



NEWS RELEASE

Workday Announces Fiscal Fourth Quarter and Full Year 2021 Financial Results

2021-02-25

Fiscal Fourth Quarter Total Revenues of \$1.13 Billion, Up 15.9% Year Over Year Subscription Revenue of \$1.01 Billion, Up 19.8% Year Over Year 24-Month Subscription Revenue Backlog of \$6.53 Billion, Up 19.2% Year Over Year Total Subscription Revenue Backlog of \$10.09 Billion, Up 21.6% Year Over Year

PLEASANTON, Calif., Feb. 25, 2021 (GLOBE NEWSWIRE) -- [Workday, Inc.](#) (NASDAQ: WDAY), a leader in enterprise cloud applications for [finance](#) and [human resources](#), today announced results for the fiscal fourth quarter and full year ended January 31, 2021.

Fiscal Fourth Quarter 2021 Results

- Total revenues were \$1.13 billion, an increase of 15.9% from the fourth quarter of fiscal 2020. Subscription revenue was \$1.01 billion, an increase of 19.8% from the same period last year.
- Operating loss was \$73.3 million, or negative 6.5% of revenues, compared to an operating loss of \$146.1 million, or negative 15.0% of revenues, in the same period last year. Non-GAAP operating income for the fourth quarter was \$211.0 million, or 18.6% of revenues, compared to a non-GAAP operating income of \$116.6 million, or 11.9% of revenues, in the same period last year.¹
- Net loss per basic and diluted share was \$0.30, compared to a net loss per basic and diluted share of \$0.56 in the fourth quarter of fiscal 2020. Non-GAAP net income per diluted share was \$0.73, compared to a non-GAAP net income per diluted share of \$0.50 in the same period last year.²

Fiscal Year 2021 Results

- Total revenues were \$4.32 billion, an increase of 19.0% from fiscal 2020. Subscription revenue was \$3.79

billion, an increase of 22.4% from the prior year.

- Operating loss was \$248.6 million, or negative 5.8% of revenues, compared to an operating loss of \$502.2 million, or negative 13.8% of revenues, in fiscal 2020. Non-GAAP operating income was \$867.2 million, or 20.1% of revenues, compared to a non-GAAP operating income of \$484.5 million, or 13.4% of revenues, in the prior year.¹
- Net loss per basic and diluted share was \$1.19, compared to a net loss per basic and diluted share of \$2.12 in fiscal 2020. Non-GAAP net income per diluted share was \$2.93, compared to a non-GAAP net income per diluted share of \$1.88 last year.²
- Operating cash flows were \$1.27 billion compared to \$864.6 million in the prior year.
- Cash, cash equivalents, and marketable securities were \$3.54 billion as of January 31, 2021.

Comments on the News

"I couldn't be prouder of how we closed out this extraordinary year and how we as a company and community – including employees, customers, and partners – responded, innovated, and supported one another," said Aneel Bhusri, co-founder and co-CEO, Workday. "As we look ahead, I'm inspired by the incredible opportunity we have as we continue to serve as the backbone of digital transformation for the world's largest organizations as they embrace new ways to engage employees and manage finances in today's rapidly changing environment."

"We had a very strong close to the year, as more organizations accelerate their HR and finance technology investments and adopt cloud-based systems to respond to an evolving world," said Chano Fernandez, co-CEO, Workday. "Reflecting on this year, I'm so pleased with the way our employees were able to respond during such a dynamic time and in turn, create great experiences and results for our customers and each other. Our customer community now represents more than 50 million workers and as we head into next fiscal year, we're hoping to build on that great momentum with significant pipeline improvement, helping position us well for accelerated new bookings growth."

"Our solid fourth quarter and full-year fiscal 2021 results are a testament to the strategic, mission-critical nature of our solutions and the resiliency of our business," said Robynne Sisco, president and chief financial officer, Workday. "We currently expect fiscal 2022 subscription revenue to be in a range of \$4.38 billion to \$4.40 billion, representing year-over-year growth of 16%, and we expect non-GAAP operating margins of 17%. Our focus this year is on driving accelerated bookings growth, which we expect will ultimately result in a faster pace of future subscription revenue growth."

Recent Highlights

- Workday [announced](#) its intent to acquire Peakon ApS, an employee success platform that converts feedback

into actionable insights. With Peakon, Workday will provide organizations with a continuous listening platform to help drive employee engagement and improve organizational performance.

- Workday has expanded its addressable market for the office of the chief financial officer with the [Workday Enterprise Finance](#) solution. This new offering provides customers – particularly those in product-based industries such as retail or manufacturing with on-premise enterprise resource planning and industry-specific systems – the flexibility to accelerate their digital finance transformation with as little friction as possible.
- Workday [announced](#) a COVID-19 vaccine management solution that combines real-time HR data with immunization information, providing customers with the insight and resources needed to help foster healthier workforces and safer workplaces.
- Workday [announced](#) that Lynne Doughtie, former U.S. chairman and CEO of KPMG, has been elected to its board of directors as an independent director.
- Workday [announced](#) it has promoted Doug Robinson to executive vice president of global sales, reporting to Co-CEO Chano Fernandez.
- Workday was positioned as a Leader in the [2020 Gartner Magic Quadrant for Cloud HCM Suites for 1,000+ Employee Enterprises](#)³, for the fifth year in a row.
- Workday was [recognized](#), for the fourth year in a row, as Best in KLAS in enterprise resource planning for Workday Financial Management, Workday Human Capital Management, and Workday Supply Chain Management solutions for healthcare. Workday was also honored with Best in KLAS for Talent Management.
- Workday [welcomed](#) its newest brand ambassador, Naomi Osaka, a globally recognized tennis champion, recent Australian Open winner, and leading voice of the social justice movement.

Earnings Call Details

Workday plans to host a conference call today to review its fiscal fourth quarter and full year 2021 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 stc
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 HCM Suites for 1,000+ Employee Enterprises," by Jason Cerrato, Chris Pang, Jeff Freyermuth, Ron



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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](#).

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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 margins, growth metrics, opportunities, pipeline, and positioning. The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," "seek," "plan," "project," "looking ahead," "look to," "move into," and similar expressions are intended to identify forward-looking statements. These forward-looking statements are subject to risks, uncertainties, and assumptions. If the risks materialize or assumptions prove incorrect, actual results could differ materially from the results implied by these 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) the risk that the pending acquisition of Peakon may not be completed in a timely manner or at all, that we may not be able to achieve the expected benefits of the transaction, or that we may incur unanticipated costs or other negative effects in connection with the transaction; (iii) our ability to implement our plans, objectives, and other expectations with respect to Peakon or any other of our acquired companies; (iv) breaches in our security measures, unauthorized access to our customers' or other users' personal data, or disruptions in our data center or computing infrastructure operations; (v) service outages, delays in the deployment of our applications, and the failure of our applications to perform properly; (vi) our ability to manage our growth effectively; (vii) competitive factors, including pricing pressures, industry consolidation, entry of new competitors and new applications, advancements in technology, and marketing initiatives by our competitors; (viii) the development of the market for enterprise cloud applications and services; (ix) 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; (x) adverse changes in general economic or market conditions; (xi) the regulatory, economic, and political risks associated with our domestic and international operations; (xii) the regulatory risks related to new and evolving technologies such as machine learning, artificial intelligence, and blockchain; (xiii) delays or reductions in information technology spending; and (xiv) 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 October 31, 2020, 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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	Three Months Ended January 2021
Revenues:	
Subscription services	\$ 1,006,251
Professional services	125,433
Total revenues	1,131,684
Costs and expenses (1):	
Costs of subscription services	169,246
Costs of professional services	143,798
Product development	439,095
Sales and marketing	335,249
General and administrative	117,607
Total costs and expenses	1,204,995
Operating income (loss)	(73,311)
Other income (expense), net	4,737
Loss before provision for (benefit from) income taxes	(68,574)
Provision for (benefit from) income taxes	3,133
Net loss	\$ (71,707)
Net loss per share, basic and diluted	\$ (0.30)
Weighted-average shares used to compute net loss per share, basic and diluted	240,992



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

	Three Months Ended January 2021
Costs of subscription services	\$ 17,769
Costs of professional services	27,402
Product development	126,426
Sales and marketing	51,938
General and administrative	33,579



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

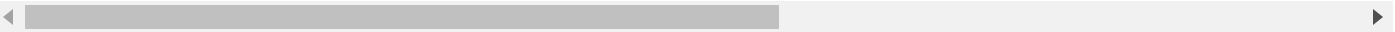
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	Three Months Ended January 31,	
	2021	2020
Cash flows from operating activities:		
Net loss	\$ (71,707)	\$ (
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	75,101	75,
Share-based compensation expenses	257,114	23,
Amortization of deferred costs	30,506	24,
Amortization of debt discount and issuance costs	12,227	14,
Non-cash lease expense	23,987	18,
Other	(20,351)	(26
Changes in operating assets and liabilities, net of business combinations:		
Trade and other receivables, net	(286,903)	(26
Deferred costs	(82,629)	(68
Prepaid expenses and other assets	15,379	(18
Accounts payable	5,837	15,
Accrued expenses and other liabilities	27,906	(6,3
Unearned revenue	567,279	42,3
Net cash provided by (used in) operating activities	553,746	29,3
Cash flows from investing activities:		
Purchases of marketable securities	(768,641)	(36
Maturities of marketable securities	520,010	34,
Sales of marketable securities	5,348	1,0
Owned real estate projects	(793)	(3,6
Capital expenditures, excluding owned real estate projects	(48,688)	(47
Business combinations, net of cash acquired	—	(46
Purchase of other intangible assets	(2,950)	(85
Purchases of non-marketable equity and other investments	(4,264)	(8,7
Sales and maturities of non-marketable equity and other investments	1,005	—
Other	—	—
Net cash provided by (used in) investing activities	(298,973)	(54
Cash flows from financing activities:		
Proceeds from borrowings on Term Loan, net of debt discount and issuance costs	—	—
Payments on convertible senior notes	(66)	—
Payments on Term Loan	(9,375)	—
Proceeds from issuance of common stock from employee equity plans	70,506	62,
Other	(221)	(14
Net cash provided by (used in) financing activities	60,844	62,
Effect of exchange rate changes	788	(78
Net increase (decrease) in cash, cash equivalents, and restricted cash	316,405	(18
Cash, cash equivalents, and restricted cash at the beginning of period	1,071,516	916
Cash, cash equivalents, and restricted cash at the end of period	\$ 1,387,921	\$ 1,000,000

Three Months Ended January 31, 2021
(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	\$ 169,246	\$ (17,769)
Costs of professional services	143,798	(27,402)
Product development	439,095	(126,426)
Sales and marketing	335,249	(51,938)
General and administrative	117,607	(33,579)
Operating income (loss)	(73,311)	257,114
Operating margin	(6.5)%	22.7 %
Other income (expense), net	4,737	—
Income (loss) before provision for (benefit from) income taxes	(68,574)	257,114
Provision for (benefit from) income taxes	3,133	—
Net income (loss)	\$ (71,707)	\$ 257,114
Net income (loss) per share (1)	\$ (0.30)	\$ 1.07



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- (1) GAAP net loss per share is calculated based upon 240,992 basic and diluted weighted-average shares of common stock. Non-GAAP net loss per share is calculated based upon 240,992 basic and diluted weighted-average shares of common stock.
- (2) Other operating expenses include amortization of acquisition-related intangible assets of \$14.0 million and total employer payroll tax expense of \$1.0 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 with our GAAP income tax provision. Included in this is a dilution impact of \$0.03 from the conversion of basic and diluted net loss per share to diluted net income per share.



Workday, Inc.
Reconciliation of GAAP to Non-GAAP Data
Three Months Ended January 31, 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	\$ 132,578	\$ (13,869)
Costs of professional services	152,197	(23,011)
Product development	422,211	(118,978)
Sales and marketing	306,618	(48,072)
General and administrative	108,792	(30,492)
Operating income (loss)	(146,097)	234,422
Operating margin	(15.0)%	24.0 %
Other income (expense), net	16,884	—
Income (loss) before provision for (benefit from) income taxes	(129,213)	234,422
Provision for (benefit from) income taxes	(1,255)	—
Net income (loss)	\$ (127,958)	\$ 234,422
Net income (loss) per share (1)	\$ (0.56)	\$ 1.02

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- (1) GAAP net loss per share is calculated based upon 230,491 basic and diluted weighted-average shares of common stock. Non-GAAP net loss per share is calculated based upon 230,491 basic and diluted weighted-average shares of common stock.
- (2) Other operating expenses include amortization of acquisition-related intangible assets of \$17.0 million and total employer payroll tax expense of \$1.0 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 \$0.03 from the conversion of basic and diluted net loss per share to diluted net income per share.

Workday, Inc.
Reconciliation of GAAP to Non-GAAP Data
Year Ended January 31, 2021
(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	\$ 611,912	\$ (63,253)
Costs of professional services	586,220	(101,869)
Product development	1,721,222	(505,376)
Sales and marketing	1,233,173	(202,819)
General and administrative	414,068	(131,537)
Operating income (loss)	(248,599)	1,004,854
Operating margin	(5.8)%	23.3 %
Other income (expense), net	(26,535)	—
Income (loss) before provision for (benefit from) income taxes	(275,134)	1,004,854
Provision for (benefit from) income taxes	7,297	—
Net income (loss)	\$ (282,431)	\$ 1,004,854
Net income (loss) per share (1)	\$ (1.19)	\$ 4.24

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- (1) GAAP net loss per share is calculated based upon 237,019 basic and diluted weighted-average shares of common stock. Non-GAAP net loss per share is calculated based upon 237,019 basic and diluted weighted-average shares of common stock.
- (2) Other operating expenses include amortization of acquisition-related intangible assets of \$59.8 million and total employer payroll tax expense of \$10.1 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 with GAAP. The fixed long-term projected tax rate is 19%. Included in the per share amount is a dilution impact of \$0.12 from the conversion of basic and diluted net loss per share to diluted net loss per share.

Workday, Inc.

Reconciliation of GAAP to Non-GAAP Data

Year Ended January 31, 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	\$ 488,513	\$ (49,919)
Costs of professional services	576,745	(80,401)
Product development	1,549,906	(434,188)
Sales and marketing	1,146,548	(176,758)
General and administrative	367,724	(118,614)
Operating income (loss)	(502,230)	859,880
Operating margin	(13.8) %	23.7 %
Other income (expense), net	19,783	—
Income (loss) before provision for (benefit from) income taxes	(482,447)	859,880
Provision for (benefit from) income taxes	(1,773)	—
Net income (loss)	\$ (480,674)	\$ 859,880
Net income (loss) per share (1)	\$ (2.12)	\$ 3.78

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- (1) GAAP net loss per share is calculated based upon 227,185 basic and diluted weighted-average shares of common stock. Non-GAAP net loss per share is calculated based upon 227,185 basic and diluted weighted-average shares of common stock. Non-GAAP net loss per share is calculated based upon 227,185 basic and diluted weighted-average shares of common stock.
 - (2) Other operating expenses include amortization of acquisition-related intangible assets of \$71.8 million and total employer payroll tax expense of \$10.1 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 with GAAP. The non-GAAP income tax provision per share amount is a dilution impact of \$0.15 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. Under GAAP, we are 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 are 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 are excluded from management's assessment of our operating performance because management believes that these non-cash expenses are not indicative of ongoing operating performance. Management believes that the exclusion of the non-cash interest expense provides investors an enhanced view of Workday's operational performance.
- 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 2021 and 2022, 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.

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