Workday, Inc.
Second Quarter Fiscal 2027
Prepared Remarks
August 27, 2026

Introduction

Thank you, Operator.

Welcome to Workday's second quarter fiscal 2027 earnings conference call. On the call we have Aneel Bhusri, our CEO; Gerrit Kazmaier, our President, Product & Technology; Gabe Monroy, our Chief Technology Officer; 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 and solutions, 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 third quarter fiscal 2027 quiet period begins on October 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 pass the call to Aneel.

Co-Founder, CEO and Chair Remarks

Thanks, Justin, and thanks everyone for joining us today. It's hard to believe I've been back in the CEO seat for six months.

Time flies when you're having fun. And I'm having a lot of fun. This is a fun time to be back in the tech industry.

Q2 was another strong quarter, and AI played an increasingly big role. AI products alone drove more than $100 million of new ACV, which accounted for more than 25% of all new ACV closed in the quarter. And it's starting to lift our core business too, including our win rates.

We had commercial success with AI in the quarter, including strong early returns with Flex Credits. And we expect this to accelerate going forward. But what I'm watching more closely is adoption.

Today, more than 5,500 customers are using one or more of our organic agents. That's up more than 35% from last quarter.

As we continue to build organic agents on Workday, we're also deeply integrating acquired agents, like those from Paradox, HiredScore and Evisort into our platform.

And we signed some of the world's largest brands to our Lighthouse program, which gives strategic customers Sana Enterprise free for a year.

We rolled it out to our own workmates last month, and they're hooked. I expect these customers will be too. And we know that if we deliver the value, monetization will follow.

After two strong back-to-back quarters, I really like the momentum we have going into the second half of the year.

Gerrit and our product and technology teams have our innovation engine humming again. While Rob and his team have done a phenomenal job building pipeline that will drive more new business.

Zane will cover the numbers shortly, including the impact of AI adoption on our outlook for the second half and FY28.

I've spent much of the past six months with customers. Last quarter I told you I hadn't met a single customer who was looking to replace Workday with something they're building internally or buying from a startup. A quarter later, that hasn't changed.

The reason is the deterministic rails I've talked about before. Our agents are lawful—they work inside the permissions, policies and business processes a company already runs on. That's why our customers can trust them with the work that matters. And it’s why we’re seeing our organic agents really take off this year.

One of those customers is BMO, a top ten bank in North America. They piloted Self-Service Agent with 500 employees in May and successfully rolled it out to all 55,000 employees in June. SSA gives BMO's employees and managers a personal, intuitive way to get HR questions answered and work done faster and easier.

And because it's native to Workday, the agent understands employee permissions and which HR policies apply to them. That built-in context is exactly what makes this a responsible and scalable AI deployment for BMO.

BMO is one of many. More customers are moving from pilots to production with our agents.

But we know that no one company will build every agent. The future will be open, and CIOs need a trusted platform to connect it all.

We’re building for that world with Data Cloud and Developer Agent. Data Cloud lets customers use their Workday data alongside the other systems they run on, without copying or moving it. Customers see the value, and demand is building.

Developer Agent—which we announced at DevCon in June—makes it dramatically faster and easier for developers to build on Workday using natural language. It’s one of the innovations I’m most excited about.

I'll add just one thing, because I don't think it's fully understood. Workday is not just an enterprise apps company. We're an enterprise context platform, and we were built that way from the start.

Agents need context to do anything useful. Who reports to whom, what the policies are, how money moves. So whether a customer runs our agents or builds their own on top of Workday, we win either way. Gabe will go deeper on this shortly.

Finally, Rising is coming to Las Vegas, October 12-15.

I have to tell you, Gerrit and his team walked me through our Rising announcements, and I was blown away by how much innovation we have to show. Not slides. Live demos, and customers talking about the work our agents are already doing inside their businesses. That's the proof I care about most.

We’ll also be hosting our Financial Analyst Day at Rising and I hope to see you all there.

To close, as many of you know, I’m an unabashed optimist, but I’m not leaning on optimism here.

We're shipping AI products. Our customers are adopting them rapidly. And it's happening across the board, from the agents we built ourselves, to the ones we've acquired.

This is Workday's moment. And I've never felt better about where we're headed.

With that, I'll hand it over to my Vulcan mindmeld friend, Gerrit.

President, P&T Remarks

Thanks, Aneel, and hello everyone.

In Q2, once again, we have accelerated our roadmap and added new AI capabilities across our platform. All of it builds on our unique World Model of Work, and we keep moving more agents into production at scale.

So let me put this into numbers for you: Nearly $600 million in ARR from our AI SKUs, and that's up more than 200% year-over-year and up over 20% from last quarter.

Here is what this looks like in practice:

In recruiting, more than 30 million candidates interacted with our Talent Acquisition Agent, and the AI automatically scheduled more than 8 million interviews last quarter alone.

In functions like Procurement and Legal, Workday's Contract Intelligence Agent drove nearly 70% year-over-year growth in agreements processed.

And in HR case resolution, more than 100 customers moved Sana Self-Service Agent into production last month. Since February, we've nearly doubled the AI tools and skills in the agent that run in production.

So now, let's talk about three key innovation highlights from last quarter: Sana, Adaptive Decision Intelligence, and our Deployment and Adoption Agents.

Let's talk about Sana Enterprise first.

Sana Enterprise is our AI workbench for HR, Finance, and IT to build, orchestrate, and run AI across the entire enterprise. In Q2, we shipped 23 new capabilities in Sana that open up what customers can do with it.

For example, our brand new Sana Agent Builder lets any user create an agent in natural language, then run it on a schedule or trigger it on a business event. Every one of those agents runs in a secure sandbox.

We now have one shared agent task inbox in Sana, where work is managed in one place, both human and AI.

And we added custom MCP connectors, so Sana can connect to any third-party application out there.

This innovation is already changing AI adoption, inside and outside of Workday.

Here is what we have done. We rolled out Sana Enterprise internally on August 4th and already have over 12,000 active users on it. These Workmates have built 22,000 custom agents in three weeks alone! Now this is what AI looks like when it is embedded into real work.

We have also brought Workday Learning and Sana Learn together into one product. It is in GA now with a learning admin agent, AI-based course generation, an AI tutor for self-paced learning, and MCP support as part of our open platform.

And the results are clear. In Sana, monthly active users grew almost 190% year-over-year, and 78% of all published courses were created with AI.

And we are taking the next major step with Sana for Workday. As we shared in the past, Sana is our vision for an AI-driven work experience across Workday and beyond.

With our unique, metadata-driven platform, we can now unlock all Workday processes through generative UI in Sana. So by Workday Rising in October, Sana's conversational AI experience will be the default home screen for Workday!

The second big AI innovation is Decision Intelligence. As you know, frontier models are good at analyzing data, but they sit on the sidelines of the operational system. They are detached from business semantics. They are working off downloaded spreadsheets, and they are unable to close the loop back to where the work actually happens.

Adaptive Decision Intelligence is different. It is our AI agent for analytics and planning that runs analysis, generates plans, and takes governed action directly inside Workday—always under our security model, audit trails and governance rules.

On July 31st, Adaptive Decision Intelligence entered GA. And this was one of the fastest products we've ever delivered—from concept to general availability in four months, and it's built organically within Workday.

Here is what we have shipped:

- All AI agent-based live analysis of plan data
- Scenario modeling
- Sensitivity analysis
- Regression models

- Version comparison
- And AI recommendations that you can submit as governed plan updates with approval, audit trails and staleness detection.

And as of today, 170 customers have already purchased it. And one EA customer told us it gives finance teams answers that they can actually defend.

And we are not stopping here. We just kicked off the early adopter program connecting Adaptive Decision Intelligence directly into Workday Finance, to give it access to journal lines, plan data, and our accounting center. Our customers can now tie AI to financial outcomes with transaction-level evidence.

And next, we're going to move this to Workforce Analytics, connecting live people data with financial decisions in one AI agent experience.

And our third AI highlight for the quarter is Deployment and Adoption Agents.

Deployment Agent momentum has been dynamite. As of today, we have more than 4,600 customers, almost 24,000 users, and query volume surging nearly 500% in Q2.

Mohegan Gaming is now live and they say the downstream impact is priceless: Deployment Agent deploys updates so rapidly that employees remain focused on their core business.

Our long-term target is to reduce deployment task time with this agent by 80 to 90%!

Once customers are live, Adoption Agent helps keep them ahead of what's new. It surfaces the releases that matter and recommends the next step for their environment.

Adoption Agent entered GA just last week. We had more than 200 customers signed on in the first three days alone—with 20,000 release notes evaluated and achieved a 94% customer satisfaction rate.

One customer, Solution Health, used Adoption Agent on their latest release. They ran it across every functional area. And they've cut that release time down by 70%.

And here is why this matters so much: faster deployments, faster adoption, and a lower cost to serve are fueling Workday GO's momentum in medium enterprise.

Workday GO's win rates and deal volume both increased in Q2!

And here's one more note: Travel Agent and Sana for ITSM, have both moved to Early Adopter with the first customers already onboarded.

And the bottom line for all of this: The World Model of Work is not a thesis. It is in production, it is compounding, and you can see it in the numbers.

A key part of this vision is our open platform strategy, unlocking the power of Workday for our customers and the ecosystem around us.

I'm going to pass it to our very own Gabe Monroy, Workday CTO and the leader of our open technology platform, to share our progress here. Gabe, take it away!

CTO Remarks

Thanks, Gerrit. It's good to be here. Building on what Aneel said, it's almost as though Workday was built for AI 20 years ago.

Having one data model, one security model, and one version for every customer from the start is an incredible advantage, and it's a big reason why I came to Workday.

Over the last several years, we've modernized that foundation to handle the complexity of running AI at scale. We built tools that can query Workday using industry-standard analytics solutions, and an MCP layer so AI models can talk to our APIs in natural language.

But access is only half of it. The stakes are different in the world of people and money. That's why we've updated our security model, and built the Agent System of Record, so our agents act with the same permissions, rules, and controls our customers already trust.

An agent isn't just a model. It's identity, permissions, guardrails, logs, and governance all working together. That's what separates a lawless agent from a lawful one. A lawless agent will attempt to take an action on its own. A lawful agent takes an action because the system allows it. Inside Workday's deterministic rails, every step is checked against the security model, the business process framework, and the compliance logic before it runs.

Now, in Q2, we advanced our platform strategy in three ways: making it more open, extensible, and lawful. Starting with being Open. CIOs aren't going to settle for a single, rigid AI stack, so we built Workday with three paths in.

Developers building custom agents on their own AI stacks need safe, governed access to Workday—both for querying data and for taking action.

Data Cloud gives external agents and partners like Snowflake, AWS, and Google zero-copy access to HR and Finance data. In Q2, we closed six deals with all customers choosing our premium Data Cloud Pro edition. Data Cloud remains on track for GA in Q3.

And at DevCon, we launched Agent-Ready Tools over MCP. These agent APIs allow third-party agents—on any stack—to safely get work done inside Workday, like updating an employee record or approving an invoice without breaking corporate rules. Agent-Ready Tools are now available to early adopters through Workday Extend Pro, with GA in Q3.

Today, more than 1,600 customers use Workday across third-party surfaces like Teams and Slack, as well as Copilot and Gemini, which we added in Q1. Over 100 of those customers are already leveraging Self-Service Agent directly in the tools they use every day. Whether a manager approves spend or logs an expense right in chat, the underlying policy checks and compliance stay securely anchored inside Workday.

And some work simply outgrows a chat bubble. Travel and IT Service Management, which Gerrit mentioned earlier, need a canvas. That work lands in Sana, where we own both the reasoning engine and the experience.

Whether a customer uses their own agent, uses our agents with their own front door, or uses Sana—we meet them wherever they work.

And because all of it runs through Flex Credits, we monetize every action happening on our rails regardless of the path.

In Q2, custom apps built on Workday Extend grew over 90% year-over-year, even when building required specialized engineers. Our new Developer Agent removes that bottleneck. Now, builders can generate policy-compliant workflows using plain language directly inside tools like Cursor, Codex, and Claude Code. This takes development time from weeks to minutes, and opens up the platform to all builders. Customer uptake was instant. Developers have built more than 3,000 custom apps and agents since DevCon.

As we expand these plain-language tools across our user base, we fundamentally shift our business model. You don’t have to be an engineer to build on Workday.

Finally, none of this matters if the transactions are not lawful. In Q2, we launched Agent Passport. It gives security teams a verified, auditable record that an agent was tested against critical risks before it deployed, and is monitored after.

Cisco joined as a launch partner, bringing Cisco AI Defense to test agents against leading standards and protect them in production. We’ll add more security partners and attestation stamps in the coming months, giving CISOs the confidence required to route higher-value work through Workday.

In short: our customers can work where they want. Build in plain language. And trust every execution. With that, I’ll hand it to Rob.

President, CCO Remarks

Thanks, Gabe, and hello everyone. Our customers trust Workday with the most important parts of their business, and we see it in the field every day. Companies on legacy HCM and ERP systems are realizing they can't get value from AI without modernizing their core. They want one platform they can trust for security and reliability, which is a big driver behind the demand for Sana Enterprise.

AI is amplifying the value of the software stack customers already trust. You can see those tailwinds in our Q2 results.

With more than 65% of the Fortune 500 running on Workday, we continue to bring on some of the world's leading brands.

In Q2, we formed new relationships with companies such as KPMG US, Danske Bank, BWX Technologies, and Guidehouse.

In medium enterprise, as you heard from Gerrit, Workday GO is taking off: customer volume increased more than 5x over Q1.

Across large and medium enterprises, AI is a key reason companies are modernizing their core on Workday. In fact, over half of our net new wins in Q2 signed up for one or more AI solutions.

And we're seeing even faster AI adoption across our base, as customers leverage our unmatched HR and Finance context to truly unlock the value of AI in the enterprise.

Genesys is using our new Financial Audit Agent. Their Chief Accounting Officer described it as "*the first step toward the dream of getting a touchless audit*."

Seminole Hard Rock Services is using Payroll Agent to automate complex tax and compliance calculations for 28,000 employees.

And Carlyle Investment—one of our first 20 customers back in 2007—added Sana Enterprise to power an AI layer over the employee experience. This builds on the other AI agents they recently added including recruiting, contract intelligence, and planning.

Sana Enterprise had an exceptional launch in Q2. New customers included AstraZeneca, Novartis, Caterpillar, and Delivery Hero Group.

Since we combined Sana Learn with our core Learning Management System, we've seen a sizable jump in our overall learning business, which more than tripled quarter over quarter.

Adaptive Decision Intelligence helped drive strong performance across the entire Planning business. And our ecosystem is moving fast with it. Partners have helped build more than 100 industry-specific use cases in a little over a month.

In late May, we made Sana for Workday and Sana Self-Service available to all customers on our

AI terms of service. That drove a surge in the number of customers that have signed our Universal Main Service Agreement, which gives them access to our agents and AI capabilities.

That strategy clearly worked; more than half of our customer base has already migrated to the UMSA, and that momentum is accelerating.

Our focus now shifts to driving adoption through Flex Credits. We've already signed 200 customers this quarter, and we expect to significantly grow that number in the second half as R2 adds more GA agents and expands our platform and Data Cloud capabilities.

We continue to see strong execution across the globe. North America, our largest market, had an exceptional quarter, anchored by U.S. Large Enterprise and another strong quarter in Canada. EMEA drove solid growth, with strong performance in France, Germany, and the Nordics. AI now accounts for nearly one-third of new ACV in EMEA. Japan also had a standout quarter, further proof that our continued investment there is paying off.

I'm proud of the results our teams delivered across the business in Q2.

Let me close where I started, with trust. For more than twenty years, organizations have trusted Workday with their most critical work, and now with their AI.

That's a durable advantage, and it sets us up for an even stronger second half.

Now, over to Zane.

CFO Remarks

Thanks, Rob. Good afternoon, everyone, and thank you for joining us. Building on Rob's remarks, our second-quarter results reflect the continued strength of our platform as organizations rely on Workday to power their most critical HR and Finance operations.

Subscription revenue in Q2 was $2.471 billion, up 14%. Professional services revenue was $178 million, resulting in total revenue of $2.649 billion, growth of 13%.

Looking at our results by geography, U.S. revenue totaled $1.97 billion, an increase of 12%, while international revenue was $682 million, up 17%, benefitting from stronger performance over the last few quarters.

Turning to backlog, 12-month subscription revenue backlog, or cRPO, ended the quarter at $9.03 billion, an increase of 14.2%. Growth was again fueled by expansion within our existing customer base—with AI increasingly a driver—alongside a steady contribution from new logos.

Total subscription revenue backlog ended Q2 at $27.40 billion, up 8% from a year ago. The year-over-year growth rate was impacted by a continued mix shift towards customer-base bookings versus net new, and the mix of industries that drove our net new bookings.

Gross revenue retention remained strong at 97% for the quarter, and net expansion from existing customers once again led to about 60% of our subscription revenue growth.

Non-GAAP operating income was $824 million for the quarter, representing a non-GAAP operating margin of 31.1%, driven by a combination of revenue outperformance and ongoing cost discipline.

Our GAAP results in the quarter included a $374 million non-recurring tax benefit related to an internal IP transfer.

Operating cash flow totaled $520 million in the quarter, and free cash flow was $460 million. The year-over-year decline was impacted by the timing of the payroll calendar, which had an additional payroll run this Q2.

We repurchased $1.3 billion of shares during the quarter, completing the $5 billion repurchase plan that we discussed at our Financial Analyst Day last September - six months ahead of our target. Buybacks will continue to be an important part of our capital allocation philosophy, and our Board has recently approved a $4 billion open-ended share repurchase program.

We ended the quarter with cash and marketable securities of $3.4 billion.

Our headcount as of quarter end stood at 20,896 Workmates around the globe.

Turning to our outlook. We are pleased with our first half results, and we now expect FY27 subscription revenue of $9.940 to $9.950 billion, growth of 13%.

For the third quarter, we expect subscription revenue of approximately $2.515 billion, growth of 12%.

We expect Q3 cRPO growth of 11% to 12%. We lap the Paradox acquisition in the third quarter, which added over a point to last year's Q3 cRPO growth.

For Q3, we expect professional services revenue of $175 million, and for the full year we expect $710 million.

We continue to prioritize investment in AI alongside strategic investments in the core, while driving efficiencies across the business; with that, we are increasing our FY27 non-GAAP operating margin guidance to 31%. For the third quarter, we expect a non-GAAP operating margin of approximately 30%. We expect to continue expanding margins while positioning ourselves for future growth.

We expect Q3 GAAP operating margin to be approximately 18 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.

Our FY27 non-GAAP tax rate estimate remains 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%.

As our Q2 progress demonstrates, embedding AI across Workday's platform provides a significant opportunity to drive customer value.

While we're still in the early innings, demand for our agentic portfolio is building.

We're focused on driving discovery and adoption through initiatives like our Lighthouse program, which we believe will benefit subscription revenue growth over time. And we continue to execute against a framework that delivers both top-line growth and margin expansion.

With that in mind, and ahead of our upcoming Financial Analyst Day, I'd like to provide some early context for how we're thinking about next year.

Our current target for FY28 subscription revenue growth is consistent with our expected second half FY27 growth rate of approximately 11%. We also see potential upside across new products including Sana Enterprise, Workday Extend with Data Cloud, and our AI agents, all of which are seeing great early demand.

In addition, we expect our non-GAAP operating margin to expand by at least two percentage points next year.

We're encouraged by the significant opportunity ahead to continue to deliver long-term earnings and free cash flow growth.

We look forward to diving deeper into our platform innovation at our Financial Analyst Day on October 13th in Las Vegas, and we hope to see many of you there.

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

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