



NEWS RELEASE

Workday Announces Fourth Quarter and Full Year Fiscal 2020 Financial Results

2020-02-27

Fourth Quarter Total Revenues of \$976.3 Million, Up 23.8% Year Over Year Subscription Revenue of \$839.7 Million, Up 24.7% Year Over Year Subscription Revenue Backlog of \$8.29 Billion, Up 23.0% Year Over Year

PLEASANTON, Calif., Feb. 27, 2020 (GLOBE NEWSWIRE) -- [Workday, Inc.](#) (NASDAQ: WDAY), a leader in enterprise cloud applications for [finance](#) and [human resources](#), today announced results for the fourth quarter and full fiscal year ended January 31, 2020.

Fourth Quarter Fiscal 2020 Results

- Total revenues were \$976.3 million, an increase of 23.8% from the fourth quarter of fiscal 2019. Subscription revenues were \$839.7 million, an increase of 24.7% from the same period last year.
- Operating loss was \$146.1 million, or negative 15.0% of revenues, compared to an operating loss of \$120.3 million, or negative 15.3% of revenues, in the same period last year. Non-GAAP operating income for the fourth quarter was \$116.6 million, or 11.9% of revenues, compared to a non-GAAP operating income of \$92.7 million, or 11.8% of revenues, in the same period last year.¹
- Net loss per basic and diluted share was \$0.56, compared to a net loss per basic and diluted share of \$0.47 in the fourth quarter of fiscal 2019. Non-GAAP net income per diluted share was \$0.50, compared to a non-GAAP net income per diluted share of \$0.41 in the same period last year.²

Full Year Fiscal 2020 Results

- Total revenues were \$3.63 billion, an increase of 28.5% from fiscal 2019. Subscription revenues were \$3.10 billion, an increase of 29.8% from the prior year.
- Operating loss was \$502.2 million, or negative 13.8% of revenues, compared to an operating loss of \$463.3 million, or negative 16.4% of revenues, in fiscal 2019. Non-GAAP operating income was \$484.5 million, or 13.4% of revenues, compared to a non-GAAP operating income of \$291.3 million, or 10.3% of revenues, in the prior year.¹
- Net loss per basic and diluted share was \$2.12, compared to a net loss per basic and diluted share of \$1.93 in fiscal 2019. Non-GAAP net income per diluted share was \$1.88, compared to a non-GAAP net income per diluted share of \$1.36 last year.²
- Operating cash flows were \$864.6 million compared to \$606.7 million in the prior year.
- Cash, cash equivalents, and marketable securities were \$1.94 billion as of January 31, 2020. Unearned revenues were \$2.31 billion, a 18.5% increase from the same period last year.

Comments on the News

“We ended the fiscal year with significant momentum, including a record quarter for our financial management applications, great progress with our analytics and planning applications, and an excellent initial quarter with Scout RFP. Our industry leading HCM solutions also continue to see strong adoption with 45 percent of the Fortune 500 and 60 percent of the Fortune 50 having selected Workday,” said Aneel Bhusri, co-founder and CEO, Workday. “We believe our relentless focus on creating great experiences for our employees and customers drives our success and leads so many of the world’s leading organizations to trust their business with Workday.”

“Our fourth quarter capped a strong year driven by solid execution across the company,” said Robynne Sisco, co-president and chief financial officer, Workday. “We enter the year with considerable momentum, and we see significant opportunity ahead to support both our near- and long-term growth ambitions. We are raising our fiscal 2021 subscription revenue outlook to a range of \$3.755 billion to \$3.770 billion. We expect first quarter subscription revenue to be \$873.0 million to \$875.0 million.”

Recent Highlights

- In the U.S., Workday was ranked #5 on the [100 Best Companies to Work For](#) list by Fortune and Great Place to Work (GPTW) Institute. This is the third year that Workday has been ranked in the top 10 and the sixth consecutive year it has been on the list.

- To help further maximize innovation and help customers reach their aspirations, Workday announced that [Sayan Chakraborty](#) has been promoted to executive vice president, Technology, and [Pete Schlampp](#) has been promoted to executive vice president, Product Development. Together, they will lead Workday's Products and Technology organizations.
- Workday [completed](#) the acquisition of Scout RFP, with the company now operating as Scout RFP, a Workday company.
- Workday Human Capital Management (HCM) was named a January 2020 Gartner Peer Insights Customers' Choice for [Cloud HCM Suites for 1,000+ Employee Enterprises](#). In addition, Adaptive Insights, a Workday company, was named a November 2019 Gartner Peer Insights Customers' Choice for [Cloud Financial Planning and Analysis \(FP&A\) solutions](#).
- Workday was [honored](#), for the third year in a row, by KLAS Research as Best in KLAS in enterprise resource planning (ERP) for Workday Financial Management, Workday Human Capital Management, and Workday Supply Chain Management solutions for healthcare. Workday was also recognized as a Category Leader in Talent Management.

Earnings Call Details

Workday plans to host a conference call today to review its fourth quarter and full year fiscal 2020 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.

1 Non-GAAP operating income excludes share-based compensation expenses, employer payroll tax-related items on employee stock transactions, and amortization expense for acquisition-related intangible assets. See the section titled "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 transactions, amortization expense for acquisition-related intangible assets, non-cash interest expense related to our convertible senior notes, and income tax effects. See the section titled "About Non-GAAP Financial Measures" in the accompanying financial tables for further details.

Required Disclaimers

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About Workday

Workday is a leading provider of enterprise cloud applications for **finance** and **human resources**. Founded in 2005, Workday delivers financial management, human capital management, planning, and analytics applications designed for the world's largest companies, educational institutions, and government agencies. Organizations ranging from medium-sized businesses to Fortune 50 enterprises have selected Workday.

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 first quarter and full year fiscal 2021 subscription revenue outlook, as well as Workday's opportunities and growth. The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," "seek," "plans," "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) risks related to our ability to successfully integrate Scout RFP's operations or failure to achieve the expected benefits of this or any other acquisition; (ii) our ability to implement our plans, objectives, and other expectations with respect to the Scout RFP business or that of any other acquired company; (iii) 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; (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 quarter ended October 31, 2019, 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.

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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

Current portion of convertible senior notes, net

Total current liabilities

Convertible senior notes, net

Unearned revenue, noncurrent

Operating lease liabilities, noncurrent

Other liabilities

Total liabilities

Stockholders' equity:

Common stock

Additional paid-in capital

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 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



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

Purchase of other intangible assets

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

Payments on convertible senior notes

Proceeds from issuance of common stock from employee equity plans

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



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		Other Opera Expens
Costs and expenses:					
Costs of subscription services	\$ 132,578		\$ (13,869)		\$ (8,33)
Costs of professional services	152,197		(23,011)		(1,179)
Product development	422,211		(118,978)		(7,253)
Sales and marketing	306,618		(48,072)		(9,671)
General and administrative	108,792		(30,492)		(1,820)
Operating income (loss)	(146,097)		234,422		28,257
Operating margin	(15.0)	%	24.0	%	2.9
Other income (expense), net	16,884		—		—
Income (loss) before provision for (benefit from) income taxes	(129,213)		234,422		28,257
Provision for (benefit from) income taxes	(1,255)		—		—
Net income (loss)	\$ (127,958)		\$ 234,422		\$ 28,2
Net income (loss) per share (1)	\$ (0.56)		\$ 0.99		\$ 0.12



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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-common stock.
- (2) Other operating expenses include amortization of acquisition-related intangible assets of \$17.0 million and total employer pa
- (3) We utilize a fixed long-term projected tax rate in our computation of the non-GAAP income tax provision to provide better co rate to be 17%.



Reconciliation of GAAP to Non-GAAP Data
 Three Months Ended January 31, 2019
 (in thousands, except percentages and per share data)
 (unaudited)

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	GAAP		Share-Based Compensation Expenses		Other Opera Expens
Costs and expenses:					
Costs of subscription services	\$ 108,799		\$ (10,151)		\$ (11,7
Costs of professional services	124,949		(16,523)		(938)
Product development	337,405		(90,707)		(5,391)
Sales and marketing	249,954		(39,111)		(8,389)
General and administrative	87,804		(28,280)		(1,764)
Operating income (loss)	(120,283)		184,772		28,207
Operating margin	(15.3)	%	23.5	%	3.6
Other income (expense), net	15,150		—		—
Income (loss) before provision for (benefit from) income taxes	(105,133)		184,772		28,207
Provision for (benefit from) income taxes	(772)		—		—
Net income (loss)	\$ (104,361)		\$ 184,772		\$ 28,2
Net income (loss) per share (1)	\$ (0.47)		\$ 0.80		\$ 0.13

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- (1) GAAP net loss per share is calculated based upon 220,351 basic and diluted weighted-average shares of common stock. Non-common stock.
- (2) Other operating expenses include amortization of acquisition-related intangible assets of \$19.3 million and total employer pa
- (3) We utilize a fixed long-term projected tax rate in our computation of the non-GAAP income tax provision to provide better co

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		Other Opera Expen
Costs and expenses:					
Costs of subscription services	\$ 488,513		\$ (49,919)		\$ (40,3
Costs of professional services	576,745		(80,401)		(6,440)
Product development	1,549,906		(434,188)		(30,684
Sales and marketing	1,146,548		(176,758)		(40,774
General and administrative	367,724		(118,614)		(8,592)
Operating income (loss)	(502,230)		859,880		126,810
Operating margin	(13.8)	%	23.7	%	3.5
Other income (expense), net	19,783		—		—
Income (loss) before provision for (benefit from) income taxes	(482,447)		859,880		126,810
Provision for (benefit from) income taxes	(1,773)		—		—
Net income (loss)	\$ (480,674)		\$ 859,880		\$ 126,810
Net income (loss) per share (1)	\$ (2.12)		\$ 3.63		\$ 0.56

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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-common stock.
- (2) Other operating expenses include amortization of acquisition-related intangible assets of \$71.8 million and total employer paid
- (3) We utilize a fixed long-term projected tax rate in our computation of the non-GAAP income tax provision to provide better comparability to be 17%.

Workday, Inc.
Reconciliation of GAAP to Non-GAAP Data
Year Ended January 31, 2019
(in thousands, except percentages and per share data)
(unaudited)

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	GAAP		Share-Based Compensation Expenses		Other Operating Expenses
Costs and expenses:					
Costs of subscription services	\$ 379,877		\$ (36,754)		\$ (31,123)
Costs of professional services	455,073		(55,535)		(3,653)
Product development	1,211,832		(320,876)		(21,230)
Sales and marketing	891,345		(132,810)		(19,725)
General and administrative	347,337		(127,443)		(5,120)
Operating income (loss)	(463,284)		673,418		81,123
Operating margin	(16.4)	%	23.8	%	2.9
Other income (expense), net	39,532		—		—
Income (loss) before provision for (benefit from) income taxes	(423,752)		673,418		81,123
Provision for (benefit from) income taxes	(5,494)		—		—
Net income (loss)	\$ (418,258)		\$ 673,418		\$ 81,123
Net income (loss) per share (1)	\$ (1.93)		\$ 2.97		\$ 0.37

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- (1) GAAP net loss per share is calculated based upon 216,789 basic and diluted weighted-average shares of common stock. Non-common stock.
- (2) Other operating expenses include amortization of acquisition-related intangible assets of \$49.1 million and total employer paid
- (3) We utilize a fixed long-term projected tax rate in our computation of the non-GAAP income tax provision to provide better co

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 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 2020, we have determined the projected non-GAAP tax rate to be 17%. For fiscal 2021, we determine 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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