

**Workday, Inc.**  
**First Quarter Fiscal 2027**  
**Prepared Remarks**  
**May 21, 2026**

[Introduction](#)

Thank you, Operator.

Welcome to Workday's first quarter fiscal 2027 earnings conference call. On the call we have Aneel Bhusri, our CEO; Gerrit Kazmaier, our President, Product & Technology; Rob Enslin, our President and Chief Commercial Officer; and Zane Rowe, our CFO. Following prepared remarks, we will take questions. Our press release was issued after close of market and is posted on our website, where this call is being simultaneously webcast.

Before we get started, we want to emphasize that some of our statements on this call, particularly our guidance, are based on the information we have as of today, and include forward-looking statements regarding our financial results, applications, customer demand, operations and other matters. These statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially. Please refer to the press release and the risk factors in documents we file with the Securities and Exchange Commission, including our fiscal 2026 Annual Report on Form 10-K, for additional information on risks, uncertainties and assumptions that may cause actual results to differ materially from those set forth in such statements.

In addition, during today's call, we will discuss non-GAAP financial measures, which we believe are useful as supplemental measures of Workday's performance. These non-GAAP measures should be considered in addition to, and not as a substitute for or in isolation from GAAP results.

You can find additional disclosures regarding these non-GAAP measures, including reconciliations with comparable GAAP results, in our earnings press release, in our investor presentation, and on the Investor Relations page of our website.

The webcast replay of this call will be available for the next 90 days on our company website under the Investor Relations link. Additionally, the prepared remarks of this call and our quarterly investor presentation will be posted on our Investor Relations website following this call.

Our second quarter fiscal 2027 quiet period begins on July 15th, 2026. Unless otherwise stated, all financial comparisons in this call will be to our results for the comparable period of our fiscal 2026.

With that, I will hand the call over to Aneel.

## CEO Remarks

Thanks, Justin. And thanks to everyone for joining us today.

It's great to be with all of you. I now have a full quarter under my belt since returning as CEO, and I truly feel the energy building at Workday every day—both around our path forward on AI and the company as a whole.

We're in New York City this week for the Sana AI Summit, where we've brought together some of the brightest minds in AI with our top customers. It's an incredible event, and it was great to see a few of you there.

A few weeks ago, we hosted our top industry analysts at our annual Innovation Summit.

Typically, a skeptical group—They came away genuinely impressed by the pace of innovation and by our renewed focus on operating like a startup.

One of them even called it the Re-Invention of Workday. Indeed, their reaction to our vision and execution around AI told me that we are absolutely on the right path.

So do our Q1 results.

We had a great first quarter. In fact, it was our best first quarter of new ACV growth in five years, anchored by the strength of our core business and the traction we're seeing with AI.

Following slower ACV growth in FY26, we're seeing momentum once again building in the business. I'm confident in our ability to drive accelerated new ACV bookings this year, as we bring new agents to market for our customers and drive even greater adoption.

Last quarter, I mentioned that I came back to help Workday lead again during the biggest technology transformation of our lives. After being back for three months, I have even more conviction that this is Workday's moment to lead.

But to do it, we need to operate differently than we have been.

In coming back, I was very focused on returning Workday to a startup orientation and a growth mindset. Indeed, I watched a lot of Steve Jobs videos where he talked about his management approach when he returned as CEO.

What struck me most wasn't what Apple built after he returned, which was obviously incredible. It was more about his management philosophy. There was one interview in particular from *All Things D*, where he called Apple the biggest startup in the world and said it was the startup mindset he brought back. Fewer layers, faster decisions, the best ideas winning, and more ownership.

We are trying to emulate that startup playbook. As the great philosopher Yogi Berra once said—and apropos that we are in NYC this week— "It's like déjà vu all over again." And so, we're going back to our founding principles.

I've said before, Chapter 4 is a re-founding moment for Workday. With AI, we are essentially a startup again. We're a startup sitting on one of the most important enterprise platforms ever built and the trust of more than 11,500 customers.

We need to embrace that mindset. It's all about focus and trust, clear ownership, and the best ideas winning. That's how we are leading Workday now. And it's how Dave and I led the company early on.

As part of this mindset, we've simplified our priorities to three:

- #1, Build and deliver the AI future.
- #2, Grow with our customers.
- And #3, live our values.

We've also streamlined ownership across the organization so every Workmate knows exactly how their work connects. Fewer things, done with greater focus.

A dedicated AI Agent Factory, building agents across all of our application areas.

Clear ownership and accelerated development of our AI APIs.

And we've got the right people to do it. We have some incredible leaders from the companies we've acquired, now in key roles at Workday.

One of them is Joel Hellermark, the founder of Sana, who we named our Chief AI Officer just today.

That's by design. These leaders know the startup mindset and they're helping Workday move faster and stay focused.

I've also thought a lot about why Workday wins in this new chapter. I've met with dozens of customers since I've been back and I keep hearing the same thing: Not one of them is looking to replace Workday with something they're building internally or from a startup.

Instead, they are looking to us first for AI solutions for the HR and Finance worlds, and hopefully IT in the future. It's really our opportunity for the taking, but we need to execute flawlessly and with speed.

We have all the requisite components: one data model for all customers, one security model, and a true cloud architecture. Our business process framework gives AI the rails it needs to operate safely and accurately inside the enterprise.

And over the past several years, we have completely rewritten our tech platform to be AI-native in the way we manage transactions, reports and UI requests.

That's basically the foundation we've spent 21 years building, and now it's been modernized for AI, down to the core OMS.

And we're delivering the results as well.

Q1 was our first quarter with both Sana and Paradox fully integrated. With Sana, we're giving our customers a completely new Workday experience. It's the new front door to Workday that is simple and modern.

The Sana platform is also the foundation for everything we're building in AI going forward. Joel and his team have created something remarkable, and the integration has gone further and faster than I anticipated.

We've already proven that customers trust Workday to deliver AI through the agents we acquired. This is the year we prove they'll also buy the agents we're building organically — agents only Workday can build, and Gerrit will share more on that momentum in a moment.

And while there are some who believe that AI can disrupt Workday, I see something different: our chance to once again be a disruptor, with AI clearly driving that disruption.

To that point, Gerrit will talk about Sana for ITSM and the new Travel agent we announced today at the Summit. These are early examples of what it looks like when we use Sana to rapidly innovate on top of our data and context.

What ties all of this together is one simple truth: customers don't want AI for AI's sake. They want AI that adds value to how they run their businesses. Our early adopter customers are already seeing that, and they want more from Workday.

To close, I am confident Workday is ready for this AI moment. Our core business is strong, our AI strategy is working, and our execution is accelerating, starting with Q1.

Seeing the agents Gerrit is building and the success Rob is having selling and deploying them with customers, I couldn't be more confident in our path ahead and ability to lead.

Gerrit, over to you.

## President, P&T Remarks

Awesome, thanks, Aneel. And hello to everyone.

For AI, the "world model" it is like the holy grail.

Today, a large language model, it just predicts the next token in a sentence.

And the world model, it is the step change needed for it to understand the physics of its real environment: it's about how things actually work and the laws that govern them.

On Workday's platform, we have over 80 million users under contract and approximately 1.4 trillion transactions annually, that is giving us a set of data and context that no other competitor can replicate. For more than 20 years, we've been on the journey of building the "World Model of Work."

And here is what we've done. We've mapped the patterns of work at scale:

- Who approves what. How money moves.
- How people get hired, assessed, developed, and scheduled for their work.
- And the policies, processes, and exceptions around them.

And here is the key insight, this World Model of Work is the best context engine for agentic HR, Finance and beyond.

It unlocks unmatched enterprise grade accuracy for AI automation.

All of this is adding up to agents that our customers can trust to perform actual work inside real business processes.

And you can see that clearly in the impact they're delivering already for our customers.

In Q1, for example, we have supported 14 million hiring processes with our Recruiting Agent, that is up 44% year over year.

And we have analyzed more than 1.1 million contracts with Contract Intelligence, that's up 53% from last quarter.

Now that's the World Model of Work, at Work!

And while we're driving all of this amazing impact, the pace of innovation at Workday is increasing.

We now have 20 organic agents in GA or EA.

And the number of customers using these agents has more than doubled quarter-over-quarter, with over 4,000 customers using at least one organically developed agent, as of today.

And here are a just few highlights for you:

Deployment Agent is now being used in our first end-to-end customer projects, it is designed to deliver an estimated 30% reduction in implementation hours and costs.

And in our next wave of AI-driven projects, we're aiming to get that reduction up to 50%.

And here's why this is so important.

This reduction in time and costs of deployment is removing a historic barrier to choosing Workday, particularly in the mid-market segment.

Further, customers like the University of Arkansas System, GE Vernova and Mohegan they are using Deployment Agent across their Workday systems to instantly resolve issues and answer questions, so admins, they can spend thier time moving their projects forward.

Also, we see a super fast take off of our Self-service agent. This quarter, our first Fortune 500 customers are expected to go live on Self-Service Agent.

And we will take another big step at the end of this month. All HCM and Finance customers on our AI terms of service they will get Sana for Workday and our Self Service Agent as a part of their existing contract.

So now let's talk about our accelerating AI business momentum.

In Q1, our new ACV from agentic AI products, it grew more than 200% year-over-year.

And we're also approaching \$500 million US Dollars in ARR from our Agentic AI Solutions.

But we're not stopping here.

AI lets us break free from the narrow definitions of legacy business applications that lead to frustrating user experience breaks and outsized spend for so many companies out there.

With Sana as our AI platform, we are pushing the boundaries of HR and Finance and IT with new AI solutions.

Just today, here in New York City, we announced two new agentic solutions from Workday that prove this out.

Sana Travel Agent brings business travel planning, booking and expenses into a single conversational experience.

With more than 5 million expense reports processed monthly on Workday—and much of it is travel—this agent takes on the heavy lifting.

It can automatically handle bookings, receipts, policy checks, and expenses. So employees get a more seamless travel experience and finance teams get real-time visibility into current spend and future travel commitments.

We also announced Sana for ITSM, which automates workflows for employee on- and offboarding, access changes, and everyday IT requests.

Many service requests start with employee lifecycle changes that Workday already knows about. Like joining a company, moving across teams or even exiting.

And with the key data, the worker identity, the org charts, job profiles and more running on Workday, we inherently know the chain of approvals, the required policies and the right work context.

That allows us to simplify and automate ITSM requests at a whole new level.

Lastly, let's take a look at the Workday Platform and our AI momentum there.

Workday Extend Pro enables customers to build their own AI-powered solutions on our platform, taking advantage of our AI APIs.

In Q1, Extend Pro continued to be one of our fastest-growing products, with new ACV nearly doubling year-over-year.

And here is our approach: at Workday we embrace the AI ecosystem and we design for openness, so our customers and our partners they can build their own AI innovations without locking them into a single vendor stack.

We're giving our customers choice, and three clear paths to run agents on the Workday platform—designed to meet them wherever they are:

- First, our customers can build their own AI agents with Workday's Agent-Ready Tools. These are a new class of Workday connectors and APIs that are purpose-built for autonomous consumption by AI agents at enterprise scale and available via open standards like MCP.
- Second, our customers can plug Workday's agents into any agentic front door using the A2A protocol. And already in Q1, we made Self-Service Agent available in Microsoft Teams, Microsoft Copilot and Google Gemini.

- Third, they can use Workday’s agents in Sana for the fully optimized work experience, where Workday provides the reasoning, the context and the ultimate AI user experience. It’s the AI workbench for work.

These options give our customers and partners the flexibility to adopt AI the way that best fits their business.

So stay tuned for our upcoming annual developer conference, DevCon, the first week of June in Las Vegas. There we’ll announce new Workday AI platform innovations.

And here is the bottom line of all of this, Enterprise AI starts to pay off when agents can perform actual work with the same approvals, security, policy and guardrails that govern the rest of the business.

That’s exactly the future we’re delivering for our customers:

- Powerful AI Agents
- Harnessing the world’s model of work
- Build on an open platform

Over to you, Rob.

### [President, CCO Remarks](#)

Thank you, Gerrit, and hello everyone.

We’re proud that more than 11,500 customers around the world trust Workday with the most important parts of their business—from payroll to closing the books. And as Aneel said, growing with our customers is one of our top priorities. You see that in our results.

In Q1, expansions once again drove roughly 60% of our subscription revenue growth, with customers like Queensland University of Technology, Rakuten Group and Bank OZK expanding their relationships with Workday.

We also continue to go deeper in Federal and had a record turnout at our 4th annual Fed Forum in D.C. last month with nearly 600 attendees. And in Q1, we kicked off the next phase of our contract with the Defense Intelligence Agency.

Also in Q1, net new business drove 40% of our subscription revenue growth. We formed new relationships around the world with key brands, including Harley Davidson, Del Monte, Australian Gas Infrastructure Group, Smiths Group, Heartland Dental, and ACHM Hotels by Marriott.

State and local government was also a standout this quarter, where we signed statewide deals with The State of Delaware and The Commonwealth of Massachusetts.

Turning to AI, the numbers this quarter tell a clear story.

More than a quarter of new ACV from customer base expansions came from AI. And expansion deals that included AI were over 50% larger on average. The pattern is consistent: customers who adopt our AI go deeper on the platform.

The University of Arkansas System is a great example.

They have 21 institutions, including research universities, community colleges, and an academic medical center, all on a single Workday instance. They process over 2 million transactions a month.

And in Q1, they used our Deployment Agent there to cut support tickets and uncover configuration insights that once required manual searches. Deployment Agent has significantly increased their operational velocity and allowed them to scale Workday with less reliance on external consultants.

Our Flex Credits pricing model is quickly gaining traction. With Flex Credits, we've unified AI monetization across Workday—one model for agents, AI APIs, and Data Cloud. It makes AI adoption simpler for our customers.

While still early in the journey, we're seeing a growing mix of AI monetization coming through Flex Credits. And, as we bring our new agentic innovations and acquired agents onto the model throughout the year, this will become a more meaningful part of how we grow.

We're also continuing to make progress outside of North America.

In APAC, we expanded operations into Vietnam, which opens up a brand new market for Workday. This strategic expansion is made possible by five global and regional partners, all dedicated to meeting the growing local demand in Vietnam for digital transformation.

And in EMEA, we launched an EU-based data residency in Frankfurt. This was a significant milestone for European customers with data sovereignty requirements.

We're also expanding Workday GO globally to help these customers get up and run faster in a more standardized way. EMEA is now our second-largest region for medium enterprise—which we define as 500 to 3,500 employees—and new ACV in that segment grew by more than 50% in the quarter.

Workday GO is now available in France, Germany, and the UK, with an additional 14 countries available through our partner network.

Speaking of partners, our ecosystem continues to be a meaningful driver of our growth. In Q1, roughly 30% of net new ACV was sourced by partners. We also hit several milestones worth mentioning, including:

- Insperity's HRScale solution is now generally available, bringing Workday to the PEO market for the first time to deliver full-service HR for growing businesses;

- Workday Recognition, powered by Achievers, is live;
- And we expanded our Workday Wellness program with Morgan Stanley at Work and Perkspot.

The momentum this quarter was broad. Across expansions, net new, AI, and international, we are growing with our customers and continuously evolving to meet their needs.

Now, over to Zane to share more on our financials.

### CFO Remarks

Thanks, Rob, and thank you to everyone for joining today's call. As Rob mentioned, our results this quarter demonstrate ongoing customer adoption across our platform as enterprises around the globe turn to Workday to manage and empower their most important assets.

Subscription revenue in Q1 was \$2.354 billion, up 14%. Professional services revenue was \$188 million, resulting in total revenue of \$2.542 billion, growth of 13%

From a geographic perspective, U.S. revenue in Q1 totaled \$1.89 billion, up 13%, and international revenue totaled \$649 million, up 16%.

12-month subscription revenue backlog, or cRPO, was \$8.81 billion at the end of Q1, growing 15.5%. This was driven by continued customer expansion - bolstered by our AI solutions - and growth from new customers.

Total subscription revenue backlog at the end of Q1 was \$27.29 billion, up 11%.

Gross revenue retention rates remained strong at 97% in the quarter. Net customer expansion rates remained consistent with what we observed last quarter, contributing roughly 60% of our subscription revenue growth for Q1.

Non-GAAP operating income for the first quarter was \$809 million, representing a non-GAAP operating margin of 31.8%. Margin strength was the result of the revenue outperformance, combined with favorable spend versus expectations.

Q1 operating cash flow was \$696 million, growth of 52%, and free cash flow for the quarter was \$616 million, growth of 46% and in line with our expectations.

We repurchased \$1.6 billion dollars of our shares during the quarter and had \$1.3 billion in remaining authorization as of April 30.

We ended the quarter with \$4.4 billion in cash and marketable securities.

Our headcount as of quarter end stood at 20,834 workmates around the globe.

Now turning to guidance. We remain focused on driving adoption of our agentic solutions across HR and Finance, while expanding into adjacent market opportunities providing a foundation for long-term growth. We are pleased with our performance in Q1, and we are reiterating our FY27 subscription revenue outlook of \$9.925 billion to \$9.950 billion, growth of 12% to 13%.

We expect Q2 FY27 subscription revenue to be approximately \$2.455 billion, growth of 13%.

We anticipate cRPO to increase between 13.5% and 14.5% in Q2.

For Q2, we expect professional services revenue of \$180 million.

As Aneel mentioned, we are streamlining how we operate the business and are focused on investing in areas with the highest returns. We are increasing our FY27 non-GAAP operating margin guidance to 30.5%. For Q2, we expect a non-GAAP operating margin of approximately 30%.

We expect the Q2 GAAP operating margin to be approximately 19 percentage points lower than our non-GAAP operating margin, and the full-year FY27 GAAP operating margin to be approximately 18 to 19 points lower.

The FY27 non-GAAP tax rate is expected to be 19%.

We are maintaining our FY27 operating cash flow outlook of \$3.45 billion, and we continue to expect FY27 capital expenditures of approximately \$270 million, resulting in free cash flow of \$3.180 billion, growth of 15%.

In closing, we remain focused on the potential for AI to transform our HCM and Finance solutions. While still early in this journey, we are beginning to see the benefits from AI to our business model across both the top and bottom-line, and we are executing on a framework to drive long-term growth while expanding GAAP and non-GAAP margins. We look forward to updating you on our progress in the quarters ahead.

With that, I'll turn it back over to the operator to begin Q&A.

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