Workday Announces Fourth Quarter and Full Year Fiscal 2017 Financial Results

Fiscal Year 2017 Total Revenues of \$1.57 Billion, Up 35% Year Over Year; Subscription Revenue of \$1.29 Billion, Up 39% Year Over Year; Operating Cash Flows of \$348.7 Million for the Year; Q4 Total Revenues of \$436.7 Million, Up 35% Year Over Year; Subscription Revenue of \$365.2 Million, Up 39% Year Over Year

PLEASANTON, CA--(Marketwired - Feb 27, 2017) - Workday, Inc. (NYSE: WDAY), a leader in enterprise cloud applications for finance and human resources, today announced results for the fourth quarter and fiscal year ended January 31, 2017.

#### Fiscal Fourth Quarter Results

- Total revenues were \$436.7 million, an increase of 35% from the fourth quarter of fiscal 2016. Subscription revenue was \$365.2 million, an increase of 39% from the same period last year.
- Operating loss was \$106.2 million, or negative 24.3% of revenues, compared to an operating loss of \$73.4 million, or negative 22.7% of revenues, in the same period last year. Non-GAAP operating profit for the fourth quarter was \$8.0 million, or 1.8% of revenues, compared to a non-GAAP operating loss of \$0.8 million, or negative 0.2% of revenues, in the same period last year.1
- Net loss per basic and diluted share was \$0.52, compared to a net loss per basic and diluted share of \$0.42 in the fourth quarter of fiscal 2016. Non-GAAP net income per diluted share was \$0.07, compared to a non-GAAP net loss per basic and diluted share of \$0.01 for the same period last year.1

#### Fiscal Year 2017 Results

- Total revenues were \$1.57 billion, an increase of 35% from fiscal 2016. Subscription revenue was \$1.29 billion, an increase of 39% from the prior year.
- Operating loss was \$376.7 million, or negative 24% of revenues, compared to an operating loss of \$264.7 million, or negative 22.8% of revenues, in fiscal 2016. Non-GAAP operating profit was \$29.0 million, or 1.9% of revenues, compared to a non-GAAP operating loss of \$2.7 million, or negative 0.2% of revenues, last year.1
- Net loss per basic and diluted share was \$2.06, compared to a net loss per basic and diluted share of \$1.53 in fiscal 2016. Non-GAAP net income per diluted share was \$0.12, compared to a non-GAAP net loss per basic and diluted share of \$0.01 last year.1
- Operating cash flows were \$348.7 million and free cash flows were \$227.8 million.2
- Cash, cash equivalents and marketable securities were approximately \$2.00 billion as of January 31, 2017. Unearned revenues were \$1.23 million, a 37% increase from last year.

"In Q4, we delivered the best quarter in company history to close out a very successful fiscal 2017," said Aneel Bhusri, co-founder and CEO, Workday. "Our strong performance was driven by a combination of our industry-leading products and technology, continued high levels of customer satisfaction, and our dedicated Workday team. We believe these are the right areas of focus to achieve another great year for Workday in the year ahead."

"We finished a very strong fiscal 2017 with an excellent fourth quarter. We generated record revenues, and our subscription revenue growth accelerated in the fourth quarter," said Robynne Sisco, chief financial officer, Workday. "As we look ahead to fiscal 2018, we estimate that total revenues will be \$2.005 to \$2.025 billion or growth of 27-29%, putting us on track to be only the second true cloud company to reach this significant milestone."

### Recent Highlights

- Workday held its third annual customer conference in Europe, Workday Rising Europe, bringing together members of the Workday community for education and collaboration in Barcelona.
- Workday selected Amazon Web Services (AWS) as its preferred public cloud infrastructure provider for customer production workloads. Through this partnership,
   Workday will offer customers the option to run its full suite of applications in the public cloud.
- . Workday joined more than 100 companies in signing the White House Equal Pay Pledge as part of Workday's ongoing commitment to close the gender wage gap.

Workday plans to host a conference call today to review its fourth quarter and full year fiscal 2017 financial results and to discuss its financial outlook. The call is scheduled to begin at 2:00 p.m. PT/ 5:00 p.m. ET and can be accessed via webcast or through the Workday's Investor Relations site. The webcast will be available live, and a replay will be available following completion of the live broadcast for approximately 45 days.

Workday intends to use 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 profit (loss) and non-GAAP net income (loss) per share exclude share-based compensation expenses, employer payroll tax-related items on employee stock transactions, amortization expense for acquisition-related intangible assets, and debt discount and issuance costs associated with convertible notes. See the section titled "About Non-GAAP Financial Measures" in the accompanying financial tables for further details.

2 Free cash flows are defined as operating cash flows minus capital expenditures (excluding owned real estate projects). See the section titled "About Non-GAAP Financial Measures" in the accompanying financial tables for further details.

### About Workday

Workday is a leading provider of enterprise cloud applications for<u>finance</u> and <u>human resources</u>. Founded in 2005, Workday delivers financial management, human capital management, 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."

# Forward-Looking Statements

This press release contains forward-looking statements including, among other things, statements regarding Workday's fiscal year revenue projections. The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," "plans," 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) breaches in our security measures, unauthorized access to our customers' data or disruptions in our data center operations; (ii) our ability to manage our growth effectively; (iii) competitive factors, including but not limited to pricing pressures, industry consolidation, entry of new competitors and new applications and marketing initiatives by our competitors; (iv) the development of the market or enterprise cloud services; (v) acceptance of our applications and services by customers; (vi) adverse changes in general economic or market conditions; (vii) delays or reductions in information technology spending; (viii) our limited operating history, which makes it difficult to predict future results; and (ix) changes in sales may not be immediately reflected in our results due to

our subscription model. Further information on 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, 2016 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)

	January 31, 2017	2016
Assets	2017	2010
Current assets:		
Cash and cash equivalents	\$ 539,923	\$ 300,087
Marketable securities	1,456,822	1,669,372
Accounts receivable, net	383,908	293,407
Deferred costs	27,537	21,817
Prepaid expenses and other current assets	88,336	77,625
Total current assets	2,496,526	2,362,308
Property and equipment, net	365,877	214,158
Deferred costs, noncurrent	43,310	30,074
Acquisition-related intangible assets, net	48,787	15,491
Goodwill	158,354	50,325
Other assets	53,570	57,738
Total assets	\$ 3,166,424	\$ 2,730,094
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 26,824	\$ 19,605
Accrued expenses and other current liabilities	61,582	43,122
Accrued compensation	110,625	91,211
Unearned revenue	1,097,417	768,741
Total current liabilities	1,296,448	922,679
Convertible senior notes, net	534,423	507,476
Unearned revenue, noncurrent	135,970	130,988
Other liabilities	36,677	32,794
Total liabilities	2,003,518	1,593,937
Stockholders' equity:		
Common stock	202	193
Additional paid-in capital	2,681,200	2,247,454
Accumulated other comprehensive income	2,071	799
Accumulated deficit	(1,520,567	) (1,112,289 )
Total stockholders' equity	1,162,906	1,136,157
Total liabilities and stockholders' equity	\$ 3,166,424	\$ 2,730,094

Workday, Inc.
Condensed Consolidated Statements of Operations
(in thousands, except per share data)
(unaudited)

	Three Months Ended Januar		nuary 31,	31, Year Ended Januar				
	2017		2016	2017			2016	
Revenues:								
Subscription services	\$ 365,151		\$ 261,799		\$ 1,287,104		\$ 929,234	
Professional services	71,521		61,628		282,303		233,112	
Total revenues	436,672		323,427		1,569,407		1,162,346	
Costs and expenses(1):								
Costs of subscription services	58,165		43,009		213,389		149,869	
Costs of professional services	72,016		59,671		270,156		224,558	
Product development	191,556		131,244		680,531		469,944	
Sales and marketing	167,657		121,073		583,874		434,056	
General and administrative	53,513		41,871		198,122		148,578	
Total costs and expenses	542,907		396,868		1,946,072		1,427,005	
Operating loss	(106,235	)	(73,441	)	(376,665	)	(264,659	)
Other expense, net	(2,291	)	(6,505	)	(32,427	)	(24,242	)

Loss before provision for (benefit from) income taxes	(108,526	)	(79,946	)	(409,092	)	(288,901	)
Provision for (benefit from) income taxes	(2,961	)	1,182		(814	)	1,017	
Net loss	\$ (105,565	)	\$ (81,128	)	\$ (408,278	)	\$ (289,918	)
Net loss per share, basic and diluted	\$ (0.52	)	\$ (0.42	)	\$ (2.06	)	\$ (1.53	)
Weighted-average shares used to compute net loss per share, basic and diluted	201,530		192,485		198,214		190,016	
(1) Costs and expenses include share-based compensation as follows:								
Costs of subscription services	\$ 5,936		\$ 3,636		\$ 20,773		\$ 12,060	
Costs of professional services	8,135		5,504		26,833		19,526	
Product development	49,279		30,372		166,529		109,362	
Sales and marketing	23,786		14,709		86,229		51,617	
General and administrative	18,581		15,052		78,265		57,405	

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

Cash flows from operating activities   Cash flows from operating activities   Cash flows from operating activities   Cash flows from conceile net loss to net cash provided by (used in log activities   Cash flows from conceile net loss to net cash provided by (used in log activities   Cash flows from conceile net loss to net cash provided by (used in log activities   Cash flows from flows flo		Three Months E	nded J	anuary 31,	Year Ended January 31,				
Net loss		2017		2016		2017		2016	
Aguinemis to reconcile relicos to net cash provided by (used invisering nativities:    Depreciation and annotization   32,646   5,522   115,885   8,939   15,875	. •								
Deproacion and amontization		\$ (105,565	)	\$ (81,128	)	\$ (408,278	)	\$ (289,918	)
Share-based compensation expenses									
Amortization of debriad costs	Depreciation and amortization	32,646		25,222		115,885		85,939	
Amortization of debt discount and issuance costs         6,876         6,510         26,947         25,518           Gain on sale of cost method investment         -         -         (65         ) 3,220         )           Other         1,000         -         15,000         -           Changes in operating assets and liabilities, net of business combinations:         Security         Security         Security           Accounts receivable         (113,334         ) (122,684         ) (88,639         ) (105,264         )           Accounts receivable         (6,744         ) (33,686         ) (20,847         )         (33,899         )           Preplad expenses and other assets         (6,744         ) (33,686         ) (20,847         )         (88,369         )         (38,366         )           Accounts payable         4,256         6,383         6,336         6,368         6,244         )         (34,682         )         20,024         23,615         266,805         )           Net cash provided by (used in) poparating activities         104,472         98,491         1,917,238         221,258,41         )         (41,917,42         327,615         266,805         246,805         )         448,655         48,685         29,2761         1,	Share-based compensation expenses	105,717		69,273		372,272		249,970	
Gain on sale of cost method investment	Amortization of deferred costs	7,057		5,728		25,577		23,477	
Impairment of ost method investment	Amortization of debt discount and issuance costs	6,876		6,510		26,947		·	
Chare	Gain on sale of cost method investment					(65	)	(3,220	)
Changes in operating assets and liabilities, net of business combinations:  Accounts receivable (113,334 ) (122,684 ) (88,639 ) (105,264 ) Deferred costs (21,286 ) (14,572 ) (44,533 ) (33,899 ) ) Perpaid expenses and other assets (6,744 ) (3,368 ) (20,847 ) (23,366 ) Accounts payable (4,256 ) (3,368 ) (3,368 ) (3,368 ) (3,368 ) Accounts payable (4,256 ) (3,363 ) (3,368 ) (3,368 ) (3,368 ) Accounts payable (4,256 ) (3,363 ) (3,368 ) (3,368 ) (3,368 ) (3,368 ) Accounts payable (4,256 ) (3,368 ) (3,306 ) (3,367 ) (3,724 ) Unearmed revenue (209,761 ) 181,742   327,515   266,805 ) Accounts payable (4,268 ) (4,468	Impairment of cost method investment					15,000			
Accounts receivable	Other	(3,660	)	2,381		(1,982	)	1,047	
Deferred costs									
Prepaid expenses and other assets         (6,744         (3,386         (20,847         (28,366         )           Accounts payable         4,256         6,363         6,324         6,824           Accound expense and other liabilities         (6,652         23,024         23,367         59,724           Unearmed revenue         209,761         181,742         327,615         266,805           Net cash provided by (used in) operating activities         109,472         98,491         348,655         258,637           Cash flows from investing activities         (345,482         ) (640,419         ) (1,917,238         ) (2,125,841         )           Auditivities of marketable securities         371,536         639,995         1,986,031         1,910,1858           Sales of available-for-sale securities         41,100         4,000         133,292         102,711           Business combinations, net of cash acquired	Accounts receivable	(113,334	)	(122,684	)	(88,639	)	(105,264	)
Accounts payable	Deferred costs	(21,286	)	(14,572	)	(44,533	)	(33,899	)
Accrued expense and other liabilities	Prepaid expenses and other assets	(6,744	)	(3,368	)	(20,847	)	(28,366	)
Unearmed revenue	Accounts payable	4,256		6,363		6,336		6,824	
Net cash provided by (used in) operating activities	Accrued expense and other liabilities	(6,252	)	23,024		23,367		59,724	
Cash flows from investing activities	Unearned revenue	209,761		181,742		327,615		266,805	
Purchases of marketable securities   345,482   364,419	Net cash provided by (used in) operating activities	109,472		98,491		348,655		258,637	
Maturities of marketable securities         371,536         639,995         1,986,031         1,901,858           Sales of available-for-sale securities         41,100         4,000         133,292         102,711           Business combinations, net of cash acquired          (147,879         ) (31,436         )           Owned real estate projects         (21,518         )         (106,997         )           Capital expenditures, excluding owned real estate projects         (32,278         ) (41,985         ) (120,813         ) (133,667         )           Purchases of cost method investments         5,000          5,315         3,538           Change in restricted cash         100           5,315         3,538           Change in restricted cash         100               Other          (760         ) (296         ) (760         )           Proceeds from issuance of common stock from employee equity plans         24,812         20,560         58,079         45,656           Principal payments on capital lease obligations          (66         )         (3,193         )           Other         596         621         1,602         1,	Cash flows from investing activities								
Sales of available-for-sale securities         41,100         4,000         133,292         102,711           Business combinations, net of cash acquired           (147,879         ) (31,436         )           Owned real estate projects         (21,518         )         (106,997         ) -(133,667         )           Capital expenditures, excluding owned real estate projects         (32,278         ) (41,985         ) (120,813         ) (133,667         )           Purchases of cost method investments          (100         ) (300         ) (16,550         )           Sales and maturities of cost method investments         5,000          5,315         3,538           Change in restricted cash         100               Other          (760         ) (296         ) (760         )           Net cash provided by (used in) investing activities         18,458         (39,269         ) (168,885         ) (300,147         )           Proceeds from issuance of common stock from employee equity plans         24,812         20,560         58,079         45,656           Principal payments on capital lease obligations          (66         )         (3,193         )	Purchases of marketable securities	(345,482	)	(640,419	)	(1,917,238	)	(2,125,841	)
Business combinations, net of cash acquired	Maturities of marketable securities	371,536		639,995		1,986,031		1,901,858	
Owned real estate projects         (21,518         )          (106,997         )            Capital expenditures, excluding owned real estate projects         (32,278         )         (41,985         )         (120,813         )         (133,667         )           Purchases of cost method investments         5,000          5,315         3,538            Change in restricted cash         100          5,315         3,538            Other          (760         )         (296         )         (760         )           Net cash provided by (used in) investing activities         18,458         39,269         )         (168,885         )         (300,147         )           Cash flows from financing activities         18,458         39,269         )         (168,885         )         (300,147         )         )           Cash flows from financing activities         24,812         20,560         58,079         45,656         45,656           Principal payments on capital lease obligations          (66         )          (3,193         )         )           Other         596         621         1,602         1,646 <t< td=""><td>Sales of available-for-sale securities</td><td>41,100</td><td></td><td>4,000</td><td></td><td>133,292</td><td></td><td>102,711</td><td></td></t<>	Sales of available-for-sale securities	41,100		4,000		133,292		102,711	
Capital expenditures, excluding owned real estate projects (32,278 ) (41,985 ) (120,813 ) (133,667 ) Purchases of cost method investments (100 ) (300 ) (16,550 ) Sales and maturities of cost method investments 5,000 5,315 3,538 Change in restricted cash 100 5,315 3,538 Change in restricted cash 100	Business combinations, net of cash acquired					(147,879	)	(31,436	)
Purchases of cost method investments (100 ) (300 ) (16,550 ) Sales and maturities of cost method investments 5,000 5,315 3,538 Change in restricted cash 100	Owned real estate projects	(21,518	)			(106,997	)		
Sales and maturities of cost method investments         5,000          5,315         3,538           Change in restricted cash         100               Other          (760         ) (296         ) (760         )           Net cash provided by (used in) investing activities         18,458         (39,269         ) (168,885         ) (300,147         )           Cash flows from financing activities	Capital expenditures, excluding owned real estate projects	(32,278	)	(41,985	)	(120,813	)	(133,667	)
Change in restricted cash 100 (760 ) (296 ) (760 ) (760 ) (100 ) (	Purchases of cost method investments			(100	)	(300	)	(16,550	)
Other          (760         ) (296         ) (760         )           Net cash provided by (used in) investing activities         18,458         (39,269         ) (168,885         ) (300,147         )           Cash flows from financing activities          8          (66         )         (3,193         )           Principal payments on capital lease obligations          (66         )         (3,193         )           Other         596         621         1,602         1,646           Net cash provided by (used in) financing activities         25,408         21,115         59,681         44,109           Effect of exchange rate changes         28         (143         ) 385         (704         )           Net increase (decrease) in cash and cash equivalents         153,366         80,194         239,836         1,895           Cash and cash equivalents at the beginning of period         386,557         219,893         300,087         298,192           Cash and cash equivalents at the end of period         \$539,923         \$300,087         \$539,923         \$300,087           Supplemental cash flow data         \$1         \$1,804         \$6,484         \$6,456           Cash paid for interest         \$1,81<	Sales and maturities of cost method investments	5,000				5,315		3,538	
Net cash provided by (used in) investing activities 18,458 (39,269 ) (168,885 ) (300,147 ) Cash flows from financing activities  Proceeds from issuance of common stock from employee equity plans  Principal payments on capital lease obligations  (66 ) (3,193 )  Other  Net cash provided by (used in) financing activities 25,408 21,115 59,681 44,109  Effect of exchange rate changes 28 (143 ) 385 (704 )  Net increase (decrease) in cash and cash equivalents 153,366 80,194 239,836 1,895  Cash and cash equivalents at the beginning of period 386,557 219,893 300,087 298,192  Cash and cash equivalents at the end of period \$539,923 \$300,087 \$539,923 \$300,087  Supplemental cash flow data  Cash paid for interest \$3,191 \$3,204 \$6,484 \$6,456  Cash paid for interest 513 472 5,315 2,124  Non-cash investing and financing activities:  Vesting of early exercised stock options \$437 \$471 \$1,802 \$1,887  Purchases of property and equipment, accrued but not paid 27,696 14,052 27,696 14,052	Change in restricted cash	100							
Cash flows from financing activities  Proceeds from issuance of common stock from employee equity plans  Principal payments on capital lease obligations  (66 ) (3,193 )  Other  596 621 1,602 1,646  Net cash provided by (used in) financing activities  25,408 21,115 59,681 44,109  Effect of exchange rate changes  28 (143 ) 385 (704 )  Net increase (decrease) in cash and cash equivalents  153,366 80,194 239,836 1,895  Cash and cash equivalents at the beginning of period  386,557 219,893 300,087 298,192  Cash and cash equivalents at the end of period \$539,923 \$300,087 \$539,923 \$300,087  Supplemental cash flow data  Cash paid for interest  Cash paid for interest  Cash paid for taxes  Non-cash investing and financing activities:  Vesting of early exercised stock options  \$437 \$471 \$1,802 \$1,887  Purchases of property and equipment, accrued but not paid 27,696 14,052 27,696 14,052	Other			(760	)	(296	)	(760	)
Proceeds from issuance of common stock from employee equity plans  Principal payments on capital lease obligations	Net cash provided by (used in) investing activities	18,458		(39,269	)	(168,885	)	(300,147	)
Principal payments on capital lease obligations  (66 ) (3,193 )  Other  Net cash provided by (used in) financing activities  25,408 21,115 59,681 44,109  Effect of exchange rate changes  28 (143 ) 385 (704 )  Net increase (decrease) in cash and cash equivalents  153,366 80,194 239,836 1,895  Cash and cash equivalents at the beginning of period  386,557 219,893 300,087 298,192  Cash and cash equivalents at the end of period \$539,923 \$300,087 \$539,923 \$300,087  Supplemental cash flow data  Cash paid for interest  Cash paid for interest  Cash paid for taxes  Non-cash investing and financing activities:  Vesting of early exercised stock options  Purchases of property and equipment, accrued but not paid 27,696 14,052 27,696 14,052	Cash flows from financing activities			•	•	,	•	•	•
Principal payments on capital lease obligations (66 ) (3,193 )  Other 596 621 1,602 1,646  Net cash provided by (used in) financing activities 25,408 21,115 59,681 44,109  Effect of exchange rate changes 28 (143 ) 385 (704 )  Net increase (decrease) in cash and cash equivalents 153,366 80,194 239,836 1,895  Cash and cash equivalents at the beginning of period 386,557 219,893 300,087 298,192  Cash and cash equivalents at the end of period \$539,923 \$300,087 \$539,923 \$300,087  Supplemental cash flow data  Cash paid for interest \$3,191 \$3,204 \$6,484 \$6,456  Cash paid for taxes 513 472 5,315 2,124  Non-cash investing and financing activities:  Vesting of early exercised stock options \$437 \$471 \$1,802 \$1,887  Purchases of property and equipment, accrued but not paid 27,696 14,052 27,696 14,052	Proceeds from issuance of common stock from employee equity	04.010		00 E60		E0 070		AE CEC	
Other         596         621         1,602         1,646           Net cash provided by (used in) financing activities         25,408         21,115         59,681         44,109           Effect of exchange rate changes         28         (143         ) 385         (704         )           Net increase (decrease) in cash and cash equivalents         153,366         80,194         239,836         1,895           Cash and cash equivalents at the beginning of period         386,557         219,893         300,087         298,192           Cash and cash equivalents at the end of period         \$539,923         \$300,087         \$539,923         \$300,087           Supplemental cash flow data         Cash paid for interest         \$3,191         \$3,204         \$6,484         \$6,456           Cash paid for taxes         513         472         5,315         2,124           Non-cash investing and financing activities:         Vesting of early exercised stock options         \$437         \$471         \$1,802         \$1,887           Purchases of property and equipment, accrued but not paid         27,696         14,052         27,696         14,052	plans	24,012		20,560		56,079		45,656	
Net cash provided by (used in) financing activities       25,408       21,115       59,681       44,109         Effect of exchange rate changes       28       (143       ) 385       (704       )         Net increase (decrease) in cash and cash equivalents       153,366       80,194       239,836       1,895         Cash and cash equivalents at the beginning of period       386,557       219,893       300,087       298,192         Cash and cash equivalents at the end of period       \$539,923       \$300,087       \$539,923       \$300,087         Supplemental cash flow data       Cash paid for interest       \$3,191       \$3,204       \$6,484       \$6,456         Cash paid for taxes       513       472       5,315       2,124         Non-cash investing and financing activities:       Vesting of early exercised stock options       \$437       \$471       \$1,802       \$1,887         Purchases of property and equipment, accrued but not paid       27,696       14,052       27,696       14,052	Principal payments on capital lease obligations			(66	)			(3,193	)
Effect of exchange rate changes       28       (143       ) 385       (704       )         Net increase (decrease) in cash and cash equivalents       153,366       80,194       239,836       1,895         Cash and cash equivalents at the beginning of period       386,557       219,893       300,087       298,192         Cash and cash equivalents at the end of period       \$539,923       \$300,087       \$539,923       \$300,087         Supplemental cash flow data       Cash paid for interest       \$53,191       \$3,204       \$6,484       \$6,456         Cash paid for taxes       513       472       5,315       2,124         Non-cash investing and financing activities:       Vesting of early exercised stock options       \$437       \$471       \$1,802       \$1,887         Purchases of property and equipment, accrued but not paid       27,696       14,052       27,696       14,052	Other	596		621		1,602		1,646	
Net increase (decrease) in cash and cash equivalents       153,366       80,194       239,836       1,895         Cash and cash equivalents at the beginning of period       386,557       219,893       300,087       298,192         Cash and cash equivalents at the end of period       \$539,923       \$300,087       \$539,923       \$300,087         Supplemental cash flow data       Cash paid for interest       \$53,191       \$3,204       \$6,484       \$6,456         Cash paid for taxes       513       472       5,315       2,124         Non-cash investing and financing activities:       Vesting of early exercised stock options       \$437       \$471       \$1,802       \$1,887         Purchases of property and equipment, accrued but not paid       27,696       14,052       27,696       14,052	Net cash provided by (used in) financing activities	25,408		21,115		59,681		44,109	
Cash and cash equivalents at the beginning of period       386,557       219,893       300,087       298,192         Cash and cash equivalents at the end of period       \$539,923       \$300,087       \$539,923       \$300,087         Supplemental cash flow data       Cash paid for interest       \$3,191       \$3,204       \$6,484       \$6,456         Cash paid for taxes       513       472       5,315       2,124         Non-cash investing and financing activities:       Vesting of early exercised stock options       \$437       \$471       \$1,802       \$1,887         Purchases of property and equipment, accrued but not paid       27,696       14,052       27,696       14,052	Effect of exchange rate changes	28		(143	)	385		(704	)
Cash and cash equivalents at the end of period       \$ 539,923       \$ 300,087       \$ 539,923       \$ 300,087         Supplemental cash flow data       Cash paid for interest       \$ 3,191       \$ 3,204       \$ 6,484       \$ 6,456         Cash paid for taxes       5,315       2,124         Non-cash investing and financing activities:       Vesting of early exercised stock options       \$ 437       \$ 471       \$ 1,802       \$ 1,887         Purchases of property and equipment, accrued but not paid       27,696       14,052       27,696       14,052	Net increase (decrease) in cash and cash equivalents	153,366		80,194		239,836		1,895	
Supplemental cash flow data         Cash paid for interest       \$ 3,191       \$ 3,204       \$ 6,484       \$ 6,456         Cash paid for taxes       513       472       5,315       2,124         Non-cash investing and financing activities:       Vesting of early exercised stock options       \$ 437       \$ 471       \$ 1,802       \$ 1,887         Purchases of property and equipment, accrued but not paid       27,696       14,052       27,696       14,052	Cash and cash equivalents at the beginning of period	386,557		219,893		300,087		298,192	
Cash paid for interest       \$ 3,191       \$ 3,204       \$ 6,484       \$ 6,456         Cash paid for taxes       513       472       5,315       2,124         Non-cash investing and financing activities:         Vesting of early exercised stock options       \$ 437       \$ 471       \$ 1,802       \$ 1,887         Purchases of property and equipment, accrued but not paid       27,696       14,052       27,696       14,052	Cash and cash equivalents at the end of period	\$ 539,923		\$ 300,087		\$ 539,923		\$ 300,087	
Cash paid for taxes 513 472 5,315 2,124  Non-cash investing and financing activities:  Vesting of early exercised stock options \$437 \$471 \$1,802 \$1,887  Purchases of property and equipment, accrued but not paid 27,696 14,052 27,696 14,052	Supplemental cash flow data								
Non-cash investing and financing activities:  Vesting of early exercised stock options  Purchases of property and equipment, accrued but not paid  27,696  14,052  \$ 1,802  \$ 1,887  14,052	Cash paid for interest	\$ 3,191		\$ 3,204		\$ 6,484		\$ 6,456	
Vesting of early exercised stock options\$ 437\$ 471\$ 1,802\$ 1,887Purchases of property and equipment, accrued but not paid27,69614,05227,69614,052	Cash paid for taxes	513		472		5,315		2,124	
Purchases of property and equipment, accrued but not paid 27,696 14,052 27,696 14,052	Non-cash investing and financing activities:								
	Vesting of early exercised stock options	\$ 437		\$ 471		\$ 1,802		\$ 1,887	
Non-cash additions to property and equipment 1,112 765 2,094 7,256	Purchases of property and equipment, accrued but not paid	27,696		14,052		27,696		14,052	
	Non-cash additions to property and equipment	1,112		765		2,094		7,256	

Workday, Inc.
Reconciliation of GAAP to Non-GAAP Data
Three Months Ended January 31, 2017
(in thousands, except per share data)
(unaudited)

GAAP		Share-Based Compensation E	xpenses	Other Operating Expenses (2)		Amortization of Debt Discount and Issuance Costs		Non-GAAP	
\$ 58,165		\$ (5,936	)	\$ (160	)	\$		\$ 52,069	
72,016		(8,135	)	(312	)			63,569	
191,556		(49,279	)	(6,381	)			135,896	
167,657		(23,786	)	(858)	)			143,013	
53,513		(18,581	)	(853	)			34,079	
(106,235	)	105,717		8,564				8,046	
(24.3	)%	24.2	%	1.9	%		%	1.8	%
(2,291	)					6,876		4,585	
(108,526	)	105,717		8,564		6,876		12,631	
(2,961	)							(2,961	)
\$ (105,565	)	\$ 105,717		\$ 8,564		\$ 6,876		\$ 15,592	
\$ (0.52	)	\$ 0.52		\$ 0.04		\$ 0.03		\$ 0.07	
	\$ 58,165 72,016 191,556 167,657 53,513 (106,235 (24.3 (2,291 (108,526 (2,961 \$ (105,565	\$ 58,165 72,016 191,556 167,657 53,513 (106,235 ) (24.3 )% (2,291 ) (108,526 ) (2,961 ) \$ (105,565 )	\$ 58,165 \$ (5,936) 72,016 (8,135) 191,556 (49,279) 167,657 (23,786) 53,513 (18,581) (106,235) 105,717 (24.3) 24.2 (2,291) (108,526) 105,717 (2,961) \$ (105,565) \$ 105,717	\$ 58,165 \$ (5,936 )  72,016 (8,135 ) 191,556 (49,279 ) 167,657 (23,786 ) 53,513 (18,581 ) (106,235 ) 105,717 (24.3 )% 24.2 % (2,291 ) (108,526 ) 105,717 (2,961 ) \$ (105,565 ) \$ 105,717	GAAP       Share-Based Compensation Expenses       Operating Expenses (2)         \$ 58,165       \$ (5,936)       ) \$ (160)         72,016       (8,135)       ) (312)         191,556       (49,279)       ) (6,381)         167,657       (23,786)       ) (858)         53,513       (18,581)       ) (853)         (106,235)       ) 105,717       8,564         (24.3)       )%       24.2       %       1.9         (2,291)       )           (108,526)       ) 105,717       8,564         (2,961)       )          \$ (105,565)       ) \$ 105,717       \$ 8,564	Share-Based Compensation Expenses Operating Expenses (2)  \$ 58,165	GAAP       Share-Based Compensation Expenses       Other Operating Expenses (2)       of Debt Discount and Issuance Costs         \$ 58,165       \$ (5,936)       \$ (160)       \$         72,016       (8,135)       (312)          191,556       (49,279)       (6,381)          167,657       (23,786)       (858)          53,513       (18,581)       (853)          (106,235)       105,717       8,564          (24.3)       )%       24.2       %       1.9       %          (2,291)         6,876         (108,526)       105,717       8,564       6,876         (2,961)            \$ (105,565)       \$ 105,717       \$ 8,564       \$ 6,876	GAAP       Share-Based Compensation Expenses       Other Operating Expenses (2)       of Debt Discount and Issuance Costs         \$ 58,165       \$ (5,936       )       \$ (160       )       \$         72,016       (8,135       )       (312       )          191,556       (49,279       )       (6,381       )          167,657       (23,786       )       (858       )          53,513       (18,581       )       (853       )          (106,235       )       105,717       8,564        %         (2,291       )         6,876         (108,526       )       105,717       8,564       6,876         (2,961       )            \$ (105,565       )       \$ 105,717       \$ 8,564       \$ 6,876	GAAP         Share-Based Compensation Expenses         Other Operating Expenses (2)         of Debt Discount and Issuance Costs         Non-GAAP           \$ 58,165         \$ (5,936)         \$ (160)         \$         \$ 52,069           72,016         (8,135)         (312)          63,569           191,556         (49,279)         (6,381)          135,896           167,657         (23,786)         (858)          143,013           53,513         (18,581)         (853)          34,079           (106,235)         )         105,717         8,564          8,046           (24.3)         )%         24.2         %         1.9         %          %         1.8           (2,291)         )           6,876         4,585           (108,526)         )         105,717         8,564         6,876         12,631           (2,961)         )            (2,961           \$ (105,565)         )         \$ 105,717         \$ 8,564         \$ 6,876         \$ 15,592

- (1) GAAP net loss per share calculated based upon 201,530 basic and diluted weighted-average shares of common stock. Non-GAAP net income per share calculated based upon 210,846 diluted weighted-average shares of common stock.
- (2) Other operating expenses include total employer payroll tax-related items on employee stock transactions of \$3.5 million, and amortization of acquisition-related intangible assets of \$5.1 million recorded as part of product development and sales and marketing expenses.

Workday, Inc.
Reconciliation of GAAP to Non-GAAP Data
Three Months Ended January 31, 2016
(in thousands, except per share data)
(unaudited)

	GAAP		Share-Based Compensation		Other Operating Expenses (2)		Amortization of Debt Discount and Issuance Costs		Non-GAAP	
Costs and expenses:										
Costs of subscription services	\$ 43,009		\$ (3,636	)	\$ (88	)	\$		\$ 39,285	
Costs of professional services	59,671		(5,504	)	(137	)			54,030	
Product development	131,244		(30,372	)	(2,226	)			98,646	
Sales and marketing	121,073		(14,709	)	(328	)			106,036	
General and administrative	41,871		(15,052	)	(596	)			26,223	
Operating income (loss)	(73,441	)	69,273		3,375				(793	)
Operating margin	(22.7	)%	21.5	%	1.0	%		%	(0.2	)%
Other income (expense), net	(6,505	)					6,510		5	
Income (loss) before provision for (benefit from) income taxes	(79,946	)	69,273		3,375		6,510		(788	)
Provision for (benefit from) income taxes	1,182								1,182	
Net income (loss)	\$ (81,128	)	\$ 69,273		\$ 3,375		\$ 6,510		\$ (1,970	)
Net income (loss) per share (1)	\$ (0.42	)	\$ 0.36		\$ 0.02		\$ 0.03		\$ (0.01	)

- (1) Calculated based upon 192,485 basic and diluted weighted-average shares of common stock.
- Other operating expenses include total employer payroll tax-related items on employee stock transactions of \$2.0 million, and amortization of acquisition-related intangible assets of \$1.4 million recorded as part of product development expenses.

Workday, Inc.
Reconciliation of GAAP to Non-GAAP Data
Year Ended January 31, 2017
(in thousands, except per share data)
(unaudited)

	GAAP	Share-Based Compensation		Other Operating Expenses (2)		Amortization of Debt Discount and Issuance Costs	Non-GAAP
Costs and expenses: Costs of subscription services	\$ 213,389	\$ (20,773	)	\$ (730	)	\$	\$ 191,886

Costs of professional services	270,156		(26,833	)	(1,199	)			242,124	
Product development	680,531		(166,529	)	(18,533	)			495,469	
Sales and marketing	583,874		(86,229	)	(3,316	)			494,329	
General and administrative	198,122		(78,265	)	(3,302	)			116,555	
Operating income (loss)	(376,665	)	378,629		27,080				29,044	
Operating margin	(24.0	)%	24.1	%	1.8	%		%	1.9	%
Other income (expense), net	(32,427	)					26,947		(5,480	)
Income (loss) before provision for (benefit from) income taxes	(409,092	)	378,629		27,080		26,947		23,564	
Provision for (benefit from) income taxes	(814	)							(814	)
Net income (loss)	\$ (408,278	)	\$ 378,629		\$ 27,080		\$ 26,947		\$ 24,378	
Net income (loss) per share (1)	\$ (2.06	)	\$ 1.91		\$ 0.14		\$ 0.13		\$ 0.12	

<sup>(1)</sup> GAAP net loss per share calculated based upon 198,214 basic and diluted weighted-average shares of common stock. Non-GAAP net income per share calculated based upon 208,453 diluted weighted-average shares of common stock.

Workday, Inc.
Reconciliation of GAAP to Non-GAAP Data
Year Ended January 31, 2016
(in thousands, except per share data)
(unaudited)

	GAAP		Share-Based Compensation		Other Operating Expenses (2)		Amortization of Debt Discount and Issuance Costs		Non-GAAP	
Costs and expenses:										
Costs of subscription services	\$ 149,869		\$ (12,060	)	\$ (414	)	\$		\$ 137,395	
Costs of professional services	224,558		(19,526	)	(768	)			204,264	
Product development	469,944		(109,362	)	(7,201	)			353,381	
Sales and marketing	434,056		(51,617	)	(1,482	)			380,957	
General and administrative	148,578		(57,405	)	(2,095	)			89,078	
Operating income (loss)	(264,659	)	249,970		11,960				(2,729	)
Operating margin	(22.8	)%	21.6	%	1.0	%		%	(0.2	)%
Other income (expense), net	(24,242	)					25,518		1,276	
Income (loss) before provision for (benefit from) income taxes	(288,901	)	249,970		11,960		25,518		(1,453	)
Provision for (benefit from) income taxes	1,017								1,017	
Net income (loss)	\$ (289,918	)	\$ 249,970		\$ 11,960		\$ 25,518		\$ (2,470	)
Net income (loss) per share (1)	\$ (1.53	)	\$ 1.32		\$ 0.06		\$ 0.14		\$ (0.01	)

<sup>(1)</sup> Calculated based upon 190,016 basic and diluted weighted-average shares of common stock.

Workday, Inc.
Reconciliation of GAAP Cash Flows from Operations to Free Cash Flows
(A Non-GAAP Financial Measure)
(in thousands)
(unaudited)

	Three Months Er	nded January 31,	Year Ended Jan	uary 31,	
	2017	2016	2017	2016	
Net cash provided by (used in) operating activities	\$ 109,472	\$ 98,491	\$ 348,655	\$ 258,637	
Capital expenditures, excluding owned real estate projects	(32,278	) (41,985	) (120,813	) (133,667	)
Free cash flows	\$ 77,194	\$ 56,506	\$ 227,842	\$ 124,970	

## 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), non-GAAP net income (loss) 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. The non-GAAP financial measures of non-GAAP operating income (loss) and non-GAAP net income (loss) per share differ from GAAP in that they exclude share-based compensation expenses, employer payroll tax-related items on employee stock transactions, amortization of acquisition-related intangible assets, and non-cash interest expense related to our convertible senior notes. Free cash flows differ from GAAP cash flows from operating activities in that it treats capital expenditures (excluding owned real estate projects) 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 and the ability of operations to generate cash. 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, as they exclude expenses that are not reflective of ongoing operating results. 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 future prospects in the same manner as management and in comparing financial results across accounting periods and to those of peer companies. Additionally, management believes information regarding free cash flows provides investors and others with an important perspective on the cash flows generated by normal recurring activities to make strategic acquisitions and investments, to fund ongoing

Other operating expenses include total employer payroll tax-related items on employee stock transactions of \$14.3 million, and amortization of acquisition-related intangible assets of \$12.7 million recorded as part of product development and sales and marketing expenses.

Other operating expenses include total employer payroll tax-related items on employee stock transactions of \$8.8 million, and amortization of acquisition-related intangible assets of \$3.2 million recorded as part of product development expenses.

operations and to fund other capital expenditures, after our owned real estate projects.

Management believes excluding the following items from the GAAP Condensed Consolidated Statement 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 in order to better understand the long-term performance of our core business and to facilitate comparison of our results to those of peer companies. For restricted stock unit awards, the amount of share-based compensation expenses is not reflective of the value ultimately received by the grant recipients. Moreover, determining the fair value of certain of the share-based instruments we utilize involves a high degree of judgment and estimation and the expense recorded may bear little resemblance to the actual value realized upon the vesting or future exercise of the related share-based awards. Unlike cash compensation, the value of stock options and shares offered under our Employee Stock Purchase Plan, which are elements of our ongoing share-based compensation expenses, is determined using a complex formula that incorporates factors, such as market volatility and forfeiture rates, that are beyond our control.
- 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. 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 the company's operational performance.

Additionally, we believe that the non-GAAP financial measure, free cash flows, is meaningful to investors because we review cash flows generated from or used in operations after deducting certain capital expenditures that are considered to be an ongoing operational component of our business. Capital expenditures deducted from cash flows from operations do not include purchases of land and buildings, and construction costs of our new development center and of other owned buildings. We exclude these owned real estate projects as they are infrequent, non-recurring in nature and distinctly separate from our ongoing business operations. This provides an enhanced view of cash available to make strategic acquisitions and investments, to fund ongoing operations and to fund other capital expenditures, after our owned real estate projects.

The use of non-GAAP operating income (loss) and non-GAAP net income (loss) per share measures has 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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https://nl-nl.newsroom.workday.com/Workday-Announces-Fourth-Quarter-and-Full-Year-Fiscal-2017-Financial-Results