,298	)	_		_		52,578	
Operating income (loss)	(123,386	)	185,235		45,882		_		_		107,731	
Operating margin	(15.0	)%	22.5	%	5.6	%	_	%	_	%	13.1	%
Other income (expense), net	7,141		_		_		11,587		_		18,728	
Income (loss) before provision for (benefit from) income taxes	(116,245	)	185,235		45,882		11,587		_		126,459	
Provision for (benefit from) income taxes	30		_		_		_		21,468		21,498	
Net income (loss)	\$ (116,275	)	\$ 185,235		\$ 45,882		\$ 11,587		\$ (21,468	)	\$ 104,961	
Net income (loss) per share (1)	\$ (0.52	)	\$ 0.83		\$ 0.21		\$ 0.05		\$ (0.14	)	\$ 0.43	

- (1) GAAP net loss per share is calculated based upon 223,309 basic and diluted weighted-average shares of common stock. Non-GAAP net income per share is calculated based upon 245,333 diluted weighted-average shares of common stock.
- (2) Other operating expenses include total employer payroll tax-related items on employee stock transactions of \$26.5 million and amortization of acquisition-related intangible assets of \$19.3 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 interim reporting periods. For fiscal 2020, the projected non-GAAP tax rate is 17%.

### Workday, Inc. Reconciliation of GAAP to Non-GAAP Data

Three Months Ended April 30, 2018 (in thousands, except percentages and per share data) (unaudited)

GAAP			-	Other Operating Expenses <sup>(2</sup>	2)	Amortization of Debt Discount and Issuance Costs				Non-GAAP	
\$ 80,245		\$ (7,877	)	\$ (4,452	)	\$ —		\$ —		\$ 67,916	
97,726		(10,792	)	(1,701	)	_		_		85,233	
263,584		(68,511	)	(8,797	)	_		_		186,276	
192,771		(25,612	)	(2,580	)	_		_		164,579	
55,581		(19,867	)	(1,867	)	_		_		33,847	
(71,264	)	132,659		19,397		_		_		80,792	
(11.5	)%	21.4	%	3.2	%	_ %	6	_	%	13.1	%
(3,848	)			_		18,139		_		14,291	
(75,112	)	132,659		19,397		18,139		_		95,083	
(702	)	_		_		_		16,866		16,164	
\$ (74,410	)	\$ 132,659		\$ 19,397		\$ 18,139		\$ (16,866	)	\$ 78,919	
\$ (0.35	)	\$ 0.62		\$ 0.09		\$ 0.09		\$ (0.12	)	\$ 0.33	
	\$ 80,245 97,726 263,584 192,771 55,581 (71,264 (11.5 (3,848 (75,112 (702 \$ (74,410	\$ 80,245 97,726 263,584 192,771 55,581 (71,264 ) (11.5 )% (3,848 ) (75,112 ) (702 ) \$ (74,410 )	\$ 80,245 \$ (7,877 97,726 (10,792 263,584 (68,511 192,771 (25,612 55,581 (19,867 (71,264 ) 132,659 (11.5 )% 21.4 (3,848 ) — (75,112 ) 132,659 (702 ) — \$ (74,410 ) \$ 132,659	\$ 80,245 \$ (7,877 ) 97,726 (10,792 ) 263,584 (68,511 ) 192,771 (25,612 ) 55,581 (19,867 ) (71,264 ) 132,659 (11.5 )% 21.4 % (3,848 ) — (75,112 ) 132,659 (702 ) — \$ (74,410 ) \$ 132,659	\$80,245 \$ (7,877 ) \$ (4,452 ) 97,726 (10,792 ) (1,701 ) 263,584 (68,511 ) (8,797 ) 192,771 (25,612 ) (2,580 ) 55,581 (19,867 ) (1,867 ) (71,264 ) 132,659 19,397 (11.5 )% 21.4 % 3.2 (3,848 ) — — — — — — — — — — — — — — — — — —	\$80,245 \$ (7,877 ) \$ (4,452 ) 97,726 (10,792 ) (1,701 ) 263,584 (68,511 ) (8,797 ) 192,771 (25,612 ) (2,580 ) 55,581 (19,867 ) (1,867 ) (71,264 ) 132,659 19,397 (11.5 )% 21.4 % 3.2 % (3,848 ) — — — — — — — — — — — — — — — — — —	GAAP         Share-Based Compensation Expenses         Other Operating Expenses (2)         of Debt Discount and Issuance Costs           \$ 80,245         \$ (7,877 )         \$ (4,452 )         \$ —           97,726         (10,792 )         (1,701 )         —           263,584         (68,511 )         (8,797 )         —           192,771         (25,612 )         (2,580 )         —           55,581         (19,867 )         (1,867 )         —           (71,264 )         132,659 19,397         —         9           (3,848 )         —         —         18,139           (75,112 )         132,659 19,397         18,139           (702 )         —         —         —           \$ (74,4410 )         \$ 132,659 \$19,397         \$ 18,139	GAAP         Share-Based Compensation Expenses         Other Operating Expenses (2)         of Debt Discount and Issuance Costs           \$ 80,245         \$ (7,877 )         \$ (4,452 )         \$ —           97,726         (10,792 )         (1,701 )         —           263,584         (68,511 )         (8,797 )         —           192,771         (25,612 )         (2,580 )         —           55,581         (19,867 )         (1,867 )         —           (71,264 )         132,659 19,397         —         %           (3,848 )         —         —         18,139           (75,112 )         132,659 19,397         18,139           (702 )         —         —         —           \$ (74,4410 )         \$ 132,659 \$ 19,397         \$ 18,139	GAAP         Share-Based Compensation Expenses         Other Operating Expenses (2)         of Debt Discount and Issuance Costs         Income Tax Effects (3)           \$ 80,245         \$ (7,877)         \$ (4,452)         \$ —         \$ —           97,726         (10,792)         (1,701)         —         —           263,584         (68,511)         (8,797)         —         —           192,771         (25,612)         (2,580)         —         —           55,581         (19,867)         (1,867)         —         —           (71,264)         132,659         19,397         —         %           (11.5)         )%         21.4         %         3.2         %         —         %           (3,848)         )         —         —         18,139         —           (75,112)         132,659         19,397         18,139         —           (702)         )         —         —         —         16,866           \$ (74,410)         \$ 132,659         \$ 19,397         \$ 18,139         \$ (16,866)	GAAP         Share-Based Compensation Expenses         Other Operating Expenses (2)         of Debt Discount and Issuance Costs         Income Tax Effects (3)           \$ 80,245         \$ (7,877)         \$ (4,452)         \$ —         \$ —           97,726         (10,792)         (1,701)         —         —           263,584         (68,511)         (8,797)         —         —           192,771         (25,612)         (2,580)         —         —           55,581         (19,867)         (1,867)         —         —           (71,264)         132,659         19,397         —         —           (11.5)         /%         21.4         %         3.2         %         —         %           (3,848)         —         —         —         18,139         —            (702)         )         —         —         —         16,866            \$ (74,410)         \$ 132,659         \$ 19,397         \$ 18,139         \$ (16,866)	GAAP         Share-Based Compensation Expenses         Other Operating Expenses         of Debt Discount and Issuance Costs         Income Tax Effects (3)         Non-GAAP           \$ 80,245         \$ (7,877 )         \$ (4,452 )         \$ —         \$ —         \$ 67,916           97,726         (10,792 )         (1,701 )         —         —         85,233           263,584         (68,511 )         (8,797 )         —         —         186,276           192,771         (25,612 )         (2,580 )         —         —         164,579           55,581         (19,867 )         (1,867 )         —         —         33,847           (71,264 )         132,659         19,397         —         %         —         80,792           (11.5 )         )%         21.4 %         3.2 %         —         %         —         %         13.1           (3,848 )         —         —         —         18,139         —         95,083           (702 )         —         —         —         16,866         16,164           \$ (74,410 )         \$ 132,659         \$ 19,397         \$ 18,139         \$ (16,866 )         \$ 78,919

- (1) GAAP net loss per share is calculated based upon 213,055 basic and diluted weighted-average shares of common stock. Non-GAAP net income per share is calculated based upon 236,027 diluted weighted-average shares of common stock.
- (2) Other operating expenses include total employer payroll tax-related items on employee stock transactions of \$14.3 million and amortization of acquisition-related intangible assets of \$5.1 million.
- (3) 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 interim reporting periods. For fiscal 2019, the projected non-GAAP tax rate is 17%.

#### **About Non-GAAP Financial Measures**

income (loss) 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) differs from GAAP in that it excludes share-based compensation expenses, employer payroll tax-related items on employee stock transactions, and amortization of 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 of acquisition-related intangible assets, non-cash interest expense related to our convertible senior notes, 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 as they exclude expenses that are not reflective of ongoing operating results. Management also believes that these non-GAAP financial measures provide useful information to investors and others in understanding and evaluating Workday's operating results and 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.
- 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.
- Amortization of debt discount and issuance costs Under GAAP, we are 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 are 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 are excluded from management's assessment of our operating
  performance because management believes that these non-cash expenses are not indicative of ongoing operating performance. Management believes that the
  exclusion of the non-cash interest expense provides investors an enhanced view of Workday's operational performance.
- 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 interim 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 2020 and 2019, we have determined the projected non-GAAP tax rate to be 17%. 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) 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.

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nina.oestlien@workday.com PLEASANTON, Calif., May 28, 2019 (GLOBE NEWSWIRE) -- Workday, Inc. (NASDAQ: WDAY), a leader in enterprise cloud applications for finance and human resources, today announced results for the fiscal 2020 first quarter ended April 30, 2019.

#### **Fiscal First Quarter Results**

- Total revenues were \$825.1 million, an increase of 33.4% from the first quarter of fiscal year 2019. Subscription revenue was \$701.0 million, an increase of 34.3% from the same period last year.
- Operating loss was \$123.4 million, or negative 15.0% of revenues, compared to an operating loss of \$71.3 million, or negative 11.5% of revenues, in the same period last year. Non-GAAP operating income for the first quarter was \$107.7 million, or 13.1% of revenues, compared to a non-GAAP operating income of \$80.8 million, or 13.1% of revenues, in the same period last year. 1
- Net loss per basic and diluted share was \$0.52, compared to a net loss per basic and diluted share of \$0.35 in the first quarter of fiscal 2019. Non-GAAP net income per diluted share was \$0.43 compared to a non-GAAP net income per diluted share of \$0.33 in the same period last year.<sup>2</sup>
- Operating cash flows were \$209.2 million.
- Cash, cash equivalents, and marketable securities were \$1.89 billion as of April 30, 2019. Unearned revenues were \$1.83 billion, a 29.3% increase from the same period last year.

### Comments on the News

"Coming off the heels of an excellent fiscal year 2019, our momentum continued with a strong first quarter. We added many new customers across the globe – increasing our footprint across the Fortune 50 and 500 – and saw more existing customers expand their investment in Workday," said Aneel Bhusri, co-founder and CEO, Workday. "Looking ahead, we believe our ability to enable more organizations to plan, execute, and analyze in one system powered by machine learning, coupled with our commitment to employee and customer success, will further solidify our foundation for enduring growth."

"Our fiscal year 2020 got off to a great start as we delivered strong top-line growth and record non-GAAP operating profit," said Robynne Sisco, co-president and chief financial officer, Workday. "Based on our strong first quarter results, we are raising our fiscal year 2020 outlook for subscription revenue to \$3.045 to \$3.060 billion, or growth

of 28%. We expect our second quarter subscription revenue to be \$746 to \$748 million, or growth of approximately 32%. Our focus remains centered on driving strong, durable growth as we continue to invest in the business to support our long-term aspirations."

#### **Recent Highlights**

- Workday welcomed Ann-Marie Campbell to its Board of Directors in April 2019. Ann-Marie currently serves as executive vice president of U.S. Stores for The Home Depot.
- Workday was positioned by Gartner, Inc. in the Leaders quadrant of the Magic Quadrant for Cloud Core Financial Management Suites for Midsize, Large, and Global Enterprises. Workday was acknowledged as a Leader for the third year in a row.<sup>3</sup>
- As part of its latest feature release, Workday 32, Workday delivered more than 500 new features, including deeper investments in Workday Learning and Workday
  Recruiting, finance-focused machine learning capabilities to help resource managers align skills resources to projects, and even deeper integration between Workday
  and Adaptive Insights.
- Workday, along with 10 leading federal government agencies and large corporations from the technology and financial services industries, launched<u>The Cybersecurity Talent Initiative</u>. The first-of-its-kind, public-private <u>partnership</u> is focused on developing the next generation of motivated, mission-driven technologists to ensure a world-class cybersecurity workforce for the future.
- Workday was ranked #1 on San Francisco Business Times' Best Places to Work in the Bay Area list. This is the seventh time Workday has been ranked #1 on the list. Workday also ranked #1 on the UK's Best Large Workplaces list by Great Place to Work Institute.

#### **Earnings Call Details**

Workday plans to host a conference call today to review its fiscal 2020 first quarter financial results and to discuss its financial outlook. The call is scheduled to begin at 1:30 p.m. PT/ 4:30 p.m. ET and can be accessed via webcast. The webcast will be available live, and a replay will be available following completion of the live broadcast for approximately 90 days.

Workday uses the Workday Blog as a means of disclosing material non-public information and for complying with its disclosure obligations under Regulation FD.

- <sup>1</sup> Non-GAAP operating income excludes share-based compensation expenses, employer payroll tax-related items on employee stock transactions, and amortization expense for acquisition-related intangible assets. See the section titled "About Non-GAAP Financial Measures" in the accompanying financial tables for further details.
- <sup>2</sup> Non-GAAP net income per share excludes share-based compensation expenses, employer payroll tax-related items on employee stock transactions, amortization expense for acquisition-related intangible assets, non-cash interest expense related to our convertible senior notes, and income tax effects. See the section titled "About Non-GAAP Financial Measures" in the accompanying financial tables for further details.
- <sup>3</sup> Gartner, Magic Quadrant for Cloud Core Financial Management Suites for Midsize, Large and Global Enterprises, John Van Decker, Robert Anderson, and Greg Leiter, 13 May 2019. 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, express or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.

#### **About Workday**

Workday is a leading provider of enterprise cloud applications for finance and human resources. Founded in 2005, Workday delivers financial management, human capital management, planning, and analytics applications designed for the world's largest companies, educational institutions, and government agencies. Organizations ranging from medium-sized businesses to Fortune 50 enterprises have selected Workday.

#### **Use of Non-GAAP Financial Measures**

Reconciliations of non-GAAP financial measures to Workday's financial results as determined in accordance with GAAP are included at the end of this press release following the accompanying financial data. For a description of these non-GAAP financial measures, including the reasons management uses each measure, please see the section of the tables titled "About Non-GAAP Financial Measures." 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.

#### **Forward-Looking Statements**

This press release contains forward-looking statements including, among other things, statements regarding Workday's ability to enable more organizations to plan, execute, and analyze in one system powered by machine learning, ability to solidify its foundation for enduring growth, employee and customer success, subscription revenue projections and growth, products, and investments in its business. The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," "seek," "plans," "project," "looking ahead," and similar expressions are intended to identify forward-looking statements. These forward-looking statements are subject to risks, uncertainties, and assumptions. If the risks materialize or assumptions prove incorrect, actual results could differ materially from the results implied by these forward-looking statements. Risks include, but are not limited to: (i) risks related to our ability to successfully integrate Adaptive Insights' operations or failure to achieve the expected benefits of this or any other acquisition or transaction; (ii) our ability to implement our plans, objectives, and other expectations with respect to the Adaptive Insights business or that of any other acquired company; (iii) breaches in our security measures, unauthorized access to our customers' data or disruptions in our data center operations; (iv) our ability to manage our growth effectively; (v) competitive factors, including pricing pressures, industry consolidation, entry of new competitors and new applications, and marketing initiatives by our competitors; (vi) the development of the market for enterprise cloud applications and services; (vii) acceptance of our applications and services by customers; (viii) adverse changes in general economic or market conditions; (ix) the regulatory, economic, and political risks associated with our international operations; (x) delays or reductions in information technology spending; and (xi) changes in sales, which may not be immediately reflected in our resul

Any unreleased services, features, or functions referenced in this document, our website, or other press releases or public statements 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.

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Assets         Current assets:         \$ 781,772         \$ 638,554         Cash and cash equivalents         \$ 781,772         \$ 781,772         \$ 781,772         \$ 781,772         \$ 781,772         \$ 781,772         \$ 781,772         \$ 781,772         \$ 781,772         \$ 781,772         \$ 781,772         \$ 781,772         \$ 781,772         \$ 781,772         \$ 781,772         \$ 781,680         \$ 781,772         \$ 781,680         \$ 781,772         \$ 781,680         \$ 781,772         \$ 781,680         \$ 781,680         \$ 780,072		April 30, 2019	January 31, 2019
Cash and cash equivalents         \$ 781,772         \$ 638,554           Marketable securities         1,110,141         1,139,864           Trade and other receivables, net         542,843         704,880           Deferred costs         82,316         80,809           Prepaid expenses and other current assets         2,665,134         2,700,596           Property and equipment, net         885,789         796,907           Opertury and equipment, net         885,789         796,907           Operating lease right-of-use assets         280,145         796,907           Deferred costs, noncurrent         179,616         183,518           Acquisition-related intangible assets, net         293,897         313,240           Goodwill         1,379,125         1,379,125           Other assets         140,468         147,360           Total assets         \$ 5,520,746         \$ 5,520,746           Liabilities and stockholders' equity         \$ 5,520,746         \$ 29,993           Current labilities         \$ 29,182         123,542           Current labilities         \$ 29,182         123,542           Current labilities         \$ 29,932         22,924           Operating lease liabilities enricorotes, net         935,002         232,514	Assets		
Marketable securities         1,110,141         1,139,864         Trade and other receivables, net         542,843         704,880         704,880         Tode and other receivables, net         542,843         704,880         704,880         704,880         Poblemed costs         82,316         80,809         Pepade expenses and other current assets         148,062         136,689         700,596         Todal current assets         2665,134         2,700,596         Todal current assets         280,145         2,700,596         Todal current assets         280,145         79,690         Todal current assets         280,145         79,690         Todal current assets         280,145         79,690         79,690         Todal current assets         280,145         79,690         79,690         Todal current assets         1,379,125         1,379,125         1,379,125         Todal current assets         1,379,125         1,379,1	Current assets:		
Tack and other receivables, net         542,83         704,830         Per lead costs         82,316         80,809         Perpaled expenses and other current assets         148,062         136,689         Perpaled expenses and other current assets         2,665,134         2,700,596         Per Por Porty and equipment, net         266,5134         2,700,596         Per Porperty and equipment, net         280,145         9,6907         Per Por Por porty and equipment, net         280,145         9,6907         Per Por Por porty and equipment, net         280,145         9,6907         Per Por Por porty and equipment, net         280,145         9,6907         Per Por Por porty and equipment, net         280,145         9,6907         Per Por Por porty and equipment, net         280,145         9,6907         Per Por Por Por porty and equipment, net         280,893         18,240         Per Por Por Por Por Por Por Por Por Por Po	Cash and cash equivalents	\$ 781,772	\$ 638,554
Deferred costs	Marketable securities	1,110,141	1,139,864
Prepaid expenses and other current assets         148,062         36,689           Total current assets         2,665,134         2,700,596           Property and equipment, net         885,786         796,907           Operating lease right-of-use assets         280,145         —           Deferred costs, noncurrent         179,616         183,518           Acquisition-related intangible assets, net         293,897         313,240           Goodwill         140,468         147,360           Cher assets         140,468         147,360           Other assets         5,522,174         5,522,746           Cotal assets         5,524,174         5,522,746           Cotal assets         25,522,746         1           Cotal assets         5,522,174         5,522,746           Liabilities and stockholders' equity         25,522,746         1           Current princip liabilities         29,993         24,784         29,993           Accrued expenses and other current liabilities         244,794         29,794         1           Current portino encompensation         64,107         —         1           Operating lease liabilities         235,464         244,307         24,430,79         24,430,79         24,430,79         24	Trade and other receivables, net	542,843	704,680
Total current assets         2,665,134         2,700,596           Property and equipment, net         880,789         796,907           Operating lease right-of-use assets         280,145         796,907           Deferred costs, noncurrent         179,616         183,518           Acquisition-related intangible assets, net         293,897         313,240           Goodwill         1,379,125         1,379,125           Other assets         140,468         147,360           Total assets         \$5,520,746         \$5,520,746           Liabilities and stockholders' equity         \$5,520,746         \$5,520,746           Current liabilities         \$3,146         \$29,093         \$5,200,746           Accrued expenses and other current liabilities         \$3,146         \$29,093         \$2,000           Accrued compensation         \$21,918         \$29,093         \$2,000         \$	Deferred costs	82,316	80,809
Properly and equipment, net   285,789   796,907   797,007   797,	Prepaid expenses and other current assets	148,062	136,689
Operating lease right-of-use assets         280,145         —           Defered costs, noncurrent         179,616         183,518           Acquisition-related intangible assets, net         293,897         313,240           Goodwill         1,379,125         1,379,125         1,379,125           Other assets         140,468         147,360         170,125           Total assets         5,824,174         \$5,520,746         170,125           Labilities and stockholders' equity           Current liabilities           Accorued compensation         \$35,146         \$29,093           Accorued compensation         224,794         207,924           Unearned revenue         1,734,442         1,837,618           Operating lease liabilities         64,107         —           Current portion of convertible senior notes, net         235,408         232,514           Total current liabilities         983,507         972,264           Unearned revenue, noncurrent         983,507         972,264           Unearned revenue, noncurrent         95,708         111,652           Operating lease liabilities, noncurrent         246,037         —           Other liabilities         3,779,426         3,562,304 <td>Total current assets</td> <td>2,665,134</td> <td>2,700,596</td>	Total current assets	2,665,134	2,700,596
Deferred costs, noncurrent	Property and equipment, net	885,789	796,907
Acquisition-related intangible assets, net         293,897         313,240         1 Goodwill         1,379,125         1,379,125         1 3,79,124         1 3,79,124         1 3,79,125         1 3,79,125         1 3,79,125         1 3,79,125         1 3,79,125         1 3,79,125         1 3,79,125         1 3,79,125<	Operating lease right-of-use assets	280,145	_
Godwill         1,379,125         1,379,125         1,379,125         147,360         17360         147,360         147,360         147,360         147,360         147,360         147,360         147,360         147,360         147,360         147,360         147,360         147,360         147,360         147,360         147,360         148,360	Deferred costs, noncurrent	179,616	183,518
Other assets         140,468         147,360           Total assets         \$5,824,174         \$5,520,746           Liabilities and stockholders' equity         Current liabilities:           Accounts payable         \$35,146         \$29,093           Accrued expenses and other current liabilities         129,182         123,542           Accrued compensation         244,794         207,924           Unearned revenue         1,734,442         1,837,618           Operating lease liabilities         64,107         —           Current portion of convertible senior notes, net         235,408         232,514           Total current liabilities         2,443,079         2,430,691           Convertible senior notes, net         983,507         972,264           Unearned revenue, noncurrent         985,708         111,652           Operating lease liabilities, noncurrent         246,037         —           Other liabilities         3,79,426         3,562,304           Total liabilities         225         221           Common stock         225         221           Accumulated other comprehensive income (loss)         13,113         (809         )           Accumulated other comprehensive income (loss)         12,146,304         )	Acquisition-related intangible assets, net	293,897	313,240
Total assets         \$ 5,824,174         \$ 5,520,746           Liabilities and stockholders' equity           Current liabilities         \$ 35,146         \$ 29,993           Accrued expenses and other current liabilities         129,182         123,542           Accrued compensation         244,794         207,924           Unearned revenue         1,734,442         1,837,618           Operating lease liabilities         235,408         232,514           Current portion of convertible senior notes, net         235,408         232,514           Total current liabilities         2,443,079         2,430,691           Convertible senior notes, net         983,507         972,264           Unearned revenue, noncurrent         95,708         111,652           Unearned revenue, noncurrent         246,037         —           Operating lease liabilities, noncurrent         3,779,426         3,562,304           Other liabilities         3,779,426         3,562,304           Stockholders' equity:         225         221           Additional paid-in capital         4,294,370         4,105,334           Accumulated other comprehensive income (loss)         13,113         (809         )           Accumulated deficit         2,262,960         ) (2,1	Goodwill	1,379,125	1,379,125
Current liabilities and stockholders' equity   Current liabilities:   S   S   S   S   S   S   S   S   S	Other assets	140,468	147,360
Current liabilities:       Accounts payable       \$ 35,146       \$ 29,093       4         Accrued expenses and other current liabilities       129,182       123,542       4         Accrued compensation       244,794       207,924       4         Unearned revenue       1,734,442       1,837,618       4         Operating lease liabilities       64,107       —       4         Current portion of convertible senior notes, net       235,408       232,514       4         Total current liabilities       2,443,079       2,430,691       4         Convertible senior notes, net       983,507       972,264       4         Unearned revenue, noncurrent       95,708       111,652       4         Operating lease liabilities, noncurrent       246,037       —       4         Other liabilities       3,779,426       3,562,304       4         Total liabilities       3,779,426       3,562,304       4         Stockholders' equity:       225       221         Accumulated other comprehensive income (loss)       13,113       (809       )         Accumulated other comprehensive income (loss)       13,113       (809       )         Accumulated deficit       (2,262,960       ) (2,146,304       )	Total assets	\$ 5,824,174	\$ 5,520,746
Accounts payable         \$ 35,146         \$ 29,093           Accrued expenses and other current liabilities         129,182         123,542           Accrued compensation         244,794         207,924           Unearned revenue         1,734,442         1,837,618           Operating lease liabilities         64,107         —           Current portion of convertible senior notes, net         235,408         232,514           Total current liabilities         2,443,079         2,430,691           Convertible senior notes, net         983,507         972,264           Unearned revenue, noncurrent         95,708         111,652           Operating lease liabilities, noncurrent         246,037         —           Other liabilities         3,779,426         3,562,304           Stockholders' equity:         225         221           Common stock         225         221           Additional paid-in capital         4,294,370         4,105,334           Accumulated other comprehensive income (loss)         13,113         (809         )           Accumulated deficit         2,044,748         1,958,442         )	Liabilities and stockholders' equity		
Accrued expenses and other current liabilities       129,182       123,542         Accrued compensation       244,794       207,924         Unearned revenue       1,734,442       1,837,618         Operating lease liabilities       64,107       —         Current portion of convertible senior notes, net       235,408       232,514         Total current liabilities       2,443,079       2,430,691         Convertible senior notes, net       983,507       972,264         Unearned revenue, noncurrent       95,708       111,652         Operating lease liabilities, noncurrent       246,037       —         Other liabilities       11,095       47,697         Total liabilities       3,779,426       3,562,304         Stockholders' equity:       225       221         Common stock       4,294,370       4,105,334         Additional paid-in capital       4,294,370       4,105,334         Accumulated other comprehensive income (loss)       13,113       (809       )         Accumulated deficit       (2,262,960       ) (2,146,304       )         Total stockholders' equity       2,044,748       1,958,442	Current liabilities:		
Accrued compensation       244,794       207,924         Unearned revenue       1,734,442       1,837,618         Operating lease liabilities       64,107       —         Current portion of convertible senior notes, net       235,408       232,514         Total current liabilities       2,443,079       2,430,691         Convertible senior notes, net       983,507       972,264         Unearned revenue, noncurrent       95,708       111,652         Operating lease liabilities, noncurrent       246,037       —         Other liabilities       11,095       47,697         Total liabilities       3,779,426       3,562,304         Stockholders' equity:       225       221         Additional paid-in capital       4,294,370       4,105,334         Accumulated other comprehensive income (loss)       13,113       (809       )         Accumulated deficit       (2,262,960       ) (2,146,304       )         Total stockholders' equity       2,044,748       1,958,442	Accounts payable	\$ 35,146	\$ 29,093
Unearned revenue       1,734,442       1,837,618         Operating lease liabilities       64,107       —         Current portion of convertible senior notes, net       235,408       232,514         Total current liabilities       2,443,079       2,430,691         Convertible senior notes, net       983,507       972,264         Unearned revenue, noncurrent       95,708       111,652         Operating lease liabilities, noncurrent       246,037       —         Other liabilities       11,095       47,697         Total liabilities       3,79,426       3,562,304         Stockholders' equity:       225       221         Additional paid-in capital       4,294,370       4,105,334         Accumulated other comprehensive income (loss)       13,113       (809       )         Accumulated deficit       (2,262,960       )       (2,146,304       )         Total stockholders' equity       2,044,748       1,958,442	Accrued expenses and other current liabilities	129,182	123,542
Operating lease liabilities       64,107       —         Current portion of convertible senior notes, net       235,408       232,514         Total current liabilities       2,443,079       2,430,691         Convertible senior notes, net       983,507       972,264         Unearned revenue, noncurrent       95,708       111,652         Operating lease liabilities, noncurrent       246,037       —         Other liabilities       11,095       47,697         Total liabilities       3,779,426       3,562,304         Stockholders' equity:       225       221         Common stock       225       221         Additional paid-in capital       4,294,370       4,105,334         Accumulated other comprehensive income (loss)       13,113       (809       )         Accumulated deficit       (2,262,960       ) (2,146,304       )         Total stockholders' equity       2,044,748       1,958,442	Accrued compensation	244,794	207,924
Current portion of convertible senior notes, net       235,408       232,514         Total current liabilities       2,443,079       2,430,691         Convertible senior notes, net       983,507       972,264         Unearned revenue, noncurrent       95,708       111,652         Operating lease liabilities, noncurrent       246,037       —         Other liabilities       11,095       47,697         Total liabilities       3,779,426       3,562,304         Stockholders' equity:       225       221         Additional paid-in capital       4,294,370       4,105,334         Accumulated other comprehensive income (loss)       13,113       (809       )         Accumulated deficit       (2,262,960       ) (2,146,304       )         Total stockholders' equity       2,044,748       1,958,442	Unearned revenue	1,734,442	1,837,618
Total current liabilities       2,443,079       2,430,691         Convertible senior notes, net       983,507       972,264         Unearned revenue, noncurrent       95,708       111,652         Operating lease liabilities, noncurrent       246,037       —         Other liabilities       11,095       47,697         Total liabilities       3,779,426       3,562,304         Stockholders' equity:       225       221         Additional paid-in capital       4,294,370       4,105,334         Accumulated other comprehensive income (loss)       13,113       (809       )         Accumulated deficit       (2,262,960       ) (2,146,304       )         Total stockholders' equity       2,044,748       1,958,442	Operating lease liabilities	64,107	_
Convertible senior notes, net       983,507       972,264         Unearned revenue, noncurrent       95,708       111,652         Operating lease liabilities, noncurrent       246,037       —         Other liabilities       11,095       47,697         Total liabilities       3,779,426       3,562,304         Stockholders' equity:       225       221         Additional paid-in capital       4,294,370       4,105,334         Accumulated other comprehensive income (loss)       13,113       (809       )         Accumulated deficit       (2,262,960       ) (2,146,304       )         Total stockholders' equity       2,044,748       1,958,442	Current portion of convertible senior notes, net	235,408	232,514
Unearned revenue, noncurrent       95,708       111,652         Operating lease liabilities, noncurrent       246,037       —         Other liabilities       11,095       47,697         Total liabilities       3,779,426       3,562,304         Stockholders' equity:       225       221         Common stock       225       221         Additional paid-in capital       4,294,370       4,105,334         Accumulated other comprehensive income (loss)       13,113       (809       )         Accumulated deficit       (2,262,960       ) (2,146,304       )         Total stockholders' equity       2,044,748       1,958,442	Total current liabilities	2,443,079	2,430,691
Operating lease liabilities, noncurrent       246,037       —         Other liabilities       11,095       47,697         Total liabilities       3,779,426       3,562,304         Stockholders' equity:       225       221         Common stock       225       221         Additional paid-in capital       4,294,370       4,105,334         Accumulated other comprehensive income (loss)       13,113       (809       )         Accumulated deficit       (2,262,960       ) (2,146,304       )         Total stockholders' equity       2,044,748       1,958,442	Convertible senior notes, net	983,507	972,264
Other liabilities       11,095       47,697         Total liabilities       3,779,426       3,562,304         Stockholders' equity:       225       221         Common stock       225,304       4,105,334         Additional paid-in capital       4,294,370       4,105,334         Accumulated other comprehensive income (loss)       13,113       (809       )         Accumulated deficit       (2,262,960       ) (2,146,304       )         Total stockholders' equity       2,044,748       1,958,442	Unearned revenue, noncurrent	95,708	111,652
Total liabilities       3,779,426       3,562,304         Stockholders' equity:       225       221         Common stock       4,294,370       4,105,334         Accumulated other comprehensive income (loss)       13,113       (809       )         Accumulated deficit       (2,262,960       ) (2,146,304       )         Total stockholders' equity       2,044,748       1,958,442	Operating lease liabilities, noncurrent	246,037	_
Stockholders' equity:       225       221         Common stock       4,294,370       4,105,334         Additional paid-in capital       4,294,370       4,105,334         Accumulated other comprehensive income (loss)       13,113       (809       )         Accumulated deficit       (2,262,960       ) (2,146,304       )         Total stockholders' equity       2,044,748       1,958,442	Other liabilities	11,095	47,697
Common stock       225       221         Additional paid-in capital       4,294,370       4,105,334         Accumulated other comprehensive income (loss)       13,113       (809       )         Accumulated deficit       (2,262,960       ) (2,146,304       )         Total stockholders' equity       2,044,748       1,958,442	Total liabilities	3,779,426	3,562,304
Additional paid-in capital       4,294,370       4,105,334         Accumulated other comprehensive income (loss)       13,113       (809       )         Accumulated deficit       (2,262,960       ) (2,146,304       )         Total stockholders' equity       2,044,748       1,958,442	Stockholders' equity:		
Accumulated other comprehensive income (loss)       13,113       (809       )         Accumulated deficit       (2,262,960       )       (2,146,304       )         Total stockholders' equity       2,044,748       1,958,442	Common stock	225	221
Accumulated deficit (2,262,960 ) (2,146,304 ) Total stockholders' equity 1,958,442	Additional paid-in capital	4,294,370	4,105,334
Total stockholders' equity 2,044,748 1,958,442	Accumulated other comprehensive income (loss)	13,113	(809)
	Accumulated deficit	(2,262,960 )	(2,146,304)
Total liabilities and stockholders' equity \$ 5,824,174 \$ 5,520,746	Total stockholders' equity	2,044,748	1,958,442
	Total liabilities and stockholders' equity	\$ 5,824,174	\$ 5,520,746

# Workday, Inc. Condensed Consolidated Statements of Operations (in thousands, except per share data) (unaudited)

	Three Months E 2019	Ended April 30, 2018	
Revenues:			
Subscription services	\$ 701,024	\$ 522,149	
Professional services	124,031	96,494	
Total revenues	825,055	618,643	
Costs and expenses (1):			
Costs of subscription services	112,469	80,245	
Costs of professional services	130,750	97,726	
Product development	347,831	263,584	
Sales and marketing	272,936	192,771	
General and administrative	84,455	55,581	
Total costs and expenses	948,441	689,907	
Operating loss	(123,386	) (71,264	)
Other income (expense), net	7,141	(3,848	)
Loss before provision for (benefit from) income taxes	(116,245	) (75,112	)
Provision for (benefit from) income taxes	30	(702	)
Net loss	\$ (116,275	) \$ (74,410	)
Net loss per share, basic and diluted	\$ (0.52	) \$ (0.35	)
Weighted-average shares used to compute net loss per share, basic and diluted	223,309	213,055	
(1) Costs and expenses include share-based compensation expenses as follows:			
Costs of subscription services	\$ 10,415	\$ 7,877	
Costs of professional services	16,150	10,792	
Product development	91,237	68,511	

## Workday, Inc. Condensed Consolidated Statements of Cash Flows (in thousands) (unaudited)

	Three Months End	ed April :	30,	
	2019	2018		
Cash flows from operating activities				
Net loss	\$ (116,275	) \$ (74	,410	)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation and amortization	61,165	38,66	64	
Share-based compensation expenses	185,235	132,6	659	
Amortization of deferred costs	20,880	16,36	06	
Amortization of debt discount and issuance costs	11,587	18,13	39	
Other	8,976	(9,28	9	)
Changes in operating assets and liabilities:				
Trade and other receivables, net	157,379	168,7	702	
Deferred costs	(18,485	(12,6	06	)
Prepaid expenses and other assets	(5,107	8,488	3	
Accounts payable	1,503	7,954	ļ	
Accrued expenses and other liabilities	21,403	11,62	27	
Unearned revenue	(119,098	) (122,	055	)
Net cash provided by (used in) operating activities	209,163	184,2	233	
Cash flows from investing activities				
Purchases of marketable securities	(471,054	) (908,	126	)
Maturities of marketable securities	460,097	686,6	676	
Sales of marketable securities	50,948	27,35	59	
Owned real estate projects	(39,634	(39,2	33	)
Capital expenditures, excluding owned real estate projects	(65,535	(48,8	62	)
Purchases of non-marketable equity and other investments	(2,200	(2,40	0	)
Other	23	_		
Net cash provided by (used in) investing activities	(67,355	) (284,	586	)
Cash flows from financing activities				
Proceeds from issuance of common stock from employee equity plans	3,455	2,611		
Other	(93	) (57		)
Net cash provided by (used in) financing activities	3,362	2,554	1	
Effect of exchange rate changes	(327	(420		)
Net increase (decrease) in cash, cash equivalents, and restricted cash	144,843	(98,2	19	)
Cash, cash equivalents, and restricted cash at the beginning of period	642,203	1,135	5,654	
Cash, cash equivalents, and restricted cash at the end of period	\$ 787,046	\$ 1,0	37,435	

Workday, Inc.
Reconciliation of GAAP to Non-GAAP Data
Three Months Ended April 30, 2019
(in thousands, except percentages and per share data)
(unaudited)

	GAAP		Share-Base Compensat Expenses	-	Other Operating Expenses (	2)	Amortization of Debt Discount and Issuance Costs		Income Tax Effects <sup>(3)</sup>	(	Non-GAAP	
Costs and expenses:												
Costs of subscription services	\$ 112,469		\$ (10,415	)	\$ (12,660	)	\$ —		\$ —		\$ 89,394	
Costs of professional services	130,750		(16,150	)	(3,459	)	_		_		111,141	
Product development	347,831		(91,237	)	(13,631	)	_		_		242,963	
Sales and marketing	272,936		(38,854	)	(12,834	)	_		_		221,248	
General and administrative	84,455		(28,579	)	(3,298	)	_		_		52,578	
Operating income (loss)	(123,386	)	185,235		45,882		_		_		107,731	
Operating margin	(15.0	)%	22.5	%	5.6	%	_	%	_	%	13.1	%
Other income (expense), net	7,141		_		_		11,587		_		18,728	
Income (loss) before provision for (benefit from) income taxe	s (116,245	)	185,235		45,882		11,587		_		126,459	
Provision for (benefit from) income taxes	30		_		_		_		21,468		21,498	
Net income (loss)	\$ (116,275	)	\$ 185,235		\$ 45,882		\$ 11,587		\$ (21,468	)	\$ 104,961	
Net income (loss) per share (1)	\$ (0.52	)	\$ 0.83		\$ 0.21		\$ 0.05		\$ (0.14	)	\$ 0.43	

- (1) GAAP net loss per share is calculated based upon 223,309 basic and diluted weighted-average shares of common stock. Non-GAAP net income per share is calculated based upon 245,333 diluted weighted-average shares of common stock.
- Other operating expenses include total employer payroll tax-related items on employee stock transactions of \$26.5 million and amortization of acquisition-related intangible assets of \$19.3 million.
- (3) 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 interim reporting periods. For fiscal 2020, the projected non-GAAP tax rate is 17%.

### Workday, Inc. Reconciliation of GAAP to Non-GAAP Data

Three Months Ended April 30, 2018 (in thousands, except percentages and per share data) (unaudited)

	GAAP		Share-Based Compensation Expenses		Other Operating Expenses <sup>(2)</sup>	)	Amortization of Debt Discount and Issuance Costs		Income Tax Effects <sup>(3)</sup>		Non-GAAP	
Costs and expenses:												
Costs of subscription services	\$ 80,245		\$ (7,877	)	\$ (4,452	)	\$ —		\$ —		\$ 67,916	
Costs of professional services	97,726		(10,792	)	(1,701	)	_		_		85,233	
Product development	263,584		(68,511	)	(8,797	)	_		_		186,276	
Sales and marketing	192,771		(25,612	)	(2,580	)	_		_		164,579	
General and administrative	55,581		(19,867	)	(1,867	)	_		_		33,847	
Operating income (loss)	(71,264	)	132,659		19,397		_		_		80,792	
Operating margin	(11.5	)%	21.4	%	3.2	%	_ 9	%	_	%	13.1	%
Other income (expense), net	(3,848	)	_		_		18,139		_		14,291	
Income (loss) before provision for (benefit from) income taxes	(75,112	)	132,659		19,397		18,139		_		95,083	
Provision for (benefit from) income taxes	(702	)	_		_		_		16,866		16,164	
Net income (loss)	\$ (74,410	)	\$ 132,659		\$ 19,397		\$ 18,139		\$ (16,866	)	\$ 78,919	
Net income (loss) per share (1)	\$ (0.35	)	\$ 0.62		\$ 0.09		\$ 0.09		\$ (0.12	)	\$ 0.33	

- (1) GAAP net loss per share is calculated based upon 213,055 basic and diluted weighted-average shares of common stock. Non-GAAP net income per share is calculated based upon 236,027 diluted weighted-average shares of common stock.
- (2) Other operating expenses include total employer payroll tax-related items on employee stock transactions of \$14.3 million and amortization of acquisition-related intangible assets of \$5.1 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 interim reporting periods. For fiscal 2019, the projected non-GAAP tax rate is 17%.

#### **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) 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) differs from GAAP in that it excludes share-based compensation expenses, employer payroll tax-related items on employee stock transactions, and amortization of 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 of acquisition-related intangible assets, non-cash interest expense related to our convertible senior notes, 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 as they exclude expenses that are not reflective of ongoing operating results. Management also believes that these non-GAAP financial measures provide useful information to investors and others in understanding and evaluating Workday's operating results and 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.
- 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.
- Amortization of debt discount and issuance costs Under GAAP, we are 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 are 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 are excluded from management's assessment of our operating
  performance because management believes that these non-cash expenses are not indicative of ongoing operating performance. Management believes that the
  exclusion of the non-cash interest expense provides investors an enhanced view of Workday's operational performance.

• 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 interim 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 2020 and 2019, we have determined the projected non-GAAP tax rate to be 17%. 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) 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.

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https://en-sg.newsroom.workday.com/2019-05-28-Workday-Announces-Fiscal-2020-First-Quarter-Financial-Results