



NEWS RELEASE

Workday Announces Fiscal 2022 First Quarter Financial Results

2021-05-26

Fiscal First Quarter Total Revenues of \$1.18 Billion, Up 15.4% Year Over Year

PLEASANTON, Calif., May 26, 2021 (GLOBE NEWSWIRE) -- [Workday, Inc.](#) (NASDAQ: WDAY), a leader in enterprise cloud applications for [finance](#) and [human resources](#), today announced results for the fiscal 2022 first quarter ended April 30, 2021.

Fiscal 2022 First Quarter Results

- Total revenues were \$1.18 billion, an increase of 15.4% from the first quarter of fiscal 2021. Subscription revenue was \$1.03 billion, an increase of 17.0% from the same period last year.
- Operating loss was \$38.3 million, or negative 3.3% of revenues, compared to an operating loss of \$144.5 million, or negative 14.2% of revenues, in the same period last year. Non-GAAP operating income for the first quarter was \$288.5 million, or 24.6% of revenues, compared to a non-GAAP operating income of \$130.5 million, or 12.8% of revenues, in the same period last year.¹
- Net loss per basic and diluted share was \$0.19, compared to a net loss per basic and diluted share of \$0.68 in the first quarter of fiscal 2021. Non-GAAP net income per diluted share was \$0.87, compared to a non-GAAP net income per diluted share of \$0.44 in the same period last year.²
- Operating cash flows were \$452.4 million compared to \$263.7 million in the prior year.
- Cash, cash equivalents, and marketable securities were \$2.99 billion as of April 30, 2021.

Comments on the News

"It was a strong start to the year as more organizations turn to Workday to accelerate their digital transformation

efforts and meet the evolving finance and workforce demands for a post-pandemic world,” said Aneel Bhusri, co-founder, co-CEO, and chairman, Workday. “As we look to future growth and innovation, our values are stronger than ever with our employees foundational to continued customer success, which is why we’re investing heavily in growing our workforce. In doing so, we can further embrace the opportunity in front of us to partner with more organizations globally.”

“Building on last year’s momentum, our first quarter bookings outperformance, combined with ongoing strength in our pipeline, demonstrates continued demand for our solutions and increased confidence in new bookings acceleration this fiscal year,” said Chano Fernandez, co-CEO, Workday. “A big thanks to our employees and partners around the world who play an important role in helping us achieve continued customer momentum. As we look ahead, we’ll be making investments across our organization and in new market opportunities so we can expand our efforts and build on this great start to the year.”

“We delivered solid first-quarter results driven by strong execution against an improving market backdrop,” said Robynne Sisco, president and chief financial officer, Workday. “As a result, we are raising our fiscal 2022 guidance for subscription revenue to a range of \$4.425 to \$4.440 billion, growth of 17%. We expect second-quarter subscription revenue of \$1.095 billion to \$1.097 billion, growth of 18%. We are also raising our fiscal 2022 non-GAAP operating margin guidance to a range of 18% to 19%.”

Recent Highlights

- Workday **announced** that it completed its acquisition of Peakon ApS, an employee success platform that converts feedback into actionable insights. The company now operates as Peakon, a Workday company.
- Workday **announced** it plans to increase its global headcount by more than 20% or more than 2,500 hires in fiscal 2022, which **includes** the creation of 400 new jobs at its European headquarters in Dublin as well as more than 250 new roles in Atlanta, Georgia.
- Workday achieved a customer satisfaction rating of 97% as part of its latest customer survey of named support contacts – those who are closest to engaging with the Workday experience on a daily basis.
- Workday delivered its latest feature release – Workday 2021 R1 – which included advancements across its product portfolio such as expanded functionality in spend and supplier management, more personalized experiences in Workday People Experience, and **advances** in Workday Extend to further support customers in creating and deploying new capabilities in their Workday environment.
- Workday **announced** changes to its board of directors, including the appointment of Co-Founder and Co-CEO Aneel Bhusri as chairman, Co-CEO Chano Fernandez as a director, and Co-Founder and Director Dave Duffield as chairman emeritus.
- For the fifth year in a row, Workday was **named** a Leader in the Gartner Magic Quadrant for Cloud Core

Financial Management Suites for Midsize, Large, and Global Enterprises.³

- Workday was named one of [Ethisphere’s 2021 World’s Most Ethical Companies](#), which recognizes companies with a commitment to advancing business integrity. In addition, Workday was recognized as part of Fast Company’s [2021 World Changing Ideas Awards](#) for VIBE Index™, an offering that helps organizations measure and compare belonging, equity, diversity, and inclusion.

Earnings Call Details

Workday plans to host a conference call today to review its fiscal 2022 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.

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- 1 Non-GAAP operating income excludes share-based compensation expenses, employer payroll tax-related items on employee stock t
“About Non-GAAP Financial Measures” in the accompanying financial tables for further details.
 - 2 Non-GAAP net income per share excludes share-based compensation expenses, employer payroll tax-related items on employee stock
expense related to our convertible senior notes, and income tax effects. See the section titled “About Non-GAAP Financial Measures”
 - 3 Gartner “Magic Quadrant for Cloud Core Financial Management Suites for Midsize, Large, and Global Enterprises,” by John Van Decke

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About Workday

Workday is a leading provider of enterprise cloud applications for **finance** and **human resources**, helping customers adapt and thrive in a changing world. Workday applications for financial management, human resources, planning, spend management, and analytics have been adopted by thousands of organizations around the world and across industries – from medium-sized businesses to more than 45 percent of the Fortune 500. For more information about Workday, visit [workday.com](https://www.workday.com).

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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 full-year fiscal 2022 subscription revenue and non-GAAP operating margin, second-quarter subscription revenue, growth, innovation, opportunities, customer demand and momentum, acceleration potential, and investments. These forward-looking statements are based only on currently available information and our current beliefs, expectations, and assumptions. Because forward-looking statements relate to the future, they are subject to risks, uncertainties, assumptions, and changes in circumstances that are difficult to predict and many of which are outside of our control. If the risks materialize, assumptions prove incorrect, or we experience unexpected changes in circumstances, actual results could differ materially from the results implied by these forward-looking statements, and therefore you should not rely on any forward-looking statements. Risks include, but are not limited to: (i) the impact of the ongoing COVID-19 pandemic on our business, as well as our customers, prospects, partners, and service providers; (ii) our ability to implement our plans, objectives, and other expectations with respect to Peakon or any other of our acquired companies; (iii) breaches in our security measures or those of our third-party providers, unauthorized access to our customers' or other users' personal data, or disruptions in our data center or computing infrastructure operations; (iv) service outages, delays in the deployment of our applications, and the failure of our applications to perform properly; (v) our ability to manage our growth effectively; (vi) competitive

factors, including pricing pressures, industry consolidation, entry of new competitors and new applications, advancements in technology, and marketing initiatives by our competitors; (vii) the development of the market for enterprise cloud applications and services; (viii) acceptance of our applications and services by customers and individuals, including any new features, enhancements, and modifications, as well as the acceptance of any underlying technology such as machine learning, artificial intelligence, and blockchain; (ix) adverse changes in general economic or market conditions; (x) the regulatory, economic, and political risks associated with our domestic and international operations; (xi) the regulatory risks related to new and evolving technologies such as machine learning, artificial intelligence, and blockchain; (xii) delays or reductions in information technology spending; and (xiii) changes in sales, which may not be immediately reflected in our results due to our subscription model. Further information on these and additional risks that could affect Workday's results is included in our filings with the Securities and Exchange Commission ("SEC"), including our Form 10-Q for the fiscal quarter ended April 30, 2021, and our future reports that we may file with the SEC from time to time, which could cause actual results to vary from expectations. Workday assumes no obligation to, and does not currently intend to, update any such forward-looking statements after the date of this release.

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.

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

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Assets

Current assets:

Cash and cash equivalents

Marketable securities

Trade and other receivables, net

Deferred costs

Prepaid expenses and other current assets

Total current assets

Property and equipment, net

Operating lease right-of-use assets

Deferred costs, noncurrent

Acquisition-related intangible assets, net

Goodwill

Other assets

Total assets**Liabilities and stockholders' equity**

Current liabilities:

Accounts payable

Accrued expenses and other current liabilities

Accrued compensation

Unearned revenue

Operating lease liabilities

Debt, current

Total current liabilities

Debt, noncurrent

Unearned revenue, noncurrent

Operating lease liabilities, noncurrent

Other liabilities

Total liabilities

Stockholders' equity:

Common stock

Additional paid-in capital

Treasury stock

Accumulated other comprehensive income (loss)

Accumulated deficit

Total stockholders' equity

Total liabilities and stockholders' equity**Workday, Inc.****Condensed Consolidated Statements of Operations**

(in thousands, except per share data)

(unaudited)

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Revenues:

Subscription services
Professional services
Total revenues

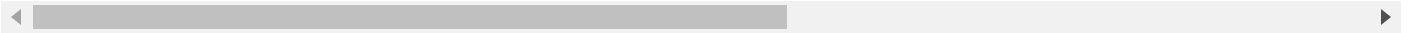
Costs and expenses (1):

Costs of subscription services
Costs of professional services
Product development
Sales and marketing
General and administrative
Total costs and expenses
Operating income (loss)
Other income (expense), net
Loss before provision for (benefit from) income taxes
Provision for (benefit from) income taxes

Net loss

Net loss per share, basic and diluted

Weighted-average shares used to compute net loss per share, basic and diluted

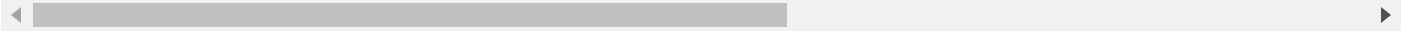


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(1) Costs and expenses include share-based compensation expenses as follows:

Costs of subscription services
Costs of professional services
Product development
Sales and marketing
General and administrative





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

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Cash flows from operating activities:

Net loss

Adjustments to reconcile net loss to net cash provided by (used in) operating activities:

Depreciation and amortization

Share-based compensation expenses

Amortization of deferred costs

Amortization of debt discount and issuance costs

Non-cash lease expense

Other

Changes in operating assets and liabilities, net of business combinations:

Trade and other receivables, net

Deferred costs

Prepaid expenses and other assets

Accounts payable

Accrued expenses and other liabilities

Unearned revenue

Net cash provided by (used in) operating activities

Cash flows from investing activities:

Purchases of marketable securities

Maturities of marketable securities

Sales of marketable securities

Owned real estate projects

Capital expenditures, excluding owned real estate projects

Business combinations, net of cash acquired

Purchases of non-marketable equity and other investments

Sales and maturities of non-marketable equity and other investments

Other

Net cash provided by (used in) investing activities

Cash flows from financing activities:

Proceeds from borrowings on Term Loan, net of debt discount and issuance costs

Payments on convertible senior notes

Payments on Term Loan

Proceeds from issuance of common stock from employee equity plans, net of taxes paid for shares withheld

Other

Net cash provided by (used in) financing activities

Effect of exchange rate changes

Net increase (decrease) in cash, cash equivalents, and restricted cash

Cash, cash equivalents, and restricted cash at the beginning of period

Cash, cash equivalents, and restricted cash at the end of period



Reconciliation of GAAP to Non-GAAP Data
 Three Months Ended April 30, 2021
 (in thousands, except percentages and per share data)
 (unaudited)

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	GAAP	Shar Com Expe
Costs and expenses:		
Costs of subscription services	\$ 182,208	\$ (20
Costs of professional services	150,845	(27,69
Product development	441,616	(129,8
Sales and marketing	326,494	(50,30
General and administrative	112,183	(36,05
Operating income (loss)	(38,313)	264.6.
Operating margin	(3.3)%	22.5%
Other income (expense), net	(9,051)	—
Income (loss) before provision for (benefit from) income taxes	(47,364)	264.6.
Provision for (benefit from) income taxes	(842)	—
Net income (loss)	\$ (46,522)	\$ 26.
Net income (loss) per share (1)	\$ (0.19)	\$ 1.0



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- (1) GAAP net loss per share is calculated based upon 243,739 basic and diluted weighted-average shares of common stock. Non-GAAP r stock.
- (2) Other operating expenses include total employer payroll tax-related items on employee stock transactions of \$44.3 million and amo
- (3) We utilize a fixed long-term projected tax rate in our computation of the non-GAAP income tax provision to provide better consisten 19%. Included in this is a dilution impact of \$0.07 from the conversion of basic and diluted net loss per share to diluted net income p



Workday, Inc.
Reconciliation of GAAP to Non-GAAP Data
Three Months Ended April 30, 2020
(in thousands, except percentages and per share data)
(unaudited)

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	GAAP	Share-Based Compensation Expenses
Costs and expenses:		
Costs of subscription services	\$ 145,263	\$ (13,892)
Costs of professional services	160,367	(22,566)
Product development	443,484	(122,022)
Sales and marketing	318,557	(46,950)
General and administrative	95,171	(31,242)
Operating income (loss)	(144,457)	236,672
Operating margin	(14.2)%	23.2%
Other income (expense), net	(10,973)	—
Income (loss) before provision for (benefit from) income taxes	(155,430)	236,672
Provision for (benefit from) income taxes	2,938	—
Net income (loss)	\$ (158,368)	\$ 236,672
Net income (loss) per share (1)	\$ (0.68)	\$ 1.02

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- (1) GAAP net loss per share is calculated based upon 232,939 basic and diluted weighted-average shares of common stock. Non-GAAP net loss per share is calculated based upon 232,939 basic and diluted weighted-average shares of common stock.
 - (2) Other operating expenses include total employer payroll tax-related items on employee stock transactions of \$22.4 million and amortization expense for acquisition-related intangible assets of \$1.1 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. The non-GAAP net loss per share amount is a dilution impact of \$0.02 from the conversion of basic and diluted net loss per share to diluted net income per share.



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 expense for 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 expense for 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. 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 convertible senior notes debt discount and issuance costs. We adopted Accounting Standard Update No. 2020-06, Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40), on February 1, 2021, using a modified retrospective method, under which financial results reported in prior periods were not adjusted. Prior to the adoption, we were 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 were 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 were excluded from management's assessment of our operating performance because management believed that these non-cash expenses were not indicative of ongoing operating performance. Management believed that the exclusion of the non-cash interest expense provided investors an enhanced view of Workday's operational performance. Upon adoption, we recombined the liability and equity components of our outstanding convertible senior notes, assuming the instrument was accounted for as a single liability from inception to the date of adoption. We similarly recombined the liability and equity components of the issuance costs. Under this new guidance, we will no longer incur interest expense related to the amortization of the debt discount associated with the conversion option and therefore no longer consider this to be a Non-GAAP reconciling item.
- Income tax effects. We utilize a fixed long-term projected tax rate in our computation of the non-GAAP income tax provision to provide better consistency across the reporting periods. In projecting this long-term non-GAAP tax rate, we utilize a three-year financial projection that excludes the direct impact of 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 2022 and 2021, we determined the projected non-GAAP tax rate to be 19%, which reflects currently available information, as well as other factors and assumptions. We will periodically re-evaluate this tax rate, as necessary, for significant events, 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.

Investor Relations Contact:

Justin Furby

ir@workday.com

Media Contact:

Nina Oestlien

media@workday.com