NEWS RELEASE

Workday Announces Fiscal 2027 Third Quarter Financial Results

2026-11-24

Fiscal Third Quarter Total Revenues of $2.705 Billion, Up 11.2% Year-Over-Year

Subscription Revenues of $2.532 Billion, Up 12.8% Year-Over-Year

PLEASANTON, Calif., Nov. 24, 2026 /PRNewswire/ -- **Workday, Inc.** (NASDAQ: WDAY), the trusted agentic platform for HR, finance, and IT, today announced results for the fiscal 2027 third quarter ended October 31, 2026.

Fiscal 2027 Third Quarter Results

- Total revenues were $2.705 billion, an increase of 11.2% from the same period last year. Subscription revenues were $2.532 billion, an increase of 12.8% from the same period last year.
- Operating income was $329 million, or 12.1% of revenues, compared to an operating income of $259 million, or 10.7% of revenues, in the same period last year. Current quarter operating income was impacted by restructuring expenses of $51 million. Non-GAAP operating income for the third quarter was $850 million, or 31.4% of revenues, compared to a non-GAAP operating income of $692 million, or 28.5% of revenues, in the same period last year.1
- Diluted net income per share was $0.96, compared to diluted net income per share of $0.94 in the same period last year. Current quarter diluted net income per share was impacted by restructuring expenses of $0.21 per share. Non-GAAP diluted net income per share was $2.82, compared to non-GAAP diluted net income per share of $2.32 in the same period last year.1
- 12-month subscription revenue backlog was $9.216 billion, up 12.3% from the same period last year. Total subscription revenue backlog was $27.548 billion, increasing 6.1% year-over-year.

- Operating cash flows were $735 million compared to $588 million in the same period last year. Free cash flows were $691 million compared to $550 million in the same period last year.1
- Workday repurchased approximately 3.8 million shares of Class A common stock for $750 million as part of its share repurchase programs.
- Cash, cash equivalents, and marketable securities were $5.643 billion as of October 31, 2026.

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1 See the section titled "About Non-GAAP Financial Measures" in the accompanying financial tables for further details.

Comments on the News

"The past few quarters have been our strongest on the innovation and invention front, and in Q3, our AI products drove nearly $150 million in new ACV, more than three times what we delivered a year ago," said Aneel Bhusri, co-founder, CEO, and chair, Workday. "Our focus now is on accelerating customer adoption, moving more agents into production, and helping customers realize the value of our AI products faster."

"Our Q3 results reflect ongoing adoption across our AI portfolio, reinforcing our conviction in the compelling opportunity ahead," said Zane Rowe, CFO, Workday. "We are raising our fiscal 2027 subscription revenue guidance to $9.958 billion, growth of 13%, and increasing our fiscal 2027 non-GAAP operating margin guidance to 31.5%."

Recent Business Highlights

- Workday welcomed new customers including AISIN Corporation, Dr. Oetker, Euronews, Greenpeace Australia, Pon Holdings B.V., and Standard Bots Company, and added new Sana Enterprise customers including Forvis Mazars, Virgin Cruises, and Wolters Kluwer N.V.
- Industry leaders such as Google, SMS Holdings Corporation, and WPP invested in Workday's AI products.
- More than 2,200 core customers have purchased at least one AI product, up nearly 25% from last quarter.
- Workday **acquired C1.ai**, a leading agentic identity platform for people and AI agents.
- Nearly 40,000 Workday customers, partners, and innovators joined **Workday Rising** in the U.S. and EMEA.
- Workday announced **Sana** is the new home experience for Workday.
- Workday launched **Autopilot Agents**, new agents that continuously handle routine HR, finance, and IT processes in the background.
- Workday announced that **Sana** will work inside the AI tools and platforms employees already use, including Claude, Google Cloud's Gemini for business, Microsoft Copilot, Microsoft Teams, and Slack.
- Workday announced its **Trusted Agent Platform** is now headless, enabling customers to build, run, and

govern lawful AI agents across HR and finance with the development tools and models they choose.

- Workday announced **Workday Candidate Profile** to let job seekers own, manage, and save their information once and reuse it when they apply for jobs at the thousands of companies that use Workday to hire.
- Workday announced **Workday Decision Intelligence** is now available across its portfolio, giving HR and finance teams a single, governed AI experience that works the way an in-house analyst would to model business scenarios across HR and finance.
- Workday introduced **Work Intelligence**, which shows companies how AI is changing the work inside each job and which skills their people will need next.
- Workday and **Anthropic** announced a new partnership that will bring Claude's frontier reasoning together with Sana AI agents and Workday's trusted data and business context in HR and finance.
- Workday and **Accenture** launched a forward deployed engineering program to help organizations reinvent how work gets done in the age of AI.
- Workday completed the issuance and sale of **$2.5 billion aggregate principal amount of senior notes** in an underwritten, registered public offering.
- Workday launched operations in the **United Arab Emirates**, with a new office in Dubai and expanded local leadership.
- Workday was named a Market Shaper in the inaugural 2026 **Gartner® Emerging Market Quadrant (eMQ) for AI Agents in Human Resources**.1
- Workday was named a Leader in the 2026 Gartner® Magic Quadrant™ for **Cloud HCM Suites for 1,000+ Employee Enterprises**,2 **Workforce Management Technology**,3 and **Cloud ERP Finance**.4
- Sana from Workday was named a **2026 Top HR Product of the Year by HR Executive**.

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1 Gartner, Emerging Market Quadrant for AI Agents in Human Resources — Established Vendors, Ranadip Chandra, Eser Rizaoglu, 23 September 2026
2 Gartner, Magic Quadrant for Cloud HCM Suites for 1,000+ Employee Enterprises, Josie Xing, Ranadip Chandra, Ron Hanscome, Sam Grinter, Kate Jensen, Anand Chouksey, 31 August 2026
3 Gartner, Magic Quadrant for Workforce Management Technology, By Sam Grinter, Ranadip Chandra, Kelsie Marian, Anand Chouksey, 14 September 2026
4 Gartner Magic Quadrant for Cloud ERP Finance, Mike Helsel, Irmina Melarkode 15 October 2026

Financial Outlook

Workday is providing guidance for the fiscal 2027 fourth quarter ending January 31, 2027 as follows:

- Subscription revenues of $2.600 billion, representing growth of 10%
- Non-GAAP operating margin of 31.7%1

Workday is updating guidance for the fiscal 2027 full year ending January 31, 2027 as follows:

- Subscription revenues of $9.958 billion, representing growth of 13%
- Non-GAAP operating margin of 31.5%1

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1 The Company has not provided a reconciliation of its forward outlook for non-GAAP operating margin with its forward-looking GAAP operating margin in reliance on the unreasonable efforts exception provided under Item 10(e)(1)(i)(B) of Regulation S-K. The Company is unable to predict with reasonable certainty the amount and timing of adjustments that are used to calculate this non-GAAP financial measure, particularly related to stock-based compensation and its related tax effects, acquisition-related costs, and restructuring costs.

Earnings Call Details

Workday plans to host a conference call today to review its fiscal 2027 third 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 its **blog.workday.com** website as a means of disclosing material non-public information and for complying with its disclosure obligations under Regulation FD.

About Workday

Workday operates at the heart of the enterprise – HR, finance, and IT – where the margin for error is effectively zero. By tightly coupling AI with the context, guardrails, and trusted processes that run the business, Workday goes beyond AI that assists with work to agents that are capable of driving measurable outcomes. More than 11,500 organizations worldwide, including more than 65% of the Fortune 500, trust Workday to deliver. For more information about Workday, visit **workday.com**.

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Forward-Looking Statements

This press release contains forward-looking statements including, among other things, statements regarding Workday's fourth quarter and full year fiscal 2027 subscription revenues and non-GAAP operating margin,

innovation, momentum, customer demand, and opportunity. 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) 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; (ii) service outages, delays in the deployment of our applications, and the failure of our applications to perform properly; (iii) competitive factors, including pricing pressures, industry consolidation, entry of new competitors and new applications, advancements in technology, such as AI, and marketing initiatives by our competitors; (iv) the regulatory risks related to new and evolving technologies such as AI and our ability to realize a return on our development efforts; (v) privacy concerns and evolving domestic or foreign laws and regulations; (vi) any loss of key employees or the inability to attract, train, and retain highly skilled employees; (vii) our reliance on our network of partners to drive additional growth of our revenues; (viii) adoption of our applications and services by customers and individuals, including any new features, enhancements, and modifications, as well as our customers' and users' satisfaction with the deployment, training, and support services they receive; (ix) the regulatory, economic, and political risks associated with our domestic and international operations; (x) our ability to realize the expected business or financial benefits of any acquisitions of or investments in companies; (xi) delays or reductions in information technology spending; (xii) adverse litigation results; (xiii) changes in sales, which may not be immediately reflected in our results due to our subscription model; and (xiv) the impact of continuing global economic and geopolitical volatility and conflicts on our business, as well as on our customers, prospects, partners, and service providers. 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 most recent report on Form 10-Q or Form 10-K and other reports that we have filed and will 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, except as required by law.

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 millions)
(unaudited)

	October 31, 2026	January 31, 2026
Assets		
Current assets:		
Cash and cash equivalents	$ 2,500	$ 1,501
Marketable securities	3,143	3,942
Trade and other receivables, net	1,984	2,332
Deferred costs	337	306
Prepaid expenses and other current assets	346	348
Total current assets	8,310	8,429
Property and equipment, net	1,117	1,093
Operating lease right-of-use assets	645	719
Deferred costs, noncurrent	679	634
Acquisition-related intangible assets, net	576	681
Deferred tax assets	1,080	829
Goodwill	5,229	5,229
Other assets	493	460
Total assets	$ 18,129	$ 18,074
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 128	$ 142
Accrued expenses and other current liabilities	521	454
Accrued compensation	599	642
Unearned revenue	4,264	5,010
Operating lease liabilities	127	130
Debt, current	999	0
Total current liabilities	6,638	6,378
Debt, noncurrent	4,463	2,987
Unearned revenue, noncurrent	57	71
Operating lease liabilities, noncurrent	612	704
Other liabilities	84	129
Total liabilities	11,854	10,269
Stockholders' equity:		
Common stock	0	0
Additional paid-in capital	13,640	12,673
Treasury stock	(7,905)	(4,220)
Accumulated other comprehensive loss	(39)	(136)
Retained earnings (accumulated deficit)	579	(512)
Total stockholders' equity	6,275	7,805
Total liabilities and stockholders' equity	$ 18,129	$ 18,074

Workday, Inc.

Condensed Consolidated Statements of Operations
(in millions, except number of shares which are reflected in thousands and per share data)
(unaudited)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2026	2025	2026	2025
Revenues:				
Subscription services	$ 2,532	$ 2,244	$ 7,358	$ 6,473
Professional services	173	188	539	547
Total revenues	2,705	2,432	7,897	7,020
Costs and expenses (1):				
Costs of subscription services	450	395	1,298	1,115
Costs of professional services	194	196	604	595
Product development	714	666	2,166	1,988
Sales and marketing	737	677	2,122	1,941
General and administrative	230	234	677	662
Restructuring	51	5	51	172
Total costs and expenses	2,376	2,173	6,918	6,473
Operating income	329	259	979	547
Other income, net	1	79	33	198
Income before provision for (benefit from) income taxes	330	338	1,012	745
Provision for (benefit from) income taxes	93	86	(79)	197
Net income	$ 237	$ 252	$ 1,091	$ 548
Net income per share, basic	$ 0.98	$ 0.95	$ 4.43	$ 2.06
Net income per share, diluted	$ 0.96	$ 0.94	$ 4.38	$ 2.03
Weighted-average shares used to compute net income per share, basic	240,490	265,870	246,440	266,387
Weighted-average shares used to compute net income per share, diluted	245,958	268,629	248,779	269,700

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

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2026	2025	2026	2025
Costs of subscription services	$ 40	$ 39	$ 121	$ 120
Costs of professional services	28	27	84	84
Product development	195	162	595	515
Sales and marketing	87	83	270	261
General and administrative	71	65	222	205
Restructuring	8	0	8	42
Total share-based compensation expense	$ 429	$ 376	$ 1,300	$ 1,227

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

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2026	**2025**	**2026**	**2025**
Cash flows from operating activities:				
Net income	$ 237	$ 252	$ 1,091	$ 548
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	92	85	275	250
Share-based compensation expense	429	376	1,300	1,227
Amortization of deferred costs	88	75	249	215
Non-cash lease expense	31	30	95	84
Net (gains) losses on investments	7	(26)	12	(24)
Accretion of discounts on marketable debt securities, net	(5)	(14)	(21)	(52)
Deferred income taxes	53	61	(240)	145
Asset impairments	3	0	3	39
Other	4	5	3	13
Changes in operating assets and liabilities, net of business combinations:				
Trade and other receivables, net	(98)	(126)	322	211
Deferred costs	(130)	(95)	(325)	(247)
Prepaid expenses and other assets	6	27	(4)	42
Accounts payable	32	(7)	19	(7)
Accrued expenses and other liabilities	124	(25)	(70)	(124)
Unearned revenue	(138)	(30)	(759)	(659)
Net cash provided by operating activities	735	588	1,950	1,661
Cash flows from investing activities:				
Purchases of marketable securities	(730)	(239)	(945)	(2,450)
Maturities of marketable securities	121	547	657	2,062
Sales of marketable securities	196	2,388	1,020	2,653
Capital expenditures	(44)	(38)	(183)	(102)
Business combinations, net of cash acquired	0	(974)	0	(974)
Purchases of non-marketable equity and other investments	(5)	(2)	(18)	(17)
Sales of non-marketable equity and other investments	0	5	42	5
Other	0	0	8	0
Net cash provided by (used in) investing activities	(462)	1,687	581	1,177
Cash flows from financing activities:				
Proceeds from issuance of debt, net of debt discount	2,477	0	2,477	0
Payments for debt issuance costs	(7)	0	(7)	0
Repurchases of common stock	(750)	(803)	(3,674)	(1,391)
Proceeds from issuance of common stock from employee equity plans	0	0	97	111
Taxes paid related to net share settlement of equity awards	(151)	(123)	(423)	(495)
Net cash provided by (used in) financing activities	1,569	(926)	(1,530)	(1,775)
Effect of exchange rate changes	(1)	0	(1)	1
Net increase in cash, cash equivalents, and restricted cash	1,841	1,349	1,000	1,064
Cash, cash equivalents, and restricted cash at the beginning of period	668	1,269	1,509	1,554
Cash, cash equivalents, and restricted cash at the end of				

period	$ 2,509	$ 2,618	$ 2,509	$ 2,618

Workday, Inc.
Reconciliations of GAAP to Non-GAAP Data

Reconciliations of Workday's GAAP to non-GAAP operating results are included in the following tables (in millions, except number of shares which are reflected in thousands, percentages, and per share data). See the section titled "About Non-GAAP Financial Measures" below for further details.

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2026	2025	2026	2025
Non-GAAP operating income				
Operating income	$ 329	$ 259	$ 979	$ 547
Share-based compensation expense(1)	421	376	1,292	1,185
Employer payroll tax-related items on employee stock transactions	11	9	44	47
Amortization of acquisition-related intangible assets	34	25	105	67
Acquisition-related costs	4	18	12	32
Restructuring costs	51	5	51	172
Non-GAAP operating income	$ 850	$ 692	$ 2,483	$ 2,050
Non-GAAP operating margin (2)				
Operating margin	12.1 %	10.7 %	12.4 %	7.8 %
Share-based compensation expense(1)	15.6 %	15.5 %	16.4 %	16.9 %
Employer payroll tax-related items on employee stock transactions	0.4 %	0.3 %	0.5 %	0.7 %
Amortization of acquisition-related intangible assets	1.3 %	1.0 %	1.3 %	1.0 %
Acquisition-related costs	0.1 %	0.7 %	0.2 %	0.5 %
Restructuring costs	1.9 %	0.3 %	0.6 %	2.3 %
Non-GAAP operating margin	31.4 %	28.5 %	31.4 %	29.2 %
Non-GAAP net income				
Net income	$ 237	$ 252	$ 1,091	$ 548
Share-based compensation expense (1)	421	376	1,292	1,185
Employer payroll tax-related items on employee stock transactions	11	9	44	47
Amortization of acquisition-related intangible assets	34	25	105	67
Acquisition-related costs	4	18	12	32
Restructuring costs	51	5	51	172
Net (gains) losses on strategic investments	7	(3)	13	0
Income tax effects (3)	(70)	(60)	(560)	(229)
Non-GAAP net income	$ 695	$ 622	$ 2,048	$ 1,822
Non-GAAP diluted net income per share (2)(4)				
Diluted net income per share	$ 0.96	$ 0.94	$ 4.38	$ 2.03
Share-based compensation expense (1)	1.71	1.40	5.19	4.39
Employer payroll tax-related items on employee stock transactions	0.05	0.03	0.17	0.18
Amortization of acquisition-related intangible assets	0.14	0.09	0.42	0.25
Acquisition-related costs	0.01	0.07	0.05	0.12
Restructuring costs	0.21	0.02	0.20	0.64
Net (gains) losses on strategic investments	0.03	(0.01)	0.05	0.00
Income tax effects (3)	(0.29)	(0.22)	(2.23)	(0.85)
Non-GAAP diluted net income per share	$ 2.82	$ 2.32	$ 8.23	$ 6.76

(1) Share-based compensation expense in the GAAP to non-GAAP reconciliation tables above excludes share-based compensation associated with restructuring activities of $8 million and $0 for the three months ended October 31, 2026, and 2025, respectively, and $8 million and $42 million for the nine months ended October 31, 2026, and 2025, respectively. These expenses are included in Restructuring costs.
(2) Operating margin and diluted net income per share are calculated using unrounded data.
(3) Income tax effects includes the impact of an intra-entity transfer of certain intellectual property rights as part of an internal legal entity restructuring completed during the nine months ended October 31, 2026, which resulted in the recognition of a deferred tax asset and related tax benefit of $374 million.
(4) Weighted-average shares used to calculate GAAP and non-GAAP diluted net income per share were 245,958 and 268,629 for the three months ended October 31, 2026, and 2025, respectively, and 248,779 and 269,700 for the nine months ended October 31, 2026, and 2025, respectively.

Reconciliation of Workday's GAAP cash flows from operating activities to non-GAAP free cash flow is as follows (in millions). See the section titled "About Non-GAAP Financial Measures" below for further details.

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2026	2025	2026	2025
Net cash provided by operating activities	$ 735	$ 588	$ 1,950	$ 1,661
Less: Capital expenditures	(44)	(38)	(183)	(102)
Free cash flows	$ 691	$ 550	$ 1,767	$ 1,559

About Non-GAAP Financial Measures

To provide investors and others with additional information regarding Workday's results, the following non-GAAP financial measures are disclosed: non-GAAP operating income, non-GAAP operating margin, non-GAAP net income, non-GAAP diluted net income per share, and free cash flows. 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 and non-GAAP operating margin differ from GAAP in that they exclude share-based compensation expense, employer payroll tax-related items on employee stock transactions, amortization expense for acquisition-related intangible assets, acquisition-related costs, and restructuring costs. Non-GAAP net income and non-GAAP diluted net income per share differ from GAAP in that they exclude share-based compensation

expense, employer payroll tax-related items on employee stock transactions, amortization expense for acquisition-related intangible assets, acquisition-related costs, restructuring costs, gains and losses on strategic investments, and income tax effects. Free cash flows differ from GAAP cash flows from operating activities in that it treats capital expenditures as a reduction to cash flows.

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 expense. Share-based compensation primarily consists of non-cash expenses for employee restricted stock units and our employee stock purchase plan. Although share-based compensation is an important aspect of the compensation of our employees and executives, this expense is 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 expense is not reflective of the value ultimately received by the grant recipients.
- Employer payroll tax-related items on employee stock transactions. We exclude the employer payroll tax-related items on employee stock transactions in order to show the full effect that excluding share-based compensation expense has on our operating results. Similar to share-based compensation expense, this tax expense is dependent on our stock price and other factors that are beyond our control and do not correlate to the operation of our business.
- Amortization of acquisition-related intangible assets. 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 the related amortization can vary significantly and are unique to each acquisition and thus we do not believe this activity is reflective of our ongoing operations. Although we exclude the amortization of acquisition-related intangible assets from these non-GAAP financial measures, we

believe that it is important for investors to understand that such intangible assets were recorded as part of purchase accounting and contribute to revenue generation.

- Acquisition-related costs. Acquisition-related costs include direct transaction costs, such as due diligence and advisory fees, and certain compensation and integration-related expenses. We exclude the effects of acquisition-related costs as we believe these transaction-specific expenses are inconsistent in amount and frequency and do not correlate to the operation of our business.
- Restructuring costs. Restructuring costs are associated with a formal restructuring plan and are primarily related to workforce reductions, the closure of facilities, and other exit and disposal activities. We exclude these expenses because they are not reflective of ongoing business and operating results.
- Gains and losses on strategic investments. Our strategic investments include investments in early stage companies that are valuable to Workday customers and complementary to Workday products. Gains and losses on strategic investments may result from observable price adjustments and impairment charges on non-marketable equity securities, ongoing mark-to-market adjustments on marketable equity securities, and the sale of equity investments. We do not rely on these securities to fund our ongoing operations, and therefore we do not consider the gains and losses on these strategic investments to be reflective of our ongoing operations.
- 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 the items excluded from GAAP income and certain discrete tax items in calculating our non-GAAP income. 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 2027 and 2026, 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, relevant tax law changes, material changes in the forecasted geographic earnings mix, and any significant acquisitions.

Additionally, with regards to free cash flows, Workday's management believes that reducing cash provided by operating activities by capital expenditures is meaningful to investors and others because it provides an enhanced view of cash flow generation from the ongoing operations of our business, and it balances operating results, cash management, and capital efficiency.

The use of these non-GAAP measures has certain limitations as they do not reflect all items of expense or cash that affect Workday's operations. Workday compensates for these limitations by reconciling the non-GAAP financial measures to the most comparable GAAP financial measures. These non-GAAP financial measures should be

considered in addition to, not as a substitute for or in isolation from, measures prepared in accordance with GAAP. Further, these non-GAAP measures may differ from the non-GAAP information used by other companies, including peer companies, and therefore comparability may be limited. Management encourages investors and others to review Workday's financial information in its entirety and not rely on a single financial measure.

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