Workday, Inc.
Third Quarter Fiscal 2027
Prepared Remarks
November 24, 2026

Introduction

Thank you, Operator. Welcome to Workday's third quarter fiscal 2027 earnings conference call. On the call we have Aneel Bhusri, our CEO; Gerrit Kazmaier, our President, Product & Technology; Max Wessel, our Senior Vice President, Product; 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 and our most recent Quarterly Report on Form 10-Q, 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 fourth quarter fiscal 2027 quiet period begins on January 15th, 2027. 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.

Co-Founder, CEO and Chair Remarks

Thanks, Justin.

This is my fourth earnings call since coming back. And one of my biggest priorities was getting our innovation engine humming again.

I'm really proud to say we're delivering on that promise.

Gerrit and his team have done a phenomenal job. They've brought a new level of speed and focus to our product organization. And I think they're just getting started.

These past few quarters have been our strongest on the innovation and invention front since the very early days of Workday.

And what excites me most is that we're not just talking about what AI might do. We're actually delivering products our customers can use today.

We saw that momentum firsthand at Rising. Nearly 40,000 people joined us across all of our events in the U.S. and EMEA. The level of customer interest was tremendous.

And we're seeing that interest translate into business momentum.

In Q3, our AI products drove nearly $150 million in new ACV, up more than 3x year-over-year. More than half of that came from our organically built AI products and Flex Credits, which had its strongest quarter yet.

To me, that's a pretty clear sign that customers believe in what we're building and that our innovation engine is working well.

And I think there's an even bigger opportunity here, particularly with the office of the CIO and CISO, which I will touch on in a bit.

I've said this many times before: no one company is going to build every AI agent. And customers aren't going to rely on just one AI platform.

From our perspective, customers need the freedom to innovate, but they also need a trusted foundation for all of that AI to work together.

That's where Workday has a real advantage.

Think about what an AI agent needs to have access to for it to do useful work. It needs to understand the identity of its role, who reports to whom, what a company's policies are, how money moves, and how the business actually works.

We've been building that foundation for more than 20 years.

So whether customers use our agents, build their own, or bring in agents from other providers, Workday has an important role to play.

And that opens up a much bigger opportunity for us with CIOs and their IT teams.

For the office of the CIO, we are seeing great traction with our new Data Cloud offering. The product is off to an amazing start. And with new offerings like Agent Harness and Agent Ready Tools, customers have more tools to build lawful agents on Workday.

And with our acquisition of C1.ai, which officially closed last week, we're becoming an essential identity, governance and security layer for people, money, and autonomous agents.

As a reminder, the upstream system that drives identity is none other than the core HCM system of record, and most of our HCM customers use Workday for that purpose.

It's clear that every organization is moving towards a workforce of humans and agents.

And with the addition of C1, Workday is uniquely positioned to help customers manage both of those types of workers.

This is the new hybrid enterprise and it matters to CEOs, CIOs, CFOs and CHROs alike. It's a big long-term bet for us. Gerrit will talk a lot more about it.

Now, as I've said before, one of the things I'm most focused on is customer adoption of our new AI offerings.

We're evolving our business model to support this new world, expanding Flex Credits alongside our core subscriptions. And we're investing heavily in FDE type resources across the business to help customers get up and running with our AI faster and see the value sooner. Gerrit and Rob will share more on that shortly.

We absolutely recognize that there's a lot more work ahead of us on the AI front, particularly in helping customers go from investing in AI to using it at scale and achieving real measurable business results.

As an industry, we are still in the early days of this massive technology transition, particularly in the business world. Heading into Q4 and next year, I am optimistic about the growth opportunity in front of us and our ability to help our customers get the most out of their AI investments tied to their use of Workday.

Last but not least, we can't forget about the products that brought us to where we are today. Our core HR and Financials businesses continue to thrive and we continue to add new capabilities and address new markets, Max will talk later about some of these new and exciting core product offerings.

With that, I'll hand it over to my good friend Gerrit to talk in more detail about the new innovation that is coming out of Workday.

Over to you Gerrit!

President, P&T Remarks

Thanks, Aneel, and hello everyone.

To build on Aneel's point about innovation velocity, let me share some key numbers with you.

We ended Q3 with over $750 million in ARR from our AI SKUs. That's up more than 130% year-over-year and nearly 25% up from last quarter.

More than 2,200 core customers have purchased at least one AI product—also up nearly 25% from last quarter.

This is a key signal that customers are moving beyond experimenting with AI. They're putting it to work, and they're paying for it.

A year ago, customers were telling us we weren't moving fast enough. This year at Rising, some told me that there was almost too much to take in. That's a good problem to have.

In Q3, we continued to land new innovation to drive real business impact across four areas. Let me take you through them:

1. Redesigning the Workday experience with Sana
2. Delivering AI autopilot agents that can do real work
3. Building out our trusted, open platform
4. Helping our customers to use and adopt AI successfully

Let's start with Sana.

At Rising, we announced that Sana is the new home experience for Workday.

And for employees, Sana has transformed self-service. Simple tasks like requesting time off now take 80% less time. And even complex ones, like changing jobs, can now be done without filing a single ticket.

We introduced Sana Concierge, a new HR and IT service agent that resolves employee requests—from onboarding and leave to password resets and app access—before they ever become a ticket.

It brings together self-service, IT Service Management, Workday Help, and Case Agent in one AI agent.

Concierge is in EA now. And we expect it to GA in Q1 next year.

Sana also extends beyond Workday. It is available inside the tools employees already use, like Teams, Slack, and Gemini. We just announced partnerships to make Sana available in Claude, and Microsoft Copilot. Both are in EA already.

And Sana Self-Service Agent has now been activated in production for over TWO million users.

At the same time, we are launching autopilot agents.

These agents go beyond merely answering questions to handling HR, Finance and IT workflows autonomously.

At Rising, we launched our first autopilot agent for Recruiting: Talent Acquisition Agent.

Every day a role sits open is work that is not getting done.

This agent works around the clock to coordinate interviews, help candidates, and do initial resume reviews while recruiters decide who moves forward and who gets the offer.

It brings Workday Recruiting, HiredScore, and Paradox together in one agent, so customers get even more value from the recruiting investments they've already made. With Talent Acquisition Agent, the time it takes to fill roles moves from weeks to days.

Talent Acquisition Agent is in EA now and will reach GA early next year. And our next wave of autopilot agents for Payroll, Accounting and Deployment, will all enter EA early next year too.

Workday Decision Intelligence is also accelerating. We've expanded it from Adaptive Planning and, in Q3, we launched Decision Intelligence for HR and Finance. It brings agentic analytics directly into the core of HR and Financial workflows. Since reaching general availability in July, active customer adoption has grown more than 600%.

And we introduced Sana Coach, our always-on talent development agent. Built with ElevenLabs, it features voice-led AI coaching and spoken feedback for every manager and employee.

Sana Coach cuts the time and friction of compiling that feedback and turns performance gaps into development recommendations.

Now let's talk about the progress of our open platform strategy.

At Rising, we have just announced the general availability of our Workday Trusted Agent Platform, bringing together Data Cloud, Agent-Ready Tools over MCP, Developer Agent, Custom Agents, and our Agent Harness.

Developers can use their preferred models and tools to run Workday agents and bring governed data anywhere work happens, across Sana, Claude, Copilot, or custom apps and even agents. Every agent, no matter who built it, runs under the same permissions, approvals and audit trails.

The developer momentum on this foundation is just incredible.

For example, we launched Developer Agent in June and since then, over 4,000 developers have built more than 10,000 custom apps with it.

Developer Agent is a significant driver of Extend AI—with ARR growing nearly 90% year-over-year, and customer count growing nearly 75% over the same period.

Workday Data Cloud also continues to scale rapidly. In the 2 months since it became generally available, it has reached nearly $15M in ARR with over 50 active customers.

Parques Reunidos is using Data Cloud to eliminate manual file transfers entirely and they get zero-copy foundation between Workday and their other data platforms.

On that same trusted data, they're deploying our agents—Developer Agent, Deployment Agent, and Self-Service Agent—to make development and troubleshooting more than 40% faster.

With all that innovation, let's talk about how we're helping customers with their AI transformation.

We're increasing our investment in Forward Deployed Engineers inside our Product & Technology team.

These FDEs sit directly alongside customers in live HR and finance environments to pinpoint high-value use cases and get AI agents from pilot to production faster.

They use our latest administration agents to increase their automation capabilities so that we can further increase our coverage of zero-dollar deployment projects and get closer to a self-administering HR and Finance system. Max will expand on that in a minute.

Ultimately, this creates a flywheel effect: what we learn solving a problem for one customer goes straight back into our agents for every customer.

The core makes our AI more valuable, and AI makes our core more valuable.

Now let's have Max tell you how.

SVP of Product Remarks

Thanks Gerrit.

The strength of our core products provides the foundation for everything we build.

Over the past quarter, we focused on enriching core intelligence, simplifying administration, and expanding our global reach. Let's talk about each:

First, we're enriching the intelligence that drives decisions on the Workday Platform, bringing new insights directly into Workday's core.

At Rising, we launched Work Intelligence to help leaders redesign work for the AI era.

Because AI rarely transforms entire jobs all at once, Work Intelligence breaks down jobs into their underlying tasks.

It gives leaders clear visibility into where AI can begin to automate work, and which skills employees need for jobs of the future.

This new level of insight is part of what helped us deliver continued acceleration of our Workforce Planning business, achieving more than 70% year over year growth in new ACV.

In Q3, we also introduced a new compensation benchmarking service. It's already analyzed more than 470 million data points across more than 3,000 customers and nearly 20 million active workers, providing the foundation for Workday AI to deliver real-time market context for better total rewards decisions.

Next, we're making it far easier to deploy and operate Workday. More than 4,300 customers are now running our admin agents.

Deployment Agent has now responded to more than 2 million deployment queries since launch. It's helping organizations like Reid Health automate complex accounting validations in days rather than months.

And more than 700 customers have activated our Adoption Agent in the first three months alone. The State of Oklahoma reports a more than 60% reduction in effort required to adopt release updates.

Together, these innovations are significantly reducing the time and cost of going live with Workday. Our second cohort of AI-assisted HCM deployments are on track to cut deployment costs by more than half.

But the most exciting thing about simplifying Workday administration is that it's also opening up new value streams.

Workday Total Benefits combines pre-built integrations with a new Benefits Management experience.

Our enhanced direct deposit capabilities are on track to help more than 350,000 end users a year manage their relationships with new banking partners like Chime, PayPal, and OnePay. We also launched financial wellness capabilities to simplify income verification. More than 1,100 customers opted in within the first month alone.

Finally, let's talk about how we're accelerating our product strategy to bring Workday to more customers around the world.

At Rising EMEA, we introduced major updates to the Workday EU Sovereign Cloud including a new EU-based operating company run by European citizens, giving customers full authority over data residence and access decisions.

And following record adoption of our native payrolls in Australia and Ireland in Q3, last week we announced our intention to release seven new native payrolls over the course of the next year in key markets including the Netherlands, Spain, Singapore, and New Zealand.

But it's not just Workday built payrolls. In less than a year since launching our global managed payroll services, customers have chosen our solutions to operate local payrolls in 35 countries that Workday hasn't historically supported.

Put this all together, and our customers get better decisions, less complexity and a platform that supports them around the globe.

With that, I'll turn it over to Rob

President, CCO Remarks

Thanks, Max.

As Aneel and Gerrit shared, driving AI adoption is our top priority. We made significant progress on this in Q3.

Hundreds of customers moved into production on our AI solutions, including a growing number of Sana Enterprise Lighthouse accounts. And we continue to add strategic new customers.

In Q3, industry leaders such as Google, WPP, and Rio Tinto invested in our AI products like Sana Learn, Recruiting Agent, and Candidate Experience Agent.

And Virgin Cruises, Forvis Mazars, and Wolters Kluwer N.V. all chose Sana Enterprise in the quarter.

We also nearly doubled the number of our core customers on Flex Credits.

We have work ahead to unlock our full growth potential, but the feedback we're getting from customers and the commercial momentum we're building tells me that we're on the right path.

In Q3, new ACV from our AI products more than tripled year-over-year. That growth was broad-based across North America, EMEA, and APAC. Demand for AI is strong, and our monetization momentum continues.

Roughly 30% of our customer base has now licensed one or more of our AI solutions, up from 12% one year ago.

We saw particularly strong demand for our platform products including Extend AI, Workday Data Cloud, and Agent-Ready Tools. And the feedback from the CIO community around our acquisition of C1.ai has been tremendous.

Much of our AI business at this point is monetized through premium subscription licensing. At the same time, we're seeing rapid adoption of our Flex Credit model.

More than 525 customers have licensed Flex Credits, and more than 250 of those signed on in Q3 alone.

In addition, 4,800 core customers have signed our UMSA, which is the first step to adopting Workday AI.

As more customers add our AI products, we're investing to help them move from initial testing to full enterprise production, faster and more easily.

We now have dedicated Applied AI Architects operating right inside customer environments to co-design and validate agentic workflows. This hands-on motion is already giving customers a faster time-to-value and a clearer path to ROI.

At Rising, we announced a Forward Deployed Engineering program with Accenture. We're combining our platform and engineering capabilities with Accenture's engineering, industry, and transformation expertise. And we plan to scale this model across additional partners.

From a regional standpoint, the U.S. customer base team was a key driver of our AI adoption, as you saw in our wins this quarter.

Within our net new sales motion in the U.S., we ramped focused selling capacity in our core medium enterprise market, and just last week we launched Workday GO for Financials. We

expect that these investments will begin having an impact in Q4 and more meaningfully in FY28.

Our international markets continue to grow even faster. We saw solid performance across key regions including Canada, Germany, Australia, and Japan, with big wins at HelloFresh, AISIN and Australian Catholic University.

Our focus on scaling Workday GO internationally paid off in Q3. Nearly 40% of total GO bookings were outside the U.S - driven by the power of simplicity, localization, and an all-in-one solution.

To convert regional demand into sustained global growth, we're adding sales capacity in high-performing territories, entering new targeted international markets, and scaling our value-added reseller network to extend our reach.

Q3 was a solid quarter and reinforces our conviction in the path ahead. The teams are focused on delivering a strong close in Q4 and unlocking significant long-term growth into FY28 and beyond.

Now, I'll turn the call over to Zane for our financial results.

CFO Remarks

Thanks, Rob. Good afternoon, everyone, and thank you for joining us. Our third-quarter results saw ongoing adoption across our AI portfolio, reinforcing our conviction in the compelling opportunity ahead.

Subscription revenue in Q3 was $2.532 billion, up 13%. Professional services revenue was $173 million, resulting in total revenue of $2.705 billion, growth of 11.2%.

Looking at our results by geography, U.S. revenue totaled $2.00 billion, an increase of 10%, while international revenue was $701 million, up 15%. Professional services was a headwind to our growth rate - notably in the U.S. - where we're leveraging our ecosystem for an increasing mix of deployments.

Turning to backlog, 12-month subscription revenue backlog, or cRPO, ended the quarter at $9.216 billion, an increase of 12.3%, with early renewals driving the outperformance relative to our guidance.

Total subscription revenue backlog ended Q3 at $27.5 billion, up 6.1%, reflecting the ongoing mix shift towards customer base bookings and renewals which have lower duration than net new contracts.

Gross revenue retention remained strong at 97%, and net expansion from existing customers led to about 65% of subscription revenue growth.

Non-GAAP operating income was $850 million for the quarter, representing a non-GAAP operating margin of 31.4%, driven by a combination of revenue outperformance and increased operational efficiency.

Operating cash flow totaled $735 million in the quarter, up 25%, and free cash flow was $691 million, an increase of 26%.

We repurchased $750 million of our shares during the quarter and have $3.25 billion in remaining authorization.

We ended Q3 with cash and marketable securities of $5.6 billion, which includes the proceeds from our recent $2.5 billion debt offering.

Our headcount as of quarter end stood at 20,941 Workmates.

Turning to our outlook, we are raising our FY27 subscription revenue guidance to $9.958 billion, growth of 13%.

For Q4, we expect subscription revenue of approximately $2.6 billion, growth of 10%, or 11% when adjusting for the roughly half-a-point of net headwind to revenue growth from the first phase of the DIA program, which was completed in Q4 of last year.

We expect Q4 cRPO growth of approximately 10%-11%. We closed the C1 acquisition last week, which adds just over $5 million to fourth-quarter cRPO.

We expect Q4 professional services revenue of $155 million, which reflects the revenue impact of investments we are now making to targeted medium enterprise and AI deployments. For the full year, we now expect $694 million in professional services revenue.

We continue to prioritize investment in AI across our portfolio, while driving further efficiencies in the business. As a result, we are increasing our FY27 non-GAAP operating margin guidance to 31.5%. For the fourth quarter, we expect a non-GAAP operating margin of 31.7%.

We expect Q4 GAAP operating margin to be approximately 18 to 19 percentage points lower than our non-GAAP operating margin, and the full-year FY27 GAAP operating margin to be approximately 19 points lower, which includes restructuring expenses in Q3.

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 $3.18 billion, growth of 15%.

Looking ahead to next year, we continue to expect subscription revenue growth of approximately 11%, while targeting non-GAAP operating margin of at least 33%. We are driving innovation and continuing to focus on adoption of our AI solutions to deliver customer value. We are pleased with the strong interest across our AI portfolio, particularly in newer solutions such as Workday Data Cloud and Extend AI with Agent-Ready Tools. We expect these to represent a more meaningful opportunity as we progress through next year.

We look forward to updating you with formal guidance for FY28 next quarter.

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

[END OF CALL]